

POWER FINANCIAL CORPORATION

NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS

To the holders of common shares:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of POWER FINANCIAL CORPORATION will be held at the InterContinental Hotel, 360 St. Antoine Street West, Montréal, Québec, Canada on Monday, May 14, 2012 at 11:00 a.m., local time, for the following purposes:

- [1] to elect directors;
- [2] to appoint auditors;
- [3] to receive the consolidated financial statements for the year ended December 31, 2011 and the auditors' report thereon; and
- [4] to transact such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Edward Johnson
Senior Vice-President, General Counsel and Secretary
Montréal, Québec
March 14, 2012

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN
THE ACCOMPANYING FORM OF PROXY AND RETURN IT IN THE ENVELOPE ENCLOSED.

Si vous préférez recevoir un exemplaire en français,
veuillez vous adresser au secrétaire,
Corporation Financière Power
751, square Victoria
Montréal (Québec)
Canada H2Y 2J3

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is sent in connection with the solicitation by the management of Power Financial Corporation (“Power Financial”, “PFC” or the “Corporation”) of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held on Monday, May 14, 2012 (the “Meeting”), or any adjournment thereof. The method of solicitation will be primarily by mail. However, proxies may also be solicited by employees of the Corporation in writing or by telephone at nominal cost. The Corporation may also engage a third party to provide proxy solicitation services on behalf of management in connection with the solicitation of proxies for the Meeting. The cost of solicitation will be borne by the Corporation.

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

| NAME IN FULL | ABBREVIATION |
|--|------------------------------------|
| Power Corporation of Canada | Power |
| Great-West Lifeco Inc. | Lifeco |
| IGM Financial Inc. | IGM |
| Pargesa Holding SA | Pargesa |
| The Canada Life Assurance Company | Canada Life |
| The Great-West Life Assurance Company | Great-West |
| London Life Insurance Company | London Life |
| Toronto Stock Exchange | TSX |
| Canadian Securities Administrators | CSA |
| Management Proxy Circular of Power in connection with its May 15, 2012 Meeting | Management Proxy Circular of Power |

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On March 14, 2012, there were outstanding 708,173,680 common shares (the “Common Shares”) of the Corporation. Each holder of Common Shares is entitled to one vote at the Meeting, or any adjournment thereof, for each share registered in the holder’s name as at the close of business on March 20, 2012 (the “Record Date”). The final date by which the Corporation must receive a proposal for any matter that a shareholder proposes to raise at the Annual Meeting of Shareholders of the Corporation to be held in 2013 is December 13, 2012.

To the knowledge of the Directors and officers of the Corporation, as of March 14, 2012, the Honourable Paul Desmarais, a Director of the Corporation, exercised, directly and through holding corporations, control over 467,839,296 Common Shares in the aggregate, representing 66.06 per cent of the outstanding shares of such class. To the knowledge of the Directors and officers of the Corporation, no other person or company beneficially owns, or controls or directs, directly or indirectly, more than 10 per cent of the shares of any class of voting shares of the Corporation.

PROXIES — REGISTERED SHAREHOLDERS

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

APPOINTMENT OF PROXY

To be effective, proxies from registered shareholders must be received by Computershare, 9th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1 (or be deposited with Computershare, 9th Floor, 100 University Avenue, Toronto, Ontario, Canada) no later than 5:00 p.m. on the last business day preceding the day of the Meeting.

REVOCAION OF PROXY

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

PROXIES — NON-REGISTERED SHAREHOLDERS

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

APPOINTMENT OF PROXY

In accordance with *CSA National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Corporation is distributing copies of materials related to the Meeting to Intermediaries for distribution to non-registered shareholders, and such Intermediaries are to forward the materials related to the Meeting to each non-registered shareholder (unless the non-registered shareholder has waived the right to receive such materials). Such intermediaries often use a service company (such as Broadridge Investor Communication Solutions in Canada), to permit the non-registered shareholder to direct the voting of the Common Shares, held by the Intermediary, on behalf of the non-registered shareholder. Non-registered shareholders should carefully follow the instructions on the request for voting instructions or form of proxy that they receive from their Intermediary in order to vote the Common Shares that are held through that Intermediary. Non-registered shareholders of the Corporation should submit voting instructions to Intermediaries in sufficient time to ensure that their votes are received from the Intermediaries by the Corporation.

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

REVOCAION OF PROXY

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

ELECTION OF DIRECTORS

The Board of Directors of the Corporation (sometimes herein referred to as the "Board") may consist of not less than 3 and not more than 20 members, as determined from time to time by the Board, such number presently being fixed at 20 until the Meeting, at which time the Board has determined to fix the number at 13 upon the recommendation of the Governance and Nominating Committee, as discussed below in the Statement of Corporate Governance Practices under "Nomination and Assessment of Directors." The 13 persons named hereunder will be proposed for election at the Meeting as Directors of the Corporation. Except where authority to vote in respect of the election of Directors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the election of the persons named hereunder. Management of the Corporation does not contemplate that any of the persons named hereunder will be unable or unwilling to serve as a Director; however, if such event should occur prior to the election, the nominees named in the accompanying form of proxy reserve the right to vote for the election in his or her stead of such other person as they, in their discretion, may determine. Under policies adopted by the Board, shareholders have the ability to vote for or withhold from voting for each individual Director proposed for election to the Board of Directors of the Corporation.

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

The term of office of each Director currently in office expires at the close of the Meeting. Each Director elected at the Meeting shall hold office until the close of the next Annual Meeting of Shareholders, unless he or she resigns or his or her office becomes vacant for any reason.

NOMINEES FOR ELECTION TO THE BOARD

Set forth below are the names of the nominees for election to the Board, their place of residence, certain biographical information and the number of voting securities and deferred share units of the Corporation and its affiliates beneficially owned, or controlled or directed, directly or indirectly, by each of them.

The information below also reflects the number of Board of Directors and Board of Directors Committee meetings held and attendance for the financial year ended December 31, 2011 by the 13 Directors who are nominated for election at the Meeting. Shareholders should be aware that Directors make important contributions to the welfare of the Corporation outside meetings of the Board and its Committees which are not reflected in attendance figures.

| MARC A. BIBEAU QUÉBEC, CANADA | | | | |
|---|-----------------------------------|--------------------------|-----------------------------|--|
| Mr. Bibeau is President and Chief Executive Officer of Beauward Shopping Centres Ltd., a privately owned company which develops, leases and operates real estate properties, a position he has held since 1996. He previously held a number of other positions with that company. Mr. Bibeau is a Director of IGM, Investors Group Inc. and Mackenzie Inc. He was previously a Director of Lifeco, Great-West, London Life, Canada Life Financial Corporation, Canada Life and Crown Life Insurance Company until May 2009. He is also a member of the Board of Directors of Tennis Canada. | | | | |
| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 2009 | 7/7 | Audit | 5/5 | 12,748 Deferred Share Units of the Corporation 2,325 Deferred Share Units of Lifeco 7,211 Deferred Share Units of IGM |

| ANDRÉ DESMARAIS, o.c., o.q. QUÉBEC, CANADA | | | | |
|---|-----------------------------------|---------------------------|-----------------------------|---|
| Mr. Desmarais is Co-Chairman of the Corporation, and a Deputy Chairman, President and Co-Chief Executive Officer of Power. Prior to joining Power in 1983, he was Special Assistant to the Minister of Justice of Canada and an institutional investment counsellor at Richardson Greenshields Securities Ltd. He has held a number of senior positions with Power group companies and was named President and Co-Chief Executive Officer of Power in 1996. He is a Director of many Power Financial group companies in North America, including Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, Crown Life Insurance Company, Putnam Investments, LLC, IGM, Investors Group Inc. and Mackenzie Inc. He is also a Director of Power, of Pargesa in Europe and of CITIC Pacific Limited in Asia (in which Power holds a minority interest). He was a Director of BELLUS Health Inc. until 2009. Mr. Desmarais is Honorary Chairman of the Canada China Business Council and is a member of several China-based organizations. Mr. Desmarais is active in cultural, health and other not-for-profit organizations in Montréal. In 2003, he was named an Officer of the Order of Canada and, in 2009, he was named an Officer of the National Order of Québec. He has received Doctorates <i>Honoris Causa</i> from Concordia University and the Université de Montréal. | | | | |
| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 1988 | 7/7 | Executive | N/A ^[3] | 43,200 Common Shares of the Corporation 1,046,994 Subordinate Voting Shares of Power 700,000 Common Shares of Lifeco 43,736 Deferred Share Units of the Corporation 46,213 Deferred Share Units of Power 85,405 Deferred Share Units of Lifeco 31,671 Deferred Share Units of IGM |
| | | Governance and Nominating | 1/1 | |

THE HONOURABLE PAUL DESMARAIS, P.C., C.C., O.Q.

QUÉBEC, CANADA

Mr. Desmarais is Chairman of the Executive Committee of Power. He acquired control of Power in 1968. He is Chairman of the Board and Executive Director of Pargesa. He is also a Director of Power and Groupe Bruxelles Lambert. He is a Member of the Queen's Privy Council for Canada, a Companion of the Order of Canada, an Officer of the National Order of Québec, a Grand' Croix de l'Ordre national de la Légion d'honneur (France) and a Commandeur de l'Ordre de Léopold II (Belgium).

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|---------------------------|-----------------------------|---|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| February 1966 | 3/7 | Executive | N/A ^[3] | 467,839,296 Common Shares of the Corporation ^[4] 63,825,142 Subordinate Voting Shares of Power ^[5] 48,603,392 Participating Preferred Shares of Power ^[6] 686,032,770 Common Shares of Lifeco ^[7] 157,132,080 Common Shares of IGM ^[7] 16,526 Deferred Share Units of the Corporation 34,887 Deferred Share Units of Power |
| | | Governance and Nominating | 0/1 | |

PAUL DESMARAIS, JR., O.C., O.Q.

QUÉBEC, CANADA

Mr. Desmarais is Co-Chairman of the Corporation and Chairman and Co-Chief Executive Officer of Power. Prior to joining Power in 1981, he was with S.G. Warburg & Co. in London, England, and with Standard Brands Incorporated in New York. He was Chairman of the Board of the Corporation from 1990 to 2005, Vice-Chairman from 1989 to 1990 and President and Chief Operating Officer from 1986 to 1989. He was named to his present position with Power in 1996. He is a Director of many Power Financial group companies in North America, including Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, Crown Life Insurance Company, Putnam Investments, LLC, IGM, Investors Group Inc. and Mackenzie Inc. He is also a Director of Power, Vice-Chairman of the Board and Executive Director of Pargesa, Vice-Chairman and Director of Groupe Bruxelles Lambert, and Director of GDF Suez, Total SA and Lafarge SA. He was Vice-Chairman of the Board and a Director of Imerys until 2008. Mr. Desmarais is a member of the International Council and a Director of the European Institute of Business Administration (INSEAD), Chairman of the Board of Governors of the International Economic Forum of the Americas, Founder and member of the International Advisory Committee of École des hautes études commerciales of Montréal, a Trustee and the Co-Chair of the International Advisory Council of the Brookings Institution (Washington), and Founder and a member of the International Advisory Board of the McGill University Faculty of Management in Montréal. He is also involved in charitable and community activities in Montréal. In 2005, he was named an Officer of the Order of Canada and, in 2009, he was named an Officer of the National Order of Québec. He has received Doctorates *Honoris Causa* from Université Laval and the Université de Montréal.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|---------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| April 1983 | 6/7 | Executive | N/A ^[3] | 62,631 Subordinate Voting Shares of Power 100,000 Common Shares of Lifeco 30,100 Deferred Share Units of the Corporation 31,532 Deferred Share Units of Power 16,500 Deferred Share Units of Lifeco 15,822 Deferred Share Units of IGM |
| | | Governance and Nominating | 1/1 | |

GÉRALD FRÈRE

HAINAUT, BELGIUM

Mr. Frère is Managing Director of Frère-Bourgeois S.A., a financial group based in Belgium. He is Chairman of the Board of Compagnie Nationale à Portefeuille S.A., and a Director of ERBE, of Pargesa, of Electrabel S.A. and of Pernod Ricard. From 1993 to December 2011, he was Managing Director of Groupe Bruxelles Lambert and on January 1, 2012, he became Chairman of the Board. He is also Regent of the National Bank of Belgium.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|----------------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 1990 | 5/7* | Compensation | 3/3 | 31,074 Deferred Share Units of the Corporation |
| | | Related Party and Conduct Review | 3/3 | |

* Mr. Frère is a resident of Belgium and is active in the oversight of the European companies in which the Corporation has an interest.

ANTHONY R. GRAHAM, LL.D.

ONTARIO, CANADA

Mr. Graham is President and a Director of Wittington Investments, Limited, an investment management company and the principal holding company of the Weston-Loblaw Group. Prior to joining Wittington Investments, Limited, he held senior positions in Canada and the U.K. with National Bank Financial Inc. (formerly Lévesque Beaubien Geoffrion Inc.), a Montréal-based investment dealer. Mr. Graham is Chairman and a Director of President's Choice Bank. He also serves on the Board of Power as well as George Weston Limited, Loblaw Companies Limited, Graymont Limited, Brown Thomas Group Limited, De Bijenkorf B.V., Holt Renfrew & Co., Limited, and Selfridges & Co. Ltd. Mr. Graham serves as Chairman of the Ontario Arts Foundation and the Shaw Festival Theatre Endowment Foundation. He is also a Director of the Art Gallery of Ontario, the Canadian Institute for Advanced Research, St. Michaels Hospital, Luminato and the Trans Canada Trail Foundation. In June 2007, he was awarded an Honorary Doctorate of Law Degree from Brock University.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|---------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 2001 | 5/7 | Governance and Nominating | 1/1 | 25,000 Common Shares of the Corporation 25,000 Subordinate Voting Shares of Power 27,704 Deferred Share Units of the Corporation 32,914 Deferred Share Units of Power |

ROBERT GRATTON

QUÉBEC, CANADA

Mr. Gratton is a Deputy Chairman of the Board of Power, a position he has held since May 2008. He had been previously, until May 2005, President of the Corporation from 1989 and Chief Executive Officer since May 1990, and had been Chairman of the Board from May 2005 until 2008. He is also a Director of Power. He was Chairman of the Board and Chairman of the Executive Committee of Lifeco, Great-West, Great West Life & Annuity Insurance Company, Canada Life, Canada Life Financial Corporation, London Insurance Group Inc. and London Life until May 2008 and a Director until October 2008. He was Chairman of the Executive Committee of IGM from 1990 until 2005, Chairman of the Board from 1993 until May 2008, as well as a Director until October 2008. He was also Chairman of the Executive Committee of Investors Group Inc. from 2004 to 2005, Chairman of the Board from 2004 until May 2008 and a Director until October 2008. Mr. Gratton was also Chairman of the Executive Committee of Mackenzie Inc. from 2002 until 2005, Chairman of the Board from 2002 until May 2008 and a Director until October 2008. He was also a Director of Pargesa from May 1992 to May 2010. Prior to joining the Corporation, Mr. Gratton started working at Crédit Foncier Franco-Canadien in 1971 and became Chief Operating Officer in 1975, and President and Chief Executive Officer in 1979. From 1982 to 1989, he was Chairman of the Board, President and Chief Executive Officer of Montreal Trust Company. Mr. Gratton is a member of the Harvard Business School Canadian Advisory Board and has served as a member of The Conference Board of Canada, The Conference Board, Inc., the C.D. Howe Institute and The Trilateral Commission. He has also served as a Director of a number of other companies, community organizations and foundations.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|-----------|-----------------------------|---|
| | BOARD MEETINGS ATTENDED | COMMITTEE | COMMITTEE MEETINGS ATTENDED | |
| December 1986 | 6/7 | N/A | N/A | 9,545,905 Common Shares of the Corporation 37,000 Subordinate Voting Shares of Power 649,700 Common Shares of Lifeco 75,000 Common Shares of IGM 22,740 Deferred Share Units of the Corporation 22,497 Deferred Share Units of Power 104,939 Deferred Share Units of Lifeco 57,702 Deferred Share Units of IGM |

V. PETER HARDER, LL.D.^[8]

ONTARIO, CANADA

Mr. Harder is a Senior Policy Adviser to Fraser Milner Casgrain LLP, a law firm, and President of the Canada China Business Council, an association that seeks to facilitate and to promote trade and investment between Canada and China. He is former Deputy Minister of Foreign Affairs, a position that he held from 2003 to 2007. Prior to that, he served as Deputy Minister in a number of other Government of Canada departments, including Treasury Board, Solicitor General, Citizenship and Immigration and Industry Canada. Mr. Harder is a Director of IGM, Investors Group Inc. and Mackenzie Inc. He is also a Director of TimberWest Forest Corp., Telesat Canada, Energizer Resources Inc., Northland Power Inc. and Pinetree Capital Limited. Mr. Harder is also a member of the United Church Foundation, of the Board of Genome Canada, of the Commonwealth Games Foundation, Chair of the National Arts Center Governance and Ethics Committee, and he is Chair of the National Police Services Advisory Board. He was awarded the Prime Minister's Outstanding Achievement Award for public service leadership in 2000 and, in 2002, he was awarded the Queen Elizabeth II Jubilee Medal. In 2007, President Uribe of Colombia presented Mr. Harder with the Grand Master of the Order of St. Charles in recognition of his contribution to Canada-Columbia relations. He also served as the Personal Representative of the Prime Minister to three G8 Summits (Sea Island, Gleneagles and St. Petersburg). In 2007, he was awarded an Honorary Doctorate (LL.D) by the University of Waterloo.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|----------------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 2009 | 7/7 | Compensation | 3/3 | 13,979 Deferred Share Units of the Corporation 3,966 Deferred Share Units of Lifeco 6,589 Deferred Share Units of IGM |
| | | Related Party and Conduct Review | 3/3 | |

R. JEFFREY ORR
QUÉBEC, CANADA

Mr. Orr is President and Chief Executive Officer of the Corporation, a position he has held since May 2005. From May 2001 until May 2005, he was President and Chief Executive Officer of IGM. Prior to joining IGM, he was Chairman and Chief Executive Officer of BMO Nesbitt Burns Inc. and Vice-Chairman, Investment Banking Group of the Bank of Montreal. Mr. Orr had been with BMO Nesbitt Burns Inc. and predecessor companies since 1981. He is a Director of Power, a Director and Chairman of the Executive, Compensation, and Governance and Nominating Committees of Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, The Canada Life Insurance Company of Canada and Crown Life Insurance Company, and a Director and Chairman of the Executive Committee of London Insurance Group Inc. He is also a Director and Chairman of the Board and of the Executive and Compensation Committees of Putnam Investments, LLC, as well as a Director of Canada Life Capital Corporation. He is also a Director, Chairman of the Board and Chairman of the Executive, Investment, Compensation, and Governance and Nominating Committees of IGM and Investors Group Inc. and a Director, Chairman of the Board and Chairman of the Executive, Compensation, and Governance and Nominating Committees of Mackenzie Inc. Mr. Orr is active in a number of community and business organizations.

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|-------------------------|-----------------------------------|--------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 2005 | 7/7 | Executive | N/A ^[3] | 400,400 Common Shares of the Corporation 20,000 Subordinate Voting Shares of Power 20,000 Common Shares of Lifeco 120,100 Common Shares of IGM 25,908 Deferred Share Units of the Corporation 26,264 Deferred Share Units of Power 72,890 Deferred Share Units of Lifeco 34,737 Deferred Share Units of IGM |

LOUISE ROY, o.q.
QUÉBEC, CANADA

Mrs. Roy is an invited Fellow at CIRANO, the *Centre interuniversitaire de recherche en analyse des organisations*, a position she has held since 2003. She is also President of the *Conseil des arts de Montréal* since 2006, a consultant and a company Director. She serves as a Director of Intact Financial Corporation, Montréal International and the Université de Montréal, where she has acted as Chancellor and Chair of the Board since 2007. During her career, she has been a Director of Provigo Inc. until 1992, the Laurentian Bank of Canada until 1993, Videotron Ltée until 1997, and Domtar Corporation until 2007. She was President and Chief Executive Officer of the Montreal Urban Community Transport Commission until 1992, Executive Vice-President of Air France until 1997, President and Chief Executive Officer of Telemedia Communications Inc. until 2000 and Senior Vice-President of the International Air Transport Association until 2003. She participated in several fundraising campaigns, including the Université de Montréal and of several other cultural organizations. In 2009, she was named an Officer of the National Order of Québec.

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|-------------------------|-----------------------------------|-----------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE | COMMITTEE MEETINGS ATTENDED | |
| May 2010 | 7/7 | N/A | N/A | 7,212 Deferred Share Units of the Corporation |

RAYMOND ROYER, O.C., O.Q., FCA

QUÉBEC, CANADA

Mr. Royer is a company Director. He was, from 1996 until 2008, President and Chief Executive Officer of Domtar Corporation, a pulp and paper company based in Montréal. Prior thereto, he was President and Chief Operating Officer of Bombardier Inc. He is a Director of several Power Financial group companies in North America, including Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, Crown Life Insurance Company and Putnam Investments, LLC. He was a Director of Shell Canada Limited until 2007 and of Domtar Corporation until 2009. He is a Member of the Board of the International Advisory Board of École des hautes études commerciales of Montréal. He is an Officer of the Order of Canada and of the National Order of Québec.

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|-------------------------|-----------------------------------|----------------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| December 1986 | 7/7 | Audit | 5/5 | 174,000 Common Shares of the Corporation 15,000 Common Shares of Lifeco 64,092 Deferred Share Units of the Corporation 17,893 Deferred Share Units of Lifeco |
| | | Compensation | 3/3 | |
| | | Executive | N/A ^[3] | |
| | | Governance and Nominating | 1/1 | |
| | | Related Party and Conduct Review | 3/3 | |

T. TIMOTHY RYAN, JR.

NEW YORK, UNITED STATES

Mr. Ryan is President and Chief Executive Officer of the Securities Industry and Financial Markets Association ("SIFMA"), a leading trade association representing 680 global financial market participants. Prior to joining SIFMA, he was Vice-Chairman, Financial Institutions and Governments, at J.P. Morgan, where he was a member of the firm's senior leadership. He is a Director of Power and of many Power Financial group companies, including Lifeco, Great-West, Great-West Life & Annuity Insurance Company, London Life, Canada Life Financial Corporation, Canada Life, Crown Life Insurance Company and Putnam Investments, LLC. He is a member of the Board of Lloyds Banking Group plc, where he serves on the Remuneration, Audit and Risk Committees. Mr. Ryan is a Director of the United States-Japan Foundation. He is also a private sector member of the Global Markets Advisory Committee for the National Intelligence Council.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|-----------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE | COMMITTEE MEETINGS ATTENDED | |
| May 2011 | 4/4* | N/A | N/A | 3,165 Deferred Share Units of the Corporation 3,695 Deferred Share Units of Power 20,442 Deferred Share Units of Lifeco |

* Mr. Ryan was elected to the Board on May 12, 2011.

EMŐKE J.E. SZATHMÁRY, C.M., O.M., PH.D., FRSC
 MANITOBA, CANADA

Dr. Szathmáry is President Emeritus of the University of Manitoba since July 2008, and a professor in the Departments of Anthropology and of Biochemistry and Medical Genetics. From 1996 to 2008, she was President and Vice-Chancellor of the University of Manitoba. She was previously Provost and Vice-President (Academic) of McMaster University in Hamilton and, prior thereto, Dean of the Faculty of Social Science of the University of Western Ontario in London (now Western University). She is a Director of several Power Financial group companies in North America, including Lifeco, Great-West, London Life, Canada Life Financial Corporation, Canada Life and Crown Life Insurance Company. She is also a Director of Power. 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 and five Honorary Doctorates. Dr. Szathmáry is a Fellow of the Royal Society of Canada and is a Member of the Order of Canada and of the Order of Manitoba.

| SERVED AS DIRECTOR FROM | SUMMARY OF ATTENDANCE OF DIRECTOR | | | NUMBER OF EACH CLASS OF VOTING SECURITIES OF THE CORPORATION AND ITS AFFILIATES BENEFICIALLY OWNED, OR CONTROLLED OR DIRECTED, DIRECTLY OR INDIRECTLY, AS OF MARCH 14, 2012 AND NUMBER OF DEFERRED SHARE UNITS HELD AS AT DECEMBER 31, 2011 ^[1] |
|-------------------------|-----------------------------------|--------------------------|-----------------------------|--|
| | BOARD MEETINGS ATTENDED | COMMITTEE ^[2] | COMMITTEE MEETINGS ATTENDED | |
| May 1999 | 7/7 | Audit | 5/5 | 3,000 Common Shares of the Corporation 21,029 Deferred Share Units of the Corporation 25,768 Deferred Share Units of Power 18,506 Deferred Share Units of Lifeco |

[1] The members of the Board of Directors receive all or a portion of their annual retainer and attendance fees in the form of deferred share units or in the form of Common Shares. The value of a deferred share unit of the Corporation is equal to the value of a Common Share at the relevant time. See "Compensation of Directors".

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

[3] The Executive Committee did not meet during the financial year ended December 31, 2011.

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

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

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

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

[8] 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).

COMPENSATION OF DIRECTORS

DIRECTOR COMPENSATION

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

The Compensation Committee reviews compensation data from a Canadian reference group which is the same group used for benchmarking the executive positions (see list of companies included in the Canadian reference group on page 27).

The Committee's compensation policy is aimed at providing fair, reasonable and competitive total compensation required to attract and retain experienced and competent Directors.

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

For the financial year ended December 31, 2011, the retainers and fees payable to all Directors were as follows, unchanged from the prior financial year:

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

The Board made no changes to its policies and practices relating to compensation for the Corporation's Directors during the financial year ended December 31, 2011.

DEDICATED ANNUAL BOARD RETAINER

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

Pursuant to the DSU Plan, for Directors who participate in the DSU Plan, the \$50,000 dedicated portion of the annual board retainer is used to acquire DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the five-day average closing price on the TSX of the Common Shares of the Corporation on the last five trading days of the fiscal quarter (the "value of a DSU"). A Director who receives DSUs receives additional DSUs in respect of dividends payable on Common Shares, based on the value of a DSU at that time. A DSU is payable at the time a Director's membership on the Board is terminated, or in the event of the death of a Director, by a lump sum cash payment, based on the value of a DSU at that time. In order to promote greater alignment of interests between Directors and the shareholders of the Corporation, Directors are also able to elect to receive the balance of the annual board retainer and the board and committee attendance fees, committee retainer, and committee chairman retainer in the form of DSUs under the DSU Plan.

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

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

DIRECTOR COMPENSATION TABLE*

The following chart shows the compensation paid to each Director (other than Named Executive Officers (“NEOs”), see “Executive Compensation – Summary Compensation Table”) for services as a Director of the Corporation, and in any other capacities if applicable, during the financial year ended December 31, 2011.

| COMPENSATION OF DIRECTORS ^[1,2,3] | | | | |
|---|---------------------------------------|--|--|-------------------------------|
| DIRECTOR | FEES EARNED ^[4] [\$] | SHARE-BASED AWARDS ^[5,6] [\$] | ALL OTHER COMPENSATION ^[7] [\$] | TOTAL COMPENSATION [\$] |
| J. Brian Aune ^[8] | 62,000 | 50,000 | — | 112,000 |
| Marc A. Bibeau | 80,000 | 50,000 | — | 130,000 |
| The Hon. Paul Desmarais | 66,000 | 50,000 | — | 116,000 |
| Gérald Frère | 82,000 | 50,000 | — | 132,000 |
| Anthony R. Graham | 67,000 | 50,000 | — | 117,000 |
| Robert Gratton | 62,000 | 50,000 | — | 112,000 |
| V. Peter Harder | 96,000 | 50,000 | — | 146,000 |
| The Rt. Hon. Donald F. Mazankowski ^[8] | 69,000 | 50,000 | — | 119,000 |
| Jerry E.A. Nickerson ^[8] | 80,000 | 50,000 | — | 130,000 |
| Michel Plessis-Bélair ^[8,9] | 64,000 | 50,000 | — | 114,000 |
| Henri-Paul Rousseau ^[8,10,11] | 64,000 | 50,000 | — | 114,000 |
| Louise Roy | 64,000 | 50,000 | — | 114,000 |
| Raymond Royer | 143,000 | 50,000 | — | 193,000 |
| T. Timothy Ryan, Jr. ^[12] | 45,500 | 37,500 | — | 83,000 |
| Amaury de Seze ^[8,10] | 64,000 | 50,000 | 641,696 ^[13] | 755,696 |
| Emőke J.E. Szathmáry | 80,000 | 50,000 | — | 130,000 |

* Footnotes to this table appear on the following page.

- [1] Table does not include any amounts paid as reimbursement for expenses.
- [2] Compensation paid (including compensation paid as a Director of the Corporation and its subsidiaries) to the NEOs who served as Directors of the Corporation is disclosed in the Summary Compensation Table. See "Executive Compensation" below.
- [3] Some Directors also receive compensation in their capacity as Directors of publicly-traded subsidiaries of the Corporation and their subsidiaries, namely: Marc A. Bibeau is also a Director of IGM and certain of its subsidiaries; V. Peter Harder is also a Director of IGM and certain of its subsidiaries; Jerry E.A. Nickerson is also a Director of Lifeco and certain of its subsidiaries; Michel Plessis-Bélair is also a Director of Lifeco and IGM and certain of their subsidiaries; Henri-Paul Rousseau is also a Director of Lifeco and IGM and certain of their subsidiaries; Raymond Royer is also a Director of Lifeco and certain of its subsidiaries; T. Timothy Ryan, Jr. is also a Director of Lifeco and certain of its subsidiaries; and Emőke J.E. Szathmáry is also a Director of Lifeco and certain of its subsidiaries. See Lifeco's Management Proxy Circular dated February 22, 2012 and IGM's Management Proxy Circular dated February 29, 2012, as applicable.
- [4] Of the fees disclosed, each of the following Directors elected to receive the following amounts in the form of additional DSUs under the Corporation's DSU Plan: Marc A. Bibeau: \$80,000; Anthony R. Graham: \$55,000; V. Peter Harder: \$96,000; the Rt. Hon. Donald F. Mazankowski: \$27,500; Louise Roy: \$64,000; Raymond Royer: \$143,000; and T. Timothy Ryan, Jr.: \$45,500. Of the fees disclosed, each of the following Directors has elected to receive the following amounts in the form of Common Shares of the Corporation under the DSP Plan: Jerry E.A. Nickerson: \$80,000 and Amaury de Seze: \$64,000. These amounts are in addition to the amounts shown in the "Share-Based Awards" column above. See also note [6] below.
- [5] Represents the dedicated portion of the Annual Board Retainer that, under the Corporation's DSU Plan and DSP Plan adopted by the Board, is required to be paid to Directors in DSUs or Common Shares of the Corporation.
- [6] DSU awards are granted on the first day of each fiscal quarter and the grant date fair value of a DSU award is equal to the five-day average closing price on the TSX of the Common Shares of the Corporation on the last five trading days of the preceding fiscal quarter. The grant date fair value of a DSP award is equal to the aggregate price of the Common Shares of the Corporation so acquired in the market.
- [7] From time to time, Directors may be called upon to attend meetings relating to the affairs of the Corporation, other than formal Board or Committee meetings, for which an attendance fee may be paid.
- [8] These Directors will not be standing for re-election at the Meeting. During the financial year ended December 31, 2011, J. Brian Aune attended six meetings of the Board of Directors (out of seven), the Rt. Hon. Donald F. Mazankowski attended seven meetings of the Board of Directors, Jerry E.A. Nickerson attended seven meetings of the Board of Directors and five meetings of the Audit Committee (out of five), Michel Plessis-Bélair attended seven meetings of the Board of Directors, Henri-Paul Rousseau attended seven meetings of the Board of Directors and Amaury de Seze attended seven meetings of the Board of Directors.
- [9] Although Michel Plessis-Bélair will not be standing for re-election as a Director of the Corporation at the Meeting, he will continue to perform his functions as a Vice-Chairman of Power.
- [10] Although they will not be standing for re-election as Directors of the Corporation at the Meeting, Henri-Paul Rousseau and Amaury de Seze will each continue to perform their functions as a Vice-Chairman of the Corporation.
- [11] Mr. Rousseau is a Vice-Chairman of the Corporation and of Power. His compensation in such capacities is disclosed in the Management Proxy Circular of Power.
- [12] T. Timothy Ryan, Jr. was elected to the Board of the Corporation on May 12, 2011.
- [13] Mr. de Seze received compensation of \$641,696, comprised of salary and a non-equity incentive award, during the financial year ended December 31, 2011, in his capacity as a Vice-Chairman of the Corporation.

DIRECTOR COMPENSATION EQUITY HOLDINGS AT DECEMBER 31, 2011

The following table shows equity holdings as at December 31, 2011 for each Director (other than NEOs) in respect of DSUs and Common Shares received as compensation under the Corporation's DSU Plan or DSP Plan in 2011 and prior years.

| DIRECTOR | NUMBER OF DSP PLAN SHARES AS AT DECEMBER 31, 2011 ^[1] [#] | NUMBER OF DSUS HELD UNDER THE DSU PLAN AS AT DECEMBER 31, 2011 ^[2] [#] | TOTAL VALUE OF DSP PLAN SHARES AND DSUS ^[3] AS AT DECEMBER 31, 2011 ^[4] [\$] |
|---|--|---|--|
| J. Brian Aune ^[5] | — | 10,167 | 259,665 |
| Marc A. Bibeau | — | 12,748 | 325,584 |
| The Hon. Paul Desmarais | — | 16,526 | 422,074 |
| Gérald Frère | — | 31,074 | 793,630 |
| Anthony R. Graham | — | 27,704 | 707,560 |
| Robert Gratton | — | 22,740 | 580,780 |
| V. Peter Harder | — | 13,979 | 357,024 |
| The Rt. Hon. Donald F. Mazankowski ^[5] | — | 24,462 | 624,759 |
| Jerry E.A. Nickerson ^[5] | 14,769 | — | 377,200 |
| Michel Plessis-Bélair ^[5] | — | 20,406 | 521,169 |
| Henri-Paul Rousseau ^[5] | — | 5,026 | 128,364 |
| Louise Roy | — | 7,212 | 184,194 |
| Raymond Royer | — | 64,092 | 1,636,910 |
| T. Timothy Ryan, Jr. | — | 3,165 | 80,834 |
| Amaury de Seze ^[5] | 6,577 | — | 167,977 |
| Emőke J.E. Szathmáry | — | 21,029 | 537,081 |

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

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

[3] A DSU is payable at the time a Director's membership on the Board is terminated or in the event of the death of a Director, by a lump sum cash payment, based on the value of a DSU at that time.

[4] Calculated based on December 31, 2011 closing price of \$25.54 per Common Share of the Corporation on the TSX.

[5] These Directors are not standing for re-election at the Meeting. See notes [8], [9] and [10] under the "Director Compensation Table" above.

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

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

DIRECTOR OUTSTANDING OPTIONS

Robert Gratton holds options to acquire Common Shares, subject to the applicable vesting restrictions, under the Corporation's Employee Stock Option Plan (the "Employee Stock Option Plan") and options to acquire Subordinate Voting Shares of Power, subject to the applicable vesting restrictions, under the Power Executive Stock Option Plan, which options were awarded to Mr. Gratton in his capacity as an officer of the Corporation at the time of such award. The following table shows information for all such unexercised options as at December 31, 2011.^[1]

| POWER FINANCIAL CORPORATION | | | | POWER CORPORATION OF CANADA | | | |
|---|----------------------------|------------------------|---|---|----------------------------|------------------------|---|
| NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS [#] | OPTION EXERCISE PRICE [\$] | OPTION EXPIRATION DATE | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS ^[2] [\$] | NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS [#] | OPTION EXERCISE PRICE [\$] | OPTION EXPIRATION DATE | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS ^[2] [\$] |
| 914,236 | 34.455 | March 27, 2018 | Nil | 452,830 | 33.125 | March 27, 2018 | Nil |
| 3,000,000 | 21.65 | August 6, 2013 | 11,670,000 | | | | |
| | | | 11,670,000 | | | | |

[1] R. Jeffrey Orr holds options of IGM previously granted to him as an officer of IGM, which are disclosed in IGM's Management Proxy Circular dated February 29, 2012. Raymond L. McFeetors holds options of Lifeco previously granted to him as an officer of Lifeco, which are disclosed in Lifeco's Management Proxy Circular dated February 22, 2012. Henri-Paul Rousseau holds options of Power granted to him as an officer of Power, which are disclosed in the Management Proxy Circular of Power. Amaury de Seze holds options of Power previously granted to him as an officer of Power. Michel Plessis-Bélair holds options of Power previously granted to him as an officer of Power, which are disclosed in the Management Proxy Circular of Power.

[2] Calculated based on December 31, 2011 closing prices on the TSX of \$25.54 per Common Share of the Corporation and \$23.82 per Subordinate Voting Share of Power.

The aggregate value that would have been realized by Mr. Gratton if options held by him had been exercised on the vesting date during the financial year ended December 31, 2011 is nil.

MANDATORY HOLDINGS BY DIRECTORS

Directors are required to hold Common Shares of the Corporation or DSUs with a value equivalent to \$375,000 within five years of their becoming a Director of the Corporation. All Directors meet, or are on track to meet, the Corporation's equity ownership guidelines.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The Summary Compensation Table and Notes below describe the total compensation paid, awarded or earned by each of the NEOs for services rendered in all capacities to the Corporation and its subsidiaries during the financial years indicated. In the case of Paul Desmarais, Jr., André Desmarais and Philip K. Ryan, who are also NEOs of Power, the amounts shown

| SUMMARY COMPENSATION TABLE | | | | |
|---|------|------------------------|--|---|
| NAME AND PRINCIPAL POSITION | YEAR | SALARY [\$] | SHARE-BASED AWARDS ^[1] [\$] | OPTION-BASED AWARDS ^[2] [\$] |
| | | | | |
| R. Jeffrey Orr President and Chief Executive Officer | 2011 | 3,919,000 | 137,500 | 1,763,552 ^[4] |
| | 2010 | 3,823,000 | 133,168 | 1,911,504 ^[5,6] |
| | 2009 | 3,750,000 | 125,000 | Nil ^[5,6,7] |
| Paul Desmarais, Jr. ^[8,9] Co-Chairman | 2011 | 525,000 ^[8] | 137,500 | — ^[11] |
| | 2010 | 500,000 | 133,168 | — ^[11] |
| | 2009 | 500,000 | 125,000 | — ^[11] |
| André Desmarais ^[8,9] Co-Chairman | 2011 | 525,000 ^[8] | 137,500 | — ^[11] |
| | 2010 | 500,000 | 133,168 | — ^[11] |
| | 2009 | 500,000 | 125,000 | — ^[11] |
| Philip K. Ryan ^[8] Executive Vice-President and Chief Financial Officer | 2011 | 320,500 ^[8] | 87,500 | 31,112 ^[12] |
| | 2010 | 312,500 | 83,168 | 56,249 ^[6,13] |
| | 2009 | 306,000 | 75,000 | Nil ^[6,13] |
| Raymond L. McFeetors ^[14,15] Vice-Chairman | 2011 | 681,000 | 137,500 | Nil ^[16] |
| | 2010 | 650,000 | 133,168 | Nil ^[16] |
| | 2009 | 1,935,000 | 125,000 | 357,001 |

[1] Share-based awards represent the portion of the annual board retainer that, under the DSU Plan and DSP Plan of the Corporation, and similar plans of the Corporation's subsidiaries, is required to be paid to NEOs in DSUs or shares in their capacity as Directors of the Corporation or its subsidiaries. See "Compensation of Directors – Dedicated Annual Board Retainer" above, Lifeco's Management Proxy Circular dated February 22, 2012 and IGM's Management Proxy Circular dated February 29, 2012, as applicable. DSU awards are granted by the Corporation on the first day of each fiscal quarter and the grant date fair value of a DSU award is equal to the five-day average closing price on the TSX of the Common Shares of the Corporation on the last five trading days of the preceding fiscal quarter. The grant date fair value of a DSP award granted by the Corporation is equal to the aggregate price of the Common Shares of the Corporation so acquired in the market.

[2] The grant date fair value of options awarded by the Corporation has been calculated using the binomial lattice method. This methodology for determining the fair value of the grants corresponds to the value which the Board awarded as compensation to the NEOs. The Corporation's use of this methodology is also consistent with the method used by its external compensation adviser when valuing the equity-based awards of other companies for competitive total compensation comparison purposes. The grant date fair value determined for accounting purposes for options awarded by PFC in 2011 is \$1,798,254 in the case of Mr. Orr and \$44,843 in the case of Mr. Ryan. The amount of the differences between the fair value of the award presented in the table above and the fair value determined for accounting purposes are as follows: \$34,702 in the case of Mr. Orr and \$13,731 in the case of Mr. Ryan. The difference between the grant date fair value for accounting purposes and the grant date fair value for the purposes of the "Option-Based Awards" column in the above table is due to the use of different methodologies (Black-Scholes vs. Binomial) and different assumptions for the expected life of the options and the period over which the volatility is calculated. For the terms and vesting conditions of the options granted to the NEOs in 2011 by the Corporation and Power, as the case may be, see "Incentive Plan Awards" below.

[3] A substantial portion of this compensation represents board fees paid in cash or, at the election of the NEO, in DSUs or DSP Plan shares for services as a Director of the Corporation and its subsidiaries. Amounts for 2011 include the following board fees: Mr. Orr: \$419,750, Mr. Paul Desmarais, Jr.: \$245,250, Mr. André Desmarais: \$318,500, Mr. Ryan: \$280,500 and Mr. McFeetors: \$448,250. This compensation also includes the amounts contributed by the Corporation, if any, to proportionately supplement contributions by employees to acquire shares of Power under Power's Employee Share Purchase Program, which is offered to all employees of the Corporation. These amounts do not include the portion of the annual board retainer required to be paid in shares or DSUs which are disclosed in the "Share-Based Awards" column in the table above.

[4] The grant date fair value for options awarded by the Corporation to Mr. Orr in 2011 was calculated using the binomial lattice model. The binomial factor has been determined using a 5-year average volatility of 20.06 per cent at the date of grant and a 1-year dividend yield of 4.63 per cent. The risk free interest rates for the 2011 grant were based on a yield curve of risk free interest rates based on the median, zero coupon yield curve data calculated on a daily basis by the Bank of Canada. Based on these assumptions, the binomial factor used for 2011 is 9 per cent of the exercise price.

[5] Previously, in accordance with then-applicable CSA disclosure requirements, the Corporation recognized one-fifth of the grant date fair value for a multi-year allotment of options awarded to Mr. Orr during the financial year ended December 31, 2005, corresponding to the compensation value which the Board intended to provide to Mr. Orr for that year, within the Corporation's total compensation policy. See also Note [6].

[6] Pursuant to changes adopted by the CSA during 2011, the Corporation is now required to state for the year of grant the entire grant date fair value of options awarded by the Corporation during the year, irrespective of whether part or all of the award relates to multiple financial years, and irrespective of whether this actually reflects the compensation value which the Board intended to provide to the NEO in a given year. Accordingly, the amounts shown in the table have been restated to conform to the new requirements and therefore are not the same as the amounts disclosed in prior Management Proxy Circulars of the Corporation for prior years.

below under "Salary", "Annual Incentive Plans" and "Pension Value" represent inter-company reimbursements from the Corporation to Power, and do not represent additional compensation paid or credited to these officers by the Corporation over and above the amounts paid or credited to them by Power, as disclosed in the Management Proxy Circular of Power.

| NON-EQUITY INCENTIVE PLAN COMPENSATION | | | | |
|--|---|---------------------------|--|------------------------------|
| ANNUAL INCENTIVE PLANS [\$] | LONG-TERM INCENTIVE PLANS AND OTHER INCENTIVE PAYMENTS [\$] | PENSION VALUE [\$] | ALL OTHER COMPENSATION ^[3] [\$] | TOTAL COMPENSATION [\$] |
| — | Nil | 1,541,000 | 419,750 | 7,780,802 |
| — | Nil | 1,598,000 | 422,280 | 7,887,952 ^[5,6] |
| — | 1,000,000 | 1,654,000 | 402,500 | 6,931,500 ^[5,6,7] |
| 750,000 ^[8] | — | 435,000 ^[8,10] | 260,250 | 2,107,750 ^[8] |
| 750,000 | — | 464,920 | 284,030 | 2,132,118 |
| 500,000 | — | Nil | 320,000 | 1,445,000 |
| 750,000 ^[8] | — | 271,420 ^[8,10] | 333,500 | 2,017,420 ^[8] |
| 750,000 | — | 406,140 | 338,530 | 2,127,838 |
| 500,000 | — | 61,320 | 334,000 | 1,520,320 |
| 375,000 ^[8] | — | 415,000 ^[8,10] | 286,910 | 1,516,022 ^[8] |
| 350,000 | — | 371,000 | 291,055 | 1,463,972 ^[6,13] |
| 325,000 | — | 311,000 | 249,120 | 1,266,120 ^[6,13] |
| 300,000 | — | 32,000 ^[17] | 468,680 | 1,619,180 |
| 300,000 | — | 30,000 | 441,095 | 1,554,263 |
| 225,000 | — | 28,000 | 333,750 | 3,003,751 |

[7] Previously, in accordance with then-applicable CSA disclosure requirements, the Corporation recognized one-half of the grant date fair value for a multi-year allotment of options awarded to Mr. Orr during the financial year ended December 31, 2008, corresponding to the compensation value which the Board intended to provide to Mr. Orr for that year, within the Corporation's total compensation policy. See also Note [6].

[8] These officers are also executive officers of Power. Other than the options awarded by the Corporation to Mr. Ryan, their compensation was determined solely by the Compensation Committee of Power, which is constituted entirely with Directors who are independent of Power and the Corporation. The compensation of such officers was not determined by the Compensation Committee of the Corporation. The Corporation paid to Power (and not to the individuals) the amounts indicated under "Salary", "Annual Incentive Plans" and "Pension Value" above in respect of these officers. These amounts are also included in the compensation disclosure for the applicable NEOs set out in the Management Proxy Circular of Power. The amounts shown under "Total Compensation" for these officers in the table above are also included in the "Total Compensation" column of the Summary Compensation Table of the Management Proxy Circular of Power.

[9] While Mr. Paul Desmarais, Jr. and Mr. André Desmarais are not members of the management of the Corporation, they are considered to be NEOs for the purposes of this table under applicable securities legislation.

[10] Represents the portion of the compensatory value of the annual pension benefits under Power's SERP and Mr. Ryan's pension benefit arrangement attributable to the Corporation in 2011. See "Retirement Plan Benefits" section below for further information.

[11] The Corporation has not granted options to Mr. Paul Desmarais, Jr. and Mr. André Desmarais. These officers were granted options by Power in 2009, 2010 and 2011. Information relating to these option awards is disclosed in the Management Proxy Circular of Power.

[12] The grant date fair value for options awarded by the Corporation to Mr. Ryan in 2011 was calculated using the binomial lattice model. The binomial factor has been determined using a 5-year average volatility of 20.35 per cent at the date of grant and a 1-year dividend yield of 4.83 per cent. The risk free interest rates for the 2011 grant were based on a yield curve of risk free interest rates based on the median, zero coupon yield curve data calculated on a daily basis by the Bank of Canada. Based on these assumptions, the binomial factor used for 2011 is 8 per cent of the exercise price.

[13] Previously, in accordance with then-applicable CSA disclosure requirements, the Corporation recognized one-fifth of the grant date fair value for a multi-year allotment of options awarded to Mr. Ryan during the financial year ended December 31, 2008, corresponding to the compensation value which the Board intended to provide to Mr. Ryan for that year, within the Corporation's total compensation policy. See also Note [6].

[14] Mr. McFeetors will not be standing for re-election as a Director of the Corporation at the Meeting. Mr. McFeetors attended 7 out of 7 Board Meetings in 2011.

[15] Although Mr. McFeetors will not be standing for re-election as a Director of the Corporation at the Meeting, he will continue to perform his functions as a Vice-Chairman of the Corporation.

[16] No options were granted to Mr. McFeetors by the Corporation during the financial years ended December 31, 2010 and December 31, 2011.

[17] Mr. McFeetors participates in Power's basic pension plan and has no other pension benefit arrangement with the Corporation or Power.

INCENTIVE PLAN AWARDS

The table below shows information for each NEO, award by award, for all unexercised options for the Corporation and Power as at December 31, 2011 and the value of DSP Plan shares and DSUs of the Corporation and its subsidiaries held by NEOs as at December 31, 2011.

Pursuant to options awarded by the Corporation, subject to the applicable vesting restrictions, the NEOs have the right to acquire Common Shares under the Employee Stock Option Plan.

| OPTION AWARDS | | | | | | |
|-------------------------------------|---|-------------------------|----------------------------|------------------------|---|-------------------------|
| NAME | POWER FINANCIAL CORPORATION | | | | | |
| | NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS [#] | | OPTION EXERCISE PRICE [\$] | OPTION EXPIRATION DATE | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS ^[1] [\$] | |
| | VESTED | UNVESTED ^[5] | | | VESTED | UNVESTED ^[5] |
| R. Jeffrey Orr ^[6] | | 743,080 ^[7] | 26.37 | August 8, 2021 | | Nil |
| | 135,905 | 543,620 | 28.13 | August 10, 2020 | Nil | Nil |
| | 480,000 | 320,000 | 29.625 | July 15, 2018 | Nil | Nil |
| | 2,015,000 | | 32.235 | May 11, 2015 | Nil | |
| Paul Desmarais, Jr. ^[8] | — | — | — | — | — | — |
| André Desmarais ^[8] | — | — | — | — | — | — |
| Philip K. Ryan | | 12,886 ^[7] | 30.18 | March 14, 2021 | | Nil |
| | | 19,254 | 32.46 | March 15, 2020 | | Nil |
| | 84,849 | 56,566 | 37.125 | January 30, 2018 | Nil | Nil |
| Raymond L. McFeetors ^[6] | 90,788 | 45,394 | 26.215 | July 14, 2019 | Nil | Nil |
| | 514,484 | | 31.585 | August 4, 2018 | Nil | |

[1] Calculated based on December 31, 2011 closing prices on the TSX of \$25.54 per Common Share of the Corporation and \$23.82 per Subordinate Voting Share of Power. In accordance with the CSA requirements, the total amount includes values for unvested (non-exercisable) options as well as vested (exercisable) options.

[2] Represents DSP Plan shares and DSUs received in respect of the portion of annual retainers that, under the DSU Plan and DSP Plan of the Corporation, and similar plans of the Corporation's subsidiaries, are required to be paid in DSUs or in shares. It also includes the fees that the NEOs, in their capacity as Director of the Corporation or its subsidiaries, elected to receive as DSUs or shares. The amount is calculated based on the following December 31, 2011 closing prices on the TSX: PFC Common Shares: \$25.54, Lifeco Common Shares: \$20.40 and IGM Common Shares: \$44.23.

Certain officers of the Corporation are also officers of Power and receive compensation from Power including, from time to time, the grant of options under the Power Executive Stock Option Plan in respect of their services to Power. Grants to Power NEOs under the Power Executive Stock Option Plan are described in the Management Proxy Circular of Power. Pursuant to options awarded by Power, subject to the applicable vesting restrictions, the applicable NEOs have the right to acquire Subordinate Voting Shares of Power.

| POWER CORPORATION OF CANADA | | | | | | SHARE-BASED AWARDS |
|---|-------------------------|----------------------------|------------------------|---|--------------------------|--|
| NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS [#] | | OPTION EXERCISE PRICE [\$] | OPTION EXPIRATION DATE | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS ^[1] [\$] | | MARKET VALUE OF ALL OUTSTANDING DSP PLAN SHARES AND DSUS ^[2,3,4] [\$] |
| VESTED | UNVESTED ^[5] | | | VESTED | UNVESTED ^[5] | |
| — | — | — | — | — | — | 3,685,064 |
| 173,138 | 450,000 ^[8] | 27.60 | March 14, 2021 | | Nil | 1,805,161 |
| 268,550 | 450,000 | 30.065 | March 15, 2020 | | Nil | |
| 290,125 | 364,000 | 18.52 | March 15, 2019 | | 1,929,200 | |
| 263,000 | 173,137 | 29.89 | March 17, 2018 | Nil | Nil | |
| 268,000 | | 37.07 | March 25, 2017 | Nil | | |
| | | 33.285 | April 2, 2016 | Nil | | |
| | | 32.025 | February 22, 2015 | Nil | | |
| | | 26.375 | May 16, 2014 | Nil | | |
| | | | | Nil | 1,929,200 ^[5] | |
| | | | | Total: 1,929,200 | | |
| 173,138 | 450,000 ^[9] | 27.60 | March 14, 2021 | | Nil | 4,260,088 |
| 268,550 | 450,000 | 30.065 | March 15, 2020 | | Nil | |
| 290,125 | 364,000 | 18.52 | March 15, 2019 | | 1,929,200 | |
| 263,000 | 173,137 | 29.89 | March 17, 2018 | Nil | Nil | |
| 268,000 | | 37.07 | March 25, 2017 | Nil | | |
| | | 33.285 | April 2, 2016 | Nil | | |
| | | 32.025 | February 22, 2015 | Nil | | |
| | | 26.375 | May 16, 2014 | Nil | | |
| | | | | Nil | 1,929,200 ^[5] | |
| | | | | Total: 1,929,200 | | |
| 86,931 | 11,528 ^[9] | 27.60 | March 14, 2021 | | Nil | 1,268,133 |
| | 20,788 | 30.065 | March 15, 2020 | | Nil | |
| | 57,954 | 36.235 | January 30, 2018 | Nil | Nil | |
| — | — | — | — | — | — | 3,316,286 |

[3] A DSU is payable at the time a Director's membership on the Board is terminated or in the event of the death of a Director, by a lump sum cash payment, based on the value of a DSU at that time.

[4] Does not include DSP Plan shares and DSUs paid by Power under its DSP Plan and DSU Plan.

[5] These values are related to non-exercisable options and are therefore not available to the NEOs.

[6] Mr. Orr and Mr. McFeetors do not participate in Power's Executive Stock Option Plan.

[7] Options awarded to Messrs. Orr and Ryan by the Corporation during the financial year ended December 31, 2011. These options have a 10-year term. Options awarded to Mr. Orr in 2011 vest at the rate of 20 per cent per year starting at the first anniversary of the award. In the case of the options awarded to Mr. Ryan in 2011, 50 per cent of these options vest on the third anniversary of the award and the remaining 50 per cent vest on the fourth anniversary of the award.

[8] Mr. Paul Desmarais, Jr. and Mr. André Desmarais do not participate in the Corporation's Employee Stock Option Plan.

[9] Options awarded to the NEO by Power during the financial year ended December 31, 2011. These options have a 10-year term. 50 per cent of these options vest on the third anniversary of the award and the remaining 50 per cent vest on the fourth anniversary of the award. See the Management Proxy Circular of Power for further details.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

The table below shows information for each NEO for the year ended December 31, 2011.

| NAME | EMPLOYEE STOCK OPTION PLAN OF THE CORPORATION – OPTION-BASED AWARDS – VALUE VESTED DURING THE YEAR ^[1] [\$] | POWER EXECUTIVE STOCK OPTION PLAN – OPTION-BASED AWARDS – VALUE VESTED DURING THE YEAR ^[1] [\$] | NON-EQUITY INCENTIVE PLAN COMPENSATION – VALUE EARNED DURING THE YEAR ^[2] [\$] |
|----------------------|--|--|---|
| R. Jeffrey Orr | Nil | — | Nil |
| Paul Desmarais, Jr. | — | Nil | 750,000 ^[3] |
| André Desmarais | — | Nil | 750,000 ^[3] |
| Philip K. Ryan | Nil | Nil | 375,000 ^[3] |
| Raymond L. McFeetors | 123,699 | — | 300,000 |

[1] Summarizes for each of the NEOs the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended December 31, 2011.

[2] These are the same amounts as disclosed under "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table earlier in this Management Proxy Circular.

[3] Represents an inter-company reimbursement from the Corporation to Power. This amount does not represent a direct payment by the Corporation to the NEOs.

EQUITY COMPENSATION PLAN INFORMATION

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

| AT DECEMBER 31, 2011 | NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS | WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS | NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS [EXCLUDING SECURITIES REFLECTED IN COLUMN [A]] |
|--|---|---|---|
| Plan category | [A] | [B] | [C] |
| Equity compensation plans approved by security holders | 9,097,618 | \$27.85 | 8,323,982 |
| Equity compensation plans not approved by security holders | N/A | N/A | N/A |
| Total | 9,097,618 | \$27.85 | 8,323,982 |

EQUITY COMPENSATION PLANS

Pursuant to the Employee Stock Option Plan, options on 9,097,618 Common Shares are presently outstanding and options on 8,323,982 Common Shares are available for issuance. Options currently outstanding and options available for issuance under the Employee Stock Option Plan represent approximately 1.28 per cent and 1.18 per cent, respectively, of the aggregate outstanding Common Shares of the Corporation. Accordingly, there are 17,421,600 Common Shares reserved for issuance, representing approximately 2.46 per cent of the aggregate outstanding Common Shares of the Corporation. During the year ended December 31, 2011, the Corporation granted options on 777,503 Common Shares, representing approximately 0.1 per cent of the aggregate outstanding Common Shares of the Corporation. This percentage is commonly referred to as the annual "burn" rate. The Employee Stock Option Plan was accepted by the TSX and was approved by shareholders on December 4, 1986. Amendments to the number of shares available for issuance under the Employee Stock Option Plan and other provisions have also been approved by the Corporation's shareholders from time to time.

The Employee Stock Option Plan provides for the grant of options to key employees and key associates of the Corporation and its affiliated entities, as designated by the Compensation Committee. The Compensation Committee determines the number of Common Shares to be covered by each such grant of options and determines, subject to the Employee Stock Option Plan, the terms of each such grant of options. The options are granted for a period of not more than 10 years, although a shorter option period may be established by the Compensation Committee. Generally, options granted vest on a delayed basis over periods beginning no earlier than one year from date of grant and no later than five years from date of grant.

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

Unless otherwise determined by the Compensation Committee, options terminate upon the earlier of the date first established by the Compensation Committee and [i] 36 months from termination of employment by reason of death; [ii] seven years from termination of employment by retirement; [iii] 12 months from termination of employment other than by reason of death, retirement or dismissal for fraud or wilful fault or neglect; [iv] the date of termination of employment by reason of dismissal for fraud or wilful fault or neglect; and [v] the date of termination of employment in the case of an employee with less than one year's service at the date of grant. Options are not assignable other than by will or succession law, except, if and on such terms as the Committee may permit, options can be transferred to certain of the optionee's family members, or trusts or holding companies controlled by the optionee, in which case the options shall continue to be subject to the Employee Stock Option Plan as if the optionee remained the holder thereof.

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

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

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

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

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

RETIREMENT PLAN BENEFITS

Power has a supplementary executive retirement plan (the "SERP") pursuant to which pension benefits may become payable, in addition to the pension benefits payable from Power's basic pension plan, to certain of the executive officers of Power or any subsidiary of Power (collectively, the "Power Group"), as may be designated for participation by the Compensation Committee of the Board of Directors of Power. Mr. Paul Desmarais, Jr. and Mr. André Desmarais participate in Power's SERP.

Under the SERP and Power's basic pension plan, a participant becomes entitled to a maximum annual pension at normal retirement age of 62 years equal to 60 per cent of the average of the highest 3 years of the participant's compensation out of the final 10 years of credited service (the "supplementary pension"), less the amount of the benefits payable under the Canada Pension Plan or the Québec Pension Plan on the date of retirement. The participant's average compensation covered under the SERP is calculated based on salary and bonuses received in respect of all Power Group positions during the participant's final 10 years of credited service. Entitlement to the maximum supplementary pension under the SERP requires 15 years of credited service with the Power Group. The amount of the supplementary pension is reduced by $6\frac{2}{3}$ per cent for each year of credited service with the Power Group less than 15. No benefit is payable to a participant with less than 5 years of credited service at retirement. In the event of retirement prior to normal retirement age, the supplementary pension earned to the date of early retirement becomes payable, provided the participant has completed 10 years of credited service with the Power Group, but is subject to a reduction in the supplementary pension benefit of 6 per cent for each year by which the retirement precedes age 60. Under the SERP, early retirement may not be elected prior to age 55.

Mr. Orr participates in Power's basic pension plan and a supplementary pension benefit arrangement with the Corporation. Under his pension benefit arrangement and Power's basic pension plan, Mr. Orr becomes entitled to an annual pension at age 62 equal to a percentage of the average of the highest 3 years of his compensation out of the final 10 years of credited service multiplied by his credited service under Power's basic pension plan (the portion in addition to the benefit under Power's basic pension plan being the "supplementary pension"), provided that, in no event will the pension benefit exceed 60 per cent of the average of the highest 3 years of his compensation out of the final 10 years of credited service. The supplementary pension is reduced by the amount of the benefits payable under the Canada Pension Plan and the Québec Pension Plan on the date of retirement and the benefit provided to Mr. Orr under the supplementary pension plan of a subsidiary of Power Financial for prior service with such subsidiary. Mr. Orr's average compensation is calculated based on salary and certain qualifying bonuses received in respect of all Power Financial positions during his final 10 years of credited service. No benefit in addition to the benefit under Power's basic pension plan is payable with less than 10 years of credited service except in the event Power Financial terminates Mr. Orr's employment without cause, in which case a supplementary pension will also be payable. In such case, he would be credited with actual credited service under the Power pension plan and two additional years, resulting in an increase in the annual benefit payable of \$382,700 assuming a December 31, 2011 termination without cause. Pension benefits are generally payable starting at age 62, although Mr. Orr may retire at or after attaining age 56 and elect either to commence receiving his supplementary pension on retirement, in which case the amount of his pension would be subject to a reduction of 10 per cent for each year by which his retirement precedes age 62, or to receive the amount as determined in accordance with the foregoing without such reduction, commencing at age 62.

Under his pension benefit arrangement and Power's basic pension plan, Mr. Ryan becomes entitled to a maximum annual pension at age 62 equal to 60 per cent of the average of the highest 3 years of his compensation out of the final 10 years of credited service less the amount of the benefits payable under the Canada Pension Plan or the Québec Pension Plan on the date of retirement. His average compensation covered under the pension benefit arrangements is calculated based on salary and certain qualifying bonuses received in respect of all Power Group positions during his final 10 years of credited service. No benefit is payable with less than 10 years of credited service at retirement. Pension benefits are payable starting at age 62 under this arrangement.

Mr. McFeetors participates in Power's basic pension plan and has no other pension benefit arrangement with the Corporation or Power. He also receives pension benefits from Lifeco.

The following table presents information on the pension benefits offered to each NEO calculated as of the end of 2011. In the case of Paul Desmarais, Jr., André Desmarais and Philip K. Ryan who are also NEOs of Power, the annual benefits payable and the accrued obligation are shared by the Corporation and Power. Therefore, the amounts shown in the table below represent the portion attributable to the Corporation and do not represent additional years of credited service and benefits payable to these officers by the Corporation over and above the years of credited service and benefits payable to them by Power, as disclosed in the Management Proxy Circular of Power. As of the end of 2011, the percentages attributable to the Corporation are respectively: 60 per cent for Paul Desmarais, Jr., 41 per cent for André Desmarais and 50 per cent for Philip K. Ryan.

| NAME | NUMBER OF YEARS OF CREDITED SERVICE ^[1] [#] | ANNUAL BENEFITS PAYABLE [\$] | | ACCRUED OBLIGATION AT START OF YEAR ^[3,4] [\$] | COMPENSATORY CHANGE ^[4,5] [\$] | NON-COMPENSATORY CHANGE ^[6] [\$] | ACCRUED OBLIGATION AT YEAR-END ^[3,4] [\$] |
|----------------------|--|------------------------------|--------------------------|---|---|---|--|
| | | AT YEAR-END ^[2] | AT AGE 65 ^[2] | | | | |
| R. Jeffrey Orr | 9.3 ^[7] | 822,933 ^[8] | 2,050,880 | 9,357,000 | 1,541,000 | 1,776,000 | 12,674,000 |
| Paul Desmarais, Jr. | 34.7 ^[9] | 1,057,608 | 1,057,608 | 11,113,830 | 435,000 | 2,094,570 | 13,643,400 |
| André Desmarais | 28.7 ^[9] | 722,699 | 722,699 | 7,216,860 | 271,420 | 1,138,530 | 8,626,810 |
| Philip K. Ryan | 3.9 ^[9] | 149,984 ^[10] | 392,040 | 1,259,000 | 415,000 | 318,500 | 1,992,500 |
| Raymond L. McFeetors | 3.7 | 9,356 ^[11] | 9,356 ^[11] | 82,000 | 32,000 | 9,000 | 123,000 |

[1] In respect of Mr. Paul Desmarais, Jr. and Mr. André Desmarais, a maximum of 15 years of credited service are recognized under the SERP.

[2] The annual benefits payable at year-end and at age 65 represent the estimated pension earned for all service to date, and based on total service projected to age 65, respectively. This estimated pension is calculated based on actual pensionable earnings as at the end of the financial year ended December 31, 2011, excluding amounts which will not be pensionable at normal retirement age under the terms of the retirement arrangements. The benefits payable at year-end, as shown above, do not include any reduction that may apply if a NEO retires prior to the normal retirement age.

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

[4] The estimated accrued obligation values are calculated each year, based on the same method and assumptions used in the Corporation's financial statements. The key assumptions include a discount rate of 5.25 per cent per year to calculate the accrued obligation at start of year and the annual service cost, a discount rate of 4.50 per cent to calculate the accrued obligation at year-end and a rate of increase in future compensation of 3.50 per cent per year (3.00 per cent per year in the case of Mr. Orr).

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

[6] Includes the impact on the accrued obligation of the change in the discount rate from 5.25 per cent to 4.50 per cent, non-pay related experience such as mortality and retirement, increase in the obligation due to interest and changes in future salary assumptions.

[7] Mr. Orr's credited service under Power's basic pension plan as at 2011 year-end is 10.6 years (including 4 years of credited service with a subsidiary of the Corporation). Credited service under Mr. Orr's pension benefit arrangement as at December 31, 2011 includes 2.67 years of credited service with a subsidiary of the Corporation. The remaining 1.33 years of credited service with the subsidiary, already recognized under Power's basic pension plan, will be recognized under Mr. Orr's pension benefit arrangement at a rate of 0.33 year per year of future credited service.

[8] Pursuant to changes adopted by the CSA during 2011, the Corporation is required to provide disclosure of the annual benefits payable at year end based on the assumption that the NEO is eligible to receive payments or benefits at year end. In fact, the vesting conditions under Mr. Orr's pension benefit arrangements were not met as at December 31, 2011 and Mr. Orr was entitled to receive \$27,168 of annual benefits under Power's basic pension plan as at that date.

[9] Represents the total years of credited service in the Power Group.

[10] Pursuant to changes adopted by the CSA during 2011, the Corporation is required to provide disclosure of the annual benefits payable at year end based on the assumption that the NEO is eligible to receive payments or benefits at year end. In fact, the vesting conditions under Mr. Ryan's pension benefit arrangements were not met as at December 31, 2011 and Mr. Ryan was entitled to receive \$4,977 of annual benefits under Power's basic pension plan as at that date.

[11] Represents the annual benefits under Power's basic pension plan. Mr. McFeetors has no other pension benefit arrangement with the Corporation or Power. He also receives pension benefits from Lifeco.

TERMINATION AND CHANGE OF CONTROL BENEFITS

There are no change of control provisions in place for the NEOs. The Corporation and Power have a contract with Mr. Ryan relating to his employment as Executive Vice-President and Chief Financial Officer of the Corporation and Power. The contract provides that the vesting period of any unvested options will continue for one year if his employment is terminated without "cause" (as such term is defined in the contract).

COMPENSATION DISCUSSION AND ANALYSIS

THE COMPENSATION COMMITTEE

The Board of Directors of the Corporation has established a Compensation Committee (the "Committee"), which is responsible for approving (or, in the case of the Chief Executive Officer, recommending to the Board for approval) the compensation for the executives of the Corporation, other than executives who are also executives of Power. The Committee also recommends to the Board for approval the compensation arrangements for the Directors, for the Chairmen of Board committees and for members of Board committees. The Committee also approves compensation policies and guidelines applicable to employees; it recommends for approval by the Board such incentive compensation plans, equity compensation plans, registered pension plans, supplemental pension plans and other compensation plans for employees as it deems appropriate; and it oversees the management of the Corporation's incentive compensation plans and equity compensation plans.

Other than the options awarded by the Corporation to Mr. Ryan, the 2011 compensation of the officers of the Corporation who are also officers of Power, namely Mr. Paul Desmarais, Jr., Mr. André Desmarais and Mr. Ryan, was determined solely by the Compensation Committee of Power, which is constituted entirely with directors who are independent of Power and the Corporation. The compensation of such officers was not determined by the Compensation Committee of the Corporation. The amounts shown in "Executive Compensation-Summary Compensation Table" earlier in this Management Proxy Circular for these officers for "Salary", "Annual Incentive Plans" and "Pension Value" represent inter-company reimbursements from the Corporation to Power, and do not represent additional compensation paid to these officers by the Corporation, over and above the amounts paid to them by Power.

COMPOSITION OF THE COMMITTEE

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

RELEVANT EXPERIENCE OF MEMBERS OF THE COMMITTEE

In addition to each Committee member's general business background, senior management experience and involvement with other companies (see biographical information under "Nominees for Election to the Board"), each of the current Compensation Committee members have many years of experience on the Compensation Committee of the Corporation (with the exception of Mr. V. Peter Harder who was appointed to the Compensation Committee in May 2009). The following is a description of the direct experience of each of the members of the Compensation Committee that is relevant to his responsibilities in executive compensation. Through the positions described below, the members of the Compensation Committee have been involved in the design, implementation or oversight of compensation programs within the financial services industry or other sectors. The members of the Compensation Committee draw upon this experience and their business judgment, as well as the skills gained with this experience, to enable the Compensation Committee to make decisions on the suitability of the Corporation's compensation policies and practices.

Mr. Frère is Managing Director of Frère-Bourgeois S.A., a financial group based in Belgium. He is Chairman of the Board of Compagnie Nationale à Portefeuille S.A., a Director of ERBE, of Pargesa, of Electrabel S.A. and of Pernod Ricard. From 1993 to December 2011, he was Managing Director of Groupe Bruxelles Lambert and on January 1, 2012, he became Chairman of the Board. He is also Regent of the National Bank of Belgium. He has been a member of the Corporation's Compensation Committee since November 1991.

Mr. Harder is Senior Policy Adviser to Fraser Milner Casgrain LLP and the President of the Canada-China Business Council. He was appointed to the Compensation Committee of the Corporation in May 2009. He has also served on the Compensation Committees of IGM, Investors Group Inc. and Mackenzie Inc. since 2009. From 1995 to 2000, Mr. Harder served as the Secretary of the Treasury Board of Canada and Chairman of the Compensation Committees of Northland Power Inc., Telesat and TimberWest Forest Corp. As a Deputy Minister from 1991 to 2007, he was directly responsible for public sector compensation. He has led the major redesign of compensation programs in both the public and private sectors.

Mr. Royer was the President and Chief Executive Officer of Domtar, a pulp and paper company based in Montréal, from 1996 to 2008. He was previously President and Chief Operating Officer of Bombardier Inc. from 1986 to 1996. He is a Director of several Power Financial group companies. He was also 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 has been a member of the Corporation's Compensation Committee since November 1991 and the Committee's Chairman since May 2009.

COMPENSATION CONSULTANT

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

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

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

Towers Watson's fees for the 2010 and 2011 fiscal years for such services were as follows^[1]:

| | YEAR ENDED DECEMBER 31, 2010 | YEAR ENDED DECEMBER 31, 2011 |
|--|------------------------------|------------------------------|
| Executive Compensation-Related Fees (\$) | 26,273 | 127,683 |
| All Other Fees (\$) ^[2] | Nil | 1,995 |

[1] If and as required by applicable securities law, fees paid to compensation consultants by Lifeco are disclosed in Lifeco's Management Proxy Circular and fees paid to compensation consultants by IGM are disclosed in IGM's Management Proxy Circular.

[2] These fees relate to stock option accounting calculations.

EXECUTIVE COMPENSATION POLICY

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

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

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

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

COMPENSATION RISK MANAGEMENT

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

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

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

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

Readers are also referred to the Management Proxy Circular of Lifeco dated February 22, 2012 and to the Management Proxy Circular of IGM dated February 29, 2012, for their disclosure entitled "Compensation Policy Risk Management" and "Compensation Risk Management", respectively.

EQUITY-BASED COMPENSATION ANTI-HEDGING POLICIES

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

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

THE COMPENSATION COMMITTEE'S DECISION-MAKING PROCESS

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

BENCHMARKING

To assist in determining competitive compensation for senior executive positions, the Committee reviews data from reference groups that include large financial services organizations, management holding companies and other large diversified companies. Because of the international scope and the size of the Corporation, the reference groups are composed of Canadian and U.S.-based companies, thus allowing the Corporation to offer its senior executives total compensation that is competitive in the North American market. Companies included in the reference groups are typically publicly traded, operate in the financial services industry and other sectors, are large in scope and have global operations. While performing its review, the Committee may consider some or all of the companies in the reference groups. The following table presents the companies included in the reference group for 2011 and notes the selection criteria for which each benchmark company was considered to be relevant:

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

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

ANNUAL REVIEW BY THE COMMITTEE

The Committee reviews the total compensation of each NEO annually, other than NEOs who are NEOs of Power (being Mr. Paul Desmarais, Jr., Mr. André Desmarais and Mr. Ryan), as noted above. Compensation of the latter group is determined by Power's Compensation Committee. Except as expressly noted, the discussion below relates to NEOs of the Corporation (being Messrs. Orr and McFeetors) other than NEOs of Power. The Committee's review covers all forms of compensation and the Committee considers a number of factors and performance indicators, including in particular the long-term financial return of the Corporation relative to that of other large corporations in the financial services industry and other sectors, which includes corporations in the reference groups above. The comparative

evaluation is not based on a mathematical formula that integrates specific, weighted performance measures. Rather, the Committee qualitatively considers such factors in the context of the overall achievements of the Corporation, be they financial or strategic in nature.

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

COMPONENTS OF EXECUTIVE COMPENSATION

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

| ELEMENTS | PRIMARY ROLE | LINK TO OTHER ELEMENTS |
|--|---|---|
| Base Salary | Reflects skills, competencies, experience and performance appraisal of the incumbent | May influence non-equity incentives, long-term incentive, pension and some benefits |
| Incentive Compensation – Non-Equity Incentives | Reflects special contribution during a particular period | May influence pension in certain circumstances |
| Incentive Compensation – Stock Options | Links interests of NEOs with interests of the shareholders | None, except that the value of these elements is considered within the total compensation policy of the Corporation |
| Retirement Arrangements | Provide for competitive and appropriate replacement income upon retirement based on years of service with the Corporation | |
| Group Benefits | Provide competitive and adequate protection in case of sickness, disability or death | |
| Executive Perquisites | Provide a competitive compensation package and facilitate the effective performance of the incumbent's functions | |

A - BASE SALARY

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

For 2011, increases in salary varied between 2.5 per cent and 4.8 per cent. The Committee believes the increases (for the applicable NEOs) were in line with general increases granted in the market for comparable positions, taking into account the total compensation for comparable positions in companies in the reference groups above.

B - INCENTIVE COMPENSATION

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

[I] ANNUAL, LONG-TERM AND OTHER NON-EQUITY INCENTIVES (THE "INCENTIVES")

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

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

Incentives, when paid, are not related to specific, quantifiable performance targets determined prior to or at the beginning of the fiscal year. Incentives may relate to performance for a year or a multi-year period.

The numbers for the Incentives for 2011 for the applicable NEOs, as outlined in the Summary Compensation Table above, reflect a consideration of the above criteria.

[II] STOCK OPTIONS

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

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

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

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

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

Stock options granted to Messrs. Orr and Ryan in 2011 reflect a consideration of the above criteria.

Mr. Ryan received in 2008 a five-year allotment of options in accordance with the terms of his employment agreement. In normal circumstances, Mr. Ryan would not be entitled to receive further grants of options until the expiration of the five-year allotment period ending in 2013. However, the Committee approved in 2011 a grant of options to Mr. Ryan in compliance with the terms of his employment agreement.

No other stock options were granted by the Corporation to NEOs in 2011. For an explanation of multi-year allotments of stock options previously granted to Mr. Orr, see footnotes [5], [6] and [7] to the "Summary Compensation Table" above. For an explanation of multi-year allotments of stock options previously granted to Mr. Ryan, see footnotes [6] and [13] to the "Summary Compensation Table" above.

C - RETIREMENT ARRANGEMENTS

Mr. Paul Desmarais, Jr. and Mr. André Desmarais participate in Power's SERP. The main provisions of the SERP are described in more detail earlier in this Management Proxy Circular. The Corporation, and Power in the case of Mr. Ryan, have also entered into pension benefit arrangements with Mr. Orr and Mr. Ryan. The purpose of the pension benefit arrangements is to:

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

There were no changes in 2011 to the terms of Power's SERP or any other pension benefit arrangement the Corporation has with the NEOs.

D - GROUP BENEFITS

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

E - SHARE PURCHASE PROGRAM

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

F - EXECUTIVE PERQUISITES

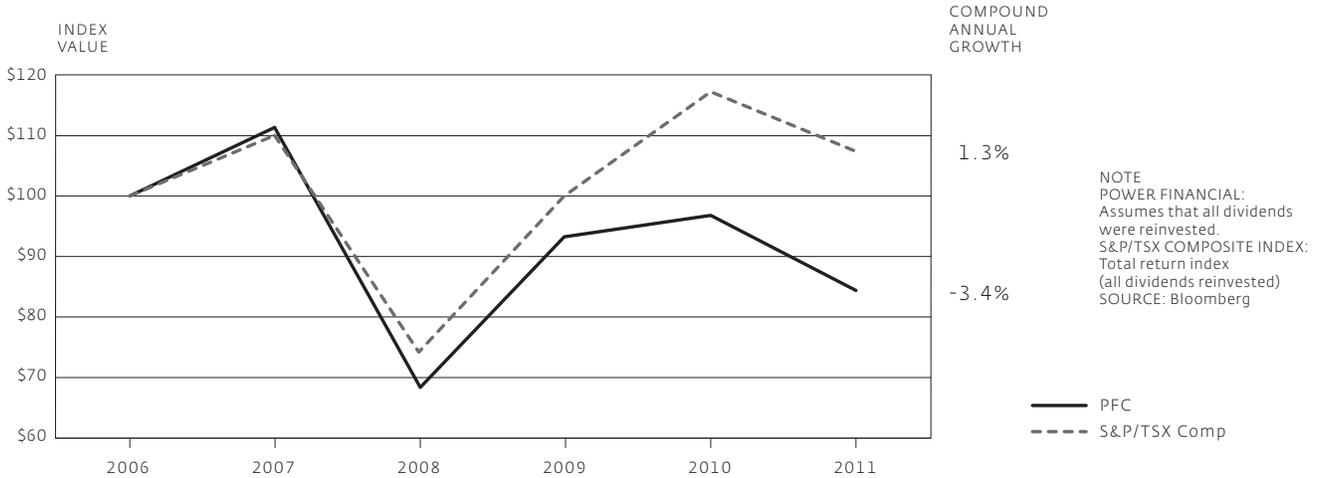
The Corporation currently provides a limited number of perquisites to its NEOs, the nature and value of which, in the view of the Committee, are reasonable and competitive.

PERFORMANCE GRAPHS

The following Performance Graph shows the yearly change in the cumulative total shareholder return on the Corporation's Common Shares compared with the S&P/TSX Composite Index, over the five-year period ended December 31, 2011. The year-end values of each investment are based on share appreciation plus dividends paid in cash, with the dividends reinvested on the date they were paid.

FIVE-YEAR CUMULATIVE TOTAL RETURNS

Value of \$100 invested on December 31, 2006



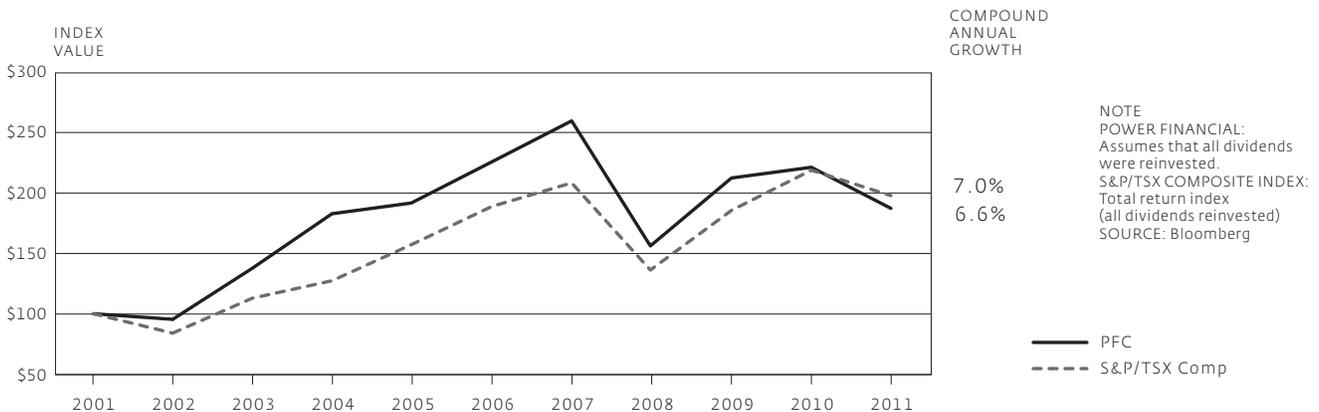
For each NEO who has been with the Corporation for the last five years, the trend of NEOs' cumulative total direct compensation is consistent with the trend of cumulative value earned by the Corporation's shareholders over the five-year period; however, the Corporation's determination of executive compensation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

The following Performance Graph shows the yearly change in the cumulative total shareholder return on the Corporation's Common Shares compared with the S&P/TSX Composite Index, over the 10-year period ended December 31, 2011.

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

TEN-YEAR CUMULATIVE TOTAL RETURNS

Value of \$100 invested on December 31, 2001



APPOINTMENT OF AUDITORS

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

Power Financial is an international management and holding company. Power has controlled Power Financial since the latter was first organized in 1984. Power Financial is not an operating company and a substantial portion of its interests are located outside Canada, specifically in the United States and Europe. These characteristics are important in any consideration of governance philosophy and practices as they apply to the Corporation.

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

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

INDEPENDENCE OF DIRECTORS

A - CURRENT APPLICABLE STANDARDS

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

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

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

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

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

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

B - ASSESSMENT OF INDEPENDENCE

The Board of the Corporation is currently composed of 20 Directors. In the Board's view, the following 11 Directors, namely J. Brian Aune, Marc A. Bibeau, Gérald Frère, Anthony R. Graham, V. Peter Harder, the Right Honourable Donald F. Mazankowski, Jerry E.A. Nickerson, Louise Roy, Raymond Royer, T. Timothy Ryan, Jr. and Emőke J.E. Szathmáry are independent of management and have no other relationships that could reasonably interfere with the exercise of their independent judgment in discharging their duties to the Corporation. The foregoing 11 Directors, constituting a majority of the Board, are also independent within the meaning of the Instruments.

R. Jeffrey Orr, President and Chief Executive Officer of the Corporation, Amaury de Seze, Henri-Paul Rousseau and Raymond L. McFeetors, Vice-Chairmen of the Corporation who perform executive functions for the Corporation, and Paul Desmarais, Jr. and André Desmarais, Co-Chairmen of the Corporation who, from time to time, may perform executive functions for the Corporation, are not independent.

Robert Gratton, a Deputy Chairman of Power, who received compensation for serving as a special adviser to Power for a period of three years ending in December 2010, is not independent.

The Honourable Paul Desmarais, who receives a salary as Chairman of a wholly owned subsidiary of Power (as disclosed in the Management Proxy Circular of Power) and Michel Plessis-Bélair, a Vice-Chairman of Power who receives compensation in his capacity as Senior Adviser to a wholly owned subsidiary of Power, (as disclosed in the Management Proxy Circular of Power) are deemed not to be independent within the meaning of the Instruments.

As more fully described below under "Nomination and Assessment of Directors", the following 7 Directors will not be standing for re-election at the Meeting, namely J. Brian Aune, the Right Honourable Donald F. Mazankowski, Raymond L. McFeetors, Jerry E.A. Nickerson, Michel Plessis-Bélair, Henri-Paul Rousseau and Amaury de Seze. As indicated above, 13 current Directors are nominated for election at the Meeting. Of such 13 Directors, a majority being the following 8 Directors, namely Marc A. Bibeau, Gérald Frère, Anthony R. Graham, V. Peter Harder, Louise Roy, Raymond Royer, T. Timothy Ryan, Jr. and Emőke J.E. Szathmáry, are independent of management and have no other relationships that could reasonably interfere with the exercise of their independent judgment in discharging their duties to the Corporation. The foregoing 8 Directors are also independent within the meaning of the Instruments.

C - MEETINGS OF INDEPENDENT DIRECTORS

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

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

D - CO-CHAIRMEN OF THE BOARD

The Co-Chairmen of the Board may from time to time perform executive functions for the Corporation and are therefore not independent under the meaning of the Instruments. The Board has implemented structures and procedures to provide assurance that the Board can act independently of management. A majority of the Board is independent in the Board's view and within the meaning of the Instruments. The Audit Committee, the Related Party and Conduct Review Committee and the Compensation Committee are constituted entirely with Directors who are independent in the Board's view and within the meaning of the Instruments. The Executive Committee and the Governance and Nominating Committee include Directors who are independent in the Board's view and within the meaning of the Instruments.

RESOLUTION OF CONFLICTS

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

The Corporation has established a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and who are neither officers, employees nor Directors of Power and who are not related to Power's controlling shareholder. The mandate of the Related Party and Conduct Review Committee is to review proposed transactions, if any, with related parties of the Corporation and to approve only those transactions that it deems appropriate.

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

BOARD OF DIRECTORS

The mandate of the Board, which it discharges directly or through one of the five Board Committees, is to supervise the management of the business and affairs of the Corporation, and includes responsibility for approving strategic goals and objectives, review of operations, disclosure and communication policies, oversight of financial reporting and other internal controls, corporate governance, director orientation and education, senior management compensation and oversight, and director nomination, compensation and assessment. The Executive Committee has and may exercise all or any of the powers vested in and exercisable by the Board, except the power to do certain things as outlined in its Charter. The primary mandate of the Audit Committee is to review the financial statements of the Corporation and public disclosure documents containing financial information and to report on such review to the Board, to be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure documents that contain financial information, to oversee the work and review the independence of the external auditors, and to review any evaluation of the Corporation's internal control over financial reporting. The primary mandate of the Compensation Committee is to approve compensation policies and guidelines for employees of the Corporation, to approve compensation arrangements for executives of the Corporation, other than executives who are also executives of Power, to recommend to the Board compensation arrangements for the Directors and the President and Chief Executive Officer, to oversee the management of incentive compensation plans and equity compensation plans, to consider the implications of any risks associated with the Corporation's compensation policies and practices, and to review succession plans for senior management. The primary mandate of the Related Party and Conduct Review Committee is to recommend to the Board procedures for the consideration and approval of transactions with related parties of the Corporation and to review and, if deemed appropriate, to approve such transactions. The primary mandate of the Governance and Nominating Committee is to oversee the Corporation's approach to governance issues, to recommend to the Board corporate governance practices consistent with the Corporation's commitment to high standards of corporate governance, to assess the effectiveness of the Board of Directors, of Committees of the Board and of the Directors, and to recommend to the Board candidates for election as Directors and for appointment to Board Committees.

COMMITTEE MEMBERSHIP

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

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

BOARD AND COMMITTEE MANDATES

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

DIRECTOR AFFILIATIONS AND ATTENDANCE

Additional information relating to Directors standing for election, including a list of all public companies and certain private companies, for which they serve as board members, as well as their attendance records for all Board and Committee meetings for the year ended December 31, 2011, can be found in the section entitled "Election of Directors" earlier in this Management Proxy Circular.

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

CO-CHAIRMEN AND CEO POSITION DESCRIPTIONS

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

ORIENTATION AND CONTINUING EDUCATION

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

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

ETHICAL BUSINESS CONDUCT

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

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

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

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

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

The Corporation has also adopted a Corporate Social Responsibility Statement which is available on its website at www.powerfinancial.com.

NOMINATION AND ASSESSMENT OF DIRECTORS

The Board has established a Governance and Nominating Committee, which has a number of responsibilities relating to governance and the nomination of candidates for election as Directors. The Committee is responsible for identifying new candidates for Board nomination and for recommending to the Board those candidates who possess the qualifications, skills, business and financial experience, leadership roles and level of commitment required of a Director to fulfill Board responsibilities. The Committee is also responsible for overseeing the Corporation's approach to governance issues. In doing so, it reviews, on a regular basis, a number of matters relating to the effective functioning of the Board of Directors. As a part of this process, the Committee has recently considered the size and composition of the current Board, and has concluded that it would be appropriate to invite a number of the longer-serving Directors to not stand for re-election at the Meeting. These directors are: Mr. J. Brian Aune, The Right Honourable Donald F. Mazankowski and Mr. Jerry E.A. Nickerson. In order to ensure that the Board has a significant representation of Directors who are independent, in the Board's view and within the meaning of the Instruments, Messrs. Raymond L. McFeetors, Michel Plessis-Bélair, Henri-Paul Rousseau and Amaury de Seze will not stand for re-election as a Director. These seven Directors have made a very substantial contribution to the business and affairs of the Corporation during their service as a Director. The Committee's recommendation was discussed individually with each of these Directors, and each agreed that it was appropriate that he not stand for re-election at the Meeting.

The result of this recommendation is that the candidates proposed for election to the Board at the Meeting will consist of 13 Directors, of whom eight, constituting a majority, will be independent in the Board's view and within the meaning of the Instruments as disclosed above under "Assessment of Independence." Each of these candidates has the qualifications and experience necessary and appropriate to fulfill Board responsibilities. The Committee recognizes that each Director will contribute differently to the Board and will each bring particular strengths in different areas of qualification. After considering the qualifications that the continuing existing Directors possess, the Committee has recommended that the 13 individuals set out under "Nominees for Election to the Board" above be nominated for election as Directors of the Corporation at the Meeting.

The Committee and the Board are mindful of the importance of having a Board with a balance of competencies, skills and experience, as well as geographic diversity. The Committee and the Board believe that these factors and continuity of membership are critical to the Board's efficient operation.

The Corporation has adopted a form of proxy which gives shareholders the ability to vote for or withhold from voting for each individual Director proposed for election to the Board of Directors of the Corporation.

The Committee is also responsible for assessing the effectiveness and contribution of the Board, of Board Committees, and of individual Directors from time to time. The Board assesses its effectiveness at least annually at a meeting without members of management present.

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

COMPENSATION COMMITTEE

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

ADDITIONAL INFORMATION

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

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

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

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

APPROVAL BY DIRECTORS

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

Signed

Montréal, Québec
March 14, 2012

Edward Johnson
Senior Vice-President, General Counsel and Secretary

SCHEDULE A

POWER FINANCIAL CORPORATION BOARD OF DIRECTORS CHARTER

SECTION 1. MEMBERSHIP

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

SECTION 2. PROCEDURAL MATTERS

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

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

SECTION 3. DUTIES AND RESPONSIBILITIES

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

1. **Strategic Planning** > The Board shall approve strategic goals and objectives for the Corporation and it shall consider and approve management's strategic initiatives. The Board shall also review and approve the Corporation's annual financial plan.
2. **Review of Operations** > The Board shall:
 - [a] monitor the implementation by management of the approved financial plan, and shall monitor financial and operating results and other material developments;
 - [b] monitor the implementation and maintenance by management of appropriate systems, policies, procedures and controls to manage the risks associated with the Corporation's businesses and operations;
 - [c] approve significant acquisitions and dispositions, financings and other capital market transactions, capital management decisions, and other significant business and investment decisions and transactions; and
 - [d] review and monitor those operational issues, including those of a regulatory nature, which in the view of management or the Board may have a potential material impact on the Corporation's ongoing business, affairs and/or reputation.
3. **Disclosure and Communication Policies** > The Board shall:
 - [a] approve policies with respect to the accurate, timely and full public disclosure of material information while maintaining confidentiality where necessary and permitted, and shall, where required, review specific disclosure documents; and
 - [b] approve appropriate communication policies respecting the communication of information to the Corporation's stakeholders and regulators.

4. **Financial Control** > The Board shall monitor the integrity of the Corporation's financial reporting systems and the effectiveness of the Corporation's internal controls and management information systems by:
- [a] overseeing the establishment and maintenance by management of appropriate financial control systems;
 - [b] reviewing reports provided by management on material deficiencies in, or material changes to, internal controls;
 - [c] reviewing and approving the Corporation's annual and interim financial statements and annual Management's Discussion and Analyses, the Corporation's Annual Information Forms, and other public disclosure documents containing financial information requiring Board approval; and
 - [d] overseeing compliance with applicable audit, accounting and reporting requirements.
5. **Corporate Governance** > The Board shall oversee the development of the Corporation's approach to corporate governance, including the development of corporate governance policies, principles and guidelines, and shall approve such policies, principles and guidelines, as it deems appropriate.
6. **Senior Management** > The Board shall:
- [a] approve a position description for, and the appointment of, the President and Chief Executive Officer (the "Chief Executive Officer"), and review and approve the criteria relevant to the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance relative to that criteria, and fix the compensation of the Chief Executive Officer based on such evaluation;
 - [b] approve the appointment of senior management, approve their compensation, and oversee the evaluation of their performance;
 - [c] approve incentive compensation plans, equity compensation plans and other compensation plans for senior management, and approve compensation policies and guidelines applicable to employees of the Corporation; and
 - [d] oversee the succession planning processes of the Corporation with respect to senior management.
7. **Director Orientation and Education** > All newly appointed Directors shall be provided with an orientation as to the nature and operation of the business and affairs of the Corporation and as to the role of, and expectations as to the contributions to be made by, the Board, of Board Committees and of each Director, and existing Directors shall be periodically updated in respect of the foregoing.
8. **Code of Conduct** > The Board shall support management in seeking to maintain a culture of integrity throughout the Corporation. The Board shall adopt a code of business conduct and ethics (the "Code") to promote integrity and deter wrongdoing that is applicable to Directors, officers and employees of the Corporation and that addresses, among other things, conflicts of interest (including procedures to identify and resolve conflicts and potential conflicts), protection and proper use of corporate assets and opportunities, confidentiality and use of confidential information, accounting complaints, fair dealing with all parties, compliance with applicable laws, rules and regulations and the reporting of illegal or unethical behaviour, and shall require management to establish processes and procedures to monitor compliance with the Code.
9. **Chairman of the Board** > The Board shall approve a position description for the Chairman of the Board.
10. **Board Committees** > The Board shall:
- [a] establish an Audit Committee, an Executive Committee, a Related Party and Conduct Review Committee, a Governance and Nominating Committee, and a Compensation Committee, and may establish such other committees as it deems advisable to assist it in discharging its duties under this Charter, and may establish committee charters and otherwise delegate to those committees such duties and responsibilities as may be permitted by law and as it deems necessary or advisable; and
 - [b] approve position descriptions for the Chairman of each Board Committee.
11. **Director Nomination, Compensation and Assessment** > The Board shall:
- [a] nominate and recommend to the shareholders candidates for election to the Board;
 - [b] approve compensation arrangements for the Directors, for the Chairman of the Board, and for the Chairmen and members of Board Committees; and
 - [c] assess, on a regular basis, the structure, composition, effectiveness, size and contribution of the Board, of all Committees of the Board, and of the Directors.

SECTION 4. ACCESS TO INFORMATION

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

SECTION 5. REVIEW OF CHARTER

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

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