

**Manulife Financial Corporation (the “Company”)
Audit Committee Charter (2010)
(including Compliance Checklist)**

1. Overall Role and Responsibility

1.1 The Audit Committee (“Committee”) shall:

(a) assist the Board of Directors in its oversight role with respect to:

- (i) the quality and integrity of financial information;
- (ii) the effectiveness of the Company’s internal control over financial reporting;
- (iii) the effectiveness of the Company’s risk management and compliance practices;
- (iv) the independent auditor’s performance, qualifications and independence;
- (v) the performance of the Company’s internal audit function;
- (vi) the Company’s compliance with legal and regulatory requirements; and

(b) prepare such reports of the Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

Compliance Reviewed	Date
✓	February
✓	February
✓	February
✓	February
✓	February
✓	February

2. Structure and Composition

2.1 The Committee shall consist of five or more Directors appointed by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee.

2.2 No member of the Committee shall be an officer or employee of the Company, its subsidiaries or affiliates. Members of the Committee will not be affiliated with the Company as such term is defined in the *Insurance Companies Act* (Canada) (the “Act”).

2.3 A majority of the Committee members will be resident Canadians.

2.4 Each member of the Committee shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company’s securities are listed and applicable securities regulatory authorities.

2.5 The Board of Directors shall designate one member of the Committee as the Committee Chair.

2.6 Members of the Committee shall serve at the pleasure of the Board of Directors for such term or terms as the Board of Directors may determine.

✓	February
✓	February
✓	February
✓	February
✓	May
✓	Ongoing

	<u>Compliance Reviewed</u>	<u>Date</u>
2.7 Each member of the Committee shall be financially literate as such qualification is defined by applicable law and interpreted by the Board of Directors in its business judgment.	✓	December
2.8 The Board of Directors shall determine whether and how many members of the Committee qualify as a financial expert as defined by applicable law.	✓	December
2.9 The Committee shall annually determine whether any of its members serve on the audit committee of more than three public companies (including the Committee). If any of the Committee members fall into this category, the Committee shall consider the ability of such members to effectively serve on the Committee and, if it is determined that such members are able to continue serving, the Committee shall record the reasons for such a decision.	✓	Reviewed at May Elections
3. <u>Structure, Operations and Assessment</u>		
3.1 The Committee shall meet quarterly or more frequently as the Committee may determine. The Committee shall report to the Board of Directors on its activities after each of its meetings.	✓	February
3.2 The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.	-	As Required
3.3 The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.	-	As Required
3.4 The Committee shall, on an annual basis:		
(a) review and assess the adequacy of this Charter and, where necessary, recommend changes to the Board of Directors for its approval;		
(b) undertake a performance evaluation of the Committee comparing the performance of the Committee with the requirements of this Charter; and		
(c) report the results of the performance evaluation to the Board of Directors.	✓	February
The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chair of the Committee or any other member of the Committee designated by the Committee to make this report.		
3.5 The Committee is expected to establish and maintain free and open communication with:		
(a) management,	✓	February
	✓	August
	✓	November

(b) the independent auditor,

(c) the internal auditor, and

(d) the Appointed Actuary

and shall periodically meet separately with each of them.

4. Specific Duties

The Committee will carry out the following specific duties:

4.1 Oversight of the Independent Auditor

(a) Recommend to the Board that the independent auditor be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the issuer (subject to shareholder ratification).

(b) Recommend to the Board the compensation of the independent auditor.

(c) Provide the oversight of the work of the independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services (including resolution of disagreements between management and the independent auditor regarding financial reporting). The independent auditor shall report directly to the Committee.

(d) Preapprove all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be provided by the independent auditor.

(e) When appropriate, the Committee may delegate to one or more members the authority to grant preapprovals of audit and permitted non-audit services and the full Committee shall be informed of each non-audit service.

(f) Review the decisions of such delegates under subsection (e) above, which shall be presented to the full Committee at its next scheduled meeting.

(g) Evaluate the qualifications, performance and independence of the independent auditor, including:

(i) reviewing and evaluating the lead partner on the independent auditor’s engagement with the Company; and

(ii) considering whether the auditor’s quality controls are adequate and the provision of permitted non-audit services are compatible with

<u>Completed</u>	<u>Date</u>
✓ ✓ ✓ ✓	February August November December
✓ ✓ ✓ ✓	February August November December
✓ ✓	February December
✓	August
✓	November
✓ ✓ ✓ ✓	February May August November
✓	December
–	As Required
✓ ✓ ✓ ✓ ✓	February May August November December
✓ ✓	February 2011 for 2010 Year

maintaining the auditor's independence.

- (h) Present its conclusions with respect to the independent auditor to the Board of Directors and, if so determined by the Committee, recommend that the Board of Directors take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.
- (i) Obtain and review a report from the independent auditor at least annually regarding:
 - (i) the independent auditor's internal quality-control procedures;
 - (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
 - (iii) any steps taken to deal with any such issues; and
 - (iv) all relationships between the independent auditor and the Company.
- (j) Review and discuss with management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (k) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- (l) Review and approve policies for the Company's hiring of partners and employees or former partners and employees of the independent auditor.

4.2 Financial Reporting

- (a) Review and discuss with management and the independent auditor the annual audited financial statements and any other returns or transactions required to be reviewed by the Committee and report to the Board of Directors prior to approval by the Board of Directors and the publication of earnings.
- (b) Review such returns of the Company as the Superintendent of Financial Institutions may specify.
- (c) Review the Company's annual and quarterly disclosures made in management's discussion and analysis. The Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation and make a recommendation thereon to the Board.
- (d) Require management to implement and maintain appropriate internal control procedures.

<u>Completed</u>	<u>Date</u>
✓	February 2011 for 2010 Year
✓ ✓	August August
✓ ✓	August February
✓	August
-	August 2013 5 yr. cycle
-	As Required
✓	February
-	As Required
✓ ✓ ✓ ✓	February May August November
-	See 4.4(a)

	<u>Completed</u>	<u>Date</u>
(e) Review and discuss with management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.	✓	February
(f) Review, evaluate and approve the procedures established under s. 4.2(d).	-	See 4.4(b)
(g) Review such investments and transactions that could adversely affect the well-being of the Company as the auditor or any officer of the Company may bring to the attention of the Committee.	✓ ✓ ✓ ✓	February May August November
(h) Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the publication of earnings, including:		
(i) the results of the independent auditor's review of the quarterly financial statements; and	✓	February
(ii) any matters required to be communicated by the independent auditor under applicable review standards.	✓ ✓ ✓ ✓	May August November
(i) Review and discuss with management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including:		
(i) any significant changes in the Company's selection or application of accounting principles;	✓	February
(ii) any major issues as to the adequacy of the Company's internal controls; and	✓ ✓ ✓ ✓	May August November
(iii) any special steps adopted in light of material control deficiencies.		
(j) Review and discuss with management and the independent auditor at least annually reports from the independent auditor on:		
(i) critical accounting policies and practices to be used;		
(ii) significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements;		
(iii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and	✓	February
(iv) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.	✓ ✓ ✓ ✓	May August November
(k) Meet with the independent auditor to discuss the annual financial statements and any investments or transactions that may adversely affect the well-being of the Company.	✓	February

	<u>Completed</u>	<u>Date</u>
(l) Discuss with the independent auditor at least annually any “management” or “internal control” letters issued or proposed to be issued by the independent auditor to the Company.	✓	February
(m) Review and discuss with management and the independent auditor at least annually any significant changes to the Company’s accounting principles and practices suggested by the independent auditor, internal audit personnel or management.	✓	February
(n) Discuss with management and approve the Company’s earnings press releases, the release of earnings projections, forecast or guidance and the use of non-GAAP financial measures (if any), and the financial information provided to analysts and rating agencies.	✓ ✓ ✓ ✓	February May August November
(o) Review and discuss with management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance-sheet structures on the Company’s financial statements.	✓	February
(p) Discuss with the independent auditor matters required to be discussed by American Institute of Certified Public Accountants Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.	✓	February
(q) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with applicable securities regulatory authorities.	✓	February
(r) Review disclosures made by the Company’s Chief Executive Officer and Chief Financial Officer during their certification process for the annual and interim filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company’s ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees who have a significant role in the Company’s internal controls.	✓	February
(s) Meet with the Appointed Actuary of the Company at least annually to receive and review reports, opinions and recommendations prepared by the Appointed Actuary in accordance with the Act, including the parts of the annual financial statement and the annual return filed under s. 665 of the Act, prepared by the actuary, and such other matters as the Committee may direct.	✓	February
(t) Discuss with the Company’s General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or	✓	February

governmental agencies.

- (u) Meet with the Chief Internal Auditor and with management to discuss the effectiveness of the internal control procedure established pursuant to s.4.2(d).

4.3 Oversight of the Company's Internal Audit Function

- (a) Review with the internal auditor, the independent auditor and management at least annually the mandate, independence, qualifications, staffing and budget of the internal audit department and its annual work plan.
- (b) Review the periodic reports of the internal audit department on internal audit activities and the results of its audits.
- (c) Review and concur in the appointment, replacement, reassignment or dismissal of the internal auditor who shall have direct access to the Committee.

4.4 Risk Management Oversight

- (a) Review reports from the Risk Committee respecting the Company's processes for assessing and managing risk.
- (b) The Committee will receive reports from the General Counsel as Chair of the Disclosure Committee.

4.5 Oversight of Regulatory Compliance and Complaint Handling

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.
- (c) Review at least annually with the Global Compliance Chief the Company's compliance with applicable laws and regulations, and correspondence from regulators.

<u>Completed</u>	<u>Date</u>
✓ ✓	February August
✓	December
✓ ✓	February August
-	As Required
✓	December
✓ ✓ ✓ ✓	February May August November
✓	Procedures Established
-	As Required
✓ ✓	February August

4.6 Proxy Circular

- (a) The Committee shall prepare a report on its activities on an annual basis to be included in the Proxy Circular, as may be required by applicable laws or rules of applicable securities regulatory authorities.

4.7 Oversight of Executive Compensation

- (a) The Committee or a designate member will review the annual executive compensation recommendations of the Management Resources and Compensation Committee prior to approval by the Board of Directors.

4.8 Duties and Responsibilities Delegated by the Board

- (a) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

5. Funding for the Independent Auditor and Retention of Independent Advisors

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall have the authority to retain such independent advisors as it may from time to time deem necessary or advisable for its purposes and to set the terms of the retainer. The expenses related to any such engagement shall also be funded by the Company.

<u>Completed</u>	<u>Date</u>
✓	February
✓	February
-	As Required
-	As Required