



POWER FINANCIAL  
CORPORATION

# 2013 ANNUAL INFORMATION FORM

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March 28, 2014

# TABLE OF CONTENTS

<b>General Information</b>	<b>3</b>
<b>Documents Incorporated by Reference</b>	<b>3</b>
<b>Forward-Looking Information</b>	<b>4</b>
<b>Corporate Structure</b>	<b>6</b>
Incorporation	6
Intercorporate relationships	7
<b>General Development of the Business</b>	<b>9</b>
Business of Power Financial	9
Development of the business over the last three years	9
<b>Narrative Description of the Business</b>	<b>12</b>
Great-West Lifeco Inc.	12
IGM Financial Inc.	13
The Pargesa Group	13
<b>Risk Factors</b>	<b>17</b>
<b>Description of the Share Capital</b>	<b>18</b>
General	18
Common Shares	19
First Preferred Shares	19
Second Preferred Shares	23
<b>Ratings</b>	<b>24</b>
<b>Dividends</b>	<b>27</b>
<b>Market for Securities</b>	<b>28</b>
<b>Directors and Officers</b>	<b>30</b>
Directors	30
Officers other than those referred to above	31
<b>Voting Securities</b>	<b>32</b>
<b>Committees</b>	<b>33</b>
Audit Committee	33
<b>Transfer Agent and Registrar</b>	<b>36</b>
<b>Experts</b>	<b>36</b>
<b>Social Responsibility</b>	<b>36</b>
<b>Additional Information</b>	<b>36</b>
<b>Appendix A</b>	<b>37</b>
Power Financial Corporation Audit Committee Charter	37

## GENERAL INFORMATION

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

<b>Name in full</b>	<b>Abbreviation</b>
Canada Life Financial Corporation	CLFC
Frère-Bourgeois / Compagnie Nationale à Portefeuille	Frère group
Great-West Life & Annuity Insurance Company	Great-West Life & Annuity
Great-West Lifeco Inc.	Lifeco
Groupe Bruxelles Lambert	GBL
IGM Financial Inc.	IGM Financial
Investment Planning Counsel Inc.	Investment Planning Counsel
Investors Group Inc.	Investors Group
Irish Life Group Limited	Irish Life
Lafarge SA	Lafarge
London Life Insurance Company	London Life
Mackenzie Financial Corporation	Mackenzie Financial
Mackenzie Inc.	Mackenzie
Pargesa Holding SA	Pargesa
Parjointco N.V.	Parjointco
Power Corporation of Canada	Power
Power Financial Corporation	Power Financial or the Corporation
Power Financial Europe B.V.	PFE
Putnam Investments, LLC	Putnam
SGS SA	SGS
Suez Environnement Company	Suez Environnement
The Canada Life Assurance Company	Canada Life
The Great-West Life Assurance Company	Great-West Life
Total SA	Total

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

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

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

## FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Annual Information Form and its most recent Management's Discussion and Analysis, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com). The sections entitled "General" of Lifeco's Annual Information Form dated February 13, 2014 and "Forward-Looking Statements" of IGM Financial's Annual Information Form dated March 20, 2014 are incorporated herein by reference.

# CORPORATE STRUCTURE

## INCORPORATION

Power Financial Corporation — Corporation Financière Power was continued under the *Canada Business Corporations Act* (“CBCA”) on December 4, 1986. Its head and registered office is located at 751 Victoria Square, Montréal, Québec H2Y 2J3.

The Articles of the Corporation were amended as follows:

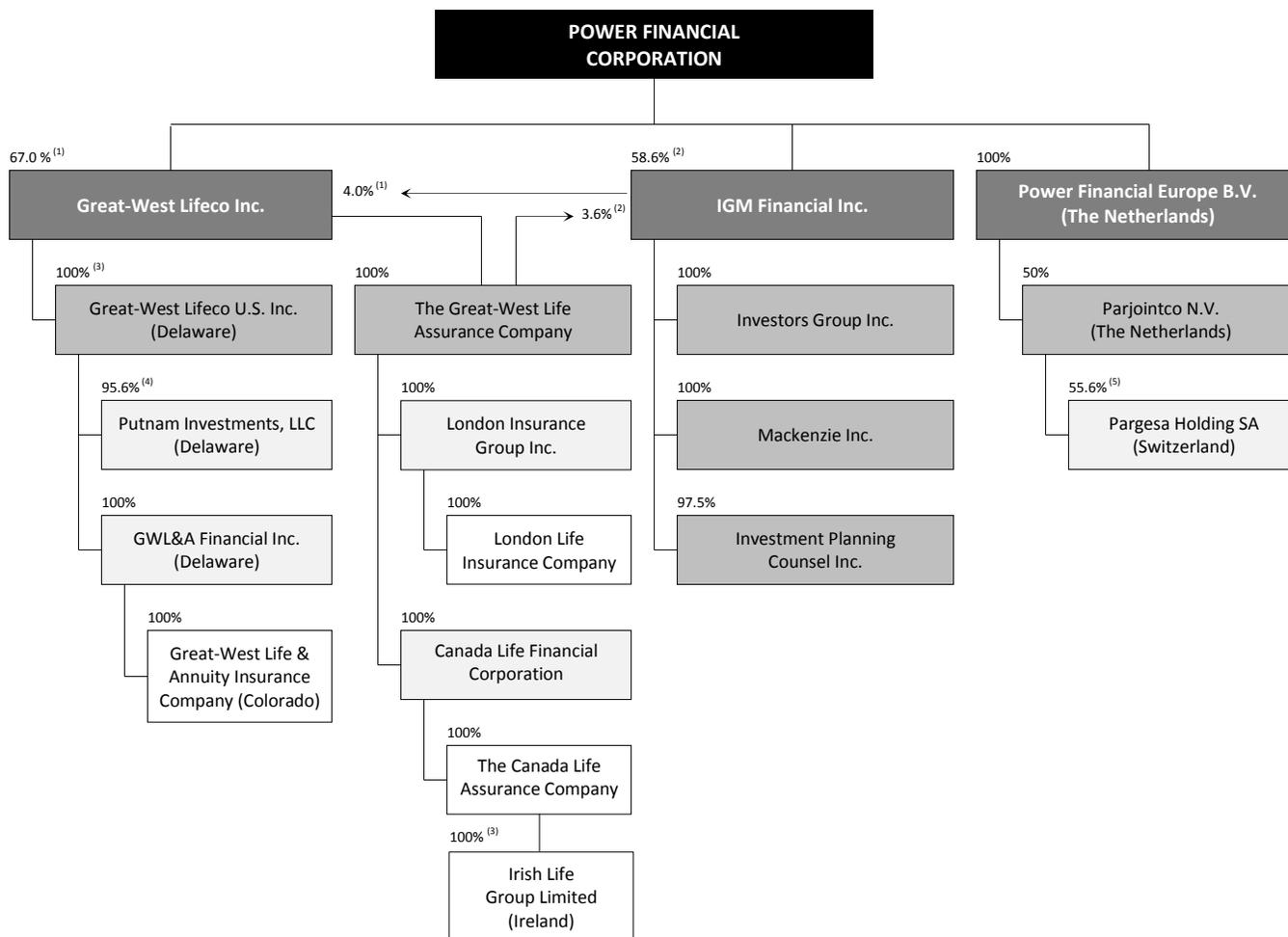
- effective August 17, 1993, to create 6,000,000 7.00 per cent Non-Cumulative First Preferred Shares, Series B (redeemed on May 30, 2003);
- effective January 10, 1997, to subdivide the Common Shares on a two-for-one basis;
- effective October 14, 1997, to create 6,000,000 5.20 per cent Non-Cumulative First Preferred Shares, Series C (redeemed on October 31, 2010);
- effective December 11, 1997, to create 6,000,000 5.50 per cent Non-Cumulative First Preferred Shares, Series D;
- effective July 9, 1998, to subdivide the Common Shares on a two-for-one basis;
- effective November 22, 2001, to create 8,000,000 5.25 per cent Non-Cumulative First Preferred Shares, Series E;
- effective July 10, 2002, to create 6,000,000 5.90 per cent Non-Cumulative First Preferred Shares, Series F;
- effective December 4, 2002, to create 6,000,000 5.75 per cent Non-Cumulative First Preferred Shares, Series H;
- effective March 7, 2003, to create 8,000,000 6.00 per cent Non-Cumulative First Preferred Shares, Series I and 6,000,000 4.70 per cent Non-Cumulative First Preferred Shares, Series J (redeemed on July 30, 2010);
- effective July 23, 2004, to subdivide the Common Shares on a two-for-one basis;
- effective September 30, 2005, to create 10,000,000 4.95 per cent Non-Cumulative First Preferred Shares, Series K;
- effective July 28, 2006, to create 8,000,000 5.10 per cent Non-Cumulative First Preferred Shares, Series L;
- effective November 25, 2008, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series M (redeemed on January 31, 2014) and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series N (none of which are outstanding);
- effective October 7, 2009, to create up to 10,000,000 5.80 per cent Non-Cumulative First Preferred Shares, Series O;
- effective May 14, 2010, to increase the maximum number of directors from 18 to 20;
- effective June 22, 2010, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series Q (none of which are outstanding);
- effective February 16, 2012, to create up to 10,000,000 5.50 per cent Non-Cumulative First Preferred Shares, Series R;
- effective February 25, 2013, to create up to 12,000,000 4.80 per cent Non-Cumulative First Preferred Shares, Series S; and

- effective December 6, 2013, to create an unlimited number of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series T and an unlimited number of Non-Cumulative Floating Rate First Preferred Shares, Series U (none of which are outstanding).

## INTERCORPORATE RELATIONSHIPS

The chart on the following page summarizes Power Financial's corporate structure as at December 31, 2013, including interests in its material and certain other subsidiaries and investee companies. The chart sets forth the jurisdiction of incorporation (unless otherwise indicated, all companies were incorporated in Canada) and the approximate percentages of participating equity securities beneficially owned, or over which control or direction is exercised, directly or indirectly, by Power Financial (unless otherwise indicated, such percentages also represent the approximate percentages of votes attached to voting securities beneficially owned, or over which control or direction is exercised, directly or indirectly, by Power Financial) as at that date.

The sections entitled "Corporate Structure" of Lifeco's Annual Information Form dated February 13, 2014 and "General" of IGM Financial's Annual Information Form dated March 20, 2014 are incorporated herein by reference.



(1) 53.8 per cent of the participating equity securities of Lifeco are owned by the Corporation, 2.9 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of the Corporation, 7.3 per cent are owned by 3439453 Canada Inc., a wholly owned subsidiary of the Corporation, and 3.0 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of the Corporation. In addition, IGM Financial, a subsidiary of the Corporation, owns 4.0 per cent of the participating equity securities of Lifeco. Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 65.0 per cent of the votes attached to all voting securities of Lifeco.

(2) 55.6 per cent of the participating equity securities of IGM Financial are owned by the Corporation, 2.2 per cent are owned by 3411893 Canada Inc., a wholly owned subsidiary of the Corporation, and 0.8 per cent are owned by 4400003 Canada Inc., a wholly owned subsidiary of the Corporation. In addition, Great-West Life, a subsidiary of the Corporation, owns 3.6 per cent of the participating equity securities of IGM Financial (excluding 0.1 per cent of equity securities of IGM Financial held by Great-West Life in its segregated funds or for similar purposes). Power Financial and its subsidiaries own, in the aggregate, voting securities to which are attached approximately 62.2 per cent of the votes attached to all voting securities of IGM Financial.

(3) Owned through wholly owned subsidiaries of Lifeco.

(4) 100 per cent voting interest

(5) 75.4 per cent voting interest

# GENERAL DEVELOPMENT OF THE BUSINESS

## BUSINESS OF POWER FINANCIAL

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

Power Financial owns a controlling interest in each of Lifeco and IGM Financial. These companies and their subsidiaries offer an extensive range of financial products and services to individuals and corporations in Canada, the United States and Europe. Through its wholly owned subsidiary, PFE, which in turn holds a 50 per cent interest in Parjointco, Power Financial has a significant interest in the Pargesa group.

As at December 31, 2013, Power Financial employed, directly and through subsidiaries, approximately 31,680 people in North America. As at December 31, 2013, Power Financial controlled, directly and indirectly, approximately 71.0 per cent of the outstanding common shares of Lifeco, representing approximately 65.0 per cent of the voting rights attached to all the outstanding Lifeco voting shares. At December 31, 2013, Power Financial also controlled, directly and indirectly, approximately 62.2 per cent of the outstanding common shares of IGM Financial.

## DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE YEARS

The sections entitled “General Development of the Business” of Lifeco’s Annual Information Form dated February 13, 2014 and “Development of Business Over the Last Three Years” of IGM Financial’s Annual Information Form dated March 20, 2014 are incorporated herein by reference.

### NORTH AMERICA

On September 2, 2011, Mackenzie Financial, a subsidiary of IGM Financial, announced that it had entered into an agreement with B2B Trust, a subsidiary of Laurentian Bank, under which B2B Trust would acquire 100 per cent of M.R.S. Trust Company and M.R.S. Inc., which were wholly owned subsidiaries of Mackenzie Financial. The transaction closed on November 16, 2011 for cash consideration of approximately \$199 million and repayment by B2B Trust of \$20 million of subordinated indebtedness of M.R.S. Trust Company to Mackenzie Financial.

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

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

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

On March 12, 2013, Lifeco issued 48,660,000 subscription receipts for proceeds of approximately \$1.25 billion by way of a public bought deal offering and private placements to affiliates. Wholly owned subsidiaries of Power

Financial and IGM purchased 21,410,000 subscription receipts for approximately \$550 million and 1,950,000 subscription receipts for approximately \$50 million, respectively. Each subscription receipt entitled the holder to receive one common share of Lifeco upon Lifeco's completion of its acquisition of Irish Life.

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

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

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

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

## **EUROPE**

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

On May 16, 2011, Pargesa announced that BNP Paribas had sold all of its registered shares in Pargesa to Parjointco, but had maintained its position in bearer shares. As a result of this transaction, Parjointco's equity stake in Pargesa increased from 54.1 per cent to 56.5 per cent, and its interest in voting rights increased from 62.9 per cent to 76.0 per cent. In November 2012, Parjointco sold 775,000 shares of Pargesa. As at December 31, 2013, Parjointco held a 55.6 per cent equity interest and a 75.4 per cent voting interest in Pargesa.

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

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

On December 17, 2012, Power, Power Financial and the Frère group extended the term of the agreement governing their strategic partnership in Europe to December 31, 2029, with provision for possible further extension of the agreement. The agreement is further described below in the section entitled "Narrative Description of the Business – The Pargesa Group – Background of the Pargesa Group".

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

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

GDF Suez, representing mainly the underlying shares for the €1 billion of exchangeable bonds issued in January 2013.

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

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

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

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

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

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

## NARRATIVE DESCRIPTION OF THE BUSINESS

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

### GREAT-WEST LIFECO INC.

Lifeco is an international financial services holding company with interests in the life insurance, health insurance, asset management, investment and retirement savings and reinsurance businesses. Lifeco has operations in Canada, the United States, Europe and Asia through Great-West Life, London Life, Canada Life, Great-West Life & Annuity, Putnam, Canada Life Limited and Irish Life. As at December 31, 2013, Lifeco and its subsidiaries had approximately \$758 billion in assets under administration and approximately 20,970 employees worldwide. Each of Great-West Life, London Life, CLFC and Canada Life are Canadian insurance companies governed by the *Insurance Companies Act* (Canada). Great-West Life also owned, as at December 31, 2013, approximately 9.2 million common shares (representing 3.6 per cent) of IGM Financial (excluding approximately 0.2 million common shares of IGM Financial held by Great-West Life in its segregated funds or for similar purposes).

In Canada, Great-West Life, London Life and Canada Life offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. Through their Individual Insurance business units, Great-West, London Life and Canada Life provide life, disability and critical illness insurance products to individual clients. Through their Wealth Management business units, Great-West Life, London Life and Canada Life provide accumulation products and annuity products for both group and individual clients. Through their Group Insurance business units, Great-West Life and Canada Life provide life, health, critical illness, disability and creditor insurance products to group clients.

The European segment comprises two distinct business units: Insurance & Annuities, which provides protection and wealth management products, including payout annuity products, through subsidiaries of Canada Life in the United Kingdom, Isle of Man and Germany and through Irish Life in Ireland; and Reinsurance, which operates primarily in the United States, Barbados and Ireland. Reinsurance products are provided through Canada Life, London Life and their subsidiaries.

In the United States, Great-West Life & Annuity (also doing business under the name Great-West Financial) is a leading provider of employer-sponsored retirement savings plans and of individual life insurance sold through banks. In addition to employer-sponsored defined contribution plans, Great-West Life & Annuity provides enrolment services, communication materials, investment options and education services as well as fund management, investment and advisory services. Great-West Life & Annuity also provides life insurance, annuity products and retirement accounts for individuals as well as executive benefits products. Putnam provides investment management, certain administrative functions, distribution, and retirement plan services. Putnam offers a broad range of investment products, including equity, fixed income, absolute return and alternative strategies. Individual retail investors are served through a broad network of distribution relationships with unaffiliated broker-dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam funds to their customers, which, in total, includes nearly 160,000 advisors. Institutional investors are supported by Putnam's dedicated account management, product management, and client service professionals and through strategic relationships with certain investment management firms

outside of the United States. As at December 31, 2013, Putnam had approximately \$160 billion in total assets under management.

The section entitled “Description of the Business” of Lifeco’s Annual Information Form dated February 13, 2014 is incorporated herein by reference.

## IGM FINANCIAL INC.

IGM Financial is a personal financial services company, primarily providing investment advisory and related services. Its activities are carried out principally through its subsidiaries Investors Group, Mackenzie and Investment Planning Counsel. As at December 31, 2013, IGM Financial had approximately \$132 billion in total assets under management.

As at December 31, 2013, IGM Financial owned all of the outstanding common shares of Investors Group, all of the outstanding common shares of Mackenzie, 97.5 per cent of the outstanding common shares of Investment Planning Counsel, and 39.7 million common shares (representing 4.0 per cent) of Lifeco.

Investors Group, founded in 1926, delivers personalized financial solutions to Canadians through a network of more than 4,600 consultants located throughout Canada, with approximately \$68 billion in mutual fund assets under management. In addition to an exclusive family of mutual funds and other investment vehicles, Investors Group offers a wide range of insurance, securities, mortgage products and other financial services.

Mackenzie was founded in 1967, and is an investment management firm providing investment advisory and related services. With approximately \$65 billion in total assets under management, Mackenzie distributes its products and services primarily through a diversified distribution network of third party financial advisors.

Investment Planning Counsel was founded in 1996, and is an independent distributor of financial products, services and advice in Canada, with over 900 financial advisors and over \$21 billion in client assets under administration, which includes over \$3 billion in mutual fund assets under management in Counsel Portfolio Services Inc.

The section entitled “Description of Business” of IGM Financial’s Annual Information Form dated March 20, 2014 is incorporated herein by reference.

## THE PARGESA GROUP

The information contained herein concerning Pargesa and the companies in which it has an investment has been publicly reported by Pargesa. Although Power Financial has no knowledge that would indicate that any statements contained in such information are materially incorrect, Power Financial takes no responsibility for the accuracy or completeness of such information, or for any omission by such companies to disclose facts or events which may have occurred or may affect the significance or accuracy of any such information but which are not known to Power Financial.

### **BACKGROUND OF THE PARGESA GROUP**

The Corporation’s interest in Pargesa is held through Parjointco, a holding company, as further described below. The carrying value of the Corporation’s interest in Parjointco was \$2.4 billion as at December 31, 2013.

Pargesa is organized under the laws of Switzerland. In 1981, Power participated with European partners in reorganizing the company to acquire Paribas (Suisse) S.A. of Geneva. Power, and subsequently Power Financial, participated with others in the development of Pargesa throughout the ensuing decade. The extent of this participation increased steadily and, under an agreement concluded in 1990 (the “agreement”), Power Financial now holds substantial interests in the Pargesa group with the Frère group of Charleroi, Belgium, another of the original partners in Pargesa. Pursuant to the agreement, Power Financial, through its wholly owned subsidiary

PFE, and the Frère group established a new holding company structure bringing together their respective interests in Pargesa and GBL. Each of the Power Financial group and the Frère group controls on an equal basis Parjointco, incorporated under the laws of The Netherlands. Parjointco, at December 31, 2013, in turn held a 75.4 per cent voting interest and a 55.6 per cent equity interest in Pargesa, while Pargesa held at that same date a 52.0 per cent voting and a 50.0 per cent equity interest in GBL. The agreement was intended to achieve and maintain parity between the Power group and the Frère group with respect to their control in each of Pargesa, GBL (and at that time, Parfinance S.A.) and their respective designated subsidiaries. Each group agreed not to acquire, hold or dispose of interests in any of those corporations (other than through Parjointco), either directly or indirectly, and has granted the other group a prior right, subject to certain restrictions, to acquire its interests in Pargesa and GBL upon any disposition thereof for a period of five years beginning at the termination of the agreement. The initial agreement, signed in 1990, had a term of 11 years subject to possible extensions. It requires the maintenance of the shareholding control chain. On September 24, 1996, the term of the agreement was extended to December 31, 2014 and on December 17, 2012, the term of the agreement was extended to December 31, 2029 with provision for possible further extension of the agreement.

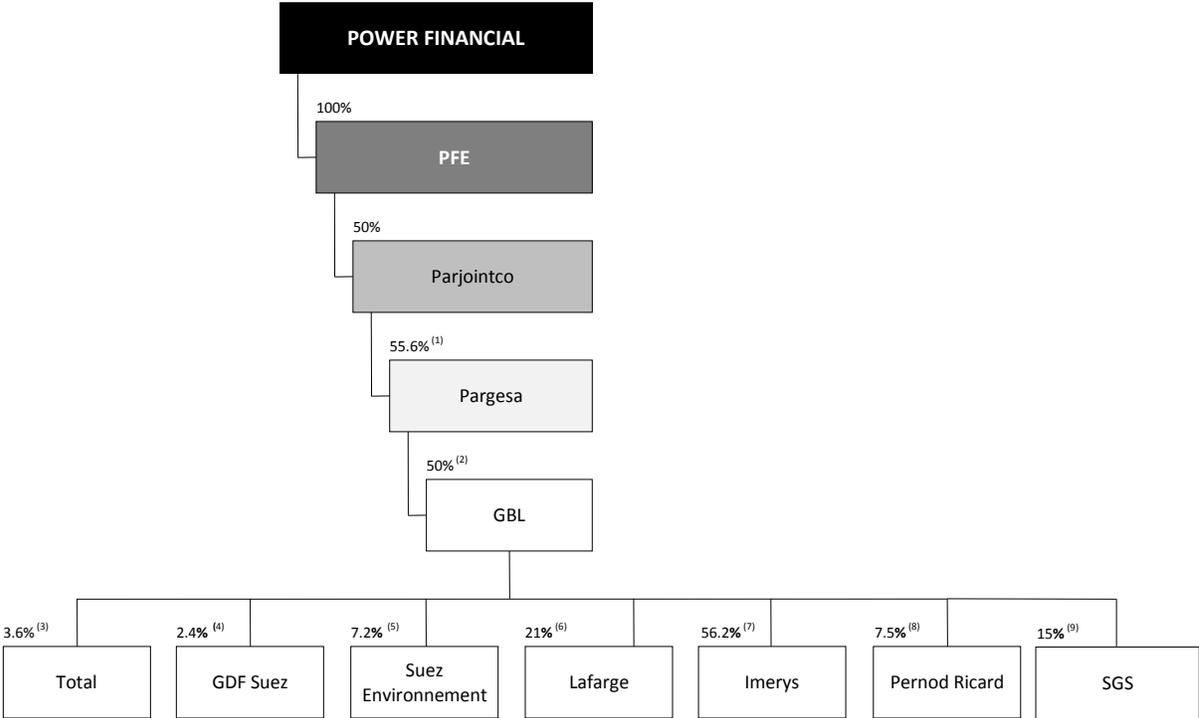
Upon the occurrence of an event of default, the groups must submit to pre-arbitration with a view of resolving the default and, if that is unsuccessful, shall proceed to arbitration. Subject to the results of such arbitration, the non-defaulting group is entitled to elect either the first or both of the following remedies: (a) the liquidation of the jointly owned holding company established to hold their respective interests in Pargesa and GBL, and termination of the agreement; and (b) the acquisition of interests in Pargesa held by the defaulting group or acquired by it on the liquidation of the jointly owned holding company, at the market price of the Pargesa voting shares at the time of the arbitrators' decision and at the issued price of any other Pargesa securities.

The Pargesa group currently holds significant interests in a limited number of large European companies. These interests are held by Pargesa's affiliated Belgian holding company, GBL, as shown on the chart on page 15. At December 31, 2013, the group share of equity of Pargesa was \$9.0 billion (SF7.5 billion)<sup>(1)</sup>. The financial information reported herein in respect of Pargesa has been extracted from Pargesa's financial statements.

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(1) Information in this section uses currency conversion rates in effect for the years ended December 31, 2013 and 2012.

The following is a simplified chart of the corporate structure of the Pargesa group and includes direct and indirect principal holdings as at December 31, 2013.



Percentages denote interests in participating equity held by subsidiaries and affiliates of Pargesa. Further details of interests are shown on page 16.

- (1) 75.4 per cent voting interest
- (2) 52.0 per cent voting interest
- (3) 3.3 per cent voting interest
- (4) 2.4 per cent voting interest
- (5) 7.2 per cent voting interest
- (6) 27.2 per cent voting interest
- (7) 71.6 per cent voting interest
- (8) 6.9 per cent voting interest
- (9) 15.0 per cent voting interest

Table of interests of the Pargesa group and Pargesa's flow-through adjusted net asset value:

As at December 31, 2013 (in millions of dollars)	Jurisdiction of Incorporation	Net Assets (Pargesa's share)	% of Pargesa's adjusted net asset value
Total	France	2,799	26
Lafarge	France	2,408	23
Imerys	France	1,986	19
SGS	Switzerland	1,438	14
Pernod Ricard	France	1,207	11
GDF Suez	France	685	6
Suez Environnement <sup>(1)</sup>	France	294	3
Other investments		523	5
Net cash and short-term assets, net of debt <sup>(2)</sup>		(805)	(7)
<b>Total portfolio</b>		<b>10,535</b>	<b>100</b>

Figures have been converted into Canadian dollars using a rate of \$1.1945 for SF1.

- (1) The disclosed value of the interest in Suez Environnement has been capped at the conversion price of the exchangeable debentures issued by GBL in September 2012, being €11.45, which is less than the quoted market price of an ordinary share of Suez Environnement as at December 31, 2013.
- (2) Pargesa's share of net cash and short-term assets and debt held by the group's holding companies, based on Pargesa's economic interest.

## PARGESA – DESCRIPTION OF GROUP COMPANIES

GBL, which is controlled by Pargesa, is a holding company with its headquarters in Brussels, Belgium. Its main holdings are an interest in Lafarge (cement, aggregates and concrete), Imerys (mineral-based specialties for industry), Total (oil, gas and alternative energies), GDF Suez (electricity, natural gas, and energy and environmental services), Suez Environnement (water and waste management services), Pernod Ricard (wines and spirits) and SGS (testing, inspection and certification). For more information, please refer to Part D of Power Financial's Management's Discussion and Analysis (dated March 19, 2014) related to Pargesa or to the websites of the companies listed above in the Pargesa portfolio, which are not incorporated herein by reference.

## RISK FACTORS

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following and others disclosed elsewhere in this Annual Information Form, which investors should carefully consider before investing in securities of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

Power Financial is a holding company that holds substantial interests in the financial services sector through its controlling interest in each of Lifeco and IGM Financial. As a result, investors in Power Financial are subject to the risks affecting its subsidiaries, including those that Power Financial has as the principal shareholder of each of Lifeco and IGM Financial. The risks of being an investor in Lifeco are described and referenced in the subsection entitled “Risk Factors” of Lifeco’s Annual Information Form dated February 13, 2014 and the risks of being an investor in IGM Financial are referenced in the last paragraph of the section entitled “Development of Business Over the Last Three Years” of IGM Financial’s Annual Information Form dated March 20, 2014, which section and further references, in the case of Lifeco, and paragraph, in the case of IGM Financial, are incorporated herein by reference. Pargesa, a holding company, is also subject to risk due to the nature of its activities and also those of its direct subsidiary GBL and indirect subsidiary Imerys. These risks relate to credit, liquidity and market risk as described in Pargesa’s consolidated financial statements for the year ended December 31, 2013, which are not incorporated herein by reference.

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

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

The market price for Power Financial’s securities may be volatile and subject to fluctuations in response to numerous factors, many of which are beyond Power Financial’s control. Economic conditions may adversely affect Power Financial and its subsidiaries, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of capital markets in Canada, the United States, Europe and Asia. In recent years, financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Corporation and its subsidiaries and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. These factors may cause decreases in asset values that are deemed to be significant or prolonged, which may result in impairment charges. In periods of increased levels of volatility and related market turmoil, Power Financial’s subsidiaries’ operations could be adversely impacted and the trading price of Power Financial’s securities may be adversely affected.

# DESCRIPTION OF THE SHARE CAPITAL

## GENERAL

The authorized capital of Power Financial consists of an unlimited number of First Preferred Shares (the “First Preferred Shares”), an unlimited number of Second Preferred Shares (the “Second Preferred Shares”), and an unlimited number of common shares (the “Common Shares”). As at February 28, 2014, there were issued and outstanding:

- 4,000,000 First Preferred Shares designated as Series A Cumulative Redeemable First Preferred Shares (the “Series A First Preferred Shares”);
- 6,000,000 First Preferred Shares designated as 5.50 per cent Non-Cumulative First Preferred Shares, Series D (the “Series D First Preferred Shares”);
- 8,000,000 First Preferred Shares designated as 5.25 per cent Non-Cumulative First Preferred Shares, Series E (the “Series E First Preferred Shares”);
- 6,000,000 First Preferred Shares designated as 5.90 per cent Non-Cumulative First Preferred Shares, Series F (the “Series F First Preferred Shares”);
- 6,000,000 First Preferred Shares designated as 5.75 per cent Non-Cumulative First Preferred Shares, Series H (the “Series H First Preferred Shares”);
- 8,000,000 First Preferred Shares designated as 6.00 per cent Non-Cumulative First Preferred Shares, Series I (the “Series I First Preferred Shares”);
- 10,000,000 First Preferred Shares designated as 4.95 per cent Non-Cumulative First Preferred Shares, Series K (the “Series K First Preferred Shares”);
- 8,000,000 First Preferred Shares designated as 5.10 per cent Non-Cumulative First Preferred Shares, Series L (the “Series L First Preferred Shares”);
- 6,000,000 First Preferred Shares designated as 5.80 per cent Non-Cumulative First Preferred Shares, Series O (the “Series O First Preferred Shares”);
- 11,200,000 First Preferred Shares designated as 4.40 per cent Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P (the “Series P First Preferred Shares”);
- 10,000,000 First Preferred Shares designated as 5.50 per cent Non-Cumulative First Preferred Shares, Series R (the “Series R First Preferred Shares”);
- 12,000,000 First Preferred Shares designated as 4.80 per cent Non-Cumulative First Preferred Shares, Series S (the “Series S First Preferred Shares”);
- 8,000,000 First Preferred Shares designated as 4.20 per cent Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series T (the “Series T First Preferred Shares”); and
- 711,173,680 Common Shares.

There are no Non-Cumulative Floating Rate First Preferred Shares, Series Q (the “Series Q First Preferred Shares”), Non-Cumulative Floating Rate First Preferred Shares, Series U (the “Series U First Preferred Shares”) or Second Preferred Shares issued and outstanding.

Dividends on the Common Shares, First Preferred Shares and Second Preferred Shares are payable only as and when declared by the Board of Directors.

## COMMON SHARES

Each Common Share entitles the holder to one vote at all meetings of shareholders (other than meetings exclusively of another class or series of shares), and subject to the rights of holders of the First Preferred Shares and the Second Preferred Shares, to receive any dividend on such share and to participate equally with all other holders of Common Shares in the remaining property of Power Financial on dissolution or winding-up. There are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attaching to the Common Shares.

## FIRST PREFERRED SHARES

The First Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power Financial, whether voluntary or involuntary, or any other distribution of the assets of Power Financial among its shareholders for the purpose of winding-up its affairs, the First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series and in priority to the Second Preferred Shares, the Common Shares and any other shares ranking junior to the First Preferred Shares. Holders of First Preferred Shares of any series shall not be entitled to notice of or to attend or to vote at any meeting of its shareholders except as may be required by law or as specifically provided in the provisions attaching to the First Preferred Shares of such series.

In the event of the liquidation, dissolution or winding-up of Power Financial or other distribution of the assets of Power Financial among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of Power Financial and of holders of shares of Power Financial ranking prior to the First Preferred Shares, the holders of the First Preferred Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per First Preferred Share plus declared and unpaid dividends before any amount shall be paid or any assets of Power Financial shall be distributed to the holders of Common Shares or of shares of any other class of Power Financial ranking junior to the First Preferred Shares.

### **SERIES A FIRST PREFERRED SHARES**

The Series A First Preferred Shares rank equally with all other First Preferred Shares and have a cumulative floating dividend, payable quarterly, equal to one quarter of 70 per cent of Prime. Power Financial has had the right to redeem the Series A First Preferred Shares since November 15, 1991 at \$25.00 per share plus declared and unpaid dividends. "Prime" means, for any quarterly dividend period, the arithmetic average of the Prime Rates quoted by two reference banks in effect during each day during the three-month period which ends on the last day of the calendar month immediately preceding the applicable dividend payment date in respect of which the determination is being made, and "Prime Rate" is the reference rate as quoted by those two banks for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada.

### **SERIES D FIRST PREFERRED SHARES**

The Series D First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.50 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series D First Preferred Shares since January 31, 2013, in whole or in part, for \$25.00 cash per share plus declared and unpaid dividends.

## **SERIES E FIRST PREFERRED SHARES**

The Series E First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.25 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series E First Preferred Shares, in whole or in part, for \$26.00 cash per share if redeemed on or after November 30, 2006, and at a declining premium to a price of \$25.00 per share if redeemed on or after November 30, 2010, in each case plus declared and unpaid dividends.

## **SERIES F FIRST PREFERRED SHARES**

The Series F First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.90 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series F First Preferred Shares, in whole or in part, for \$26.00 per share on or after July 17, 2007, and at a declining premium to a price of \$25.00 if redeemed on or after July 17, 2011, in each case plus declared and unpaid dividends.

## **SERIES H FIRST PREFERRED SHARES**

The Series H First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.75 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series H First Preferred Shares, in whole or in part, for \$26.00 cash per share if redeemed on or after December 10, 2007, and at a declining premium to a price of \$25.00 per share if redeemed on or after December 10, 2011, in each case plus declared and unpaid dividends.

## **SERIES I FIRST PREFERRED SHARES**

The Series I First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 6.00 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series I First Preferred Shares, in whole or in part, for \$26.00 cash per share if redeemed on or after April 30, 2008, and at a declining premium to a price of \$25.00 per share if redeemed on or after April 30, 2012, in each case plus declared and unpaid dividends.

## **SERIES K FIRST PREFERRED SHARES**

The Series K First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.95 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series K First Preferred Shares, in whole or in part, for \$26.00 cash per share if redeemed on or after October 31, 2010, and at a declining premium to a price of \$25.25 if redeemed during the 12 months commencing October 31, 2013, and \$25.00 per share if redeemed on or after October 31, 2014, in each case plus declared and unpaid dividends.

## **SERIES L FIRST PREFERRED SHARES**

The Series L First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.10 per cent per annum, payable quarterly. Power Financial has had the right to redeem the Series L First Preferred Shares, in whole or in part, for \$26.00 cash per share if redeemed on or after October 31, 2011, at a declining premium to a price of \$25.50 if redeemed during the 12 months commencing October 31, 2013, \$25.25 if redeemed during the 12 months commencing October 31, 2014, and \$25.00 per share if redeemed on or after October 31, 2015, in each case plus declared and unpaid dividends.

## **SERIES O FIRST PREFERRED SHARES**

The Series O First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.80 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series O First Preferred Shares on or after October 31, 2014, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing October 31, 2014, \$25.75 per share if redeemed during the 12 months commencing October 31, 2015, \$25.50 if redeemed during the 12 months commencing October 31, 2016, \$25.25 if redeemed during the 12 months commencing October 31, 2017, and \$25.00 per share if redeemed on or after October 31, 2018, in each case plus declared and unpaid dividends.

## **SERIES P FIRST PREFERRED SHARES**

The Series P First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.40 per cent per annum, payable quarterly during the period from June 29, 2010 up to but excluding January 31, 2016. Thereafter, during the “Subsequent Fixed Rate Periods” (that is, for the initial Subsequent Fixed Rate Period, the period from and including January 31, 2016 up to but excluding January 31, 2021 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding January 31 in the fifth year thereafter), the Series P First Preferred Shares have fixed non-cumulative preferential dividends equal to a product of \$25.00 and the rate of interest equal to the sum of the Government of Canada Yield on the applicable “Fixed Rate Calculation Date” (that is, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of the applicable Subsequent Fixed Rate Period) plus 1.60 per cent, payable quarterly. Power Financial has the right to redeem the Series P First Preferred Shares, in whole or in part, commencing January 31, 2016 and on January 31 every five years thereafter for \$25.00 cash per share plus declared and unpaid dividends to the date fixed for redemptions. Subject to the Corporation’s right to redeem all the Series P First Preferred Shares, the holders of Series P First Preferred Shares will have the right, at their option, to convert their Series P First Preferred Shares into Series Q First Preferred Shares, subject to certain conditions, on January 31, 2016 and on January 31 every five years thereafter.

## **SERIES Q FIRST PREFERRED SHARES**

The Series Q First Preferred Shares rank equally with all other First Preferred Shares and will have a floating rate non-cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the “Floating Quarterly Dividend Rate”. The Floating Quarterly Dividend Rate means, for any “Quarterly Floating Rate Period” (that is, the period from and including January 31, 2016 to but excluding April 30, 2016, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding “Quarterly Commencement Date” (that is, the last day of January, April, July and October in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable “Floating Rate Calculation Date” (that is, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period) plus 1.60 per cent. Power Financial has the right to redeem the Series Q First Preferred Shares, in whole or in part, commencing January 31, 2016: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on January 31, 2021 and on January 31 every five years thereafter or (ii) for \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after January 31, 2016 that is not a date on which Series Q First Preferred Shares can be converted. Subject to the Corporation’s right to redeem all the Series Q First Preferred Shares, the holders of Series Q First Preferred Shares will have the right, at their option, to convert their Series Q First Preferred Shares into Series P First Preferred Shares, subject to certain conditions, on January 31, 2021 and on January 31 every five years thereafter. There are no Series Q First Preferred Shares issued and outstanding.

## **SERIES R FIRST PREFERRED SHARES**

The Series R First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 5.50 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series R First Preferred Shares on or after April 30, 2017, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 30, 2017, \$25.75 per share if redeemed during the 12 months commencing April 30, 2018, \$25.50 if redeemed during the 12 months commencing April 30, 2019, \$25.25 if redeemed during the 12 months commencing April 30, 2020, and \$25.00 per share if redeemed on or after April 30, 2021, in each case plus declared and unpaid dividends.

## **SERIES S FIRST PREFERRED SHARES**

The Series S First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.80 per cent per annum, payable quarterly. Power Financial has the right to redeem the Series S First Preferred Shares on or after April 30, 2018, in whole or in part, for \$26.00 cash per share if redeemed during the 12 months commencing April 30, 2018, \$25.75 per share if redeemed during the 12 months commencing April 30, 2019, \$25.50 if redeemed during the 12 months commencing April 30, 2020, \$25.25 if redeemed during the 12 months commencing April 30, 2021 and \$25.00 per share if redeemed on or after April 30, 2022, in each case plus declared and unpaid dividends.

## **SERIES T FIRST PREFERRED SHARES**

The Series T First Preferred Shares rank equally with all other First Preferred Shares and have a fixed non-cumulative dividend of 4.20 per cent per annum, payable quarterly during the period from December 11, 2013 up to but excluding January 31, 2019. Thereafter, during the “Subsequent Fixed Rate Periods” (that is, for the initial Subsequent Fixed Rate Period, the period from and including January 31, 2019 up to but excluding January 31, 2024 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding January 31 in the fifth year thereafter), the Series T First Preferred Shares have fixed non-cumulative preferential dividends equal to a product of \$25.00 and the rate of interest equal to the sum of the Government of Canada Yield on the applicable “Fixed Rate Calculation Date” (that is, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of the applicable Subsequent Fixed Rate Period) plus 2.37 per cent, payable quarterly. Power Financial has the right to redeem the Series T First Preferred Shares, in whole or in part, commencing January 31, 2019 and on January 31 every five years thereafter for \$25.00 cash per share plus declared and unpaid dividends to the date fixed for redemptions. Subject to the Corporation’s right to redeem all the Series T First Preferred Shares, the holders of Series T First Preferred Shares will have the right, at their option, to convert their Series T First Preferred Shares into Series U First Preferred Shares, subject to certain conditions, on January 31, 2019 and on January 31 every five years thereafter.

## **SERIES U FIRST PREFERRED SHARES**

The Series U First Preferred Shares rank equally with all other First Preferred Shares and will have a floating rate non-cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the “Floating Quarterly Dividend Rate”. The Floating Quarterly Dividend Rate means, for any “Quarterly Floating Rate Period” (that is, the period from and including January 31, 2019 to but excluding April 30, 2019, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding “Quarterly Commencement Date” (that is, the last day of January, April, July and October in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable “Floating Rate Calculation Date” (that is, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period) plus 2.37 per cent. Power Financial has the right to redeem the Series U First Preferred Shares, in whole or in part,

commencing January 31, 2019: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on January 31, 2024 and on January 31 every five years thereafter or (ii) for \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after January 31, 2019 that is not a date on which Series U First Preferred Shares can be converted. Subject to the Corporation's right to redeem all the Series U First Preferred Shares, the holders of Series U First Preferred Shares will have the right, at their option, to convert their Series U First Preferred Shares into Series T First Preferred Shares, subject to certain conditions, on January 31, 2024 and on January 31 every five years thereafter. There are no Series U First Preferred Shares issued and outstanding.

## SECOND PREFERRED SHARES

The Second Preferred Shares may be issued in one or more series with such rights, privileges, restrictions and conditions as the Board of Directors designates. With respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Power Financial, whether voluntary or involuntary, or any other distribution of the assets of Power Financial among its shareholders for the purpose of winding-up its affairs, the Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series and in priority to the Common Shares and any other shares ranking junior to the Second Preferred Shares. The holders of Second Preferred Shares of any series are not entitled to notice of or to attend or to vote at any meeting of Power Financial or of its shareholders except as may be required by law or as specifically provided in the provisions attaching to the Second Preferred Shares of such series. There are no Second Preferred Shares issued and outstanding.

## RATINGS

The table below provides the ratings assigned to the Corporation and its outstanding securities as at March 28, 2014.

	DBRS Limited ("DBRS")	Standard & Poor's Ratings Services ("S&P")
Issuer rating	AA (low)	A+
6.9% debentures due March 11, 2033	AA (low)	A+
Preferred shares:		
Cumulative	Pfd-1 (low)	Canadian scale P-1 (Low) Global scale A-
Non-cumulative	Pfd-1 (low)	Canadian scale P-1 (Low) Global scale A-

The ratings of the Corporation and its outstanding securities have been assigned a stable trend by DBRS and a stable outlook by S&P.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. The definitions of the categories of each rating set forth below have been obtained from the respective rating agencies' websites.

The Corporation has paid customary rating fees to S&P and DBRS in connection with the above-mentioned ratings. In addition, the Corporation has, in the ordinary course of business, made payments in respect of other services provided to the Corporation by S&P and DBRS during the last two years.

### (a) DBRS Limited

In general terms, DBRS ratings are opinions that reflect the creditworthiness of an issuer, a security or an obligation.

DBRS corporate rating analysis begins with an evaluation of the fundamental creditworthiness of the issuer, which is reflected in an issuer rating. Issuer ratings address the overall credit strength of the issuer and, unlike ratings on individual securities or classes of securities, are based on the entity itself, without consideration for security or ranking. Ratings that apply to actual securities may be higher, lower or equal to the issuer rating for a given entity.

DBRS' securities ratings are opinions based on forward-looking measurements that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation.

The DBRS long-term obligation rating scale provides an opinion on the risk of default, which is the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims.

The DBRS preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

Most rating categories are denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. Rating trends provide guidance in respect of DBRS’ opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – “Positive”, “Stable” or “Negative”. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

DBRS typically assigns issuer ratings on a long-term basis using its long-term obligation rating scale. The Corporation’s DBRS issuer rating is AA (low). The Corporation’s debentures rating of AA (low) is the fourth highest of twenty-six ratings used by DBRS for long-term debt. Long-term debt rated AA by DBRS is of superior credit quality, and the capacity for the payment of financial obligations is considered high. In many cases they differ from long-term debt rated AAA only to a small degree and are unlikely to be significantly vulnerable to future events.

The Corporation’s preferred shares rating of Pfd-1 (low) is the third highest of sixteen ratings used by DBRS for preferred shares in Canada. Preferred shares with a Pfd-1 (low) rating are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. Generally, a Pfd-1 rating corresponds with companies whose senior bonds are rated in the AAA or AA categories.

#### (b) Standard & Poor’s Ratings Services

An S&P issuer credit rating is a current opinion of an obligor’s overall financial capacity (creditworthiness) to pay its financial obligations and focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.

In contrast, an issue rating relates to a specific financial obligation, a specific class of financial obligations, or a specific financial program. The rating on a specific issue may reflect positive or negative adjustments relative to the issuer’s rating for (i) the presence of collateral, (ii) explicit subordination, or (iii) any other factors that affect the payment priority, expected recovery, or credit stability of the specific issue.

Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science and, for this reason, S&P ratings opinions are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular security issue will default. Instead, ratings express relative opinions about the creditworthiness of an issuer or credit quality of an individual issue, from strongest to weakest, within a universe of credit risk.

Most ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major letter rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future credit watch action.

An S&P issuer rating usually refers to the issuer’s ability and willingness to meet senior, unsecured obligations. The Corporation’s S&P issuer rating is A+. The Corporation’s debentures’ rating of A+ is the fifth highest of twenty-two ratings used by S&P in its long-term issue credit rating scale. A long-term debenture rated A+ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, however, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

The S&P Canadian preferred share rating scale serves issuers, investors and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with global rating criteria) in

terms of rating symbols that have been actively used in the Canadian market over a number of years. A Standard & Poor's preferred share rating on the Canadian scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of S&P. The Canadian scale rating is fully determined by the applicable global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale. It is the practice of S&P to present an issuer's preferred share ratings on both the global rating scale and on the Canadian national scale when listing the ratings for a particular issuer.

The Corporation's preferred shares' rating of P-1 (Low) on S&P's Canadian national preferred share rating scale corresponds to A- on S&P's Global preferred share rating scale. A P-1 (Low) rating is the third highest of eighteen ratings used by S&P in its Canadian national preferred share rating scale. Correspondingly, an A- rating is the fifth highest of twenty ratings used by S&P in its Global preferred share rating scale. A preferred share rating of A- indicates that the obligor's capacity to meet its financial commitment on the obligation is still strong, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher rated categories.

## DIVIDENDS

The cash dividends declared per share for each class of the Corporation's shares outstanding as at December 31, 2013 were as follows:

	2013 (in dollars)	2012 (in dollars)	2011 (in dollars)
Common Shares (PWF)	1.4000	1.4000	1.4000
Series A First Preferred Shares (PWF.PR.A)	0.5250	0.5250	0.5250
Series D First Preferred Shares (PWF.PR.E)	1.3750	1.3750	1.3750
Series E First Preferred Shares (PWF.PR.F)	1.3125	1.3125	1.3125
Series F First Preferred Shares (PWF.PR.G)	1.4750	1.4750	1.4750
Series H First Preferred Shares (PWF.PR.H)	1.4375	1.4375	1.4375
Series I First Preferred Shares (PWF.PR.I)	1.5000	1.5000	1.5000
Series K First Preferred Shares (PWF.PR.K)	1.2375	1.2375	1.2375
Series L First Preferred Shares (PWF.PR.L)	1.2750	1.2750	1.2750
Series M First Preferred Shares (PWF.PR.M) <sup>(1)</sup>	1.5000	1.5000	1.5000
Series O First Preferred Shares (PWF.PR.O)	1.4500	1.4500	1.4500
Series P First Preferred Shares (PWF.PR.P)	1.1000	1.1000	1.1000
Series R First Preferred Shares (PWF.PR.R) <sup>(2)</sup>	1.3750	1.28365	–
Series S First Preferred Shares (PWF.PR.S) <sup>(3)</sup>	1.10055	–	–
Series T First Preferred Shares (PWF.PR.T) <sup>(4)</sup>	–	–	–

(1) There are currently no outstanding Series M First Preferred Shares as they were redeemed by the Corporation on January 31, 2014, for a redemption price of \$25.00 per share, in accordance with the terms of such shares.

(2) An initial dividend of \$0.2524 per share was declared on March 14, 2012. Thereafter, quarterly dividends of \$0.34375 per share were declared in May, August and November of 2012 and March, May, August and November of 2013, respectively.

(3) An initial dividend of \$0.20055 per share was declared on March 13, 2013. Thereafter, quarterly dividends of \$0.30 per share were declared in May, August and November of 2013.

(4) The initial dividend of 0.40274 per share was declared on March 19, 2014 and is payable on April 30, 2014.

The current practice of the Corporation is to pay dividends to the holders of Common Shares on a quarterly basis. All future dividend amounts and dates are subject to approval by the Board of Directors.

## MARKET FOR SECURITIES

The following table provides information regarding the price range and volume traded for each of these classes of securities of Power Financial on the Toronto Stock Exchange (the "TSX") on a monthly basis for each month of the year ended December 31, 2013. Currently there are no outstanding Series M First Preferred Shares (which were redeemed on January 31, 2014), Series Q First Preferred Shares and Series U First Preferred Shares.

	Common Shares (PWF)	First Preferred Shares, Series A (PWF.PR.A)	First Preferred Shares, Series D (PWF.PR.E)	First Preferred Shares, Series E (PWF.PR.F)	First Preferred Shares, Series F (PWF.PR.G)	First Preferred Shares, Series H (PWF.PR.H)	First Preferred Shares, Series I (PWF.PR.I)
<b>January 2013</b>							
Intraday High (\$)	29.44	24.39	25.70	25.84	25.71	25.92	26.00
Intraday Low (\$)	27.02	22.34	25.27	24.50	25.33	25.35	25.45
Volume	8,073,065	46,585	48,365	246,753	115,092	91,231	73,186
<b>February 2013</b>							
Intraday High (\$)	29.86	24.25	25.61	25.74	25.65	26.19	25.99
Intraday Low (\$)	28.22	22.76	25.42	25.23	25.38	25.68	25.53
Volume	10,486,212	26,454	56,504	83,930	61,134	62,575	58,575
<b>March 2013</b>							
Intraday High (\$)	30.49	25.00	25.88	25.70	25.90	26.12	25.98
Intraday Low (\$)	28.34	23.50	25.50	25.31	25.47	25.73	25.70
Volume	10,109,219	19,100	57,400	66,765	75,804	41,856	79,904
<b>April 2013</b>							
Intraday High (\$)	29.94	24.60	26.08	25.79	25.84	25.98	25.97
Intraday Low (\$)	27.53	23.05	25.55	25.35	25.50	25.56	25.57
Volume	6,205,458	26,632	60,928	92,747	53,362	42,125	62,011
<b>May 2013</b>							
Intraday High (\$)	31.55	24.99	26.05	25.70	25.81	25.97	25.94
Intraday Low (\$)	29.39	22.11	25.50	25.20	25.50	25.40	25.64
Volume	7,760,614	104,560	103,939	212,879	82,894	255,591	99,049
<b>June 2013</b>							
Intraday High (\$)	31.55	25.00	25.51	25.53	25.51	25.69	25.70
Intraday Low (\$)	29.55	22.99	24.13	23.68	25.01	25.05	25.13
Volume	9,675,615	22,838	93,166	170,686	70,422	93,592	100,620
<b>July 2013</b>							
Intraday High (\$)	33.25	24.99	25.07	24.99	25.50	25.74	25.70
Intraday Low (\$)	30.62	23.30	24.30	24.03	24.93	24.83	25.17
Volume	10,270,516	46,976	139,993	68,784	126,788	89,729	70,642
<b>August 2013</b>							
Intraday High (\$)	33.16	25.19	24.50	24.19	25.43	25.47	25.45
Intraday Low (\$)	31.27	24.00	23.20	22.00	24.60	24.34	24.89
Volume	7,501,552	27,659	150,532	113,597	231,520	186,068	152,858
<b>September 2013</b>							
Intraday High (\$)	33.03	25.05	24.67	24.25	25.46	25.15	25.55
Intraday Low (\$)	31.61	22.50	23.81	23.00	24.90	24.50	25.05
Volume	5,472,171	30,806	68,518	135,539	64,590	98,345	74,728
<b>October 2013</b>							
Intraday High (\$)	34.56	23.70	24.60	24.17	25.50	25.19	25.51
Intraday Low (\$)	31.30	22.31	23.76	23.00	24.88	24.51	25.00
Volume	6,104,720	13,903	82,189	128,317	102,737	78,937	129,041
<b>November 2013</b>							
Intraday High (\$)	36.58	23.95	24.89	24.15	25.38	25.30	25.71
Intraday Low (\$)	33.85	22.32	24.36	23.59	25.09	25.03	25.24
Volume	7,360,811	34,876	73,520	132,099	142,052	89,616	146,530
<b>December 2013</b>							
Intraday High (\$)	36.79	24.00	24.70	24.08	25.40	25.49	25.77
Intraday Low (\$)	34.85	21.15	23.96	22.93	25.16	24.90	25.23
Volume	7,321,356	56,872	89,229	177,721	52,138	88,292	101,390

	First Preferred Shares, Series K (PWF.PR.K)	First Preferred Shares, Series L (PWF.PR.L)	First Preferred Shares, Series M (PWF.PR.M)	First Preferred Shares, Series O (PWF.PR.O)	First Preferred Shares, Series P (PWF.PR.P)	First Preferred Shares, Series R (PWF.PR.R)	First Preferred Shares, Series S (PWF.PR.S)
<b>January 2013</b>							
Intraday High (\$)	25.92	25.91	26.50	26.95	25.90	27.99	--
Intraday Low (\$)	25.15	25.50	25.74	26.45	25.35	26.56	--
Volume	102,481	182,992	116,980	41,628	181,284	381,910	--
<b>February 2013</b>							
Intraday High (\$)	25.69	25.85	26.29	26.96	26.25	26.89	24.99
Intraday Low (\$)	25.11	25.40	25.85	26.56	25.55	26.53	24.93
Volume	86,304	85,884	298,666	44,210	162,453	832,677	673,150
<b>March 2013</b>							
Intraday High (\$)	25.61	25.99	26.27	26.83	26.46	27.09	25.27
Intraday Low (\$)	25.25	25.53	25.87	26.59	25.76	26.60	24.96
Volume	68,701	45,781	101,210	44,667	165,150	108,604	1,499,854
<b>April 2013</b>							
Intraday High (\$)	25.62	25.97	26.19	26.93	26.30	27.09	25.59
Intraday Low (\$)	25.17	25.25	25.50	26.47	25.40	26.67	25.21
Volume	103,106	76,623	74,630	70,205	209,944	457,275	1,209,513
<b>May 2013</b>							
Intraday High (\$)	25.45	25.82	25.98	26.76	26.40	26.96	25.44
Intraday Low (\$)	25.15	25.36	25.45	26.49	25.48	26.56	25.07
Volume	120,207	72,960	70,684	148,674	131,167	159,160	396,847
<b>June 2013</b>							
Intraday High (\$)	25.24	25.46	25.79	26.72	25.90	26.64	25.14
Intraday Low (\$)	22.28	22.55	25.40	25.12	24.02	24.54	23.49
Volume	409,508	133,953	100,622	275,240	188,325	266,632	1,246,289
<b>July 2013</b>							
Intraday High (\$)	24.18	24.33	25.79	26.20	25.06	25.50	24.24
Intraday Low (\$)	23.00	23.34	25.18	25.40	24.06	24.86	23.35
Volume	163,571	156,499	150,368	86,275	184,095	278,426	397,492
<b>August 2013</b>							
Intraday High (\$)	23.12	23.45	26.00	25.90	24.20	25.03	23.72
Intraday Low (\$)	21.35	21.23	25.22	24.60	22.42	23.57	21.16
Volume	163,567	137,324	102,734	140,323	197,739	169,850	477,050
<b>September 2013</b>							
Intraday High (\$)	23.10	23.40	25.62	25.48	24.66	25.05	23.10
Intraday Low (\$)	21.93	22.30	25.22	24.71	23.50	23.94	21.71
Volume	209,330	143,927	91,277	93,767	289,249	319,966	436,912
<b>October 2013</b>							
Intraday High (\$)	23.44	23.90	25.55	25.60	24.64	25.20	23.26
Intraday Low (\$)	22.05	22.35	25.08	25.05	23.43	24.65	22.19
Volume	211,041	415,109	152,826	185,323	256,664	383,080	397,106
<b>November 2013</b>							
Intraday High (\$)	23.50	24.01	25.39	25.72	24.00	25.10	23.25
Intraday Low (\$)	22.63	23.50	25.17	25.29	23.33	24.72	22.27
Volume	160,299	199,926	100,937	98,463	175,116	150,688	335,368
<b>December 2013</b>							
Intraday High (\$)	22.98	23.83	25.35	25.65	24.20	25.00	22.70
Intraday Low (\$)	21.68	22.60	25.31	25.21	22.40	24.24	21.25
Volume	229,935	136,141	323,217	168,986	286,228	171,223	528,087

The Series T First Preferred Shares (PWF.PR.T) commenced trading on the TSX on December 11, 2013 and for the month of December 2013, the intraday trading high was \$25.84, the intraday trading low was \$25.22 and the volume traded was 1,097,876 shares.

# DIRECTORS AND OFFICERS

## DIRECTORS

The following table sets forth the full name, province or state and country of residence and principal occupation for each current Director of the Corporation.

<b>Name and Province/State and Country of Residence</b>	<b>Director since</b>	<b>Principal Occupation</b>
Marc A. Bibeau Québec, Canada	May 2009	President and Chief Executive Officer of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties
André Desmarais Québec, Canada	May 1988	Co-Chairman of the Corporation and Deputy Chairman, President and Co-Chief Executive Officer of Power
Paul Desmarais, Jr. Québec, Canada	April 1983	Co-Chairman of the Corporation and Chairman and Co-Chief Executive Officer of Power
Gérald Frère Hainaut, Belgium	May 1990	Managing Director of Frère-Bourgeois S.A., a financial group
Anthony R. Graham Ontario, Canada	May 2001	President and a Director of Wittington Investments, Limited, an investment management company
Robert Gratton Québec, Canada	December 1986	Deputy Chairman of Power
V. Peter Harder <sup>(1)</sup> Ontario, Canada	May 2009	Senior Policy Adviser to Dentons Canada LLP, a law firm
J. David A. Jackson Ontario, Canada	May 2013	Senior Counsel to Blake, Cassels & Graydon LLP, a law firm, since 2012; previously, Partner at Blake, Cassels & Graydon LLP
R. Jeffrey Orr Québec, Canada	May 2005	President and Chief Executive Officer of the Corporation
Louise Roy Québec, Canada	May 2010	Invited Fellow and, since 2012, Chair of the Board of CIRANO, the <i>Centre interuniversitaire de recherche en analyse des organisations</i> , Chancellor and Chair of the Board of Université de Montréal; previously President of the <i>Conseil des arts de Montréal</i>
Raymond Royer Québec, Canada	December 1986	Company Director
Emőke J.E. Szathmáry Manitoba, Canada	May 1999	President Emeritus of the University of Manitoba

All Directors were elected as Directors at the Annual Meeting of Shareholders held on May 14, 2013, to hold office until the close of the next annual meeting of shareholders.

[1] Mr. Harder was a Director of ARISE Technologies Corporation until June 24, 2011, which was approximately six months prior to the date such issuer filed a Notice of Intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) and approximately nine months prior to the date on which such issuer was deemed to have made an assignment in bankruptcy.

## OFFICERS OTHER THAN THOSE REFERRED TO ABOVE

Name and Province/State and Country of Residence	Principal Occupation
Raymond L. McFeetors Manitoba, Canada	Vice-Chairman of the Corporation since May 2008 and Chairman of the Board of Lifeco until May 2013
Michel Plessis-Bélair Québec, Canada	Vice-Chairman of the Corporation since May 2012 and Vice-Chairman of Power since 2008
Henri-Paul Rousseau Québec, Canada	Vice-Chairman of the Corporation and Power since January 2009
Amaury de Seze Paris, France	Vice-Chairman of the Corporation since May 2010; previously, a Director and Vice-Chairman of Power
Gregory D. Tretiak Manitoba, Canada	Executive Vice-President and Chief Financial Officer of the Corporation and Power since May 2012; previously, Executive Vice-President and Chief Financial Officer of IGM Financial
Arnaud Vial Québec, Canada	Senior Vice-President of the Corporation and Power and Managing Director of Pargesa
Stéphane Lemay Québec, Canada	Vice-President, General Counsel and Secretary of the Corporation and Power since August 2012; previously, Vice-President, Assistant General Counsel and Associate Secretary of the Corporation, since May 2009, and of Power since 2005
Denis Le Vasseur Québec, Canada	Vice-President and Controller of the Corporation and Power
Richard Pan Québec, Canada	Vice-President of the Corporation and Power
Luc Reny Québec, Canada	Vice-President of the Corporation since 2009 and Vice-President of Power since 2005
Isabelle Morin Québec, Canada	Treasurer of the Corporation and Power

## VOTING SECURITIES

The aggregate number and percentage of securities of each class of voting securities of Power Financial and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by all Directors and officers of Power Financial as a group<sup>(1)</sup>, as at December 31, 2013 was:

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

(1) Securities directly or indirectly controlled by the Desmarais Family Residuary Trust have not been included in the table. The Desmarais Family Residuary Trust controls 59.4 per cent of the votes attached to the voting securities of Power. Power, in turn, controls 65.8 per cent of the voting shares of Power Financial, which in turn controls directly or indirectly 65.0 per cent and 62.2 per cent of the voting shares of Lifeco and IGM Financial, respectively. The Desmarais Family Residuary Trust is for the benefit of members of the family of The Honourable Paul G. Desmarais. The trustees of the Desmarais Family Residuary Trust are Jacqueline Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin. The Desmarais family member trustees determine how to vote the shares of the Corporation controlled by the Desmarais Family Residuary Trust. Paul Desmarais, Jr., André Desmarais and Michel Plessis-Bélair are each a Director and/or officer of Power Financial.

## COMMITTEES

The CBCA and securities legislation require the Corporation to have an Audit Committee. The Corporation also appoints a Compensation Committee, a Related Party and Conduct Review Committee and a Governance and Nominating Committee. Effective November 14, 2013, the Executive Committee was terminated as a standing committee of the Board. The Board determined that, given its size (then, 12 Directors), it was no longer necessary to have an Executive Committee to support the efficient functioning of the Board.

The current membership of the Audit Committee is set forth below at “Audit Committee – Composition of Audit Committee”. The current members of the Compensation Committee are Raymond Royer, Gérald Frère and V. Peter Harder. The current members of the Related Party and Conduct Review Committee are V. Peter Harder, Gérald Frère and Raymond Royer. The current members of the Governance and Nominating Committee are Paul Desmarais, Jr., André Desmarais, Anthony R. Graham and Raymond Royer.

### AUDIT COMMITTEE

#### AUDIT COMMITTEE’S CHARTER

The charter of the Audit Committee is attached as Appendix A to this Annual Information Form.

#### COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee are Raymond Royer, Marc A. Bibeau and Emőke J.E. Szathmáry. Each member of the Audit Committee is independent (as defined under National Instrument 52-110 – *Audit Committees*) and none receives, directly or indirectly, any compensation from Power Financial other than for service as a member of the Board of Directors and its committees. All members of the Audit Committee are financially literate (as defined under National Instrument 52-110 – *Audit Committees*).

#### RELEVANT EDUCATION AND EXPERIENCE OF AUDIT COMMITTEE MEMBERS

In addition to each member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

**Mr. Royer** is a company Director. He was, from 1996 to 2008, the President and Chief Executive Officer of Domtar Corporation, a pulp and paper company based in Montréal. He was previously President and Chief Operating Officer of Bombardier Inc. He holds a Bachelor in Civil Law, Master of Commerce, and a Master of Accountancy Degrees from the University of Sherbrooke. He is a Fellow of the *Ordre des comptables professionnels agréés du Québec* and a member of the Barreau du Québec. He is a Director and the Chairman of the Audit Committee of several Power Financial group companies, including Lifeco, Great-West Life, London Life, CLFC, Canada Life, Great-West Life & Annuity and Putnam. Mr. Royer is also a Director of Power’s newspaper subsidiary Gesca ltée. He was a Director of Domtar Corporation until 2009, of Shell Canada Limited until 2007, of Ballard Power Systems Inc. until 2002 and of National Bank of Canada until 2000. He is Chairman of the Board of The Research Institute of the McGill University Health Centre and a member of the International Advisory Board of École des hautes études commerciales of Montréal. He has been a member of the Power Financial Audit Committee since May 1989 and its Chairman since July 1991. He is an officer of the Order of Canada and of the National Order of Québec.

**Mr. Bibeau** is President and Chief Executive Officer, since 1996, of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties. He previously held a number of other positions with that company. Mr. Bibeau is a Director of IGM Financial, Investors Group and Mackenzie since May 2009. He was previously a Director of Lifeco, Great-West Life, London Life, CLFC and Canada Life until

May 2009. He graduated from Bishop's University with a Bachelor of Business Administration. He has been a member of the Corporation's Audit Committee since May 2009 and is also a member of the Audit Committee of other Power Financial group companies, including IGM Financial and Investors Group.

**Dr. Szathmáry** became President Emeritus of the University of Manitoba in 2008. She was named Professor Emeritus in the Department of Anthropology in 2014. From 1996 to 2008, she was President and Vice-Chancellor of the University of Manitoba, a member of its Board of Governors and a member of the Board's Audit Committee and a member of the Finance, Administration and Human Resources Committee. In the course of her administrative duties at the University, she was accountable for monitoring and communicating financial information with respect to the University's annual budget, including its trust and endowment funds. She was also a member of the committee that is responsible for the University's endowments, which oversees the professional investment managers of these funds. Dr. Szathmáry was previously Provost and Vice-President (Academic) at McMaster University in Hamilton and, prior thereto, Dean of the Faculty of Social Science at the University of Western Ontario (now Western University) in London. She has been a member of the Corporation's Audit Committee since May 1999. She is also a Director of Power and has been a member of its Audit Committee since 2002. She is a Director of several other Power group companies including Lifeco, Great-West Life, London Life, CLFC and Canada Life. She also serves on the Board of Directors of the International Institute for Sustainable Development and of several national and provincial educational, research and philanthropic not-for-profit organizations. She has received the Lieutenant Governor's Medal for Excellence in Public Administration in Manitoba as well as six Honorary Doctorates. Dr. Szathmáry is a Fellow of the Royal Society of Canada and is a member of the Order of Canada and of the Order of Manitoba.

## **PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee has adopted a Policy Regarding Pre-approval of Services Provided by the External Auditor (the "Policy"). The Policy sets out audit services that are pre-approved by the Committee, outlines prohibited non-audit services and sets out a pre-approved list of permitted non-audit services. The pre-approved list of permitted non-audit services is to be reviewed and pre-approved periodically and certain other non-audit services must be approved on a case-by-case basis by the Audit Committee. The Policy further requires that the external independent auditor (referred to as "the auditor" hereafter) implement its own policies and procedures to provide that prohibited services are not provided and that permitted services are pre-approved before an engagement is accepted.

## AUDITOR'S FEES

Fees payable by Power Financial<sup>(1)</sup> for the years ended December 31, 2013 and December 31, 2012 to Deloitte LLP and its affiliates were \$1,688,000 and \$1,134,000, respectively, as follows:

	Years ended December 31	
	2013	2012
Audit Fees <sup>(2)</sup>	\$1,077,000	\$959,000
Audit-Related Fees	\$283,000	\$99,000
Tax Fees	\$309,000	\$76,000
All Other Fees	\$19,000	Nil
<b>TOTAL</b>	<b>\$1,688,000</b>	<b>\$1,134,000</b>

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

(2) During the financial year ended December 31, 2013, Deloitte LLP provided audit services to subsidiary entities of the Corporation, other than Lifeco and IGM Financial, for additional fees in the amount of \$17,000 (2012 - \$16,000).

The nature of each category of fees is described below.

### AUDIT FEES

Audit fees were paid for professional services rendered by the auditor for the audit of the annual financial statements of Power Financial and its wholly owned subsidiaries, the review of Power Financial's quarterly financial statements, and for services provided in connection with statutory and regulatory filings or similar engagements. In addition, audit fees included the cost of translation of various continuous disclosure documents of the Corporation.

### AUDIT-RELATED FEES

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and that are not reported under the audit fees item above. These services consisted primarily of other attest services not required by statute or regulation and consultations with respect to accounting and reporting standards.

### TAX FEES

Tax fees were paid for tax compliance services, assistance with tax audits and assistance with various other tax related questions.

### ALL OTHER FEES

These fees were paid in connection with other permitted non-audit and tax services, including certain presentations to management.

## PROCEDURES FOR COMPLAINTS

In accordance with *National Instrument 52-110 – Audit Committees*, the Corporation has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters. Persons wishing to utilize such procedures may contact the Vice-President, General Counsel and Secretary of the Corporation at 751 Victoria Square, Montréal, Québec H2Y 2J3.

## **TRANSFER AGENT AND REGISTRAR**

Power Financial's securities are transferable at the principal offices of its transfer agent and registrar, Computershare Investor Services Inc., in Toronto and Montréal.

## **EXPERTS**

Power Financial's auditor is Deloitte LLP. Deloitte LLP has advised the Corporation that it is independent with respect to the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

## **SOCIAL RESPONSIBILITY**

On March 14, 2012, the Board of Directors of the Corporation adopted a Corporate Social Responsibility Statement with respect to the making and overseeing of its investments. The Board adopted a revised Statement on November 14, 2013. An Environmental Policy was also adopted by the Corporation in November 2013.

## **ADDITIONAL INFORMATION**

Additional information relating to Power Financial may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Information including Directors' and officers' remuneration and indebtedness, principal holders of Power Financial's securities, stock options and interests of insiders in material transactions is, where applicable, contained in its latest Management Proxy Circular. Additional financial information is provided in the financial statements for the year ended December 31, 2013 and the accompanying Management's Discussion and Analysis dated March 19, 2014, which have been filed on SEDAR.

Lifeco and IGM Financial, the major direct and indirect subsidiaries of Power Financial, are reporting issuers under Canadian securities legislation. Lifeco and IGM Financial are subject to the same continuous disclosure obligations as Power Financial. These obligations include the requirement to file annual and interim financial statements, material change reports and copies of material contracts. Investors who wish to do so may view such documents under the respective company profiles at [www.sedar.com](http://www.sedar.com).

# APPENDIX A

## POWER FINANCIAL CORPORATION AUDIT COMMITTEE CHARTER

### 1.0 PURPOSE AND COMPOSITION

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

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

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

### 2.0 PROCEDURAL MATTERS

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

- (1) **Meetings.** The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.
- (2) **Advisors.** The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay, at the Corporation’s expense, the compensation of such advisors.
- (3) **Quorum.** A quorum at any meeting of the Committee shall be two Committee members.
- (4) **Secretary.** The Chairman, or any person appointed by the Chairman, shall act as secretary of meetings of the Committee.
- (5) **Calling of Meetings.** A meeting of the Committee may be called by the Chairman of the Committee, by the Chairman of the Board, by the external auditor of the Corporation, or by any member of the Committee. When a meeting of the Committee is called by anyone other than the Chairman of the Board, the Chairman of the Committee shall so inform the Chairman of the Board forthwith.

### 3.0 DUTIES AND RESPONSIBILITIES

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

- (1) unless otherwise determined by the Board, approve the Corporation’s:
  - (a) interim management’s discussions and analyses (pursuant to delegation of authority by the Board).
- (2) review the Corporation’s:
  - (a) interim and annual financial statements;
  - (b) annual management’s discussions and analyses;
  - (c) interim and annual earnings press releases; and

(d) other documents containing audited or unaudited financial information, at its discretion;

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

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

**3.2 Chief Executive Officer's Expense Reports.** The Chairman of the Committee shall review, at least annually, the expense reports of the Chief Executive Officer. Following this review, the Chairman shall report to the Committee.

**3.3 External Audit.** The Committee shall:

- (1) recommend to the Board the external auditor to be appointed for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services;
- (2) review the terms of the external auditor's engagement, the appropriateness and reasonableness of proposed audit fees, and any issues relating to the payment of audit fees, and make a recommendation to the Board with respect to the compensation of the external auditor;
- (3) review the independence of the external auditor, including an annual report prepared by the external auditor regarding its independence;
- (4) meet with the external auditor and with management to review the audit plan, audit findings, and any restrictions on the scope of the external auditor's work;
- (5) review with the external auditor and management any changes in Generally Accepted Accounting Principles that may be material to the Corporation's financial reporting;
- (6) have the authority to communicate directly with the external auditor;
- (7) require the external auditor to report directly to the Committee;
- (8) directly oversee the work of the external auditor that is related to the preparation or issue of an auditor's report or other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (9) meet with the external auditor to discuss the annual financial statements (including the report of the external auditor thereon) and the interim financial statements (including the review engagement report of the external auditor thereon);
- (10) review any management letter containing the recommendations of the external auditor, and the response and follow-up by management in relation to any such recommendations;
- (11) review any evaluation of the Corporation's internal control over financial reporting conducted by the external auditor, together with management's response;
- (12) pre-approve (or delegate such pre-approval to one or more of its independent members) in accordance with a pre-approval policy, all engagements for non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, together with all non-audit services fees, and consider the impact of such engagements and fees on the independence of the external auditor;

- (13) review and approve the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor;
- (14) in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.

**3.4 Risk Oversight.** In performing its duties and exercising its powers, the Committee shall consider and address the risks related to the establishment, maintenance and implementation of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in relation to disclosure by the Corporation in accordance with applicable law.

**3.5 Financial Complaints Handling Procedures.** The Committee shall establish procedures for:

- (1) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (2) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

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

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

**3.8 Subsidiaries.**

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

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

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

#### **5.0 ACCESS TO INFORMATION**

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

#### **6.0 REVIEW OF CHARTER**

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

#### **7.0 REPORTING**

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