

# Schedule “A” – Statement of Corporate Governance Practices

The corporate governance practices of Manulife Financial Corporation (the “Company”) meet or exceed the standards set out in the *Insurance Companies Act* (Canada) (“*Insurance Companies Act*”), Canadian Securities Administrators’ Multilateral Instrument 52-109 (the “*Certification Instrument*”), Canadian Securities Administrators’ Multilateral Instrument 52-110 (the “*Audit Committee Instrument*”) and the corporate governance standards and disclosure requirements in Canadian Securities Administrators’ National Policy 58-201 and National Instrument 58-101 (the “*Governance Instrument*”). The Company’s corporate governance practices also comply with applicable requirements of the *Sarbanes-Oxley Act of 2002* (“*SOX*”), including any U.S. Securities and Exchange Commission (“*SEC*”) rules under *SOX*, as well as the domestic issuer standards of the New York Stock Exchange Corporate Governance Rules (the “*NYSE Rules*”).

The following Statement of Corporate Governance Practices highlights various elements of the Company’s corporate governance program.

## Mandate of the Board of Directors

The Board of Directors of the Company is responsible for the stewardship of the Company and for the supervision of the management of the business and affairs of the Company. The Board’s general responsibilities are set out in the Board Mandate and the Board Policies. The Mandate of the Board and the Board Policies are attached as Schedule “B”. The Mandate of the Board and the Board Policies are on the Corporate Governance page of the Company’s website and are available upon request from the Corporate Secretary.

## Independence of the Board

The Board has established the policy that at least a majority of Directors must satisfy the applicable independence requirements of the laws governing the Company, the applicable stock exchanges on which the Company’s securities are listed and applicable securities regulatory authorities. The Board annually reviews and makes a determination as to the independence of each Director. The Board reviews the Directors’ employment status (and the Director’s spouse and children, as applicable), other board memberships, Company shareholdings and business relationships to determine whether there are any relationships which might interfere with a Director’s ability to make an independent judgment.

The Board has determined that 14 of the 15 current members of the Board are independent under Section 303A.2 of the *NYSE Rules*, Section 301 of *SOX* and Section 1.2 of the *Governance Instrument*. Dominic D’Alessandro is not independent because he is the Company’s President and CEO.

## Independence of the Chair of the Board

- The positions of the Chair and the CEO are separate.
- The Chair is an independent Director.
- The Chair’s mandate provides that the Chair is accountable for ensuring that the Board carries out its responsibilities effectively and separately from management.
- The Chair’s principal accountabilities include managing the affairs of the Board, developing the composition, structure and renewal of the Board, guiding the Board’s deliberations on strategic and policy matters and ensuring proper oversight by the Board is exercised.

## Nomination of Directors

The Corporate Governance and Nominating Committee (the “*Governance Committee*”) is responsible for identifying quali-

fied candidates for nomination to the Board. The Governance Committee:

- Develops and recommends to the Board criteria for the selection of new Directors, periodically reviews the criteria adopted by the Board and recommends changes to such criteria, which includes professional experience and personal characteristics.
- Maintains a Directors’ Matrix identifying the desired competencies, expertise, skills, background and personal qualities of the Directors and potential candidates.
- Annually reviews the skills, areas of expertise, backgrounds, independence and qualifications of the members of the Board.
- Identifies and recommends to the Board individuals qualified and suitable to become Board members, taking into consideration any gaps identified in the Directors’ Matrix.
- Maintains an evergreen list of suitable candidates for the Board who the Governance Committee believes meet the identified criteria and whose skills and characteristics complement the existing mix. The Chair is responsible for approaching Board candidates. Candidates meet with the Chair and the CEO prior to nomination or appointment to review expected contributions and commitment requirements.
- Directors must retire at 72 and may not be nominated for re-election. The Board may waive this as circumstances may dictate.

The Board will consider a nomination of a candidate for the Company’s Board of Directors from a shareholder that is submitted in accordance with the *Insurance Companies Act*. A proper nomination must be submitted by shareholder proposal, signed by one or more registered or beneficial holders of shares representing in aggregate not less than five percent of the shares of the Company entitled to vote at the meeting to which the proposal is being submitted.

## Majority Election of Directors Policy

The Governance Committee’s Majority Election of Directors Policy, provides that Director nominees who do not receive a majority of votes in favour in an uncontested election will be required to immediately submit their resignation to the Governance Committee. The Board will, in the absence of extenuating circumstances, accept the resignation within 90 days of the Annual Meeting and issue a press release confirming the Director’s resignation or the reason for not accepting it. In filling the

vacancy resulting from a Director resignation, the Directors may wait until the next Annual Meeting, appoint a new Director whom the Board considers will have the confidence of the shareholders or call a special meeting of shareholders to elect a Director.

### **Position Descriptions for Chair, Committee Chairs, CEO and Individual Directors**

The Board has developed position descriptions outlining the accountabilities for the Chair, the Chairs of Board committees, the CEO and the individual Directors. The position descriptions can be found on the Corporate Governance page of the Company's website or can be obtained by contacting the Corporate Secretary.

### **Director Education and Orientation**

The Company provides an education program for all Directors, including a detailed orientation program for new Directors, which incorporates the following:

- New Directors are provided with detailed information about the Company, including its business strategies, corporate information, structure and the roles and expectations of the Board and individual Directors.
- New Directors receive a manual which provides information about the Company, the Proxy Circular, Annual Report, Manufacturers Life's Report to Policyholders, organizational information about the Board and its meetings and the Directors' information requirements required pursuant to applicable insurance and securities regulations.
- New independent Directors are initially appointed to the Audit Committee as part of the Directors' orientation to the Company's business. As an Audit Committee member, the Director will be exposed to all aspects of the financial and risk management elements of the Company. This is intended to assist the new independent Directors in learning the business model more quickly. All Directors have a standing invitation to attend committee meetings and new Directors are encouraged to do so to assist in their orientation.
- New Directors meet with the Chair, the CEO and other members of management to discuss the Company's strategies, operations and functions.
- A Directors' Manual providing a comprehensive outline of the duties, responsibilities, structure and the committees of the Board. The Directors' Manual includes the Board Mandate, Board Policies, committee charters, the regulatory compliance program, the incorporating documents, by-laws, administrative resolutions, Directors' policies, Company policies, the Code of Business Conduct and Ethics and a Glossary of Terms.
- Directors' seminars and divisional presentations to the Board to provide in-depth reviews of key businesses and functions. In 2007, seminars included: Longevity; Third Party Asset Management; Manulife and the Canadian Affinity Market; and Shaping the Future for Growth.
- On-site visits to the Company's operations scheduled in conjunction with a Board meeting. On-site meetings incorporate senior management presentations on the business divisions' strategies and operations. In 2007 the

Directors visited the Company's United States operations in Boston, Massachusetts and Canadian Operations in Waterloo, Ontario.

- In 2007, all Directors became members of the Institute of Corporate Directors, a recognized educational organization for directors to enhance their knowledge of directors' responsibilities and current governance trends.
- Directors may seek additional professional development education at the expense of the Company. In 2007, certain Directors continued to be members of organizations relating to human resources and women on boards and attended a conference for executives on the life insurance industry.

### **Board Access to Management**

The Company provides both formal and informal means for the Board to interact with management. Directors have access to management to discuss matters that they may wish to pursue.

### **Board Committee Membership Standards**

The Board relies on its committees to fulfill its mandate and meet its responsibilities. Committees of the Board allow Directors to share responsibility and devote the necessary resources to a particular area or issue. There are currently four standing committees of the Board: the Audit and Risk Management Committee ("Audit Committee"); the Conduct Review and Ethics Committee ("Ethics Committee"); the Governance Committee; and the Management Resources and Compensation Committee ("Compensation Committee"). All committees have the following common characteristics:

- Comprised solely of independent Directors.
- Have a written charter setting out its responsibilities. Each committee tracks its compliance with its charter at each meeting throughout the year. The charters and the scorecards are available on the Company's website or by writing to the Corporate Secretary.
- Report to and seek approvals as required from the Board after each of its meetings. Committees meet without any members of management present ("*in camera*") at each meeting.
- Reviews its performance and its charter annually.
- Has its membership reviewed by the Board and rotated as requirements of the committees and the Directors dictate.

### **Audit and Risk Management Committee**

The Board has reviewed the membership of the Audit Committee and has determined that no member serves on more than two other audit committees of publicly traded companies and that no member's ability to serve the Audit Committee is impaired in any way.

Financial statements are presented for review by the Audit Committee at meetings scheduled prior to Board meetings. The Audit Committee provides a report and recommendation to the Board with respect to financial disclosure of the Company.

The Audit Committee has established the Protocol for Approval of Audit and Permitted Non-Audit Services. Under this Protocol, the Audit Committee annually reviews and pre-approves

recurring audit and non-audit services that are identifiable for the coming year. This Protocol also requires that any audit or non-audit services that are proposed during the year be approved by the Audit Committee or by a member appointed by the Audit Committee for this purpose.

The Board annually reviews the membership of the Audit Committee to confirm that all members are financially literate, as required by the Audit Committee Instrument and the NYSE Rules and that at least one member can be designated as a financial expert as required by SOX. The Board has determined that all members are financially literate and that all members possess the necessary qualifications to be designated as Audit Committee Financial Experts.

The Audit Committee has direct communication and *in camera* meetings with each of the internal auditor, the independent auditor, the Appointed Actuary, the General Counsel and the Company's principal regulator, the Office of the Superintendent of Financial Institutions (Canada). The Audit Committee also meets with management.

The Board considers all principal risks facing the Company, as well as the measures either proposed or already implemented to manage these risks. The Audit Committee ensures that comprehensive risk management policies and processes, internal controls and management information systems are in place and updated regularly to mitigate the Company's exposures.

#### **Conduct Review and Ethics Committee**

The Ethics Committee oversees the procedures relating to conflicts of interest, customer complaints, related party transactions and protection of confidential information.

The Ethics Committee annually reviews the Company's Code of Business Conduct and Ethics, the Related Party Procedures, the Conflict of Interest Procedures, the Confidential Information Procedures and Complaint Handling Practices.

#### **Management Resources and Compensation Committee**

The Compensation Committee oversees the Company's global human resources strategy and the effective utilization of human resources, focusing on management succession, development and compensation. The Compensation Committee is responsible for:

- Approving the appointment of and providing proper development, compensation and review of senior management.
- Reviewing and approving annually the appointment, succession, remuneration and performance of the senior executives, excluding the CEO. The annual performance assessment and compensation review of the CEO is performed by the Governance Committee.
- Reviewing annually the Company's compensation policies, including base pay, incentive, pension and benefit plans and making recommendations to the Board.

#### **Corporate Governance and Nominating Committee**

The Governance Committee is responsible for:

- Developing director selection criteria.

- Identifying and recommending to the Board qualified director nominees.
- Overseeing the Company's corporate governance program.
- Developing governance policies, practices and procedures.
- Reviewing the structure, mandate and composition of the Board and Board committees.
- Reviewing the objectives, performance and compensation of the President and CEO.
- Reviewing and evaluating the effectiveness of the Board, the committees, the Chair and the Directors.

#### **Independent Directors' Meetings**

Each meeting of the Board and of its committees is followed by an *in camera* meeting, at which the independent Chair of the Board or the independent Chair of one of the committees of the Board acts as Chair. Non-independent Directors and management do not attend.

The Board also holds meetings at which non-independent Directors and members of management are not in attendance. In 2007, one meeting of the independent Directors was held.

Shareholders wishing to contact independent Directors of the Company may write to the Chair of the Board, in care of the Corporate Secretary, at the head office of the Company.

#### **Retention of Outside Advisors by Directors**

The Board and its committees may retain outside advisors at the Company's expense, as they deem necessary.

The Governance, Compensation and Audit Committees retained outside advisors in 2007.

Individual Directors may also retain outside advisors, at the Company's expense, to provide advice on any matter before the Board or a Board committee with the approval of the Governance Committee.

#### **Director Compensation**

The Board, with the assistance of the Governance Committee and independent external advisors, undertakes a biennial review of Director compensation to ensure that it meets the objective of properly aligning the interests of Directors with the long-term interests of the Company. During 2007, the Board engaged Hugessen Consulting Inc. ("HCI"), a recognized, independent external consultant to provide advice and guidance on Director compensation. Director compensation was amended in 2007 (see Board of Directors' Compensation on page 13).

#### **Director Share Ownership**

To align Director's compensation with the long-term interests of the Company, Directors are required to hold an equity position in the Company having a minimum value of \$300,000 within five years of joining the Board. Common Shares, preferred shares of the Company and DSUs are considered equity for this purpose, while stock options are not. Directors are required to take 50% of their Board Retainer in shares or DSUs until minimum holdings are met. All Directors who have been on the Board for five years have met the minimum equity ownership amount.

No stock options have been granted after 2002 to non-employee Directors and in 2004 the Board of Directors resolved to permanently discontinue stock option grants to non-employee Directors.

### **Board Evaluation**

The Governance Committee conducts annual, formal evaluations of the Board, Board committees, the Chairman and the individual Director. The process includes:

- Annual evaluation meetings between the Chair and each Director to discuss Board performance, including a peer review.
- Each Director completes biennial written Board Effectiveness and Director Self-Assessment Surveys.
- The Board and Board committees are assessed against their mandates and charters.
- Contributions of individual Directors are assessed against the applicable position descriptions and the Directors' Matrix setting out the skills each individual Director is expected to bring to the Board.
- The assessments of the Board, the committees and the Directors, focus on identifying areas for improvement.
- The results of the assessments are presented to the Governance Committee and the Board. The Governance Committee identifies areas for improvement, develops action plans and monitors the progress of these plans.
- Annual *in camera* meeting of the independent Directors to review the results of the evaluations and to approve the Governance Committee's plan for improvement.
- Review of overall size and operation of the Board and its committees to ensure that they operate effectively.
- Annual determination of whether a Director's ability to serve the Company is impaired by external obligations or by changes in his or her principal occupation or country of residence.

### **CEO Evaluation**

The Governance Committee and the CEO annually set financial and non-financial objectives for the CEO, which are approved by the Board. The CEO's performance is evaluated annually by the Governance Committee based on these objectives and on the Company's performance.

### **Ethical Business Conduct**

The Company has adopted the Code of Business Conduct and Ethics ("Code"), which applies to Directors, officers, employees and those who perform services for or on behalf of the Company.

The Code complies with the requirements of the NYSE Rules, the SEC rules and the Governance Instrument.

The Code is available on the Company's website at [www.manulife.com](http://www.manulife.com).

The Board annually reviews the Code and the compliance with the Code with the assistance of the Ethics Committee.

All employees of the Company and the Directors annually review the Code, complete an on-line training course, certify compliance with the Code and disclose any conflicts of interest.

The Board, through the Governance and Compensation Committees, annually reviews the integrity of the CEO and the Executive Officers, and their promotion of a culture of integrity.

### **CEO and CFO Certification of Financial Statements**

The CEO and Chief Financial Officer certify the annual financial statements and quarterly financial statements as required by SOX and the Certification Instrument.

The CEO provides an annual certification to the NYSE stating the CEO is not aware of any violations of the governance requirements in the NYSE Rules.

The Company submits Written Affirmations as required by the NYSE Rules.

### **Communication Policies**

Policies have been established relating to the treatment and disclosure of information about the Company on a timely, accurate, understandable and broadly disseminated basis. Information relating to the Company is reviewed by the Legal, Investor Relations and Corporate Communications departments, senior management and others as required, for a determination of materiality and, if appropriate, public disclosure.

The Company has reviewed its disclosure policies and practices to ensure full, fair and timely disclosure of information.

The Company communicates with individual shareholders, institutional investors and financial analysts through its Investor Relations department and to the media and employees through its Corporate Communications department.

The Investor Relations department provides an information report at each Board meeting on share performance, issues raised by shareholders and analysts, the Company's institutional shareholder base and a summary of recent Investor Relations activities.

The Company's website, [www.manulife.com](http://www.manulife.com), features webcasts of the quarterly investor conference calls and presentations made by senior management to the investment community, as well as annual reports and other investor information.

Shareholders can access voting results of all shareholder votes at the Company's website or at [www.sedar.com](http://www.sedar.com).