

## **Pru Life Insurance Corporation of U.K.**

### **Charter : Board of Directors**

This Charter has been adopted by the Board of Directors of Pru Life Insurance Corporation of U.K. (“Pru Life UK” or the “Company”) to assist the Board and its committees in the exercise of their responsibilities. These principles and policies are complementary to the requirements contained in Philippine legislation and regulations and the Articles of Incorporation and By-Laws of Pru Life UK.

#### **1. Composition of the Board**

The Board shall be composed of at least five (5) but not more than fifteen (15) members. At present, Pru Life UK’s Articles of Incorporation provide that the number of directors which shall constitute the Board shall be seven (7).

#### **2. Selection of Directors**

Nominees for directorship shall be recommended to the Board by the Governance and Nomination Committee in accordance with the policies and procedures set forth in its charter. The invitation to join the Board shall be extended by the Board itself, the Chairman of the Governance and Nomination Committee and the Chairman of the Board. The Board shall be responsible for nominating members to the Board and filling vacancies on the Board that may occur between annual stockholders’ meetings, in each case based on the recommendation of the Governance and Nomination Committee.

The Board shall exert best efforts to ensure that

- A. its members can act critically and independently of each other;
- B. each member has sufficient expertise to perform his or her own role as board member;
- C. the Board matches the desired composition taking into account the nature of Pru Life UK’s business;
- D. at least two (2) non-executive members of the Board have extensive experience in the insurance business;
- E. no less than fifty percent (50%) of its members are independent; and
- F. there is a balance of executives and non-executive directors such that no individual or small group of individuals can dominate the Board’s decision making.

#### **3. Qualifications of Directors**

Every director sitting on the Board of Pru Life UK shall

- A. possess necessary skills, competence and experience in the field of insurance or insurance-related disciplines, law and/or finance;
- B. have high ethical standards, integrity and credibility;
- C. have skills and capacity to provide strategic insight and encourage innovation;

- D. be willing to commit the time and energy necessary to satisfy the requirements of the Board and any Board Committee membership;
- E. possess or be willing to develop an in-depth knowledge of the critical issues affecting Pru Life UK and the insurance industry; and
- F. demonstrate intelligence and thoughtfulness in decision making.

In addition

- G. Every director shall own at least one (1) share of the capital stock of the corporation, which share should be in his or her name and recorded in the books of the corporation;
- H. Each director shall be at least twenty-five (25) years of age at the time of his appointment;
- I. Each director must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission and a director orientation program of the Company for new directors as referred to in Section 15 below;
- J. Each director shall simultaneously hold no more than five (5) board seats in publicly listed companies (PLCs) and Insurance Commission Regulated Entities (ICREs). Executive directors shall simultaneously hold no more than two (2) board seats in PLCs outside the Prudential group. Each director must notify the Board before accepting a directorship in another company.
- K. Each director shall possess such additional qualifications and none of the disqualifications as may be prescribed under relevant laws and regulations. Independent directors shall likewise possess all of the necessary qualifications and none of the disqualifications prescribed under relevant laws and regulations to hold the position, including, at the minimum, being at least a college graduate or having been engaged or exposed to the insurance business for at least five (5) years and possessing proven integrity, probity and independence;
- L. An independent director, after serving for nine (9) years, shall be perpetually barred from being elected as such in Pru Life UK, without prejudice to being elected as a non-independent director. This term limit shall be reckoned from 2 January 2015 in accordance with Insurance Commission Circular Letter No. 2018-36 or such other period as may be provided by the Insurance Commission; and
- M. Any director who is an employee of Prudential plc or any subsidiary thereof automatically ceases to be a director of the Company upon ceasing to be an employee of Prudential plc or any subsidiary thereof.

#### **4. Qualifications and Roles and Responsibilities of the Chairman of the Board**

The Board shall elect a Chairman from among its members. Considering that the insurance business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman of the Board shall be a non-executive director.

The Chairman of the Board shall have, among others, the following roles and responsibilities:

- A. makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- B. guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;

- C. facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- D. ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- E. assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- F. makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on.

## **5. Meetings**

Regular meetings of the Board of Directors shall be held once every quarter of the year on such date and at such time as the Chairman of the Board, or in his absence, the President, may determine, or upon the request of a majority of the directors and shall be held at such place as may be designated in the notice.

Notice of the regular or special meetings of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, or by written (whether electronic or otherwise) or oral message. Notice of regular Board meetings shall be given at least one (1) week prior to each Board meeting. A director may waive this requirement, either expressly or impliedly.

Two thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the President, or if none of the foregoing are present and acting, by any other director chosen by the Board. The Corporate Secretary shall act as secretary of every meeting, but if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

A director who cannot physically attend or vote at a board meeting can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow the director reasonable opportunities to participate, in accordance with guidelines or regulations issued by the Securities and Exchange Commission.

## **6. Agenda Items for Board and Committee Meetings**

At any time before the beginning of each year, the Chairman shall present to the Board the agenda items to be discussed for the coming year. Each director shall be free to suggest agenda items for inclusion. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions shall be provided to the Board of Directors at least one (1) week prior to each regular Board meeting. Directors shall review the materials in advance of the scheduled meeting.

## **7. Reporting Procedures**

The Corporate Secretary will minute the proceedings and retain copies of the papers for each Board meeting. The minutes of the Board meeting shall reflect its deliberation on key issues and decision it takes.

The Corporate Secretary shall submit the draft minutes of meetings to the Chairman of the Board for comment within a reasonable time after each Board meeting. Once the Chairman of the Board is satisfied that the minutes accurately reflect the meeting proceedings and decisions reached at the meeting, the draft minutes should be sent to all the other directors who were at the meeting for their reviews and comments no later than fifteen (15) business days from each Board meeting. The minutes of the Board meeting shall be finalized no later than twenty-eight (28) business days after each Board meeting and the final minutes of the last Board meeting to be included in the agenda papers of the next Board meeting.

The minutes are evidence of the proceedings of a meeting once they have been signed by the Chairman of the Board or meeting, as applicable.

## **8. Roles and Responsibilities of the Board**

### General Responsibility

The Board shall oversee the development, review, and approval of Pru Life UK's business objectives and strategy and shall oversee and monitor the implementation of the business objectives and strategy in order to sustain Pru Life UK's long-term viability and strength.

The Board shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of Pru Life UK and all shareholders.

### Specific Roles and Responsibilities

The Board shall

- A. review, monitor and implement Pru Life UK's corporate strategic plan;
- B. oversee the conduct of Pru Life UK's business to ensure that the business is being properly managed and dealings with policyholders, claimants, creditors and other stakeholders are fair and equitable;
- C. oversee that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks;
- D. approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management;
- E. adopt an effective succession planning program for directors, key officers and Management, including the policies on the retirement age of directors and key officers and for appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- F. adopt a Board nomination and election policy, including an assessment of the effectiveness of the Board's processes and procedures in the nomination, election and replacement of a director;
- G. develop and implement an investor relations program or adopt a shareholder communications policy for Pru Life UK;

- H. review the adequacy and the integrity of Pru Life UK's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines and monitoring and managing potential conflicts of interest of Management, Board members and shareholders;
- I. select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel;
- J. apply fit and proper standards on personnel ensuring that integrity, relevant technical expertise and experience in the institution's business are key considerations in the selection process;
- K. adopt an effective performance management framework to ensure that performance standards are met by Management and all other employees;
- L. adopt a policy specifying the relationship between remuneration and performance of key officers and the board members aligned with the long-term interests of Pru Life UK;
- M. approve the selection and assess the performance of the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive taking into account the recommendation of the relevant Board Committees;
- N. review and approve material transactions not in Pru Life UK's ordinary course of business;
- O. establish a system of checks and balances which applies to the Board and its members;
- P. ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations
- Q. appoint a Compliance Officer who shall be responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules and regulations;
- R. approve all material related party transactions as defined under PAS 24, those that cross the materiality threshold, and write off of material exposures to related parties and submit the same for confirmation by majority vote of stockholders in the annual stockholders' meeting. Provided, that a director who has a potential interest in any related party transaction must recuse from voting on the approval of such related party transaction;
- S. delegate to the appropriate management committee the approval of related party transactions that are below the materiality threshold, subject to the confirmation by the Board;
- T. establish an effective system to determine, identify, monitor and evaluate related party transactions and identify, measure, monitor and control risks arising from the same;
- U. ensure maintenance of adequate capital against risks associated with exposures to related parties; and
- V. oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing.

## 9. Decisions Requiring Board Approval

The following decisions must be referred to the Board for approval:

- A. acquiring or selling shares of Pru Life UK;
- B. acquiring, selling or otherwise disposing of property material to the business of Pru Life UK;
- C. acquiring or selling intellectual property rights of Pru Life UK;
- D. initiating major changes to the field of Pru Life UK's business activities;
- E. amendment of Articles of Incorporation and By-Laws of Pru Life UK;
- F. increase or decrease of capital stock of Pru Life UK;
- G. incurring, creating or increasing bonded indebtedness;

- H. selling, leasing, exchanging, mortgaging, pledging or otherwise disposing of all or substantially all of the corporate assets of Pru Life UK;
- I. investment of corporate funds in another corporation or business or for any purpose other than the primary purpose of Pru Life UK (including founding, acquiring or selling subsidiaries of Pru Life UK);
- J. merger or consolidation involving Pru Life UK;
- K. material transactions not in the ordinary course of business of Pru Life UK; and
- L. material contracts with directors, officers, or their spouses or relatives within the fourth (4th) civil degree of consanguinity or affinity. Such contracts must be approved by at least two thirds (2/3) of the entire membership of the Board and at least a majority of the independent directors.

## 10. Performance Evaluation of the Board

The Board of Directors shall have in place a system that provides, at the minimum, the criteria and processes to determine the performance of the Board, individual directors, and committees, which shall allow for a feedback mechanism from the shareholders. It shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

## 11. Board Committees

The Board shall have the following committees:

### A. Governance and Nomination Committee

The Governance and Nomination Committee shall be composed of at least three (3) members of the board of directors, all of whom must be independent. The Governance and Nomination Committee shall assist the Board in the performance of its corporate governance responsibilities by ensuring compliance with and proper observance of corporate governance principles and practices. It shall also review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.

### B. Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members, majority of whom must be independent directors. The Remuneration Committee shall recommend and monitor the level and structure of salaries including remunerations for senior management. The definition of senior management for this purpose shall be determined by the Board but would normally include first level management below Board level. The Chairman of the Remuneration Committee must be an independent director.

### C. Audit Committee

The Audit Committee shall be composed of at least three (3) members, all of whom must be non-executive directors and a majority shall be independent. The Chairman of the Audit Committee shall be

an independent director and shall not be the Chairman of the Board or any other committee. The Audit Committee shall oversee senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring, compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets.

D. Risk Committee

The Risk Committee shall be composed of at least three (3) members, all of whom must be non-executives and a majority shall be independent. The Chairman of the Risk Committee shall be an independent director and shall not be the Chairman of the Board or any other committee. The Risk Committee shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. It shall review risk limits, monitor material risk exposures against risk appetite and associated risk limits, monitor breaches of risk appetite and risk limits, and oversee the management of new and emerging risks.

E. Related Party Transactions Committee

The RPT Committee shall be composed of three (3) members of the Board, all of whom must be independent directors. The primary function of the Related Party Transactions Committee shall be to evaluate material related party transactions and ensure that these are undertaken by Pru Life UK on an arm's length basis.

F. Special Committees

The Board may create such other special committees as may be deemed necessary.

## 12. Corporate Secretary

The Board shall be assisted in its duties by a Corporate Secretary, who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the Company and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- A. safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;
- B. keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;
- C. works fairly and objectively with the Board, management and shareholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- D. advises on the establishment of board committees and their charters or terms of reference;

- E. in accordance with Section 5 (Meetings), informs members of the Board of the agenda of their meetings, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- F. attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- G. performs required administrative functions;
- H. oversees the drafting of the By-laws and ensures that they conform with regulatory requirements; and
- I. performs such other duties and responsibilities as may be provided by the Insurance Commission.

### **13. Compliance Officer**

The Board shall be assisted in its duties by a Compliance Officer, who shall have the rank of Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Compliance Officer is a member of the Company's management team in charge of the Compliance function. He/she is primarily liable to the Company and its shareholders, and not to the Chairman or President of the Company. He/she has, among others, the following duties and responsibilities:

- A. ensures proper onboarding of new directors (i.e., orientation on the Company's business, Board Charter, Articles of Incorporation and By-laws, among others);
- B. monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, the Revised Code of Corporate Governance for Insurance Commission-Regulated Companies, rules and regulations and all governance issuances of regulatory agencies;
- C. reports to the Board any violations that are found and recommends the imposition of the appropriate disciplinary action;
- D. ensures the integrity and accuracy of all documentary submissions to regulators;
- E. appears before the Insurance Commission when summoned in relation to compliance with the Revised Code of Corporate Governance for Insurance Commission-Regulated Companies and other relevant laws or regulations;
- F. collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- G. identifies possible areas of compliance issues and works towards the resolution of the same;
- H. ensures the attendance of board members and key officers to relevant trainings; and
- J. performs such other duties and responsibilities as may be provided by the Insurance Commission.

### **14. Chief Audit Executive**

The Board shall appoint a qualified Chief Audit Executive, who shall oversee and be responsible for the internal audit activity of the Company and shall have the following responsibilities, among others:

- A. establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Company's goals;



- B. communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- C. spearheads the performance of the internal audit activity to ensure it adds value to the Company;
- D. reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- E. presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

## **15. Conflicts of Interest**

As soon as practicable after a Director becomes aware of any matter that gives rise or is likely to give rise to a conflict of interest in the discharge of such Director's duties, the Director must disclose the matter by giving written notice of the matter to each of the other Directors of the Company. Under such circumstances, the Director should abstain himself/herself from participating in further discussion or voting on such matters where there exist conflicts of interest.

## **16. Diversity Policy**

It is in the best interest of Pru Life UK that its Board be composed of highly qualified directors with diverse backgrounds and whose experience and technical expertise are in line with and/or complement the business and operations of Pru Life UK. The Governance and Nomination Committee shall identify and recommend potential candidates to the Board:

- A. who are highly qualified and possess the necessary experience and technical expertise; and
- B. whose qualifications can further diversity in gender, age, ethnic background, geographic origin, and cultural and religious background.

When necessary or desirable, the Governance and Nomination Committee shall engage third party professionals to deliver a gender-balanced slate of diverse and equally qualified potential candidates in line with the diversity criteria above.

While all Board appointments must collectively reflect and support diversity and inclusion, they must also be made on merit, in the context of the skills, experience, independence and knowledge which the Board requires to be effective and having regard to the prevailing business strategy of the Company.

## **17. Orientation Programme**

All new members of the Board of Directors shall be provided with an orientation program which addresses the Board's role and Company's governance structure and the nature and scope of its operations. The orientation program is aimed at increasing the new director's familiarity with the Company, its industry, the responsibilities of the Company's Board of Directors, as well as equipping the director with sufficient information and resources that facilitate fully informed decisions.

The orientation program shall consist of:

A. Initial Orientation

- i. Introduction on Prudential group;
- ii. Introduction on Pru Life UK (including strategic direction, corporate vision and performance goals);
- iii. Briefing on the Insurance Industry; and
- iv. Briefing on Board and Committee organization and processes and duties and responsibilities of the directors of the Company.

B. Introductory Meetings with the following of the Company:

- i. Board Chairman and other directors;
- ii. President/Chief Executive Officer; and
- iii. Corporate Secretary.

C. Special Briefing Sessions by Senior Management Team on issues selected by the President/Chief Executive Officer of the Company.

## **18. Director Development**

Directors will be provided with ongoing development opportunities that educate and inform them on issues that are of strategic importance to the Company. These sessions will be scheduled separately from regular Board and Committee meetings.

## **19. Remuneration of Directors**

Directors may be compensated for their attendance at each regular or special meeting of the Board of Directors and Board Committees. Such compensation shall be commensurate to the responsibilities of the role, take into consideration the size and scope of the Company, and shall be determined and approved by stockholders representing at least a majority of the outstanding capital stock of Pru Life UK at a regular or special meeting of the stockholders. Directors shall not participate in the determination of their compensation.

In no case shall the total yearly compensation of directors exceed ten (10%) percent of the net income before income tax of Pru Life UK during the preceding year.

## **20. Succession and Retirement Policy**

As a general rule, and to promote dynamism in Pru Life UK, the retirement age for members of the Board of Directors is 75 years old. A Director may extend his service beyond the retirement age upon the approval of the Board of Directors, taking into consideration the qualifications, experience and contributions of the Director and any special circumstances affecting Pru Life UK.

The Governance and Nomination Committee shall nominate qualified candidates who will succeed the retiring Director. The election of such successor-Director shall be in accordance with the procedure prescribed in the By-laws.

## **21. Stockholders' Rights**

Pru Life UK treats stockholders fairly and equitably and recognizes, protects and facilitates the exercise of their rights. The Board has the duty to promote stockholders' rights, encourage active stockholder participation and inform stockholders of their rights. These rights relate to, among others:

### A. Pre-emptive right

Stockholders enjoy the pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the Articles of Incorporation or an amendment thereto.

### B. Dividend policies

Stockholders have the right to receive dividends declared by the Board, subject to the requirements of the Revised Corporation Code.

### C. Right to propose the holding of meetings and to include agenda items ahead of the scheduled annual or special stockholders' meeting

Stockholders have the right to propose the holding of meetings and to include agenda items ahead of the scheduled annual or special stockholders' meeting.

### D. Right to nominate candidates to the Board of Directors

Stockholders may nominate candidates to the Board of Directors in accordance with the procedure prescribed by the Governance and Nomination Committee in Section 4 of its charter.

### E. Voting procedures that govern the annual or special stockholders' meeting

Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts (such as the amendment of the Articles of Incorporation or By-laws, the authorization of an increase in the authorized capital stock of Pru Life UK, and other extraordinary transactions such as the transfer of all or substantially all of Pru Life UK's assets), in accordance with the Revised Corporation Code and the procedure prescribed in Article II, Section 7 and Article III, Section 2 of the By-laws.

## **22. Review and Disclosure of the Charter**

The Board shall review the Charter at least once annually and make necessary amendments where the Board deems necessary. The Board Charter shall be publicly available and posted on the Company's website.