

**RESTRICTED**

**TERMS OF REFERENCE OF  
THE AUDIT AND RELATED PARTY TRANSACTIONS COMMITTEE  
OF  
PRU LIFE INSURANCE CORPORATION OF U.K.**

**Review and Approval**

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## Revision History

Revision No.	Change	Author	Effective Date
01	Revision of provisions in accordance with the revised AC TOR of the PCA and GAC	Lorna Lee A. Dela Paz	24 June 2014
02	Revision of provisions to include the requirements of the ASEAN Corporate Governance Scorecard on Related Party Transactions	Patricia V. Arellano	30 March 2017
03	Revision of provisions to comply with the requirements of IC Circular No. 2017-29 issued on 2 May 2017	Patricia V. Arellano	22 June 2017

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## I. Constitution and purpose

- a. The Board of Directors of Pru Life UK (“**the Board**”) hereby resolve to establish a Committee of the Board to be known as the Pru Life UK (or the “**Company**”) Audit and Related Party Transactions Committee (the “**Committee**”) with terms of reference as set out below.
- b. The Committee shall be accountable to the Board and shall assist the Board in meeting its responsibility for the integrity of the Company’s financial statements, for the effectiveness of the Company’s internal control and risk management systems, for monitoring the effectiveness and objectivity of the internal and external auditors, and for ensuring that related party transactions (“**RPT**”) are undertaken on an arm’s length basis.
- c. Where there is a perceived overlap of responsibilities between the Company’s Audit and Related Party Transactions Committee and Risk Committee, the respective committee chairmen will have the discretion to agree the most appropriate committee to fulfil any obligation.
- d. The Terms of Reference (“**TOR**”) of the Committee are subject to amendment in order to ensure compliance with the requirements of local regulations. Any proposed variations from the model TOR shall be reported to Group-wide Internal Audit (“**GwIA**”) who will arrange for these to be brought to the attention of the Prudential Corporation Asia Audit Committee (“**PCA**” AC) so that any risks can be assessed from a PCA perspective.

## 2. Membership

- a. The Committee shall consist of not less than three members, all of whom work outside the day to day operations of the Company ("non-executive directors") and at least one of whom shall be a representative from the PCA Regional Office (e.g. a member of the PCA Board or a direct report of the PCA CEO who is independent of the executive management of the Company). Majority of the Committee shall be independent directors. A reduced membership of two members shall be permitted on a short term basis due to the resignation of a member and subject to compliance with the quorum requirements.
- b. The Chairman of the Committee should be an Independent Director.
- c. Proposed members, and the chairman of the Committee, shall be nominated by the Company CEO, who will recommend these to the Regional Business CEO and the GwIA Director for PCA who will arrange for any other PCA level approvals which may be required (e.g. see (d) below). The nominated members will be submitted for approval by the Board (or the designated Board committee, e.g. a nomination committee).
- d. At least one member, who is an independent director, will have recent and relevant financial experience and competence in accounting and/or auditing.
- e. The PCA AC Chairman shall also approve changes to the Committee membership.

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## 3. Meetings

- a. Meetings shall be held not less than four times a year.
- b. The quorum for a meeting of the Committee is two members. When the Chairman of the Committee is not available to attend a meeting, the remaining two members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes.
- c. The Committee may invite any individual, whether external or internal to attend all or part of any meeting(s) of the Committee in whatever capacity as the Committee deems appropriate to assist the Committee in the fulfilment of its duties. The PCA Chief Risk Officer, PCA Chief Compliance Officer and the Group-wide Internal Audit Director for PCA, or their nominated delegates, have a standing invitation to attend any meeting(s) of the Committee.
- d. The external auditor will be invited to attend the Committee meetings on a regular basis.
- e. The Company's Compliance Officer may sit as a resource person in the Committee meetings as and when required by the members of the Committee.
- f. The Committee shall meet with the GwIA and external auditor in private (in separate meetings) at least once a year without the presence of the Company's executives. The Committee can agree the arrangements for such meeting including whether the Chairman can represent the Committee.
- g. External auditors, internal auditors or any member of the Committee may request a meeting if they consider that one is necessary.
- h. The Company CEO will be responsible for appointing a secretary to the committee which will normally be either of the local Compliance, Risk, Legal or Corporate Secretarial functions. A representative from GwIA can also act as the secretary. The Secretary of the Committee shall ensure that agendas and committee papers are circulated in accordance with the terms of reference and the proceedings of the Committee are minuted and that all Committee documents are retained in accordance with document retention policy.
- i. Agenda
  - a. The agenda for Committee meetings shall be determined by the Chairman of the Committee in consultation with other members of the Committee as appropriate. Where possible the Committee should follow, as a minimum, the model agenda issued by GwIA (appendix 1) although the Committee are free to add additional items reflecting the Company's business and risk profile.
  - b. The agenda and papers for the meeting shall normally be circulated a week in advance to the persons attending the meeting and copied to the PCA Chief Risk Officer, the representative of GwIA and the Secretary.
  - c. The agenda shall include a specific item for consideration of whether there are any issues which should be brought to the attention of the Board, external auditors or the PCA AC.

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- d. The agenda shall be established to enable the Committee, in the course of a year's meetings, to discharge its responsibilities and to report all matters of significance to the Board and to the PCA AC.

### **4. Duties**

- a. The Committee is authorised by the Board to investigate any activity within its remit, seek any information that it requires from any employee, contractor, management board, statutory board or committee which is necessary to satisfactorily discharge its duties. All employees of the Company are directed to cooperate with any request made by the Committee.
- b. Members of the Committee have the right of access to the Chairman of the PCA Audit Committee and the Regional Business CEO.

- c. The duties of the Committee shall be:

#### **i) Financial Reporting**

- a. monitoring the integrity of the financial reporting, reviewing the application of and compliance with critical local accounting policies and practices, decisions regarding major areas of judgement, the extent to which the financial statements are affected by any unusual transactions in the year, significant adjustments resulting from the audit and the going concern assumption;
- b. reviewing management's certifications to PCA Finance in respect of the half yearly and annual results.

#### **ii) Internal Control and Risk Management**

- a. reviewing the framework and effectiveness of the Company's systems of internal control, including the adequacy of resources, qualifications and experience of accounting and financial reporting staff and their training programmes;
- b. seeking assurance from management that they have performed their duty in respect of their application of the PCA Risk Framework and reviewing approvals for deviations from any PCA Regional Policies;
- c. reviewing management's and the external and internal auditors' reports on the effectiveness of systems for internal control, financial reporting and risk management including certifications provided pursuant to the PCA Corporate Governance Manual.

#### **iii) External Audit**

- a. to be primarily responsible for recommending the appointment and removal of the Company's external auditor;

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- b. at the beginning of each audit cycle, ensuring that appropriate plans are in place for the audit and that the scope of the audit plans reflects the terms of the engagement letter;
- c. before the audit commences, discussing with the external auditors the nature and scope of the audit and reviewing the auditors' quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements;
- d. receiving regular progress reports as deemed necessary by the Committee (but no less than annually) on activity and issues arising from the external auditors;
- e. following the audit, discussing and reviewing the findings of their work with the external auditors;
- f. considering management's response to any major external audit recommendations.

### **iv) Internal Audit**

- a. reviewing the effectiveness and performance of the Company's internal audit function (whether performed by GwIA and/ or a local internal audit function) ensuring it is adequately resourced and free from constraint and has the appropriate standing with the Company;
- b. approving the internal audit programme, requesting where appropriate that internal audit undertakes specific work and monitoring the significant findings from major investigations, including management's response to them;
- c. receiving regular (at least quarterly) progress reports on activity and issues arising from GwIA and where applicable local internal audit function;
- d. confirming that all significant internal audit issues have been escalated to the Board, GwIA, the external auditors and the PCA AC, as appropriate.

### **v) Compliance**

- a. reviewing, and seeking assurances on, the effectiveness of the Company's compliance framework;
- b. reviewing the Company's policies for ensuring compliance with relevant regulations, industry codes and legal requirements in each of the markets where the Company is represented and the effectiveness of the policies and procedures;
- c. reviewing, and endorsing for the Board's approval, the compliance programme and ensure that the compliance function is adequately resourced and has appropriate standing within the Company, and where appropriate to request that the compliance function undertakes specific work;
- d. receiving regular (at least quarterly) progress reports on activity and issues arising from the compliance function, including a summary of all reports issued by regulators.

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### **vi) Financial Crime and whistleblowing**

- a. reviewing any procedures operated locally by the Company for handling allegations from whistleblowers (including arrangements for employees to raise concerns about financial reporting improprieties) and, upon request, a log of all complaints within the ambit of applicable law requiring the Committee to establish such procedures;
- b. ensuring that any procedures operated by PCA or Prudential Group for handling allegations from whistleblowers meet local legal and regulatory requirements;
- c. reviewing the procedures to combat financial crime, including money-laundering activities, fraud, sanctions and bribery & corruption;
- d. reviewing whether proportionate and independent investigation of such matters has occurred.

### **vii) Governance Framework**

- a. reviewing the effectiveness of the Company's Governance Framework, and any deviation(s) from Regional PCA policies as defined by the PCA Corporate Governance Framework;
- b. reviewing management's certifications to PCA in respect of their adherence to the PCA Corporate Governance Manual as applicable and exceptions thereto.

### **viii) Attestations**

- a. reviewing annually the known population of attestations to be provided to external parties on behalf of the Company (including those requested by the local, regional or global regulators), and on a case by case basis determine the respective assurance required from the second and third-line of defence on the information and data supporting the attestation required;
- b. reviewing all additional unforeseen attestation requests with detail of the proposed assurance to be sought, if any. A summary of all such requests and the response agreed are to be reported to the subsequent Committee meeting;
- c. receiving an update from the second line of defence control functions on the results of their assurance activities as and when appropriate.

### **ix) Escalation**

- a. considering whether there are any specific issues which should be brought to the attention of the Board, external auditors, and PCA AC (such as a significant control or compliance breakdown or issues which might have a ramification elsewhere in the

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Prudential Group), and to minute whether or not there are any such issues at each meeting.

### x) RPT

*“Related Parties” shall cover the Company’s subsidiaries as well as affiliates and special purpose entities that the Company exerts direct/indirect control over or that exerts significant influence over the Company. Related Parties shall also cover the Company’s directors, officers, stockholders (“DOS”) and related interests and the Close Family Members of such DOS, as well as Corresponding Persons in Affiliated Companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Company, hence, is identified as a Related Party.*

*“Close Family Members” are persons related to the Company’s DOS within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law of the Company’s DOS.*

*“Corresponding Persons in Affiliated Companies” are the DOS of the affiliated companies and their Close Family Members.*

*“RPTs” are transactions dealing with Related Parties of the Company regardless of whether or not a price is charged.*

*RPTs shall be interpreted broadly to include not only transactions that are entered into with Related Parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a Related Party.*

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the Board and regulators;
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, and collateral requirement) to such Related Parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
  - i. The Related Party’s relationship to the Company and interest in the transactions;
  - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;



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- iii. The benefits to the Company of the proposed RPT;
- iv. The availability of other sources of comparable products or services; and
- v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.

All RPTs that are considered material based on the Company's internal policies shall be endorsed by the Committee to the Board for approval.

- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies and conflicts that could arise as a result of the Company's affiliation or transactions with other Related Parties;
- d. Require the members of the Board to disclose their interest in RPTs and any other conflict of interest and mandate that they abstain from participating in the Board's evaluation, discussion, approval, and management of a particular agenda/transaction when they are conflicted.
- e. Report to the Board on a regular basis, the status and aggregate exposures to each Related Party as well as the total amount of exposures to all Related Parties;
- f. Ensure that transactions with Related Parties, including write-off of exposures, are subject to periodic independent review or audit process;
- g. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of this RPT Policy;
- h. Review and recommend for approval of the Board materiality thresholds, policies and procedures on RPTs;
- i. Assess and report to the Board breaches of the RPT Policy.

### 5. Governance

- a. The minutes of meetings of the Committee shall be circulated to all members of the Committee, the Board, the attendees and to the PCA Chief Risk Officer and the PCA GwIA Director, normally within four weeks of the meeting.
- b. The minutes shall state whether or not there are any specific issues which the Committee believes should be brought to the attention of the Board, external auditors or the PCA AC and shall describe any such issues.

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- c. The Committee shall provide all information requested by the Board and the PCA AC, both regularly and on an ad hoc basis.
- d. The Committee shall cooperate with periodic independent reviews of its effectiveness conducted by GwIA and the PCA AC.

### **6. Support**

- a. The Committee will have access to sufficient resources in order to carry out its duties.
- b. The Committee is authorised to obtain, at the expense of the Company, appropriate external professional advice, and if necessary to invite external advisers with relevant experience to attend meetings of the Committee.
- c. The Committee will be provided with appropriate and timely training both in the form of an induction programme for new members and on an ongoing basis for existing members. The Committee can request training on any specific areas that it feels is appropriate to undertake its duties.

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Appendix 1 - Model Agenda for LBU AC meeting:

**[LOCAL LEGAL ENTITIY NAME]**  
**AUDIT AND RELATED PARTY TRANSACTIONS COMMITTEE MEETING AGENDA**  
**X:XX p.m., day, date: DD MM YYYY**  
**Location: Board Room, address**

Telephone conference dial-in no.: xxxxxxxxxxxx

Leader passcode: xxxxxxxxxxxx

Participant passcode: xxxxxxxxxxxx

Video Conferencing: IP address xxxxxxxxxxxx

**Members:**

- xxxxx (Chair)
- xxxxx (Member)
- xxxxx (Member)
- xxxxx (Member)

**Invitees:**

- xxxxx (Chief Executive)
- xxxxx (Chief Financial Officer)
- xxxxx (Secretary) – *Notes*
- xxxxx (Compliance Officer)
- xxxxx (Chief Risk Officer)
- xxxxx (KPMG)

- Item x – xxxxx (Chief Risk Officer, Eastspring)
- Item x – xxxxx (Chief Operating Officer)
- Item x – xxxx (Director, Financial Reporting)

<b>Agenda:</b>		( Time )	( At clock )
1.	Confirm Minutes of Previous Meeting	5 mins	xx:xx – xx:xx
2.	Follow Up on Action Items and Matters Arising	10 mins	xx:xx – xx:xx
3.	Combined Risk Functions: Risk Management, Compliance, Anti-Money Laundering Report, and other Risk Functions	xx mins	xx:xx – xx:xx
4.	GwIA Asia Progress Report	xx mins	xx:xx – xx:xx
5.	Finance, SOX and KPMG Update	xx mins	xx:xx – xx:xx
6.	Related Party Transactions	Xx mins	xx:xx – xx:xx
7.	Xxx	Xx mins	xx:xx – xx:xx

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8.	Xxx	Xx minx	xx:xx – xx:xx
9.	Specific Items to be Brought to the Attention of the Group Audit Committee and KPMG	10 mins	xx:xx – xx:xx
10.	Any Other Business (All)	5 mins	xx:xx – xx:xx