Manulife

Effective Date: November 12, 2025

PARTICIPATING ACCOUNT MANAGEMENT POLICY OF THE MANUFACTURERS LIFE INSURANCE COMPANY

This Participating Account Management Policy has been established by the Board of Directors of The Manufacturers Life Insurance Company (“MLI”) pursuant to section 165 (2) (e.1) of the Insurance Companies Act (Canada) (the "ICA"), with effect from December 1, 2011. This 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 Participating Account Management Policy does not apply to participating polices of subsidiaries of MLI.

This Participating Account Management Policy complies with MLI’s Fair Treatment of Customers Policy.

This Participating Account Management Policy is subject to amendment from time to time, and, if and when amended, 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 legislative or regulatory changes.

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) reflecting the structure created when MLI demutualized pursuant to a Plan of Demutualization effective September 23, 1999 (the “Demutualization Date”), the continued issuance of participating policies between Demutualization and 2009, the later amalgamation of MLI and MFC Insurance Company Limited (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 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:

- (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 Par Account Management 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) Sub-Account and the International Open Block Sub-Account.

For each sub-account, experience is reviewed annually by measuring actual experience against best estimate assumptions. Best estimate assumptions undergo a full review at least triennially. Experience is tracked separately for each sub-account and is not shared across sub-accounts, except for investment experience for sub-accounts that share an asset segment as described below.

INVESTMENT POLICY FOR THE PARTICIPATING ACCOUNT

Each of the sub-accounts and segmented accounts is supported by a distinct asset segment except for the Traditional Closed Block Sub-Account, the Open Block (Pre-2009) Sub-Account, the Open Block (Post 2017) Sub-Account, and the Open Block (Post 2021) Sub-Account where assets are combined. This commingling provides these sub-accounts with access to a wider range of investable assets than might be achieved if invested separately. The effects of commingling of assets between different par sub-accounts are reviewed annually to ensure that such commingling continues to be fair to policyholders.

Investment strategies are established at the asset segment level. Assets supporting participating policies are managed to achieve a target return, designed to maximize dividends, subject to established risk tolerances. Target allocations by asset class and by risk level within these classes are established to ensure investment portfolios are diversified and suitable in relation to the liabilities they support. Actual investment positions are monitored regularly. Investment policies for the Participating Account are reviewed no less than every three years. Changes to the investment policies are approved by the Canadian Asset and Liability Committee (ALCO) and the Global ALCO (if required, in accordance with the Canadian ALCO mandate and escalation criteria) and also require the approval of the Appointed Actuary.

The target return investment strategy utilizes fixed income assets, including public and private bonds and commercial mortgages, and in some segments alternative long-duration assets, including equities and real estate. Alternative long-duration assets are included to enhance long-term investment return and reduce aggregate risk through diversification. Fixed income assets are managed to specified target return fixed income benchmarks.

The target amount and mix of alternative long-duration assets for a specific segment along with the characteristics of the specified fixed income benchmark (such as mix of fixed income asset classes, term and credit quality mix, average life and duration) are determined taking consideration of product (crediting rate and competitive environment, minimum rate guarantees, withdrawal and surrender options, liquidity needs, etc), assets (expected return, risk, reinvestment, etc) and other influencing factors (accounting, tax, legal, regulatory and capital regimes, etc.). For asset segments supporting acquired sub-accounts or segmented accounts, the strategy in effect at acquisition is also considered, consistent with policyholder reasonable expectations.

Derivatives may be utilized for hedging, income generation, or replication strategies.

MLI’s exposure to any one counterparty is constrained by established trading limits which include size limits on single mortgages and private debt. In addition, for commercial real estate, location and sector guidelines ensure reasonable diversification by property type and geographic region and limit concentration in single cities.

Manulife’s annual Report to Policyholders provides both the actual and target asset mix of each participating sub-account.

ALLOCATION OF INVESTMENT INCOME TO THE PARTICIPATING ACCOUNT

Investment income for the participating sub-accounts and segmented accounts is a direct pass through of the return on the participating asset funds supporting those policies. Where an asset segment is supporting more than one participating sub-account, allocation of investment income is on a pro-rata basis in proportion to assets. Within each participating sub-account or segmented account, investment income is allocated on a pro rata basis in proportion to assets.

There are no asset segments that support both participating and non-participating accounts.

ALLOCATION OF EXPENSES, INLUDING TAXES, TO THE PARTICIPATING ACCOUNT

A. **Overall Aim with Respect to the Basis of Allocation of Expenses**

The overall aim with respect to the basis of allocation of expenses is to allocate expenses, including taxes, between the participating account and MLI’s other accounts using methods that are fair and equitable to the participating policyholders.

B. **Individual Life - General and Administrative Expenses**

As described in the Plan of Demutualization, the policy maintenance expense amounts for the Traditional Closed Block Sub-Account and NAL UL Block Sub-Account are fixed per policy amounts as of the Demutualization Date that can only be increased consistent with the Canadian Consumer Price Index.

As described in the Standard Life “Segmented Policies Account – Transition and Operating Rules”, management expenses allocated to the Primary Segment and the Secondary Segment will be based on the best estimate management expense assumptions used in the calculation of Standard Life Assurance of Canada’s actuarial liabilities at December 31, 2005. These assumptions provide for anticipated inflation.

For other participating sub-accounts, the maintenance expense allocation is based upon expense studies that are reviewed at least triennially. As part of these expenses, participating business is allocated a proportionate share of overhead expenses based on a consistent approach for participating and non-participating policies of MLI. The International Open Block is allocated expenses based on the operations of the International business segment which excludes Canadian operations other than those related to operations of the International segment.

Unusual expenses directly attributable to a specific subset of policies are excluded from the unit cost studies and directly charged to those policies (excluding the Traditional Closed Block and NAL UL Block Sub-Accounts, and the Standard Life Segmented Accounts).

The Open Block (Post 2021) Sub-Account and International Open Block Sub-Account are the only sub-accounts that incur acquisition expenses. Variable acquisition expenses attributed to individual policies such as commission and override are allocated directly to the sub-account, while all other allocated acquisition expenses are based upon expense studies that are reviewed at least triennially.

C. **Interest Credited to Amounts Left on Deposit and Interest Incurred on Claims**

Separate participating and non-participating accounts are maintained for interest credited to amounts left on deposit and interest incurred on claims. Consequently, these expenses are charged to the appropriate fund when booked and no additional allocation is required.

D. **Taxes**

a. Income Taxes

The total tax expense for the participating sub-accounts is determined based on the stand-alone taxable income for the sub-accounts. As specified in the “Segmented Policies Account – Transition and Operating Rules", no income or capital taxes will be charged to the Standard Life Segmented Accounts.

b. *Investment Income Tax and Premium Tax*

Investment income tax and premium tax are attributable to individual polices and are allocated directly to the sub-accounts.

E. **Allocation of Investment Expenses**

Charges for investment management are on a consistent basis by asset class for all segments of MLI, participating and non-participating policies, except the segments for the Traditional Closed Block Sub-Account and NAL UL Block Sub-Account which are subject to special charge rules.

Where an investment management company provides investment management services, the Appointed Actuary would ensure that such charges do not exceed reasonable commercial terms.

APPROACH TO MANAGING SURPLUS

The Traditional Closed Block Sub-Account and NAL UL Block Sub-Account are managed in accordance with the Plan of Demutualization. These sub-accounts were funded initially with assets sufficient to support their policies' future policy cash flows, including amounts for reasonable dividend expectations. MLI expects these sub-accounts to be self-sustaining and theoretically to be exhausted as the last policy obligations mature. Therefore no surplus existed in these funds as of the Demutualization Date. On an ongoing basis, dividend scales are set with the objective of avoiding tontine effects, with the tontine limit defined as 2.7% of cash surrender value. If a material surplus or deficit emerges, the dividend will be managed to reduce the surplus or deficit to less than the materiality level over a period of two to four years under best estimate assumptions. Any exceptions would need to have a documented rationale and be approved by the Appointed Actuary.

The Standard Life Segmented Policies are managed in accordance with the "Segmented Policies Account – Transition and Operating Rules". The assets in 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, or surrender, death or maturity benefits, in accordance with its Dividend Policy and Methodology.

The other sub-accounts exist separately with each subject to separate accounting. There is no commingling or adjustment to the undistributed surplus for each account. Dividend scales are managed 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, dividend scales are managed with the objective of avoiding tontine effects, 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. Sources of surplus are any seed capital that has not yet been withdrawn and past profits that have not yet been distributed, including amounts being used to back required capital.

FAIRNESS TO PARTICIPATING POLICYHOLDERS IN THE CLOSED BLOCK CREATED AT DEMUTUALIZATION AND TO THE POLICYHOLDERS IN THE STANDARD LIFE SEGMENTED ACCOUNTS

On the Demutualization Date, the assets retained in the Participating Account with respect to policyholders in the Traditional Closed Block Sub-Account and NAL UL Block Sub-Account were expected to be adequate to:

(a) meet contractual obligations;
(b) meet policyholders' reasonable expectations in respect of future dividends and other non-guaranteed benefits.

Similarly, the assets supporting the policies in the Standard Life Canada Primary Segment as of the date of demutualization of Standard Life Assurance Company of Scotland were determined to be sufficient to support the guaranteed benefits, supplementary benefits, riders, and future cash dividends, reversionary and term bonuses of the participating individual life policies.

Since the demutualization dates of both Manulife and Standard Life, the Traditional Closed Block Sub-Account, NAL UL Block Sub-Account, and the Standard Life Segmented Accounts have been separately accounted for and charged their benefits, expenses, taxes and dividends and credited their premiums and investment income consistent with the operating rules that were established to govern the future management of the participating sub-accounts and segmented accounts.

On an annual basis the Appointed Actuary gives the following opinions:

- The participating sub-accounts are being maintained in accordance with commitments made at the time of demutualization, including the Conversion proposal, the Operating Rules and any related reports.
- The Standard Life Segmented Accounts are being maintained in accordance with the Segmented Policies Commitment.
- The assets in each of the Traditional Closed Block Sub-Account, NAL UL Block Sub-Account, and Standard Life Segmented Accounts are sufficient to provide for the contractual benefits plus reasonable policyholder expectations of non-guaranteed elements.
- Dividends are being managed in a way which develops neither a material surplus nor deficit.
- The dividend recommendations are in accordance with the Dividend Policy of MLI.
- The allocations of investment income, expenses, and taxes are fair and equitable, and consistent with the Operating Rules (for the Traditional Closed Block Sub-Account and NAL UL Block Sub-Account), and the Segmented Policies Commitment (for the Standard Life Segmented Accounts).
- The asset mix is consistent with the investment policy for the Traditional Closed Block Sub-Account and NAL UL Block Sub-Account, or with the investment policy for the segmented accounts, as appropriate.
- Policyholder communications are accurate and complete, allowing a reasonably knowledgeable participating policyholder to understand the operation of their Closed participating block.

TRANSFERS TO SHAREHOLDERS

Shareholder transfers from the Traditional Closed Block Sub-Account, the NAL UL Block Sub-Account and the Ancillary Block Sub-Account are subject to the special rules and guidelines established as part of the Plan of Demutualization.

a) Traditional Closed Block Sub-Account assets may be transferred from the Traditional Closed Block Sub-Account to the Ancillary Block Sub-Account in respect of a fixed charge on supplementary benefits relating to Traditional Closed Block policies.

b) NAL UL Block Sub-Account assets may be transferred from the NAL UL Block Sub-Account to the Ancillary Block Sub-Account in respect of a fixed charge on supplementary benefits relating to NAL UL Block policies.

c) Subject to first satisfying (a) and (b), if, at the end of any period, the aggregate value of the Ancillary Block Sub-Account assets exceeds the aggregate amount of the Ancillary Block Sub-Account liabilities, then, subject to the approval of the Appointed Actuary, Ancillary Block Sub-Account assets with a value equal to such surplus may be transferred from the Ancillary Block Sub-Account to the Shareholder’s Account.

Shareholder transfers from the Standard Life Segmented Accounts are limited as follows:

- The assets of the Primary Segment are for the exclusive benefit of individual participating policyholders, and no amount can therefore be transferred from the Primary Segment to other accounts of MLI, except in respect of expenses charged to the Primary Segment in accordance with the paragraph “Operation of the Segmented Policies Account” in the Transition and Operating Rules.

- No amount can be transferred from the Secondary Segment unless the following conditions are met, in aggregate:
    - sufficient assets must remain in the Primary Segment and in the Secondary Segment collectively to meet the liabilities (with provisions for adverse deviations) calculated in accordance with the Standards of Practice of the Canadian Institute of Actuaries, in respect of benefits guaranteed under the Segmented Policies in the Primary Segment;
    - sufficient assets must remain in the Secondary Segment to meet the liabilities (including provisions for adverse deviations), calculated in accordance with the Standards of Practice of the Canadian Institute of Actuaries, in respect of Segmented Policies in the Secondary Segment.
- Amounts can only be transferred to other accounts of MLI from the Secondary Segment component of the Segmented Policies Account if, in the written opinion of the Appointed Actuary such payment will not materially affect MLI's ability to comply with the Standard Life Dividend Policy and Methodology or to maintain the level or rates of dividends or bonuses paid to holders of Segmented Policies.

The remaining sub-accounts are subject to normal rules for transfers to shareholder's accounts from participating accounts within a stock life company, as defined in the ICA. Transfers of profits from these participating sub-accounts to the shareholder's account are permitted under Section 461 of the ICA, consistent with MLI's Dividend Policy, policyholders' reasonable future dividend expectations, and subject to prevailing Canadian regulatory restrictions.

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

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.

Tontine: A tontine effect occurs when participating experience is not returned to policyholders within a reasonable time, allowing for a build-up of gains or losses that accrues to a small number of surviving policyholders.