



## Manulife Financial Corporation (the “Company”)

### Audit Committee Charter

#### 1. Overall Role and Responsibility

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##### 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 Company’s compliance with legal and regulatory requirements;
  - (vi) the Finance, Actuarial, Internal Audit and Global Compliance functions;
  - (vii) conflicts of interest and confidential information;
  - (viii) related party transactions; and
  - (ix) complaints of customers relating to obligations under the *Insurance Companies Act* (Canada) (the “Act”), and accounting, internal accounting controls and audit matters.
- (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.

##### 1.2 The Committee will also act as the conduct review committee of the Company.

#### 2. Structure and Composition

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##### 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 Act.

##### 2.3 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.

- 2.4 The Board of Directors shall designate one member of the Committee as the Committee Chair.
- 2.5 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.
- 2.6 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.
- 2.7 The Board of Directors shall determine whether and how many members of the Committee qualify as a financial expert as defined by applicable law. At least one member must be an audit committee financial expert, as defined in applicable laws and regulations.
- 2.8 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.

### **3. Structure, Operations and Assessment**

- 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.
- 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.
- 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.
- 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.

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 management, the independent auditor, the internal auditor and 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 for approval the appointment and, when considered appropriate, the dismissal or removal of the independent auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company (subject to shareholder ratification).
- (b) Review and approve the scope and terms of all audit engagements and 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) Pre-approve 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;
  - (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services are compatible with maintaining the auditor's independence; and
  - (iii) addressing any concerns raised by regulatory authorities or other stakeholders regarding 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) At least annually, review and approve the audit plan (including any significant changes to the audit plan) and, as part of this review, satisfy itself that the audit plan is risk-based and addresses all the relevant activities over a measurable cycle and that the work of the independent auditor and Internal Audit is coordinated.
- (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, the results of the audit, any changes to the audit scope or strategy, the annual report of the auditors on the 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 (Canada) (the "Superintendent") may specify.
- (c) Review and discuss with the independent auditor and with management the Company's annual and quarterly financial disclosures, including 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) Review the Company's disclosure policy, which governs the release of information about the Company and requires timely, accurate and fair disclosure of such information in compliance with all legal and regulatory requirements, and periodically assess the adequacy of procedures regarding disclosure of financial information.
- (e) Require management to implement and maintain appropriate internal control procedures.
- (f) Oversee systems of internal control and meet with the heads of the oversight functions, management and the independent auditors to assess the adequacy and effectiveness of these systems and to obtain reasonable assurance that the controls are effective.
- (g) 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.

- (h) Review, evaluate and approve the procedures established under s. 4.2(e).
- (i) 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.
- (j) 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
  - (ii) any matters required to be communicated by the independent auditor under applicable review standards.
- (k) 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) key areas of risk for material misstatement of the financial statements, including critical accounting estimates or areas of measurement uncertainty;
  - (ii) whether the auditor considers estimates to be within an acceptable range and the rationale for the final valuation decision and whether it is consistent with industry practice;
  - (iii) any significant changes in the Company's selection or application of accounting or actuarial principles;
  - (iv) any major issues as to the adequacy of the Company's internal controls;
  - (v) any special steps adopted in light of material control deficiencies, if any; and
  - (vi) the role of any other audit firms.
- (l) 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
  - (iv) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- (m) 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.

- (n) 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 and review all material correspondence between the independent auditor and management related to audit findings.
- (o) Review and discuss with management and the independent auditor at least annually any significant changes to the Company’s accounting and actuarial principles and practices suggested by the independent auditor, internal audit personnel or management and assess whether the Company’s accounting and actuarial practices are appropriate and within the boundaries of acceptable practice.
- (p) 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.
- (q) 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.
- (r) 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.
- (s) 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.
- (t) 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.
- (u) 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, including the report on Dynamic Capital Adequacy Testing, which is also reviewed by the Risk Committee.
- (v) Receive reports from the Chief Actuary regarding material capital model modifications and new capital model applications. Annually receive the capital model inventory and modification log.

- (w) 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 governmental agencies.
- (x) Meet with the Chief Internal Auditor and with management to discuss the effectiveness of the internal control procedure established pursuant to s. 4.2(e).

#### **4.3 Oversight of the Finance Function**

- (a) At least annually review and approve the mandate of the Chief Financial Officer and the Finance function.
- (b) At least annually, review and approve the budget, structure, skills and resources of the Finance function.
- (c) At least annually, review the performance evaluation of the Chief Financial Officer, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Chief Financial Officer and the Finance function.
- (d) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal of the Chief Financial Officer, who shall have direct access to the Committee.
- (e) Review the results of periodic independent reviews of the Finance function.

#### **4.4 Oversight of the Actuarial Function**

- (a) At least annually, review and approve the mandate for the Chief Actuary and the Actuarial function.
- (b) At least annually, review and approve the budget, structure, skills and resources of the Actuarial function.
- (c) At least annually, review the performance evaluation of the Chief Actuary, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Chief Actuary and the Actuarial function.
- (d) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal of the Chief Actuary, who shall have direct access to the Committee.
- (e) Review the results of periodic independent reviews of the Actuarial function.

#### **4.5 Oversight of the Internal Audit Function**

- (a) At least annually, review and approve the mandate of the Chief Auditor and the Internal Audit function.
- (b) At least annually, review and approve the budget, structure, skills, resources, independence and qualifications of the Internal Audit function.
- (c) At least annually, review and approve the audit plan of the Internal Audit function

(including any significant changes to the audit plan) and, as part of this review, satisfy itself that the audit plan is risk-based and addresses all the relevant activities over a measurable cycle and that the work of the independent auditor and Internal Audit is coordinated.

- (d) Review the periodic reports of the internal audit department on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan (including the impact of any resource limitations).
- (e) At least annually, review the performance evaluation and compensation of the Chief Auditor, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Chief Auditor and the Internal Audit function.
- (f) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal of the Chief Auditor, who shall have direct access to the Committee.
- (g) Review the results of periodic independent reviews and self-assessments of the Internal Audit function's conformance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics, and action plans to address any significant conformance issues.

#### **4.6 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.

#### **4.7 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.

#### **4.8 Oversight of the Global Compliance Function**

- (a) At least annually, review and approve the mandate for the Global Compliance Chief and the Global Compliance function.
- (b) At least annually, review and approve the budget, structure, skills and resources of the Global Compliance function.

- (c) At least annually, review the performance evaluation of the Global Compliance Chief, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Global Compliance Chief and the Global Compliance function.
- (d) Recommend to the Board for approval, the appointment and, when considered appropriate, the dismissal of the Global Compliance Chief, who shall have direct access to the Committee.
- (e) Review the results of periodic independent reviews of the Global Compliance function.

#### **4.9 Oversight of the Anti-Money Laundering and Anti-Terrorist Financing Program**

- (a) The Committee shall approve the Company's Anti-Money Laundering and Anti-Terrorist Financing Policy and any material amendments.
- (b) The Committee shall meet with the Chief Anti-Money Laundering Officer ("CAMLO") at least annually to receive and review the CAMLO's report on the AML/ATF Program, which will include a report on the effectiveness of the AML/ATF Program and the Company's compliance with the Policy.
- (c) The Committee shall meet with the Chief Auditor at least annually to receive and review the Chief Auditor's report on the results of the testing of the effectiveness of the AML/ATF Program.

#### **4.10 Review of Ethical Standards**

- (a) Annual review of the Company's Code of Business Conduct and Ethics.
- (b) Establish procedures to receive and process any request from executive officer(s) and Director(s) for waiver of the Company's Code of Business Conduct and Ethics.
- (c) Grant any waiver of the Company's Code of Business Conduct and Ethics to executive officer(s) and Director(s) as the Committee may in its sole discretion deem appropriate and arrange for any such waiver to be promptly disclosed to the shareholders in accordance with applicable laws or the rules of applicable securities regulatory authorities.
- (d) Annual review and assessment of procedures established by the Board of Directors to resolve conflicts of interest, including techniques for identification of potential conflict situations, and for restricting the use of confidential information.

#### **4.11 Self Dealing and Disclosure Requirements**

- (a) Require management to establish procedures for complying with Part XI (Self-Dealing) of the Act (the "Related Party Procedures").
- (b) Establish criteria for the determination of materiality of a transaction with a related party.
- (c) Annual review of the Related Party Procedures and their effectiveness in ensuring

that the Company is complying with Part XI of the Act and the Sarbanes-Oxley Act.

- (d) Review the practices of the Company to ensure that any transactions with related parties of the Company that may have a material effect on the stability or solvency of the Company are identified.
- (e) Ensure that, within 90 days after the end of each financial year of the Company, the Committee will report to the Superintendent on its activities of the previous year respecting conduct review, undertaken in carrying out its responsibilities under the Act (and, in particular, in respect of (a), (c), and (d) above).
- (f) The Committee shall report to the Superintendent on its mandate respecting conduct review and responsibilities of the Committee and the procedures referred to in (a) above.
- (g) Annual review and assessment of the procedures established by the Board of Directors to disclose information to customers of the Company under the Act, if applicable, and of the procedures for dealing with complaints of customers of the Company to satisfy itself that the applicable procedures are being followed.

#### **4.12 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.

#### **4.13 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 External 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 external 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.