

Effective Date: November 12, 2025

DIVIDEND POLICY OF THE MANUFACTURERS LIFE INSURANCE COMPANY

This Dividend Policy has been established by the Board of Directors of The Manufacturers Life Insurance Company ("MLI") pursuant to section 165 (2) (e) of the Insurance Companies Act (Canada) (the "ICA"). This Dividend Policy applies to all participating policies of MLI, whenever issued, except for acquired participating policies prior to their date of acquisition and participating policies transferred to subsidiaries of MLI by assumption or indemnity reinsurance. This Dividend Policy does not apply to participating policies of subsidiaries of MLI.

This Dividend Policy is intended to be consistent with the previous dividend policy of MLI, such previous policy having been created when MLI converted from a mutual company to a company with common shares (the "Demutualization") effective on September 23, 1999 (the "Demutualization Date"), subject only to changes required in connection with:

- the amalgamation of MLI and MFC Insurance Company Limited ("MFCICL") (formerly Commercial Union which included the business of The Maritime Life Assurance Company);
- the assumption reinsurance by MLI of all the policy liabilities of Manulife Canada Limited ("MCL") (formerly the Zurich Life Insurance Company of Canada);
- the assumption reinsurance of all of the policy liabilities of Standard Life Assurance Company of Canada ("Standard Life");
- the creation of an additional sub-account on re-opening the Open Block to new business in 2018;
- the creation of an additional sub-account for the International Open Block in 2020, and
- the creation of an additional sub-account for repriced business starting in 2022.

This Dividend Policy complies with MLI's Fair Treatment of Customers Policy.

THE PARTICIPATING ACCOUNT AND ITS ASSOCIATED POLICIES

MLI maintains a separate account in respect of its participating policies pursuant to section 456 of the ICA (the "Participating Account"). Twelve sub-accounts exist, as listed below:

- (i) The Traditional Closed Block Sub-Account, which includes most dividend-paying participating policies issued prior to the Demutualization Date, other than universal life policies;
- (ii) The North American Life Universal Life ("NAL UL") Block Sub-Account, which includes all participating universal life policies issued prior to the Demutualization Date;
- (iii) The Ancillary Block Sub-Account, which includes the rest of the participating policies issued prior to the Demutualization Date as well as additional statutory liabilities associated with sub-accounts (i) and (ii) above;
- (iv) The Open Block (Pre-2009) Sub-Account, which includes all participating policies issued between the Demutualization Date and 2008;
- (v) The Open Block (Post 2017) Sub-Account, which includes participating policies issued in Canada between 2017 and 2022;
- (vi) The Open Block (Post 2021) Sub-Account, which includes participating policies issued in Canada after 2021;
- (vii) The International Open Block Sub-Account, which includes all participating policies issued outside of Canada by MLI's Bermuda Branch after the Demutualization date;
- (viii) The Maritime Sub-Account;
- (ix) The Aetna Sub-Account;
- (x) The Royal and Sun Alliance Financial ("RSAF") Sub-Account;
- (xi) The Commercial Union ("CU") Sub-Account; and
- (xii) The Zurich Sub-Account ("MCL").

In addition, MLI maintains two segmented accounts in respect of the Standard Life business:

- (i) The Standard Life Primary Segment, which includes participating individual life insurance policies sold by Standard Life Assurance of Canada ("SLAC") or acquired by SLAC from the former Sovereign Life operations in 1993; and
- (ii) The Standard Life Secondary Segment, which includes the participating group deferred annuities or Deferred Termination ("TN") certificates, and the non-participating benefits attached to the policies in this segment, as well as any additional statutory liabilities associated with the Standard Life Primary Segment.

For the purpose of this Dividend Policy, the terms "participating accounts" and "participating policies" shall be assumed to include these Standard Life segmented accounts, unless specifically excluded.

All the sub-accounts and segmented accounts are closed to new business except for the Open Block (Post 2021) and the International Open Block. Transfers of assets from the sub-accounts to the shareholder of MLI (the "Shareholder's Account") are restricted and governed by the ICA and, in the instance of sub-accounts (i) – (iii), the Plan of Demutualization of MLI and for the segmented accounts, the "Segmented Policies Account – Transition and Operating Rules" of Standard Life.

PRINCIPLES FOR DETERMINATION OF DISTRIBUTABLE AMOUNT AND DIVIDEND SCALES

For the purpose of declaring dividends, the Board of Directors shall approve the total distributable amount and the method for allocating that amount among holders of dividend-paying participating policies separately for each sub-account and segmented account. The resulting dividend scales are reviewed at least annually by the Board.

Participating dividends are used to distribute the participating account profits to the policy owners. Generally, MLI distributes dividends annually to all participating policies and may distribute terminal dividends at surrender or maturity of a participating policy or death of an insured. The existence of terminal dividends is determined by the policy contract, and in certain cases, additional commitments made and communicated to certain policyholders at the time of demutualization or acquisition. Both annual and terminal dividends are reviewed at least annually and adjusted if experience permits.

Since actual levels of experience cannot be known in advance, dividends cannot be guaranteed. It is possible for experience to deteriorate over time and dividends may be reduced as a result. In determining the amount to be distributed to holders of participating policies in the sub-accounts and segmented accounts, many factors are considered. These include the available excess premiums of participating policies due to current experience being more favourable than required to fund guaranteed benefits and related expenses. Trends in the experience of participating policies, the overall soundness of the underlying Block or Segment and the need to ensure continuing financial strength of MLI will also be taken into consideration.

The total amount to be distributed to holders of participating policies in the Traditional Closed Block Sub-Account, the NAL UL Block Sub-Account, and the Standard Life Primary Segment shall be approved by the Board of Directors with the objective of avoiding undistributed profits. Experience gains or losses will be reflected in changes to future dividends. As the number of participating policies in each sub-account declines, dividends shall be paid with the objective of exhausting assets with the final payment to the last policy.

For each of the Open Block (Pre-2009) Sub-Account, the Open Block (Post 2017) Sub-Account, the Open Block (Post 2021) Sub-Account, the International Open Block Sub-Account, the Maritime Sub-Account, the Aetna Sub-Account, the RSAF Sub-Account, the CU Sub-Account, and the Zurich Sub-Account, dividends shall be paid with the objective of passing through experience within a reasonable period of time, while managing the overall capital adequacy position of these sub-accounts, and ensuring policyholders are treated equitably. For sub-accounts that are closed to new business, as the number of participating policies in each closed sub-account declines, dividends shall be paid with the objective of exhausting assets with the final payment to the last policy, while at the same time maintaining dividend scales that meet policyholders' reasonable expectations and other explicit commitments, which may cause dividends to deviate from these objectives. Surplus is expected to be exhausted as the last policy obligations mature. Transfers may be made to the Shareholder's Account from these sub-accounts as permitted by the ICA.

For the Participating Group Deferred Annuities in the Standard Life Secondary Segment, dividends shall be paid with the objective of distributing the investment experience in a timely manner. Transfers may be made from the Secondary Segment as permitted by the Standard Life “Segmented Policies Account – Transition and Operating Rules”.

MLI’s practice is to transfer the full permitted percentage of distributable participating profits.

All experience, including but not limited to investment, mortality, policyholder behaviour, expense, and tax, in each sub-account and segmented account is considered in determining the Distributable Amount, with the following exceptions:

- The Traditional Closed Block and NAL UL Block Sub-Accounts: Mortality and expense experience is guaranteed, in accordance with the demutualization agreement.
- The Ancillary Block Sub-Account: For participating annuity contracts, only investment experience is shared with policyholders. Policyholders do not participate in the changes to the additional statutory liabilities associated with the Traditional Closed Block Sub-Account and NAL UL Block Sub-Account.
- Standard Life Primary Segment: Expense Experience is guaranteed.
- Standard Life Secondary Segment: For the Group Deferred Annuities or Deferred Termination certificates, only investment experience is shared with policyholders. Policyholders do not participate in the experience associated with any non-participating supplementary benefits or riders, nor in the changes to the additional statutory liabilities associated with the Standard Life Primary Segment.

Investment return on participating account surplus is included in the determination of dividends as assets backing surplus are commingled with assets backing the policyholder account.

Examples of the types of policyholder behaviour that can affect the distributable amount include:

- Gains or losses generated by policy loans and amounts on deposit
- Gains or losses generated by lapses, including the payment of persistency bonuses
- Gains or losses generated by the election of premium payment options available on certain policies such as premium offset, premium holiday, or deposit options

We do not expect the experience factors used to determine policy dividends to change unless permitted by the policy contract. If circumstances occur where MLI needs to make changes to the experience factors considered, these changes would need to be approved by the MLI Board of Directors.

Experience may be smoothed, in order to avoid undue fluctuations in policyholder dividends. MLI has established an internal guideline to govern the practices of dividend smoothing. The smoothing mechanisms used vary by sub-account or segment, and can affect the timing of dividend scale adjustments but have no material effect on the total Distributable Amount paid over the lifetime of the policy. Smoothing mechanism used include:

- Experience Fluctuation Account (“EFA”): Undistributed gains and losses are tracked in a notional account and accumulate with interest. This notional account uses smoothed asset accounting, such that there is a gradual recognition of realized and unrealized investment gains and losses. Dividends are adjusted such that the EFA returns to zero within a reasonable period of time; the exact period of time varies by sub-account, is reviewed annually, and may be changed from time to time. The EFA approach is used for the Traditional Closed Block and the NAL UL Block.
- Asset Share: Dividends are adjusted such that the ratio of the book value of assets in the sub-account or segment, to the best estimate actuarial liability falls within a corridor. The corridor varies by sub-account or segment, and may be changed from time to time. The Asset Share approach is used for the all blocks except the Traditional Closed Block and the NAL UL Block.

In the dividend allocation process, the aim is to achieve reasonable equity between classes of participating policyholders by allocating the amount to be distributed to classes of participating policies in the same proportion as they are considered to have contributed to the distributable amount, taking into account practical limits and prevailing industry practices which may apply in some circumstances. The dividend allocation process will also recognize the contractual terms of participating policies including certain specific classes of participating policyholders that receive either no dividends or where dividends are pre-set at policy issue.

To determine the contribution of policy classes to the distributable amounts, all participating policies are grouped into classes with common experience-related to factors such as mortality, investment return, expenses, taxes and persistency. These policy classes will be established separately for participating policies in each sub-account. The same principles are applied to the dividend determinations for all dividend classes.

The Board of Directors will not approve the declaration of a dividend on any participating policies unless the Appointed Actuary confirms that such dividend is in accordance with this dividend policy and consistent with the Standards of Practice of the Canadian Institute of Actuaries. If the actual distribution of policyholder dividends differs materially from the Appointed Actuary's recommendations, this will be disclosed and explained. The Board of Directors will not approve the declaration of a dividend otherwise prohibited by applicable law.

This Dividend Policy is subject to amendment from time to time, and, if and when changed, may, at the discretion of the Board of Directors, become applicable to all then existing participating policies. Factors which might cause a review of this policy would include the acquisition or disposition of a block of participating business, a change in MLI's structure, a decision to stop selling new participating business, or a change in the regulatory environment.

For the Standard Life Segmented Policies, the "Dividend Policy and Methodology of the Standard Life Segmented Policies", attached hereto as Appendix "A", prescribes how the principles set out in this Policy are to be applied, and specifically how the amount of surplus to be distributed is to be determined, based on the surplus emerging in respect of each series of participating contracts, and how this distributed surplus is to be applied at the policy level. In the event of a conflict between this Policy and the Dividend Policy and Methodology, the latter takes precedence.

GLOSSARY

Asset Segment: A portfolio of assets managed under a common investment strategy, that invests the premiums received on insurance policies, until such time as those amounts are needed to pay for policy benefits, expenses, dividends, or shareholder transfers. An asset segment may support one or more sub-accounts.

Class of policyholders: Participating policies are grouped into classes with common experience related to such factors as mortality, investment return, expenses, tax and persistency. Separate and unique classes are established for policies of each geographic region, for policies assigned to closed blocks on demutualization and for policies of blocks acquired since demutualization. The dividend allocation process followed by MLI recognizes the relative contribution to retained earnings made by each policy class in order to achieve reasonable equity between classes and generations of participating policies. Each sub-account is comprised of one or more classes of policyholders.

Demutualization: Demutualization refers to the process of changing from a mutual company owned by policyholders to a stock company owned by shareholders. Manulife demutualized in 1999.

Distributable Amount (Amount Distributable): The amount, approved by the Board, available to distribute to participating policyholders through dividends.

Dividend Scale: The dividend scale is the formula used to allocate dividends to participating policies in a fair and equitable manner. The formula takes into account many factors, including the year the policy was issued, the type of coverage and the amount of insurance coverage the policy provides.

Experience: The actual cost or income in a reporting period compared to the expected cost or income in that same reporting period using best estimate assumptions.

International: The International line of business is written out of the Bermuda Branch of MLI. International products are not issued to Canadian residents.

Participating account: The participating account or “par account” is a common term used for the separate accounts that are managed exclusively for participating policy owners using the insurance premiums paid into their policies. A participating account can be broken down into separate sub-accounts or components to better align management decisions and asset choices to different segments of par business. Canadian insurance companies are required to maintain separate accounts for its participating policies under the ICA.

Participating Policy: A policy issued by a company that entitles its holder to participate in the profits of the company, as defined in Section 2 of the ICA, and in accordance with Sections 456 to 464 of the ICA.

Prevailing industry practice: Generally accepted practice among MLI’s industry peers within Canada.

Smoothing: Smoothing refers to the practice of reflecting experience gains and losses gradually in the dividend scale. Most commonly this is applied to investments. Smoothing can lessen volatility and help deliver more stable returns for both fixed and non-fixed income assets.

Sub-Account: The level at which experience is tracked (or allocated), in order to determine whether there is surplus to be distributed. The Participating Account is comprised of multiple sub-accounts. For Standard Life, experience is tracked in Segmented Accounts, which perform the same function as sub-accounts.

Shareholder Transfer: The amount of profits that can be paid to the shareholder from the participating account. Shareholder transfers from the Traditional Closed Block Sub-Account, the NAL UL Block Sub-Account, and the Ancillary Block Sub-Account are restricted and governed by the Plan of Demutualization. Transfers from the Standard Life Segmented Account are governed by the Transition and Operating Rules of Standard Life. For all other sub-accounts, the percentage of the participating account profits that can be transferred to the shareholder is governed by Section 461 of the ICA.

APPENDIX A: Dividend Policy and Methodology of the Standard Life Segmented Policies

1. Introduction

This paper sets out the policy and methodology MLI will follow in determining dividend distributions in respect of the with profits, or participating policies assumed from Standard Life Assurance Company of Canada ("Standard Life"), (referred to, following such assumption, as the Segmented Policies).

In this paper, the terms "with profits" and "participating" policies refer to policies which, under their contractual terms are "entitled to share in the profits of the Company".

Because these policies were originally issued by a branch of a foreign life insurance company and not by a domestic Canadian insurance company, "participating rights" under these contracts do not carry the meaning defined in the Insurance Companies Act (Canada).

2. The Segmented Policies Account

MLI has established and maintains a Segmented Policies Account for the assets that will support the benefits, guarantees and bonus or dividend expectations of the holders of Segmented Policies. The Segmented Policies Account has two separate components: (a) a Primary Segment and (b) a Secondary Segment.

The Primary Segment holds the assets supporting the liabilities for all Segmented Policies that are participating individual life insurance policies sold by the Canadian Branch of the Standard Life Assurance Company (SLAC) in Canada over the years or acquired by SLAC from the former Sovereign Life operations in 1993, including liabilities in respect of supplementary benefits and riders attached to these policies, and the liability for future participating dividend expectations of these policyholders.

The Primary Segment will be used exclusively for the benefit of the holders of Segmented Policies in the Primary Segment. It is expected that over time, the assets that comprise the Primary Segment, and experience gains thereon, will be distributed to these policyholders in the form of cash dividends, surrender, death or maturity benefits.

The Secondary Segment holds the assets supporting the liabilities for all Segmented Policies that are participating group deferred annuity policies or Deferred Termination (TN)¹ certificates, the non-participating benefits attached to the policies in this segment and the liability for future participating dividend expectations of these policyholders.

3. Policyholder Reasonable Expectations (PRE)

It is considered that PRE will be met if the fundamental principles underlying dividend policy are:

- The aim of the policy is to ensure that all the assets attributable to Segmented Policies are distributed to the holders of such policies in an equitable manner.
- An approach, which is certified annually by the Appointed Actuary, in his/her report to the Board of MLI to be fair and equitable, is used to determine the allocation of gains or losses from experience between different classes of policies.

Policyholder Reasonable Expectations as to future dividends, for holders of Segmented Policies in the Primary Segment are appropriately reflected in their sharing of future distributions of the Primary Segment. Policyholder Reasonable Expectations for holders of Segmented Policies in the Secondary Segment are appropriately reflected in their sharing of future excess investment earnings on the assets supporting their benefit liabilities in the Secondary Segment. In both cases, this is consistent with past practice.

The next two sections 4. Participating Individual Life Insurance Policies, and 5. Participating Group Deferred Annuity Policies describe how future dividends will be determined for these two segments.

4. Participating Individual Life Insurance Policies

¹ Deferred Termination certifications are deferred annuities for individuals that left MLI (and the plan) before retirement.

i) Types of policyholder dividend

Below is the list and a description of the types of policyholder dividend paid to holders of the Segmented Policies:

- Cash: it is paid in cash or is used to reduce the insurance premium or purchase additional paid-up insurance.
- Reversionary bonus: this is an additional amount of paid-up death benefit and pure endowment for the same period of coverage as the base plan and it attaches a non-guaranteed cash surrender value. Once declared in a calendar year, the additional amount of death benefit and pure endowment is guaranteed and cannot be reduced by MLI in the future.
- Terminal bonus: this is an additional amount of death or maturity coverage that is guaranteed payable only for the year following its declaration. The amount of terminal bonus can increase or decrease from one year to the next, depending on the emerging experience of the Primary Segment. There is no cash surrender value attached to terminal bonuses.

ii) Amount of funds available for distribution

The amount of funds available for distribution over the lifetime of Segmented Policies in the Primary Segment is determined as the excess of the book value of the Primary Segment over the value of the actuarial liability of MLI in respect of benefits guaranteed under these policies, calculated in accordance with the Standards of Practice of the Canadian Institute of Actuaries, on a best estimate basis and without provisions for adverse deviations.

iii) Amount of funds to be distributed

The amount of funds available for distribution is held within the Primary Segment to meet Policyholder Reasonable Expectations.

The following rules will be applied to determine the amount to be distributed to these policyholders in a given year:

1. A projection, on best estimate assumptions, of expected insurance cash flows (premiums income, death benefits, surrender benefits, maturity benefits, maintenance expenses, taxes, and the cost of future policyholder dividends) should be made. Dividends are projected based on the then prevailing dividend scales.
2. A projection, on best estimate assumptions, of assets cash flows should be made.
3. Using best estimate assumptions, assets and insurance cash flows are accumulated to the end of the projection period.
4. If the amount at the end of the projection period is positive, projected policyholder dividends are increased until the amount at the end of the projection period is nil. The amount of distributable surplus is the cost of policyholder dividends projected for the following year.
5. If the amount at the end of the projection period is negative, projected policyholder dividends are decreased until the amount at the end of the projection period is nil. The amount of distributable surplus is the cost of policyholder dividends projected for the following year.
6. The adjustment to dividend scales described in steps 4 or 5 above will be applied uniformly across all series and dividend types unless more refined analyses indicate that adjustments differing by series or dividend type would achieve significantly greater policyholder equity, while respecting Policyholder Reasonable Expectations at the time these policies were assumed by Standard Life from SLAC.
7. Smoothing: For smoothing purposes, MLI may decide to limit the frequency or magnitude of changes in dividend scales by not fully recognizing the dividend adjustments resulting from steps 4 or 5 above.

In addition, MLI may wish to reconcile policyholder expectations based on actual economic conditions of the prior year, with a conflicting impact on dividend levels resulting from a changing outlook embedded in the cash flow projections. This could also result in MLI not fully reflecting the calculated adjustment.

8. In order to ensure that the emerging experience is not unduly deferred, MLI will apply the following criteria when performing the annual review of the dividend scale:
 - The adjustment that is deferred to future years at any given year is limited to fall between -5% and 15% of the prevailing dividend scales.
 - Shortfalls have to be reflected in the dividend scale or used to offset any subsequent opposite adjustment within two years. Surpluses exceeding 10% have to be reflected in the dividend scale or used to offset any subsequent opposite adjustment within five years.
9. Each year the Appointed Actuary in his/her annual report to directors will certify on the fairness to participating policyholders of the proposed dividends or bonus.

5. Participating Group Deferred Annuity Policies

The Segmented Policies in the Secondary Segment participate only in the investment component of the experience of the Secondary Segment, with the mortality and expense components being guaranteed. These annuities lose their participating status when they come into payment, and benefits are then fully guaranteed.

Participation is in the form of excess investment earnings, as follows:

1) Principle.

Excess investment earnings will be determined by reference to the performance of an index that will represent a close proxy to the yield of the portfolio of assets that has historically supported participating group deferred annuity policies. In a given year the yield on the index portfolio over the yield priced in the contracts will determine the amount available to be distributed to the holders of these policies.

The determination of excess investment earnings will be carried out on an aggregate basis, for all the Segmented Policies in the Secondary Segment.

The following paragraphs outline the application of the principle.

2) Allocation of assets to determine the amount distributable.

An allocation of assets within the Secondary Segment will be carried out by the Appointed Actuary at each year-end to support the valuation. This allocation will determine a percentage of the book value of the assets held in the Secondary Segment that support the participating component of the Segmented Policies in the Secondary Segment. This book value will be used to determine the distributable amount.

3) Determination of the index yield.

The distribution used to determine the index yield will be as follows: 70% Bonds, 20% Equities and 10% Real Estate. It will remain constant from one year to the next, unless external economic conditions warrant an adjustment to the relative weight of each asset class with a view of preserving Policyholder Reasonable Expectations as to future dividend payments.

The annualized yield for each class will be determined as follows: the yield of the Bond component from the Secondary Segment bond portfolio allocated to participating group deferred annuity policies, and the yield of the Equity and Real Estate components from the Primary Segment portfolio.

Using the above distribution and the yield on each class of asset the index will be determined.

4) Determination of Average yield priced into the Client deposits.

Each year, MLI will calculate the average contract pricing yield for the portfolio as a whole. The yields used in the current tax reserves reflect pricing yields. To determine the average yield the following yields will be weighted based on their tax reserves:

- For participating group deferred annuity contracts, each contract's tax reserve yield rate weighted by the tax reserves held for the contract.
- For TN certificates, until further data is available, the Appointed Actuary will estimate the average pricing rate used on the TN certificate portfolio.

5) Calculated amount available for distribution.

The calculated amount available for distribution will be determined as the difference between

a) the index yield, as determined in (3) above,

and

b) the Average yield priced into Client deposits determined in (4) above,

multiplied by the book value of the assets that support the participating component of the Segmented Policies in the Secondary Segment determined in (2) above.

6) Declared amount to be distributed.

In any period, the declared amount to be distributed shall be such that:

the sum of all calculated amounts available for distribution since domestication, less the declared amounts to be distributed, including the current year's declared amount,

is less than or equal to

50% of the current year's calculated amount available for distribution.

7) Distribution of declared amount to policies.

The declared amount will be apportioned between each participating Policy in the Secondary Segment on the basis of each contract's accumulated values recorded in the policyholder records.

6. Investment policy

The Segmented Policies Account – Investment Policy sets out the policy principles to be followed in the management of the Segmented Policies Account assets.