

# Report of the Audit and Risk Management Committee

The Audit and Risk Management Committee (“Audit Committee”) assists the Board in its oversight role with respect to the quality and integrity of financial information, reporting disclosure, risk management, the performance, qualifications and independence of the independent auditor, the performance of the internal audit function, legal and regulatory compliance and executive compensation. The Audit Committee meets *in camera* with the independent auditor, internal auditor and Appointed Actuary to review management’s financial stewardship and with the General Counsel to review the management of legal and compliance risks. The Chair, on behalf of the Audit Committee, also meets with the Chief Risk Officer.

All the Audit 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. The Audit Committee and the Board of Directors have reviewed the Audit Committee membership and determined that all members are financially literate as required by the Corporate Governance Rules of the New York Stock Exchange and the applicable instruments of the Canadian Securities Administrators. The Board has also determined that Messrs. DeWolfe, Celeste, Dineen, Harding, Helms and Kierans have the necessary qualifications to be designated as Audit Committee financial experts under SOX.



Richard B. DeWolfe  
(Chair)



Lino J. Celeste



Thomas P. d'Aquino



Robert E. Dineen, Jr.



Robert J. Harding



Luther S. Helms



Thomas E. Kierans

In 2008, the Audit Committee held five regular meetings and one teleconference meeting, to which the full Board was invited. The President and CEO attended the meetings at the invitation of the Chair of the Audit Committee. The Audit Committee met *in camera* without management at the end of each meeting.

In 2008, the Audit Committee, in accordance with its charter, accomplished the following:

## Annual Statement

- Reviewed and discussed with management and the independent auditor the 2007 audited annual financial statements.
- Discussed with the independent auditor all matters required to be discussed by professional auditing guidelines and standards in Canada and the United States, including confirmation of the independent auditor’s independence.
- Received the written disclosures from the independent auditor recommended by the Canadian Institute of Chartered Accountants and the Independence Standards Board in the United States.
- Recommended to the Board that the 2007 audited financial statements of the Company be approved.

## Independent Auditor

- Reviewed the qualifications, performance and independence of the independent auditor, recommended reappointment of the independent auditor for shareholders’ approval and recommended the compensation of the independent auditor to the Board.
- Reviewed the independence and qualifications of the independent auditor, based on the independent auditor’s disclosure of its relationship with the Company.

- Approved audit and permitted non-audit services to be performed by the independent auditor, including terms and fees.
- Delegated authority to a member of the Audit Committee to approve requests received during the year for audit and permitted non-audit services to be provided by the independent auditor and reviewed the decisions of the delegate at the next meeting.
- Reviewed the overall scope and plan of the annual audit with the independent auditor and management.
- Met regularly *in camera* with the independent auditor.

## Internal Auditor

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

- Reviewed any significant changes to the accounting principles and practices.
- Reviewed with management and the independent auditor prior to publication, and recommended for approval by the Board, the interim quarterly financial statements and the annual consolidated financial statements.
- 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 the Chief Executive Officer and the Chief Financial Officer.
- Reviewed the implications of new major accounting standards of the Canadian Institute of Chartered Accountants.
- Monitored the Company's SOX certification requirements and SOX performance.
- Began the process of monitoring the International Financial Reporting Standards.

### **Risk Management and Regulatory Compliance**

- Reviewed management's reports on the status of the Company's risk management activities and initiatives.
- Determined that the enterprise-wide risk management process is appropriate and ensured that the Chief Risk Officer provided regular reports to the Audit Committee.
- Reviewed regular reports from the Chief Risk Officer on economic capital and the progress in developing economic capital measures for the Company.
- Reviewed and approved risk management policies recommended by management and reviewed management reports demonstrating compliance with risk management policies.
- Reviewed reports from the independent auditor and the internal auditor relating to the adequacy of the Company's risk management practices, as well as management's responses.
- 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.
- Held its annual meeting with the Office of the Superintendent of Financial Institutions (Canada) ("OSFI") to discuss OSFI's findings and recommendations arising from OSFI's annual examination and management's response.
- Met *in camera* with the Chief Risk Officer.

### **Anti-Money Laundering and Anti-Terrorist Financing Program**

- Amended the Audit Committee Charter and the Anti-Money Laundering ("AML") and Anti-Terrorist Financing ("ATF") Policy to reflect new regulatory requirements.
- Met with the Chief Anti-Money Laundering Officer ("CAMLO") to receive and review the CAMLO report on the AML/ATF Program.
- Met with the Chief Internal Auditor to receive and review the Chief Internal Auditor's report on the results of the testing of the effectiveness of the AML/ATF Program.

### **Charter Review**

The Audit Committee reviewed its charter and made recommendations for its amendment. The Audit Committee also assessed its performance against its charter and determined that it met the terms of its charter in 2008. A scorecard of the Audit Committee's compliance with its charter and the charter can be found at [www.manulife.com](http://www.manulife.com).

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

Richard B. DeWolfe (*Chair*)  
Lino J. Celeste  
Thomas P. d'Aquino  
Robert E. Dineen, Jr.  
Robert J. Harding  
Luther S. Helms  
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