

Report of the Risk Committee



John R.V. Palmer
(Chair)



Linda B. Bammann



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Scott M. Hand



Robert J. Harding



Thomas E. Kierans

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 Risk Committee, formed in February, 2010, held its first meeting on April 7, 2010.

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

- The Company's management of its principal risks, including reviewing the principal risks of the Company identified by management and assessing whether the key risks of the Company have been identified.
- Reviewing and, if appropriate, approving management's recommended policies, procedures and controls used to identify, assess and manage the Company's principal risks.
- Assessing the Company's programs, procedures and controls in place to manage its principal risks.
- Reviewing the Company's compliance with its risk management and legal and regulatory requirements.

INDEPENDENCE

All committee members are independent, thereby meeting 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.

2010 HIGHLIGHTS

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

Meetings

- In 2010, the committee had six regular meetings and two educational seminars.
- 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.

Oversight of Risk Management

- As a newly established committee in 2010, the committee developed its charter setting out the committee's responsibilities delegated and approved by the Board and spent a significant amount of time considering the material risks of the Company.

- Reviewed management's recommendation for the Company's risk appetite and Enterprise Risk Policy and recommended them to the Board for approval.
- Reviewed and approved: (a) transactional risk taking authorities delegated to management and any transactions exceeding those authority levels; (b) risk management policies, to seek to ensure they remain appropriate to effectively identify, assess and manage the Company's principal risks; and (c) the risk targets for principal risks and any exposures exceeding those designated targets.
- Reviewed reports, presentations and other information presented by the Chief Risk Officer, Global Compliance Chief, Chief Anti-Money Laundering Officer, Chair of the Risk Disclosure Committee and other members of management related to the Company's programs, procedures and controls in place to manage its principal risks.
- Reviewed reports from the Internal Auditor, relating to the adequacy of the Company's procedures and controls to manage its principal risks.
- Reviewed information related to the Company's principal risk exposures and trends.
- Reviewed compliance with risk management policies and approved certain exceptions and remedial action plans.
- Reviewed the alignment of the incentive compensation programs and risk management objectives.
- Reviewed the risk impact of business plan and new business initiatives, including consistency with the approved risk appetite and related risk management and controls.
- Received a report on the hedging program.
- Met *in camera* with the Chief Risk Officer.

Oversight of Corporate Risk Management Department Mandate

- Provided oversight of the Corporate Risk Management department of the Company, including reviewing and approving the mandates of the Corporate Risk Management department and the Chief Risk Officer. The committee satisfied itself that the Corporate Risk Management department had adequate resources and independence to perform its responsibilities.

Anti-Money Laundering ("AML") and Anti-Terrorist Financing Program ("ATF")

- Met with the Chief Anti-Money Laundering Officer ("CAMLO") to review the CAMLO report on the AML/ATF Program.

- Met with the Chief Auditor to review the Chief Internal Auditor's report on the results of the testing of the effectiveness of the AML and ATF program.

Charter Review

- The committee carried out all of the responsibilities required by its charter.
- At the end of the year, 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 Risk Committee.

John R.V. Palmer (*Chair*)

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