

This policyholder dividend policy, in conjunction with the participating account management policy, has been established by the Board of Directors and applies to all participating insurance policies issued or assumed by the Company. The Board of Directors may amend this policy from time to time at its discretion. The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes. The Appointed Actuary has overall accountability for the administration of this policy.

Earnings arise in the participating account when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with this policy.

Participating insurance policies are eligible for periodic policyholder dividends. Policyholder dividends are not guaranteed. The amount of earnings to be distributed from the participating account as policyholder dividends is determined at least annually following a review of the actual experience and trends in experience.

For the open sub-accounts, the amount of earnings to be distributed is also influenced by considerations such as the need to retain earnings as surplus. Throughout the term of their policy, participating policyholders benefit from the financial strength and ongoing vitality of the Company. For policyholders in the open sub-accounts, this includes the benefit of participating account surplus. The earnings retained in the participating account surplus include items such as policyholders' contributions to surplus and the investment returns earned on assets allocated to the participating account surplus. Any contributions to surplus made by policyholders over the duration of their policy, remains part of the participating account surplus after the policy terminates. Further details on the operation of the participating account surplus is provided in the Participating Account Management Policy.

Experience can fluctuate from one period to the next, based on changes in the factors impacting participating account earnings, including volatility in the performance of investments and the resulting investment income as well as volatility in the experience for other factors. Fluctuations in experience in a given period may be smoothed into the dividend scale. The effect of such smoothing is to spread the impact of experience fluctuations into policyholder dividends over time, with the objective of achieving greater stability of dividends from one period to the next. The extent of smoothing to be used, if any, will depend on considerations such as the source and extent of the fluctuation in experience, expected trends in the future experience, and the potential impact on policyholder dividends.

Dividends may increase or decrease over time, depending on experience and expected trends in future experience. If actual experience and expected trends in future experience deteriorate over time, then dividends may reduce. Conversely, if actual experience and expected trends in future experience improve over time, then dividends may increase.

The amount distributed as policyholder dividends is divided among classes of policies by setting the policyholder dividend scale. These dividend classes are groupings of participating policies with certain product and policy attributes in common.

The Company follows the contribution principle when setting the policyholder dividend scale. This means the amount distributed as policyholder dividends is divided among dividend classes in proportion to the amount that those classes are considered to have contributed to the participating account earnings. A contribution to earnings will be made from a particular dividend class to the extent the experience for that particular class is different from the assumptions used when pricing that class of policies. When applying the contribution

principle, attention is paid to achieving reasonable equity between dividend classes and between generations of policies within a dividend class, taking into account practical considerations and limits, legal and regulatory requirements, professional guidelines and industry practices. For certain policies, the policyholder dividend scale may be determined using methods designed to approximate the contribution to earnings of those policies.

The policyholder dividends are credited according to the terms of each policy. A change made by a policyholder to a policy after it is issued may, in some cases, result in a change to the policy's dividend class and thus a change to the amount of policyholder dividends credited thereafter.

In addition to periodic policyholder dividends, certain policies are eligible for additional dividends which may be payable when the policy matures or is terminated by the death of the life insured or by the surrender of the policy. The amount of any such dividends may take into consideration such elements as the type of policy, the length of time the policy has been in force and when the policy was issued.

The Company maintains separate sub-accounts for certain specific closed blocks of participating life insurance policies in many of the jurisdictions in which it operates. The closed block sub-accounts are within the Company's participating account and managed according to the operating rules established for the closed blocks. Each closed block sub-account is managed separately to distribute over time the full amount of its earnings to the participating policyholders of that closed block through policyholder dividends.

Prior to the declaration of policyholder dividends by the Board, the Appointed Actuary reports to the Board of Directors with an opinion on the fairness to participating policyholders of the proposed policyholder dividends and on their compliance with this policy, applicable legislative and regulatory requirements and applicable professional practice standards. Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical.

Glossary:

The Company: The Canada Life Assurance Company, which was amalgamated with The Great-West Life Assurance Company, London Life Insurance Company, London Insurance Group Inc. and Canada Life Financial Corporation on Jan. 1, 2020.

Closed block sub-account and open sub-accounts: If a mutual insurance company demutualizes (see 'Demutualization' below), participating policyholders are divided into two categories. Eligible policies which were purchased or assumed by the company before demutualization are accounted for in what is known as the 'closed block' or 'closed block sub-account'. Those purchased or assumed after demutualization are accounted for in what is known as the 'open sub-accounts'. The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions.

Demutualization: Demutualization is the process of a company changing from a mutual company owned by participating policy owners to a stock company owned by shareholders.

Dividend classes: Groupings of participating policies with certain product and policy attributes in common, which are used in determining how the amount to be distributed as policyholder dividends is divided among classes of policies when setting the policyholder dividend scale.

Dividend scale: The dividend scale outlines how the total amount available for distribution as dividends will be allocated to each individual policy in the form of policyholder dividends.

Participating account earnings: Earnings arise when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with the Dividend Policy.

Sub-accounts: A participating account can be split into separate sub-accounts to better align the management of the accounts, including management of investments, to different parts of participating business.

Approved by The Canada Life Assurance Company Board of Directors on Dec 4, 2019, and effective on that day.