

Related Party Transactions Policy

PRU LIFE INSURANCE CORPORATION OF U.K. (PPL)

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1. **Objectives**

This Related Party Transactions (“RPTs”) Policy is made to ensure that RPT transactions are only undertaken on an arm’s length basis for the financial, commercial, and economic benefit of Pru Life Insurance Corporation of U.K. (the “Company”) and the entire group where the Company belongs. This Policy is also made to ensure that there are appropriate oversight and effective control systems for managing RPT exposures as these may potentially lead to abuses that are disadvantageous to the Company, its policyholders, claimants, creditors, and other stakeholders.

2. **Coverage**

This RPT Policy shall:

- a. capture a broader spectrum of transactions, covering not only those that give rise to credit and/or counterparty risks but also those that could pose material/special risk or potential abuse to the Company and its stakeholders; and
- b. cover the identification and prevention or management of potential or actual conflicts of interest which may arise.

3. **Definition of Terms**

- 3.1 “**Related Party**” or “**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; its Board members; officers; stockholders and related interests; and their Close Family Members, 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.
- 3.2 “**Close Family Members**” are persons related to the Company’s directors, officers and stockholders (“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.
- 3.3 “**Corresponding Persons in Affiliated Companies**” are the DOS of the affiliated companies and their Close Family Members.
- 3.4 “**RPTs**” are transactions or dealing with Related Parties of the Company, including its trust department, if any, regardless of whether or not a price is charged. These shall include, but not limited to the following:
 - a. on-and off-balance sheet credit exposures and claims and write-offs;

- b. investments and/or subscriptions for debt/equity issuances;
- c. consulting, professional, agency and other service arrangements/contracts;
- d. purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- e. construction arrangements/contracts;
- f. lease arrangements/contracts;
- g. trading and derivative transactions;
- h. borrowings, commitments, fund transfers, and guarantees;
- i. sale, purchase, or supply of any goods or materials; and
- j. establishment of joint venture entities.

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.

4. Guidelines in Ensuring Arm's Length Terms

RPTs shall be conducted in the regular course of business and 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.

The Company adopts the PCA Inter-Company Invoicing and Settlement Policy on general provision of inter-company balances and settlement. The inter-company balances cover all receivables/payables that arise during operations when services/products are rendered by other entities within the Prudential Group. Issuance of the invoices should be supported by sufficient documents that are able to show the agreement and rationale of the inter-company charges. This agreement shall be in the form of a written and signed agreement between the parties establishing the agreement. Any agreement reached should be fully documented.

A mutual consensus shall be established between the creditor (the Local Business Unit who provides services to the others) and the debtor (the Local Business Unit who receives the services). Both debtor and creditor shall agree on the terms and conditions of the services before they are provided. In addition, establishing a mutual consensus is critical for the transfer pricing process (intercompany pricing arrangements between related business entities) to determine the factual nature of the transaction(s) between parties, which can be required by local tax authorities when reviewing the Company's transfer pricing strategy.

An effective price discovery mechanism shall be put in place to ensure that transactions are engaged into at terms that promote the best interest of the Company and its stakeholders. The price discovery mechanism may include, but not limited to, the validation procedures to determine the nature, components, and price of the services to be provided, acquiring the services of an external expert, and where applicable: opening the transaction to a bidding process, canvassing, or benchmarking, or any other applicable due diligence procedures.

5. Conflicts of Interest

Conflict of interest is "a situation in which a relevant employee, member of the Board, or a stockholder has a private or personal interest sufficient to influence, or appear to influence, the objective exercise of his or her official duties" in connection with the Company's business.

The Company adopts the PCA Conflict of Interest Policy. It is committed to ensuring that all related parties operate to the highest level of integrity in all their dealings and business relationships, either within or outside the Company.

The members of the Board, stockholders, and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Company.

Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Company.

6. Materiality Thresholds and Excluded Transactions

Materiality threshold shall be set for each type of transaction and for each related party group, depending on the nature of business transaction or value impact that could result in business interruption, has business consequences or causes concern to Management such that it warrants escalation and notification to Management.

Materiality shall not only be based on the amount but on nature of transaction and risks involved which would lead to any of the following:

- a. Material impairment of the quality of the Company's governance;
- b. Significant increase in the Company's operational risks.

Excluded transactions are those transactions that are operational in nature which do not place the Company at risk or create any liability.

Considering the above, the following are considered material RPT transactions :

- a. Transactions or arrangements that are considered critical based on the existing Vendor Management Framework, OR

- b. If the transaction is non-critical, but amount of transactions exceeds 1% of prior year's admitted assets as submitted to the Insurance Commission. Amount of transaction here shall apply to contract amounts, OR year-to-date transactions OR amount balance, whichever is higher.

All material RPTs, those that cross the materiality threshold, and write offs of material exposures to related parties shall be subject to the approval of the Board of Directors and confirmation by majority vote of stockholders in the annual stockholders' meeting.

7. Internal Limits for Individual and Aggregate Exposures

In addition to existing prudential limits which shall be complied with at all times, the Company shall include internal limits or sub-limits for individual and aggregate exposures to a Related Party and for aggregate exposures to all Related Parties that are consistent with the Company's risk appetite, risk profile, and capital strength. The internally set limits shall be tied in with the Company's internal definition of capital.

Breaches in limits shall be reported to the Board with the decision of the Board to accept exposure or to take steps to address the breaches as may be necessary, duly documented in the minutes of meetings.

Considering the above, the total contracts OR transactions in any given year OR the total balance of the account, with any one Related Party, whichever is higher, shall not exceed the following Company's internal limits:

For Each Related Party:

- (a) For bond, equity, and other fund investments, this shall be 20% of prior year's admitted asset
- (b) For other items, this shall be 1% of prior year's admitted asset; this category shall include, among other things, transactions arising from fund management services, advances, etc.

In the aggregate, the limit to all Related Parties shall be 25% of prior year's admitted asset. The prior year's admitted asset shall be based on what was reported to the Insurance Commission.

8. Whistleblowing Mechanisms

Employees are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. For concerns and complaints, employees may report on the contact details below.

Head Office Address: 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines

Telephone numbers: Dial direct access number (depending on your telecommunications provider):

1010-5511-00 (PLDT-Tagalog Operator)

At English prompt, dial:

855-860-2158

105-11 (Globe, Philcom, Digitel, Smart)

At English prompt, dial:

855-860-2158

105-12 (Globe, Philcom, Digitel, Smart-Tagalog Operator)

At English prompt, dial:

855-860-2158

E-mail address: pcahelpline@prudential.com.hk

Website: www.prudentialspeakout.ethicspoint.com

9. Restitution of Losses and Other Remedies for Abusive RPTs

This policy shall comply with the applicable regulatory requirements and the Group Code of Business Conduct. These standards must be applied, in all dealings with employees, customers, shareholders, suppliers, competitors, the wider community and the environment. It is also mandatory to adhere to local regulatory requirements however, where the Group Code imposes more onerous standards than local requirements, then the Group Code must be applied and complied with.

Officers, directors, and employees who have been remiss in their duties in handling RPTs shall be subject to disciplinary measures in accordance with the Company's Code of Discipline and relevant corporate governance policies, without prejudice to the applicable legal remedies which the Company may avail.

10. Roles of Senior Management and Self-Assessment Functions

Board of Directors and RPT Committee

The roles of the BOD and RPT Committee are detailed out in the Board Charter and RPT Committee Charter. Please refer to the Annexes D and E.

Senior Management, Internal Audit, and Compliance

1. The Executive Committee, through the Chief Financial Officer (CFO), shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to

- ensure compliance with the company's policy and IC's regulations. Please refer to Annex G for details on the functional roles.
2. The CFO shall ensure completeness and accuracy of information and disclosure so that the RPT Committee, and eventually, the Board of Directors, shall have sufficient information in carrying out their functions over the RPTs. For reports to be submitted to regulating and supervising authorities, the CFO may submit these directly to the said authorities, subject to review and ratification by the RPT Committee.
 3. The Executive Committee shall approve all RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. All decisions by the Executive Committee must be properly recorded in the minutes of the meetings.
 4. The Internal audit function shall conduct a period formal review of the effectiveness of the company's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit, reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.
 5. The compliance function shall ensure that the company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the company's transactions and identify any potential RPT that would require review by the Board or RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the company.

11. Disclosure and Regulatory Reporting

The company shall adequately disclose in its Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibility of RPT Committee; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPTs.

Also, the company shall report all entities in the conglomerate structure where it belongs (Annex A). The said structure shall likewise disclose beneficial owners of shareholdings that are in the name of PCD Nominee Corporation. The said report shall be submitted to the IC within 30 calendar days after the end of every calendar year.

Likewise, the company shall submit a report on material exposures to related parties, which shall include the material RPTs of their non-financial subsidiaries and affiliates, (Annex B) within 20 calendar days after the end of the reference quarter. Supervised non-financial subsidiaries and affiliates are therefore expected to report their material RPTs to the parent CI, which in turn shall report the same to IC.

A summary of reporting requirements and approval process are detailed out in Annex C for ease of reference.

12. ANNEXES

For ready reference, the following documents are attached:

Annex A: IC Template: Report to IC on Conglomerate Structure



Pru Life UK -
Conglomerate Structu

Annex B: IC Template: Report to IC on Material RPTs



Pru Life UK - Material
Party Transactions Te

Annex C: High-Level Roles and Reporting Requirements



Pru Life UK - Roles
and Reporting Reqts.

Annex D: BOD Charter



Pru Life UK - Board
Charter 17-0622 FIN

Annex E: RPT Committee Charter



Pru Life UK - RPT
Committee Charter A

Annex F: IC Circular on RPT



Pru Life UK -
CL2017_29 Ins Com C

Annex G: Details on Functional Roles



Pru Life UK -
Functional Roles.docx