

## **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 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 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 shareholders’ meetings, in each case based on the recommendation of the 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) 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

- A. 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.
- B. Each director shall be at least twenty-five (25) years of age at the time of his appointment.
- C. Each director must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission and director orientation program of the Company for new directors as referred to in Section 15 below.

#### **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 ensure that

- A. Board members receive the information necessary for them to perform their duties;
- B. the Board has sufficient time for consultation and decision making;
- C. the committees of the Board function properly;
- D. the performance of the Board and the committees are evaluated at least once a year; and
- E. the Board has proper contact with the Company's Senior Management Team or Executive Committee.

The Chairman of the Board shall likewise be primarily responsible for

- A. ensuring that the Board satisfies its duties;
- B. determining the agenda of the Board meetings, chairing such meetings, and ensuring that minutes are kept of such meetings;
- C. addressing problems related to the performance of an individual board member; and
- D. addressing internal disputes and conflicts of interest concerning individual board members.

#### **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, telex, telegram, or by written or oral message. A director may waive this requirement, either expressly or impliedly.

A majority 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.

Any director may attend meetings of the Board of Directors through teleconferencing or videoconferencing.

## **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 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**

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 and creditors are fair and equitable;
- C. identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of Pru Life UK;
- D. approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management;
- E. review plans for succession, including the policies for appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- F. develop and implement an investor relations program or adopt a shareholder communications policy for Pru Life UK;

- G. 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;
- H. select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel;
- I. 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;
- J. establish an appropriate compensation policy for senior management;
- K. review and approve material transactions not in the company's ordinary course of business;
- L. establish a system of checks and balances which applies to the Board and its members;
- M. have an appropriate reporting system so that it can monitor, assess and control the performance of Management;
- N. present to all its members and Pru Life UK's shareholders a balanced and understandable assessment of Pru Life UK's performance and financial condition; and
- O. appoint a Compliance Officer who shall be responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules and regulations.

## **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; and
- K. material transactions not in the ordinary course of business of Pru Life UK.

## **10. Performance Evaluation of the Board**

The Board of Directors 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. Nomination Committee

The Nomination Committee shall be composed of at least three (3) members of the board of directors, all of whom must be independent. The Nomination Committee shall 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 and Related Party Transaction Committee**

The Audit and Related Party Transactions 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 Committee shall be an independent director. The Audit and Related Party Transactions Committee shall oversee and monitor financial reporting, internal control and risk management, external audit, internal audit, compliance, and financial crime and whistleblowing. It shall also review the effectiveness of Pru Life UK's governance framework.

**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 Risk Committee shall ensure a culture of effective risk management within Pru Life UK and 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. Special Committees**

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

**12. Corporate Secretary**

The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for Pru Life UK's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

The Corporate Secretary shall see to it that the board follows correct procedures during meetings and shall assist the Chairman of the Board in organizing the Board's activities including the preparation of the agenda and minutes of the meetings and reporting of meetings, evaluations and training programs.

**13. 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.

#### **14. 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 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 Nomination Committee shall engage third party professionals to conduct a search for candidates who meet the required qualifications and diversity criteria.

#### **15. 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.

## **16. 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.

## **17. Review of the Charter**

The Board shall review the Charter at least once annually and make necessary amendments, where the Board deems necessary.