

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

AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution and purpose

- a. The Board of Pru Life Insurance Corporation of U.K. ("the Company") hereby resolves to establish a Committee of the Board to be known as the PPL Audit Committee ("the Committee") with terms of reference as set out below.
- b. The Committee shall be accountable to the Board and shall assist the Board in meeting its responsibility for the integrity of the Company's financial statements, for the effectiveness of the Company's internal control and risk management systems and for monitoring the effectiveness and objectivity of the internal and external auditors.
- c. Where there is a perceived overlap of responsibilities between the Committee and the PPL Risk Committee, the respective committee chairs will have the discretion to agree the most appropriate committee to fulfil any obligation.
- d. The Terms of Reference ("TOR") of the Committee are subject to amendment in order to ensure compliance with the requirements of local regulations. Any proposed variations, whether for regulatory or other reasons, from the model TOR shall be reported to Group-wide Internal Audit ("GwIA") who will arrange for these to be brought to the attention of the Group Audit Committee (GAC) so that any risks can be assessed from a Group perspective.
- e. Where the Committee requests any reviews to be carried out which have an impact on the PPL Risk Committee, the Committee Chair will liaise with the PPL Risk Committee Chair to determine the most appropriate way to update the PPL Risk Committee.

2. Membership and Attendance

- a. The Committee shall consist of no less than three members, all of whom are non-executive directors and work outside the day to day operations of the Company, with majority being independent directors. The members shall be appointed by the Board.

A reduced membership of two members shall be permitted on a short-term basis due to the resignation of a member and subject to compliance with the quorum requirements.

- b. All the members of the Committee will have relevant background, skills, and/or experience in the areas of accounting, auditing and finance.

- c. Changes to committee membership should be submitted to the Group General Counsel who will arrange the necessary Group approvals and notifications.
- d. The Committee Chair may invite any individual, whether external or internal to attend all or part of any meeting(s) of the Committee in whatever capacity as the Committee Chair deems appropriate to assist the Committee in the fulfilment of its duties. The Group Chief Risk Officer and the Group Chief Internal Auditor, or their nominated delegates, as well as the members of the Board who are not members of the Committee, have a standing invitation to attend any meeting(s) of the Committee.
- e. The Chief Financial Officer, the Chief Risk Officer, the Compliance Officer, and the external auditor will be invited to attend the regular meetings of the Committee in full.
- f. The Committee shall meet with the GwIA and external auditor in private (in separate meetings) at least once a year without the presence of the Company's executives. The Committee can agree on the arrangements for such meeting including whether the Committee Chair can represent the Committee. The Committee Chair may at any time hold a private meeting of only the members of the Committee.
- g. External auditors, internal auditors and any member of the Committee may request a meeting if they consider one necessary.

3. Meetings

- a. Meetings shall be held not less than four times a year.
- b. The quorum for a meeting of the Committee is two members. When the Committee Chair is not available to attend a meeting, the remaining two members should agree for one of them to act as the chairperson for the meeting and document such in the minutes.
- c. The Chair or Committee may convene additional meetings at any time to deal with matters within the remit of the Committee.
- d. The Company's CEO will be responsible for appointing an appropriately skilled secretary to the Committee. The Secretary of the Committee shall ensure that agendas and committee papers are circulated in accordance with the ToR and the proceedings of the Committee are minuted and that all Committee documents are retained in accordance with the document retention policy.
- e. The Committee shall meet with the Board at least every quarter without the presence of the Chief Executive Officer or Management and periodically with the Head of GwIA.
- f. Agenda
 - (i). The agenda and papers for the meeting shall normally be circulated a week in advance to the persons attending the meeting and copied to the representative

of GwIA and the Secretary. The Group Chief Risk Officer shall have the right to request for the meeting agenda and papers.

- (ii). The agenda shall include a specific item for consideration of whether there are any issues which should be brought to the attention of the Board, external auditors or the GAC.
- (iii). The agenda shall be established to enable the Committee, in the course of a year's meetings, to discharge its responsibilities and to report all matters of significance to the Board and to the GAC.

4. Duties

- a. The Committee is authorized by the Board to investigate any activity within its remit, seek any information that it requires from any employee, contractor, management board, statutory board or committee which is necessary to satisfactorily discharge its duties. All employees of the Company are directed to cooperate with any request made by the Committee.
- b. Members of the Committee have access to the Chair of GAC.
- c. The duties of the Committee shall be:

(i). Financial Reporting

- a) reviewing the Company's financial statements, reviewing the application of and compliance with local accounting policies and practices, and any changes to them, decisions regarding major areas of judgement, the extent to which the financial statements are affected by any unusual transactions in the year, significant adjustments resulting from the audit and the going concern assumption taking into account the external auditor's views;
- b) reviewing management's certifications to Group Finance in respect of the half yearly and annual Group results; and
- c) to the extent there is an impact on financial reporting, reviewing material changes to (or of material judgements to not change) assumptions underpinning the Company's Material Models or material changes to the models themselves.

(ii). Regulatory Disclosures

- a) reviewing material disclosures to the Company's main regulators, to the extent they are outside of the regular regulatory reporting process.

(iii). Internal Control and Risk Management

- a) considering any findings of major investigations (including "SpeakOut" / whistleblowing cases) that have internal control impact and management's response to these;
- b) reviewing the framework and effectiveness of the Company's systems of internal control, which includes financial reporting, risk management including the Company's Material Models, the adequacy of resources,

qualifications and experience of accounting, internal audit, compliance and financial reporting staff and their training programs;

- c) seeking assurance from management that they have performed their duty in respect of their application of the Group Risk Framework and satisfying themselves that any deviations from Group Policies are appropriate, and documenting the rationale for such deviations; and
- a) reviewing management's and the external and internal auditors' reports on the effectiveness of systems for internal control, financial reporting and risk management including certifications provided pursuant to the Group Corporate Governance Manual.

(iv). External Audit

- a) being primarily responsible for recommending the appointment, reappointment, removal and fees of the Company's external auditor;
- b) at the beginning of each audit cycle, ensuring that appropriate plans are in place for the audit with the Company's external auditors and that the scope of the audit plans reflects the terms of the engagement letter;
- c) before the audit commences, discussing with the external auditors the nature and scope of the audit and reviewing the auditors' quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements;
- d) receiving regular progress reports as deemed necessary by the Committee (but no less than annually) on activity and issues arising from the external auditors;
- e) following the audit, discussing and reviewing the findings of their work with the external auditors;
- f) considering management's response to any major external audit recommendations;
- g) assessing the integrity and independence of the external auditor;
- h) exercising effective oversight to review and monitor the external auditor's independence and objectivity;
- i) exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
- j) evaluating and determining the nature of non-audit services of the external auditor, if any, and reviewing the proportion of non-audit fees paid to the external auditor in relation to the Company's overall consultancy expenses. The Committee shall disallow any non-audit services that will conflict with the duties of the external auditor or may pose a threat to the external auditor's independence. Non-audit services, if allowed, shall be disclosed in the Company's Annual Report. The Committee shall be alert for any potential conflict of interest situations which could be viewed as impairing the external auditor's objectivity.
- k) reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

(v). Internal Audit

- a) recommending the approval and overseeing the implementation of the Internal Audit Charter;
- b) reviewing the effectiveness and performance of the Company's internal audit function (whether performed by GwIA and/ or a local internal audit function) ensuring it is adequately resourced and free from constraint and has the appropriate standing with the Company;
- c) approving the audit plan of the local internal audit function and endorsing the GwIA internal audit plan, requesting where appropriate that internal audit undertakes specific work and monitoring the significant internal audit findings, including management's response to them;
- d) receiving regular (at least quarterly) progress reports on activity and issues arising from GwIA and where applicable local internal audit function;
- e) confirming that all significant internal audit issues have been escalated to the Board, Group Chief Internal Auditor, and the GAC, as appropriate.

(vi). Compliance

- a) reviewing, and seeking assurances on, the effectiveness of the Company's compliance framework;
- b) approving the annual compliance plan for the Company; monitoring progress and key control findings from Compliance reviews; assessing whether the compliance function is adequately resourced and has appropriate standing within the Company, and where appropriate requesting that the compliance function undertakes specific work;
- c) receiving regular (at least quarterly) progress reports on activity and issues arising from the compliance function, including a summary of all material reports issued by regulators;
- d) coordinating, monitoring and facilitating compliance with laws, rules and regulations.

(vii). Financial Crime

- a) reviewing the local procedures to combat financial crime, including money-laundering activities, fraud, sanctions and bribery;

(viii). Governance Framework

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

(ix). Attestations

- a) reviewing annually the known population of attestations to be provided to external parties on behalf of the Company (including those requested by the local, regional or global regulators), and on a case by case basis determine the respective assurance required from the second and third-line of defence on the information and data supporting the attestation required;

- b) reviewing all additional unforeseen attestation requests with detail of the proposed assurance to be sought, if any. A summary of all such requests and the response agreed are to be reported to the subsequent Committee meeting.
- c) receiving an update from the second line of defence control functions on the results of their assurance activities in respect of attestations as and when appropriate.

(x). Escalation

- a) considering whether there are any specific issues which should be brought to the attention of the Board, external auditors, and GAC (such as a significant control or compliance breakdown or issues which might have a ramification elsewhere in the Prudential Group), and to minute whether or not there are any such issues at each meeting.

5. Governance

- a. The minutes of meetings of the Committee shall be circulated to all members of the Committee, the Board, the attendees and to the Group Chief Internal Auditor, normally within four weeks of the meeting. The Group Chief Risk Officer shall have the rights to request for the meeting minutes.
- b. The minutes shall state whether or not there are any specific issues which the Committee believes should be brought to the attention of the Board or the GAC and shall describe any such issues.
- c. The Committee shall provide all information requested by the Board and the GAC, both regularly and on an ad hoc basis.
- d. The Committee shall cooperate with any periodic independent reviews of its effectiveness conducted by GwIA and the GAC.
- e. The Committee shall assess the performance of the Chief Compliance Officer and Chief Audit Executive on an annual basis.

6. Support

- a. The Committee will have access to sufficient resources in order to carry out its duties.
- b. The Committee is authorized to obtain, at the expense of the Company, appropriate external professional advice, and if necessary to invite external advisers with relevant experience to attend meetings of the Committee.

- c. The Committee will be provided with appropriate and timely training both in the form of an induction program for new members and on an ongoing basis for existing members.

7. Performance Evaluation

The Committee shall conduct an annual self-evaluation to determine its effectivity in the following areas:

- a. breadth and depth of the Committee's knowledge of financial reporting, internal control systems, and internal and external audit processes,
- b. discharge of its roles and responsibilities and the responsibilities of the Chair of the Committee,
- c. Committee composition and qualifications of its members,
- d. independence from Management and ethical conduct, and
- e. clarity of communications with the Board and Management and the degree to which these communications have been understood and acted upon.