

Report of the Audit Committee



Richard B. DeWolfe
(Chair)



Thomas P. d'Aquino



Robert E. Dineen, Jr.



Robert J. Harding



Luther S. Helms



Donald R. Lindsay



John R.V. Palmer



Gordon G. Thiessen

RESPONSIBILITIES

In 2010, the Board approved the separation of the audit and risk oversight functions previously undertaken by the Audit and Risk Management Committee, resulting in the formation of a separate Audit Committee and Risk Committee. The Audit Committee, formed in February, 2010, held its first meeting on May 5, 2010. The membership of the Audit Committee changed from the former Audit and Risk Management Committee to include Gordon Thiessen and to move Linda Bammann and Tom Kierans to the newly formed Risk Committee.

The Audit Committee assists the Board in its oversight role respecting:

- The quality and integrity of financial information.
- The effectiveness of the Company's internal control over financial reporting.
- The effectiveness of the Company's risk management and compliance practices.
- The performance, qualifications and independence of the independent auditor.
- The review and discussion of guidelines and policies governing the process by which risk assessment and management is undertaken.
- The performance of the Company's internal audit function.
- Legal and regulatory compliance.

INDEPENDENCE

All committee members are independent, pursuant to the independence requirements prescribed by applicable securities and other regulators which regulate the Company and by the stock exchanges on which the Company's securities are listed.

FINANCIAL LITERACY AND AUDIT COMMITTEE FINANCIAL EXPERTS

The committee and the Board have reviewed the committee membership and determined that all members are financially literate as required by the New York Stock Exchange Listed Company Manual and the applicable instruments of the Canadian Securities Administrators. The Board has also determined that Messrs. DeWolfe, Dineen, Harding, Helms, Lindsay, Palmer and Thiessen have the necessary qualifications to be designated as audit committee financial experts under SOX.

The committee meets *in camera* with the independent auditor, Chief Auditor and Appointed Actuary to review management's financial stewardship and risk management and with the General Counsel to review the management of legal and compliance risks.

2010 HIGHLIGHTS

In 2010, the committee, in accordance with its charter, accomplished the following:

Meetings

- The Audit and Risk Management Committee met one time and the newly constituted committee met four times during 2010.
- The CEO attended the meetings at the invitation of the Chair of the committee.
- Met *in camera* without management at the end of each meeting.

Annual Statement

- Reviewed and discussed with management and the external auditor, Ernst & Young, and recommended for approval by the Board the 2009 quarterly unaudited and the annual audited financial statements of the Company.
- Discussed with Ernst & Young all matters required to be discussed by professional auditing guidelines and standards in Canada and the United States.
- Received the written disclosures from Ernst & Young recommended by the Canadian Institute of Chartered Accountants and the Independence Standards Board in the United States.

Independent Auditor

- Reviewed the independence and qualifications of Ernst & Young, based on its disclosure of its relationship with the Company.
- Recommended the reappointment of Ernst & Young as the Company's external auditor for approval by the shareholders.
- Pre-approved audit and permitted non-audit services to be performed by Ernst & Young, including terms and fees.
- Reviewed the overall scope and plan of the annual audit with Ernst & Young and management, and recommended Ernst & Young's annual compensation to the Board for approval.

- Reviewed and discussed with management and the independent auditor, management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation on management's assessment.
- Met regularly *in camera* with Ernst & Young.

Internal Audit

- Reviewed and approved internal audit's mandate.
- Reviewed the independence, qualifications, staffing, budget and annual work plan for internal audit.
- Reviewed internal audit's periodic reports on its activities and the results of the audits.
- Met regularly *in camera* with the Chief Auditor.

Appointed Actuary

- Reviewed reports, opinions and recommendations prepared by the Appointed Actuary of the Company in compliance with the Act.
- Met *in camera* with the Appointed Actuary.

Financial Reporting

- Received updates from management on significant changes to the accounting principles and practices including regular monitoring of the implementation of the first phase of the Internal Financial Reporting Standards, effective January 1, 2011.
- Reviewed significant financial reporting issues and judgments made in connection with the preparation of financial statements.
- Reviewed the certification process for annual and interim filings with applicable securities regulatory authorities with the Chief Executive Officer and the Chief Financial Officer.
- Monitored the Company's SOX certification requirements and SOX compliance.
- Received reports from the Disclosure Committee and approved the Company's earnings press releases, the release of earnings projections, forecast or guidance and the use of Non-GAAP measures (if any), and the financial information provided to analysts and rating agencies.

Risk Management

- Reviewed and discussed guidelines and policies governing the process by which risk assessment and management is undertaken.
- Received a report from the Chief Risk Officer setting out an overview of the Risk Committee's and management's process for risk assessment and management, including the Company's Enterprise Risk Management framework.
- Received regular reports presented to the Risk Committee, including: Enterprise Risk Policy updates; risk appetite and risk targets; quarterly risk position reports, including reports on progress towards achievement of Board approved risk targets; Annual New Business Risk Assessment and Pricing Plan; and Report on the annual Dynamic Capital Adequacy Test.

- Reviewed the General Counsel's report on legal matters that may have a material impact on the Company.
- Reviewed the Global Chief Compliance Officer's report on the Company's compliance with applicable laws and regulations.
- Met *in camera* with the Chief Risk Officer and the General Counsel.

Charter Review and Compliance

- The committee carried out all of the responsibilities required by its charter.
- The committee reviewed its charter, made recommendations for its amendment to the Board and assessed its performance against its charter.
- The charter and a scorecard of the committee's compliance with its charter can be found at www.manulife.com.

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

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