
RESPONSIBLE MANAGEMENT

Responsible management has been a guiding principle for the Corporation for many years. We view responsible management, and all that it entails, as an effective means to mitigate risk and as a catalyst for long-term value creation. It has been and continues to be fundamental to our success, enabling us to earn the confidence of our customers, business partners, shareholders, employees and the communities where we are present.

Our responsible management approach is predicated on our core values of integrity, trust, respect and corporate citizenship. These values have guided the development of our Code of Business Conduct and Ethics and our Corporate Social Responsibility (CSR) Statement. Because we act as owners of the companies in which we have major investments, we recognize our responsibility to lead by example and live up to the high standards of ethical conduct expected of us.

In 2013, we updated our Code of Business Conduct and Ethics to provide greater clarity on what we deem to be ethical behaviour and the individual decisions and actions such behaviour demands. To ensure the Code and its purpose is relevant to employees in their daily work, we will introduce business conduct and ethics training for our staff later this year.

Also in 2013, we formalized the Corporation's Global Anti-Bribery Policy, aimed at preventing all possible forms of corruption under applicable laws, and revised our CSR Statement to confirm our commitment to support and respect the protection of internationally proclaimed human rights.

CREATING VALUE THROUGH OUR ACTIVE OWNERSHIP APPROACH

Power Financial has a strong governance model through which we become an active owner in the companies in which we invest.

By having our executives sit on the boards of our portfolio companies, Power Financial exercises its active ownership through regular engagement with senior management. It allows Power Financial to ascertain that the investment is being managed in a manner consistent with our responsible management philosophy, including our CSR Statement and our Code of Business Conduct and Ethics.

The Governance and Nominating Committee of the Board has formal responsibility for CSR. The committee reviews at least annually the implementation and performance of our CSR initiatives. The Board has delegated leadership on CSR initiatives to the Vice-President, General Counsel and Secretary.

In 2013, we continued to meet regularly with our publicly traded subsidiaries to align our commitments and to share knowledge on CSR initiatives.

INVESTING IN SUSTAINABLE COMPANIES WITH LONG-TERM GROWTH PROSPECTS

We invest in quality companies with sustainable franchises and attractive growth prospects that demonstrate they are managed in a responsible manner. We take a prudent approach to risk, and incorporate analysis of environmental, social and governance (ESG) factors into our investment process whenever relevant.

Companies in the Power Financial portfolio share our philosophy and commitment to acting responsibly and ethically, and to serving the community. Given the mainstay of our investments are in financial services, we believe we represent a positive force in society. Our portfolio companies offer life and health insurance, retirement savings programs and a broad range of investment vehicles, including socially responsible investment funds. We effectively enable our customers to manage their retirement and healthcare needs, accumulate wealth and achieve financial security through savings. In the course of selling customers financial products and services, our companies also foster financial literacy, an important part of our contribution to a prosperous, empowered society.

EMPOWERING OUR PEOPLE

Responsible management also defines the manner in which we recruit and develop our employees. Our people typically fulfill the role of trusted advisor to our customers, helping them address their financial and insurance needs. We hire individuals who are skilled at building these "relationships of trust" and creating bonds of professionalism and mutual respect. In turn, we provide them with challenging and rewarding careers, give them the resources to develop their expertise and leadership skills, and support their volunteer efforts within the communities where we operate. A well-balanced, involved and motivated workforce gives us significant competitive advantage.

STRENGTHENING RELATIONSHIPS AND MAKING A DIFFERENCE

We are a large corporate group with a number of well-known brands. We recognize that our actions attract the interest of a broad cross-section of stakeholders. Again, as an element of our responsible management philosophy, we will continue to communicate meaningful information on our CSR activities via our website and other means. Where appropriate, we will also engage directly with key stakeholders.

Companies in the Power Financial group have a rich tradition of acting in a responsible manner and of being actively present in the communities where they operate. We value our reputation as a good corporate citizen and have recently taken steps to raise public awareness of some of our CSR activities which are conducted through our parent company, Power Corporation. In 2013, Power Corporation established a community investment microsite to showcase some of the exceptional work being done by organizations that it supports financially. These organizations, many of them run by innovative social entrepreneurs, work in the areas of health, education, arts and culture, community development, and the environment. The microsite will be updated on a regular basis to highlight our ongoing community investments and to support employees' volunteering initiatives.

We operate our business in an efficient and environmentally responsible manner. As a holding company, we have limited direct environmental impact. Our head office has no production, manufacturing or service operations. Despite this limited impact, we work continuously to improve our environmental performance in the areas of resource conservation, energy efficiency and waste management. In 2013, we formalized and strengthened our environmental policy. We also reported to the Carbon Disclosure Project for the second year in a row and received a ranking consistent with our efforts to improve our ongoing performance.

A LONG-TERM AND SUSTAINABLE FUTURE

Responsible management is a business strategy that allows us to generate long-term value and sustainable growth. By upholding the principles and values that responsible management demands, we are confident that our investments have robust business models, we have excellent relationships with our stakeholders and, most importantly, the potential to create sustained earnings year after year for Power Financial's shareholders, while contributing to the broader good of society at large.