

DIRECTOR INDEPENDENCE POLICY

Background

A majority of the Board of Directors, and all of the members of the Audit Committee, the Risk Committee, the Corporate Governance and Nominating Committee and the Management Resources and Compensation Committee, of Manulife Financial Corporation (MFC) and The Manufacturers Life Insurance Company (MLI) shall be independent.

Objective

No director will be independent unless the Board of Directors has affirmatively determined that the director has no direct or indirect material relationship with the Company. A material relationship is one which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

In making this determination, the Board of Directors will consider all facts and circumstances which it deems relevant and will be guided by the standards set out in this policy, which are consistent with applicable legal and regulatory requirements, including those established pursuant to Canadian and US securities law, the *Insurance Companies Act* (Canada) and by the New York Stock Exchange, as relevant.

Certain standards set out in this policy do not apply to the directors of MLI. In the event a director is determined to be non-independent under this policy, a separate analysis will be undertaken to determine such director's independence with respect to MLI.

Definitions

Company includes Manulife Financial Corporation and its subsidiaries.

Immediate Family Member means an individual's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than a domestic employee) who shares the individual's home.

Executive Officer: means an individual who is a chair, vice-chair or president of the entity; a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or any other individual who performs a policy-making function in respect of the entity.

Significant Borrower: means (i) a natural person indebted to the Company (other than a loan secured by a mortgage on the principal residence of that person), the total principal of which exceeds the greater of \$200,000 and 1/50th of 1% of the regulatory capital of the Company, or (ii) an entity indebted to the Company, the total principal of which exceeds the greatest of \$500,000, 1/20th of 1% of the regulatory capital of the Company and 25% of the value of the assets of the entity.

Significant Interest: means an interest in a class of shares of the Company where the aggregate of the shares of that class beneficially owned by a person, and entities controlled by the person, exceeds 10% of all the outstanding shares of that class.

Substantial Investment: means an interest in a company where the aggregate of the interests beneficially owned by a person, and entities controlled by the person, (i) the voting rights attached to which exceed

10% of the voting rights attached to all of the outstanding voting shares of the Company, or (ii) represent ownership of greater than 25% of the shareholders' equity of the Company.

Policy and Procedures

1. Independence Standards

A director will not be considered independent if:

(a) the director or an Immediate Family member:

(i) is, or has been within the last three years:

- (1) an Executive Officer; or
- (2) in the case of the director only, an employee;

of the Company or any of its subsidiaries provided that:

- (3) having previously acted as an interim chief Executive Officer of the Company; or
- (4) acting, or having previously acted, as a chair or vice-chair of the Board or any Board committee on a part-time basis,

shall not disqualify a director from being considered independent.

(ii) he or she:

(1) is:

- (a) a current employee of the independent auditor of the Company; and
- (b) in the case of an Immediate Family Member only, personally works on the audit of the Company or participates in its audit, assurance or tax compliance (but not tax planning) practice); or

(2) is a current partner of the independent auditor of the Company; or

(3) was, within the last three years, a partner or employee of such auditor and personally worked on the audit of the Company during that time;

provided that, for this purpose of this section, partner does not include a fixed income partner whose interest in the firm that is the independent auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(iii) is, or has been within the last three years, an Executive Officer of another entity if any of the current Executive Officers of the Company serves or served at the same time on that other entity's compensation committee.

(iv) received more than Cdn\$75,000 in direct compensation from the Company or its subsidiaries during any 12 month period in the last three years provided that the following compensation need not be considered for this purpose:

- (1) compensation for acting as a director or member of a Board committee of the Company;
- (2) compensation for having previously acted as interim chief Executive Officer of the Company or having acted, on a part-time basis, as chair or vice-chair of the Board or of any Board committee of the Company;

- (3) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent on continued service; or
- (4) any compensation received by an Immediate Family Member other than while employed as an Executive Officer of the Company.

(v) is currently:

- (1) an Executive Officer; or
- (2) in the case of the director only, an employee;

of an entity that has made payments to, or received payments from, the Company for property or services in an amount which exceeded the greater of:

- (3) US\$1 million; or
- (4) 2% of the entity's consolidated gross revenues;

in any of the last three fiscal years.

Contributions to tax exempt organizations of which a director is an Executive Officer or director (or person holding a similar position) shall not be considered payments for this purpose provided that the Company will disclose any such payments that exceed the greater of US\$1 million or 2% of the entity's consolidated gross revenues in any of the last three fiscal years.

(b) The director or the director's spouse or common law partner:

- (i) has a Significant Interest in a class of shares of the Company;
- (ii) has a Substantial Investment in an affiliate of the Company;
- (iii) is:

- (1) a Significant Borrower;
- (2) an officer or employee of an entity that is a Significant Borrower; or
- (3) controls one or more entities which together would constitute a Significant Borrower;

(iv) is:

- (1) an individual,
- (2) a partner or an employee in a partnership; or
- (3) a person, or is an officer or employee of a person, who has a Substantial Investment in a company

that annually receives payments from the Company for goods or services which exceed 10% of the total annual billings of the person, partnership or company.

(v) is:

- (1) an individual who has;
- (2) a director, officer or an employee of an entity which has; or
- (3) a person who controls an entity which has;

a loan from the Company that is not in good standing or that is not a "permitted loan" under the *Sarbanes Oxley Act of 2002*;

2. Additional Considerations for Audit Committee Members

In addition to the independence standards set out in section 1, a director may not serve on the Audit Committee if:

- (a) the director accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Company provided that the following compensation need not be considered for this purpose:
 - (i) compensation for acting as a director or member of a Board committee of the Company;
 - (ii) compensation for having previously acted, on a part-time basis, as chair or vice-chair of the Board or of any Board committee of the Company;
 - (iii) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent on continued service.
- (b) For purposes of section 2(a) above, the indirect acceptance by a director of any consulting, advisory or other compensatory fee includes acceptance of such a fee by:
 - (i) a director's spouse, a minor child or stepchild, or a child or stepchild sharing a home with the director; or
 - (ii) an entity in which the director is a partner, member, managing director, Executive Officer, or occupies a similar position (other than a limited partner, non-managing member, or other similar position which has no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company.
- (c) The director is affiliated with the Company, as defined under applicable Canadian and U.S. securities laws.

3. Additional Considerations for Management Resources and Compensation Committee Members

In determining the independence of the members of the Management Resources and Compensation Committee the Board, in addition to the independence standards set out in section 1, will consider all factors specifically relevant to determining whether the director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Management Resources and Compensation Committee member including but not limited to:

- (c) The source of the director's income, including any consulting, advisory or other compensatory fee paid by the Company to the director; and
- (d) Whether the director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company as defined under applicable Canadian and U.S. securities laws.

4. Evaluation of Director Independence

All directors and proposed directors are required to disclose circumstances and relationships applicable to them that could reasonably be perceived as a material relationship as described in this policy.

If an independent director's circumstances change in the course of the year such that he or she may potentially have a material relationship as described in this policy, the director must promptly advise the Chair of the Corporate Governance and Nominating Committee.

5. Term Limits

To balance the benefits of experience and the need for renewal and new perspectives. the Board of Directors has established term limits for independent Directors. Independent Directors will not be nominated for re-election at an annual meeting after reaching 12 years of service on the Board except in the following circumstances:

- (a) in exceptional circumstances the Board has the discretion to recommend for re-election an independent Director who has reached 12 years of service for additional one year terms for up to three years; and
- (b) the Chair of the Board may serve a full five year term as Chair regardless of number of years of service on the Board.