



## Pru Life Insurance Corporation of U.K.

### Manual on Corporate Governance

This Manual on Corporate Governance has been approved and adopted by the Board of Directors of Pru Life Insurance Corporation of U.K. ("Pru Life UK" or the "Company") on 3 December 2021. The principles and policies in this Manual are complementary to the requirements contained in applicable Philippine laws and regulations and the Articles of Incorporation and By-Laws of Pru Life UK.

#### I. Governance Structure

##### A. The Board of Directors

The Board of Directors is responsible for providing leadership within a framework of effective risk management and control. The Board is responsible for setting strategic priorities and monitoring progress against them and for ensuring that the Company is suitably resourced.

##### 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. Qualifications and Disqualifications of Directors

1. Every director sitting on the Board of Pru Life UK shall
  - i. possess the necessary skills, competence and experience in the field of insurance or insurance-related disciplines, law, technology and/or finance,
  - ii. have high ethical standards, integrity and credibility,
  - iii. have skills and capacity to provide strategic insight and encourage innovation,
  - iv. be willing to commit the time and energy necessary to satisfy the requirements of the Board and any Board Committee membership,
  - v. possess or be willing to develop an in-depth knowledge of the critical issues affecting Pru Life UK and the insurance industry, and
  - vi. demonstrate intelligence and thoughtfulness in decision making.

In addition

- vii. every director shall own at least one (1) share of the capital stock of the Company, which share should be in his or her name and recorded in the books of the Company,
- viii. each director shall be at least twenty-five (25) years of age at the time of his appointment,
- ix. 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 in accordance with Section 1.A.5.8,
- x. 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,
- xi. 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

- xii. 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.

- 2. The grounds for disqualification from directorship in the Company are those prescribed under the Revised Corporation Code, the Revised Code of Corporate Governance for Insurance Commission Regulated Companies, other applicable laws, rules and regulations, and such other grounds for disqualification as may be approved by the Board and incorporated in the By-Laws or this Manual, and include:

- i. Permanently Disqualified

- a. persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft,
- b. persons who have been convicted by final judgment of the court for violation of insurance laws,
- c. persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract, or
- d. directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.

- ii. Temporarily Disqualified

- a. persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists,
- b. directors who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections,
- c. persons convicted of offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory,
- d. directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission,
- e. directors disqualified for failure to observe or discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission,
- f. directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned has attended such seminar,
- g. persons dismissed or terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity,
- h. those under preventive suspension,
- i. persons with derogatory records with the National Bureau of Investigation, courts, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity,
- j. persons who are delinquent in the payment of their obligations, defined as follows:

- Delinquency in the payment of obligations means that obligations of a person with the Company or its related companies where he or she is a director or officer or at least two obligations with other insurance companies, under different credit lines or loan contracts.
- Obligations shall include all borrowings from the Company or its related companies obtained by:
  1. a director or officer for his own account or as the representative or agent of others or where he or she acts as a guarantor, endorser, or surety for loans from such institutions,
  2. the spouse or child under the parental authority of the director or officer,
  3. any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer,
  4. a partnership of which a director or officer, or his or her spouse is the managing partner or a general partner owning a controlling interest in the partnership, and
  5. a corporation, association or firm wholly owned, or majority of the capital is contributed by any or a group of persons mentioned in preceding items 1,2, and 4.

### 3. Policies and Procedures

#### 1. Selection, Nomination and Election of Directors

The Board shall exert best efforts to ensure that

- i. its members can act critically and independently of each other,
- ii. each member has sufficient expertise to perform his or her own role as board member,
- iii. the Board matches the desired composition considering the nature of Pru Life UK's business,
- iv. at least two (2) non-executive members of the Board have extensive experience in the insurance business,
- v. no less than fifty percent (50%) of its members are independent, and
- vi. 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.

The Board shall be responsible for nominating members to the Board and filling vacancies in the Board that may occur between annual shareholders' meetings, in each case based on the recommendation of the Governance and Nomination Committee. Nominees for directorship shall be recommended to the Board by the Governance and Nomination Committee in accordance with the following process:

The Governance and Nomination Committee shall:

- a. identify the necessary qualifications of the Company's directors that would be necessary and helpful in achieving the Company's strategic plan and operating requirements,
- b. recommend to the Board the directors for replacement or continued service and nominate new qualified directors as may be required based on the evolving needs of the Company,
- c. provide the Board with a short list of possible candidates who have been assessed by the Committee, and
- d. consider candidates from all sources, including nominations from minority shareholders (if any) and recommendations from third party professionals engaged to conduct a search, to deliver a gender-balanced slate of diverse and equally qualified potential candidates in line with the diversity criteria in Section I.A.5.7 below.

The Governance and Nomination Committee shall conduct an annual assessment of the effectiveness of

the Board's processes and procedures in the nomination, election, or replacement of a director.

Directors shall be elected in accordance with the provisions of the Revised Corporation Code and the Company's By-Laws. The invitation to join the Board shall be extended by the Board itself, the Chairman of the Governance and Nomination Committee or the Chairman of the Board.

## *2. Meetings of the Board of Directors*

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 Corporate 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.

## *3. 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.

## *4. 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 each Board meeting to the directors who were at the meeting for their review and comments no later than fifteen (15) business days from the date of the 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 shall 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 the meeting, as applicable.

## 5. *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-assessment to evaluate the performance of the Board, the Board Committees, the Chairman, and the individual directors and determine whether it and its committees are functioning effectively. The annual self-assessment may be supported by an external facilitator every three (3) years.

## 6. *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.

## 7. *Diversity Policy*

It is in the best interest of the Company that the Board of Directors is 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:

- i. who are highly qualified and possess the necessary experience and technical expertise, and
- ii. 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.

## 8. *Orientation Program*

All new members of the Board of Directors shall be provided with an orientation program which addresses the Board's role and the 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:

- i. Initial Orientation
  - Introduction to the Prudential group,
  - Introduction to Pru Life UK (including strategic direction, corporate vision and performance goals),
  - Briefing on the insurance industry
  - Briefing on Board and Committee organization and processes and duties and responsibilities of the directors of the Company, and
  - Corporate governance topics mandated by the Insurance Commission, which may include the Code of Corporate Governance for Insurance Commission Regulated Companies, ACGS and Insurance

Commission Annual Corporate Governance Report, Board responsibilities, illegal activities of corporations, directors or officers, protection of minority shareholders, liabilities of directors, confidentiality, conflict of interest, related party transactions, Enterprise Risk Management, or case studies on financial reporting and audit.

ii. Introductory Meetings with the:

- Board Chairman and other directors,
- President and Chief Executive Officer, and
- Corporate Secretary.

iii. Special briefing sessions by the Senior Management team on issues selected by the President and Chief Executive Officer of the Company.

9. *Director Development*

Directors will be provided annually with ongoing development opportunities that educate and inform them on issues that are of strategic importance to the Company, including developments in the business and regulatory environments and emerging risks relevant to the Company. These sessions will be scheduled separately from the regular Board and Committee meetings.

10. *Policy on Multiple Board Seats*

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.

11. *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 shareholders representing at least a majority of the outstanding capital stock of Pru Life UK at a regular or special meeting of the shareholders. 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.

12. *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.

**B. Board Committees**

The Board has created a number of Board Committees to assist it in delivering its responsibilities and ensuring

there is appropriate independent oversight of internal control and risk management, as follows:

1. 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 shall prepare a description of the roles and capabilities required of a particular appointment.

2. 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.

3. 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.

4. 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.

5. 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.

6. Special Committees

The Board may create such other special committees as it may deem necessary.

**C. 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.

#### **D. President and Chief Executive Officer**

The President and Chief Executive Officer shall be a member of the Board of Directors and shall have the administration and direction of the day-to-day business affairs of the Company. The President and Chief Executive shall perform the functions, roles and responsibilities provided in Article IV, Section 3 of the By-Laws and in the Board Charter.

#### **E. 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:

1. 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,
2. 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,
3. 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,
4. advises on the establishment of board committees and their charters or terms of reference,
5. in accordance with Section I.A.4 (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,
6. 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,
7. performs required administrative functions,
8. 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.

The Corporate Secretary may be assisted in the performance of his or her duties by an Assistant Corporate Secretary.

#### **F. 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:

1. ensures proper onboarding of new directors (i.e., orientation on the Company's business, Board Charter, Articles of Incorporation and By-laws, among others),
2. 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,
3. reports to the Board any violations that are found and recommends the imposition of the appropriate disciplinary action,
  4. ensures the integrity and accuracy of all documentary submissions to regulators,
  5. 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,
  6. collaborates with other departments to properly address compliance issues, which may be subject to investigation,
  7. identifies possible areas of compliance issues and works towards the resolution of the same,
  8. ensures the attendance of board members and key officers to relevant trainings, and
  9. performs such other duties and responsibilities as may be provided by the Insurance Commission.

#### **G. Internal Audit and Chief Audit Executive**

The Company shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company's operations.

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:

1. 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,
2. 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,
3. spearheads the performance of the internal audit activity to ensure it adds value to the Company,
4. reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
5. presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

#### **H. External Auditor**

The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board, and ratified by the shareholders.

#### **II. Group Code of Business Conduct**

The Company adopts and shall implement and monitor compliance with the Group Code of Business Conduct attached herewith as Annex A.

#### **III. ESG**

The Company shall adopt a policy on the disclosure of material and reportable information regarding non-financial and sustainability issues, with focus on the management of environmental, social and governance (ESG) issues of the business, in accordance with a globally recognized standard or framework in reporting sustainability and non-financial information.

#### **IV. Shareholders' Rights**

Pru Life UK treats shareholders fairly and equitably and recognizes, protects, and facilitates the exercise of their

rights. The Board has the duty to promote shareholders' rights, encourage active shareholder participation and inform shareholders of their rights. These rights relate to, among others:

1. Pre-emptive right

Shareholders 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.

2. Dividend policies

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

3. Right to propose the holding of meetings and to include agenda items ahead of the scheduled annual or special shareholders' meeting

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

4. Right to nominate candidates to the Board of Directors

Shareholders 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.

5. Voting procedures that govern the annual or special shareholders' meeting

Shareholders 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.

**V. Alternative Dispute Resolution Mechanism for Intra-Corporate Disputes**

The Company adopts the rules and procedures provided under Republic Act No. 9285 (the "Alternative Dispute Resolution Act of 2004"), as an alternate means to settle intra-corporate disputes with a view towards preventing excessive litigation.

**VI. Review and Disclosure of the Manual on Corporate Governance**

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