

PRU LIFE INSURANCE CORPORATION OF U.K.

AUDIT COMMITTEE TERMS OF REFERENCE

Revision History

Revision No.	Change	Author	Effective Date
01	Revision of provisions in accordance with the revised AC TOR of the PCA and GAC	Lorna Lee A. Dela Paz	24 June 2014
02	Revision of provisions to include the requirements of the ASEAN Corporate Governance Scorecard on Related Party Transactions	Patricia V. Arellano	30 March 2017
03	Revision of provisions to comply with the requirements of IC Circular No. 2017-29 issued on 2 May 2017	Patricia V. Arellano	22 June 2017
04	Revision of provisions to comply with the letter of the Insurance Commission regarding Related Party Transactions dated 19 April 2017 which was received on 19 July 2017	Patricia V. Arellano	24 August 2017
05	Revision of provisions to adopt the new template introduced by the Group Audit Committee	Patricia V. Arellano	21 June 2018
06	Revision of provision on committee membership to comply with the Insurance Commission's Code of Corporate Governance Principles and Leading Practices	Patricia V. Arellano	14 March 2019

1. Constitution and purpose

- a. The Board of Directors of Pru Life Insurance Corporation of U.K. (“the Board”) hereby resolves to establish a Committee of the Board to be known as the Pru Life UK, or “Company”, 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 Company’s Audit Committee and the Company’s Risk Committee, the respective committee chairs will have the discretion to agree on which committee is most appropriate 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 Prudential Corporation Asia Limited Audit Committee (“PCAL” AC) so that any risks can be assessed from a PCA perspective.

2. Membership and Attendance

- a. The Committee shall consist of no less than three members, all of whom are independent directors and work outside the day to day operations of the Company. The members of the Committee shall be appointed by the Board.
- b. At least one member will have recent and relevant financial experience and competence in accounting and/or auditing.
- c. The PCAL AC Chairman shall approve changes to the Audit Committee membership. Requests for approval should be routed through the PCA Chief Risk Officer.
- 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 PCA Chief Corporate Development Officer, PCA Chief Risk Officer and the GwIA Chief Internal Auditor for PCA, 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 external auditor will be invited to attend the Committee meetings on a regular basis.
- 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 Chairman 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 or any member of the Committee may request a meeting if they consider that one is necessary.

3. Meetings

- a. Meetings shall be held not less than four times a year.
- b. Majority of the number of members shall constitute a quorum for a meeting. When the Committee Chair is not available to attend a meeting, the remaining members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes.
- c. The Committee Chair or members may convene additional meetings at any time to deal with matters within the remit of the Committee.

The Company CEO will be responsible for appointing a secretary to the Committee which will normally be either of the local Compliance, Risk, Legal or Corporate Secretarial functions. The Secretary of the Committee shall ensure that agendas and committee papers are circulated in accordance with the terms of reference, the proceedings of the Committee are minuted and that all Committee documents are retained in accordance with document retention policy.

d. Agenda

- i) The agenda for Committee meetings shall be determined by the Committee Chair in consultation with other members of the Committee as appropriate. Where possible the Committee should follow, as a minimum, the model agenda attached in appendix 1, although the Committee is free to add additional items reflecting the Company's business and risk profile.
- ii) The agenda and papers for the meeting shall normally be circulated a week in advance to the persons attending the meeting and the persons who have standing invitations to attend the meeting, and copied to the representative of GwIA and the Secretary. The PCA Chief Risk Officer shall have the rights to request for the meeting agenda and papers.
- iii) 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 PCAL AC.
- iv) 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 PCAL AC.

4. Duties

- a. The Committee is authorised 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 the PCAL AC and the Regional Business CEO.
- c. The duties of the Committee shall be:

Pru Life Insurance Corporation of U.K.

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; and
- b. reviewing management's certifications to PCA Regional Finance in respect of the half yearly and annual Group results.

ii) Regulatory Disclosures

- a. reviewing material disclosures to the Company's regulator, 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, the adequacy of resources, qualifications and experience of accounting, internal audit, compliance and financial reporting staff and their training programmes;
- c. seeking assurance from management that they have performed their duty in respect of their application of the PCA Risk Framework and satisfying themselves that any deviations from PCA Regional Policies are appropriate, and documenting the rationale for such deviations; and
- d. 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 PCA Corporate Governance Manual.

iv) External Audit

- a. to be primarily responsible for recommending the appointment and removal 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 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.

v) **Internal Audit**

- a. 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;
- b. endorsing the GwIA internal audit plan for approval by PCAL Audit Committee, requesting where appropriate that internal audit undertakes specific work and monitoring the significant internal audit findings, including management's response to them;
- c. receiving regular (at least quarterly) progress reports on activity and issues arising from GwIA and where applicable local internal audit function; and
- d. confirming that all significant internal audit issues have been escalated to the Board, GwIA Chief Internal Auditor of PCA, and the PCAL AC, 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; and
- 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.

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 Regional PCA policies as defined by the PCA Corporate Governance Framework;
- b. reviewing management's certifications to PCA in respect of their adherence to the PCA Corporate Governance Manual as applicable and exceptions thereto.

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 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 PCAL AC (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, and the attendees normally within four weeks of the meeting. The PCA Chief Risk Officer and PCA GwIA Chief Internal Auditor 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 PCAL AC and shall describe any such issues.
- c. The Committee shall provide all information requested by the Board and the PCAL AC, both regularly and on an ad hoc basis.
- d. The Committee shall cooperate with periodic independent reviews of its effectiveness conducted by GwIA and the PCAL AC.

6. Support

- a. The Committee will have access to sufficient resources in order to carry out its duties.
- b. The Committee is authorised 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 programme for new members and on an ongoing basis for existing members.

Appendix 1 - Model Agenda for LBU AC meeting:

[LOCAL LEGAL ENTITIY NAME]
AUDIT COMMITTEE MEETING AGENDA
X:XX p.m., day, date: DD MM YYYY
Location: Board Room, address

Telephone conference dial-in no.: xxxxxxxxxxxx

Leader passcode: xxxxxxxxxxxx

Participant passcode: xxxxxxxxxxxx

Video Conferencing: IP address xxxxxxxxxxxx

Members:

xxxxx (Chair)

xxxxx (Member)

xxxxx (Member)

xxxxx (Member)

Invitees:

xxxxx (Chief Executive)

xxxxx (Chief Financial Officer)

xxxxx (Secretary) – *Notes*

xxxxx (Compliance Officer)

xxxxx (Chief Risk Officer)

xxxxx (KPMG)

Item x – xxxxx (Chief Risk Officer, Eastspring)

Item x – xxxxx (Chief Operating Officer)

Item x – xxxx (Director, Financial Reporting)

Agenda:		(Time)	(At clock)
1.	Confirm Minutes of Previous Meeting	5 mins	xx:xx – xx:xx
2.	Follow Up on Action Items and Matters Arising	10 mins	xx:xx – xx:xx
3.	Combined Risk Functions: Risk Management, Compliance, Anti-Money Laundering Report, and other Risk Functions	xx mins	xx:xx – xx:xx
4.	GwIA Asia Progress Report	xx mins	xx:xx – xx:xx
5.	Finance / SOX / KPMG Update (as appropriate)	xx mins	xx:xx – xx:xx

6.	Xxx	Xx mins	xx:xx – xx:xx
7.	Xxx	Xx mins	xx:xx – xx:xx
8.	Xxx	Xx minx	xx:xx – xx:xx
9.	Specific Items to be Brought to the Attention of the Board, PCAL Audit Committee and KPMG	10 mins	xx:xx – xx:xx
10.	Any Other Business (All)	5 mins	xx:xx – xx:xx