

Report of the Corporate Governance and Nominating Committee

The Governance Committee is responsible for recommending Director nominees, assessing the effectiveness of the Board, its committees, Chairs and individual Directors, the performance evaluation and compensation recommendations of the President and CEO and the Company's corporate governance. The Governance Committee seeks to achieve high standards of governance by the continual review and benchmarking of the Company's governance practices against domestic and international standards. The Governance Committee members meet the independence requirements prescribed by applicable securities regulations and by the stock exchanges on which the Company's securities are listed.



Arthur R. Sawchuk
(Chair)



John M. Cassaday



Gail C.A. Cook-Bennett



Pierre Y. Ducros



Thomas E. Kierans



Hugh W. Sloan, Jr.

The Governance Committee held four meetings in 2007. The President and CEO attended the meetings at the invitation of the Chair of the Governance Committee. The Governance Committee met *in camera* without management at the end of each meeting. In 2007, the Governance Committee, in compliance with its charter, accomplished the following.

Board and Committee Evaluations & Improvement Plans

The Governance Committee engages in an annual evaluation of the Board, the Board Committees and the contributions of individual Directors (see Schedule "B" – "Board Policies" for a description of the Board Evaluation process). As part of the Board Evaluation process, the Governance Committee met *in camera* without the Chairman present to discuss the Chairman's performance during 2006 and to recommend his re-appointment for 2007. The Governance Committee recommends an Improvement Plan from the results of the annual Board evaluations.

In 2007, the following priorities for improvement were monitored by the Governance Committee:

- **Strategy:** Continue to discuss challenges and opportunities at every Board of Directors meeting and review business performance, challenges and opportunities.
- **Succession:** Continue to focus on succession planning for the renewal of the Board to replace retiring Directors, to consider candidates for a new Chair pending the Chair's retirement and succession planning for CEO and Senior Management. Specifically, Scott Hand and Luther Helms were elected in 2007 in anticipation of the pending retirement of two Directors who would reach the mandatory retirement age in 2008. Gail Cook-Bennett was appointed Vice Chair in December 2007 with the intention that she would become Chair following the upcoming retirement of the Chairman. Management succession was discussed regularly at the Board and Committee meetings. In some instances, members of Senior Management who are prospective successors were given expanded roles to assist in their further evaluation.
- **Knowledge of Operations:** Continue visits to Company offices as a means to better understand the businesses and to be exposed to divisional executives and employees. In 2007, the Board held on-site meetings in Boston and Waterloo, the head offices for the U.S. and Canadian Divisions respectively.

- **Management Presentations to the Board:** Management presentations to the Board continued to focus on challenges, risks, and opportunities allowing for a greater and regular focus on business strategy.
- **Director Education:** Continue to provide the Board seminars which the Directors find very valuable in deepening their understanding of the Company's businesses. In 2007, management from the U.S. and Canadian Divisions presented seminars about Longevity, Third Party Asset Management, the Canadian Affluent Market and Leveraging Group Benefits for Growth. Seminars on Economic Capital and Economic Capital at Risk were also held.
- **Governance:** Continue to lead in the area of Corporate Governance, without compromising the Directors' other stewardship responsibilities and adopt meaningful, value-added practices. Manulife and the Board of Directors have remained supportive of good governance. While winning corporate governance awards is not an objective in itself, Manulife and the Board take pride in being recognized by others as an "award winner". Manulife placed first in the Globe and Mail Report on Business 2007 Corporate Governance rankings, as it has done four of the six years that the rankings have been in place.

The Board has identified the following priorities for 2008:

- **Strategy:** Continue to discuss the challenges and opportunities facing the Company at each divisional business review presented during scheduled Board meetings.
- **Succession:** Continue to focus on the succession of Board members and Senior Management.
- **Management Presentations and Board Meeting Briefing Materials:** Continue to provide pre-read materials that facilitate board member oversight. In their presentations, management will strive to put greater emphasis on forward looking matters, issues and opportunities so as to improve the depth of engagement between management and the Board regarding the future.

- Knowledge of Operations: The Board agreed that on-site Board meetings should be held, as scheduling permits: annually at the U.S. operations head office in Boston, Massachusetts; annually (except when there is a meeting in Asia in that year) at the Canadian operations head office in Waterloo, Ontario; and every three years in Asia. This will provide the Board with a current sense of these operations and the opportunity to observe management on-site.
- Director Education: The financial services business is extremely complex and dynamic. The Board has requested additional opportunities to understand the industry and its issues and current trends as they apply to the Company. The Board has agreed to extend the length of each Board meeting and to add an eighth regularly scheduled Board meeting to allow more time for an in-depth review of matters as well as more time for educational seminars.
- Governance: The governance landscape continues to be in a state of advocacy for more regulation. The Board will be examining pressures and emerging trends and working to influence the outcomes that provide value versus those that do not. The Board will continue to be a proponent and practitioner of good Corporate Governance.

Corporate Governance

In order to maintain the Company's high standards of corporate governance, the Governance Committee did the following in 2007:

- Monitored corporate governance developments and made recommendations to the Board to improve the Company's corporate governance program. This resulted in amendments to the Board Mandate and Board Policies.
- Reverted to the original policy that 50% of a Director's retainer be received in equity (Deferred Stock Units or Common Shares) until the minimum equity ownership requirement has been achieved.
- Assessed shareholder proposals and recommended appropriate responses to the Board to be included in the Proxy Circular for consideration at the Annual Meeting of shareholders.

Board and Committee Composition

In relation to the Board and its committees, the Governance Committee:

- Completed a review of the Board committee structure and composition.
- Engaged in a Board renewal process. The Governance Committee examined the size and composition of the Board, the Directors' selection criteria and the Directors' Matrix of skills and experience, identifying certain gaps and the pending Director retirements. This resulted in amendments to the Directors' selection criteria relating to residency, chief financial officer/chartered accountant experience and current or former chief executive officer experience. The Governance Committee engaged Egon Zehnder, an executive search firm, to assist in identifying additional qualified candidates as potential nominees in accordance with the previously identified criteria of financial expertise with CEO experience.

- Appointed the two new Directors as members of the Audit Committee to comply with the Board's new policy of appointing all new independent Directors to the Audit Committee.
- Confirmed the independence of all Directors, except Mr. D'Alessandro who is not independent as he is the President and CEO of the Company.

Director Compensation

- Reviewed the compensation provided to independent Directors against comparator companies with the assistance of Hugessen Consulting Inc. ("HCI"). Fees paid to Committee members were increased to reflect the complexity of Manulife's businesses and the additional time commitment required to prepare for and participate in meetings (see Board of Directors' Compensation on page 13 for details).

Annual Review of the President and CEO

A critical function of the Governance Committee is the annual review of the position and of the incumbent President and CEO. In this regard, the Governance Committee:

- Reviewed the succession process for the President and CEO.
- Reviewed and recommended for approval by the Board the 2008 Non-Financial Objectives and Goals of the President and CEO.
- Evaluated the performance of the President and CEO, including being satisfied as to the integrity of the President and CEO and his contribution in creating a culture of integrity throughout the Company.
- Retained HCI as the Governance Committee's compensation consultant to provide advice and guidance on the compensation of the President and CEO.
- Recommended the compensation for the President and CEO for approval by the Board. The details are included in the "Report on Executive Compensation – Report on President and CEO Compensation".

The Governance Committee reviewed its charter and as a result of this review minor amendments were made to its charter. The Governance Committee also assessed its performance against its charter and determined that it met the terms of its charter in 2007. A scorecard of the Governance Committee's compliance with its charter and the charter can be found at www.manulife.com.

This report has been approved by the members of the Governance Committee.

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