



David Law
Chair

Committee's purpose

The Committee's purpose is to assist the Board in meeting its responsibilities for the integrity of the Group's financial reporting, including the effectiveness of the internal control and risk management system and for monitoring the effectiveness and objectivity of internal and external auditors.

More information about the Audit Committee can be found in its Terms of Reference, which are available at www.prudentialplc.com/investors/governance-and-policies/board-and-committees-governance

Membership and 2021 meeting attendance

Committee Members	2021 Meetings
David Law, Chair	14/14
Jeremy Anderson	14/14
Chua Sock Koong ¹	6/6
Philip Remnant	14/14
Alice Schroeder	14/14
Jeanette Wong ¹	6/6
Amy Yip ²	9/10

Regular attendees

- > Chair of the Board
- > Group Chief Executive
- > Group Chief Financial Officer and Chief Operating Officer
- > Group Chief Risk and Compliance Officer
- > Director of Group Finance
- > Director of Group Financial Accounting and Reporting
- > Company Secretary
- > Group Chief Internal Auditor
- > External Audit Partner
- > Chief Security Officer

Notes

- ¹ Chua Sock Koong and Jeanette Wong joined the Audit Committee on 12 May 2021
² Amy Yip joined the Audit Committee on 3 March 2021

Audit Committee report

'The Group enters 2022 focused on Asia and Africa. Getting to this position has required significant, difficult work from many colleagues – thank you for all your efforts – and the continued support from our shareholders, for which also many thanks.'

Dear shareholders

2021 has been another busy year for the Audit Committee as the Group completed its transformation into a pure Asia and Africa growth company, whilst also managing through the ongoing challenges of the pandemic. At the start of the year the Committee considered that the following should be the key areas of focus in addition to its regular ongoing responsibilities.

1. Consideration of the impact of Covid 19 on financial matters including controls, accounting judgements and disclosures;
2. Oversight of any required listing particulars;
3. Monitoring the ongoing preparation for IFRS 17; and
4. Consideration of the implications of the Jackson demerger on the disclosures, level of materiality, assurance levels and governance of the ongoing business.

I am pleased that at the end of the year the review of the Committee's effectiveness concluded that we had delivered against these objectives. We will refresh our priorities for 2022 in the light of the feedback received and new focus of the Group.

In addition to its regular schedule of meetings, the Committee met on six further occasions during the year to specifically review documents and consider proposals in relation to the Jackson demerger and the Hong Kong share offer. Some scheduled meetings were extended to allow time for the Committee to increase its understanding of the Asia business.

Throughout the year, the Committee continued to focus on the impact of Covid-19 on the business, particularly in respect of controls, key judgements and disclosures. No specific matters arose that materially impacted the Group's balance sheet, viability or internal controls but we remain vigilant as the pandemic and government responses in our markets evolve.

In order to increase its focus on the Group's Asia and Africa entities, the Committee has strengthened its relationships in 2021 with the audit committees in each of the Material Subsidiaries and this will continue in 2022. Sessions were scheduled in 2021 and for 2022 for the Committee to receive presentations from local audit committee chairs and finance teams, to allow discussion of key accounting assumptions and judgements, control matters, key products and the drivers of profitability.

To further develop the close working relationship between the Committee and the local audit committees, Jeremy Anderson, the Chair of the Risk Committee and I co-chaired an annual session attended by all of the Non-executive Directors of the Material Subsidiaries. Key matters discussed included the impact of Covid-19 on financial matters and controls, cyber and information security, conduct, culture, oversight of third parties and the implementation of IFRS 17.

The Group's IFRS 17 project has gained momentum as we prepare for its adoption within our half year 2023 financial statements. This year the focus has been on some of the key judgements as well as building and testing the complex system changes needed to apply the new reporting requirements. The Committee has been kept informed of progress on a regular basis. More information on the project is contained in note A3.2 of the financial statements.

We have paid particular attention to our whistleblowing procedures and monitored these for any indicators of issues. I regularly meet privately with the Chief Security Officer to discuss whistleblowing cases and how they are resolved. These are also discussed in private sessions with the Committee or the relevant local audit committee.

Committee membership and compliance with regulatory requirements

During 2021 Chua Sock Koong, Jeanette Wong and Amy Yip joined the Committee. They each bring extensive financial and commercial knowledge and insight to the Committee, particularly in the Asia region. The Committee bids farewell to Alice Schroeder in May who, after joining the Committee in 2013, will step down from the Committee and the Board at the conclusion of the 2022 AGM. On behalf of the Committee, I would like to thank Alice for her significant contribution and deep knowledge of the US environment.

The Board has confirmed that each member of the Committee is independent according to SEC criteria and that I may be regarded as the Committee's financial expert for the purposes of section 407 of the Sarbanes-Oxley Act. Further, for the purposes of the UK and Hong Kong Corporate Governance Codes, each member of the Committee has recent and relevant financial experience. Detailed information on the experience, qualifications and skillsets of all Committee members can be found on pages 150 to 155.

External auditor

An important part of the Committee's work consists of overseeing the relationship with the Group's external auditor, currently KPMG LLP (KPMG), including safeguarding independence, approving non-audit fees and satisfying ourselves that it is in the best interests of shareholders for the Committee to recommend their reappointment.

The Committee discussed with KPMG the continued impact of Covid-19 to ensure that it was able to deploy sufficient resources and complete its audit work satisfactorily. The Committee continued its practice of meeting privately with KPMG and I have held a number of meetings with the lead partner throughout the year. Following the demerger of Jackson and therefore the change in the size of the Group, one area of discussion with KPMG has been the scope and materiality of audit work.

As reported last year, the Board has resolved that it intends to recommend EY for appointment as the Group's auditor for the financial year ending 31 December 2023 onwards, subject to shareholder approval at the AGM in 2023. KPMG will remain the Group's auditor until 2023. During 2021, EY and KPMG commenced the transition process, with EY meeting the Committee to confirm its independence of the Group in the fourth quarter of 2021. We will also be transitioning our lead KPMG partner for the 2022 audit following completion of Philip Smart's five-year term. I would like to thank Philip for his leadership of the external audit over these particularly challenging years.

Internal audit

During the year we engaged Deloitte to conduct an external review of Internal Audit's effectiveness. We were delighted to learn that the Function had received strong feedback which was in line with our own view of their performance during a period of considerable change for the Group. The Committee receives regular updates from the Group Chief Internal Auditor and key members of his team and I meet regularly with him and the Group-wide Quality Assurance Director to discuss internal audit work and matters arising. Having a strong function with appropriate resource focused on our key risks has been a priority of the Committee throughout the year.

Transactions

The Committee spent a considerable amount of additional time in 2021 reviewing offer documents and considering matters in connection with the Jackson demerger and the Hong Kong share offer.

For the Jackson demerger, the Committee reviewed the Circular several times before recommending the accounting aspects for approval by the Board. These reviews focused on: the approach to verification; the working capital analysis; the Financial Position and Prospectus Procedures; historical financial information contained in the Circular and the no-significant change statement. The treatment of Jackson in the Group's accounts following the demerger was also an area of focus. The Committee reviewed management representation letters, the status of work carried out by KPMG and the treatment of Jackson in the Group's accounts following the demerger. The Committee reviewed the Jackson Information Statement for the Form 10, including the due diligence processes and accounting matters raised by the SEC, particularly the restatement of the accounting for a reinsurance contract within the Jackson standalone US GAAP accounts which, given the differences between US GAAP and IFRS accounting literature, had no implications for the Group's accounts.

Following the publication of the Circular, the Committee reviewed the Supplementary Circular, including the half-year 2021 results, and made recommendations to the Board in connection with the internal reorganisation of the Group's holding in Jackson, which required the Committee to review an interim set of accounts and consider the demerger accounting steps.

For the Hong Kong share offer, the Committee reviewed and made recommendations to the Board, in respect of the draft Prospectus and offering documents, including the no material adverse change statement, the indebtedness statement and pro forma financial information.

Regulatory developments

A key focus for the Committee during 2021 has been the Group's programme to demonstrate compliance with the GWS Framework following the designation of Prudential in May 2021, as well as compliance with its reporting regulations. We also participated in the lessons learned project led by the Risk Committee that followed the prior year change to the modelling of Jackson's statutory capital and have amended our terms of reference as a result of the review.

Finally, I would like to thank our management colleagues for their huge efforts this past year in difficult circumstances, their responsiveness to challenge and the quality of papers; and my fellow Committee members for their diligence and contribution throughout the year.



David Law
Chair of the Audit Committee

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Accounting judgements and estimates supporting the Group's Results	<p>One of the Committee's key responsibilities is to monitor the integrity of the financial statements and any other periodic financial reporting. This year reviewing demerger and listing documents has added to the more regular focus on the half-year financial statements, the Annual Report and Accounts (including compliance with the GWS public reporting requirements), associated results announcements and Form 20-F disclosures, as well as the annual update of the Group's published Tax Strategy.</p> <p>In reviewing these and other items, the Committee received reports from management and, as appropriate, reports from internal and external assurance providers.</p> <p>When considering financial reporting matters, the Committee assesses compliance with relevant accounting standards, regulations and governance codes focusing on key areas of judgement and complexity. No material changes to accounting policies were made during 2021. The Committee continued to receive updates on the Group's plans to implement IFRS 9 '<i>Financial Instruments</i>' and IFRS 17 '<i>Insurance Contracts</i>', which are expected to be effective on 1 January 2023. The approach to adopting these standards is further discussed in note A3.2 of the IFRS financial statements.</p> <p>Throughout its review of financial reporting matters and disclosure, the Committee considered the impact of the Covid-19 pandemic and the short-term uncertainties that it has created. Further explanation on the financial impact Covid-19 has had on the business is set out in the Strategic and Operating Review and Financial Review sections of this annual report.</p> <p>The Committee reviewed the key assumptions and judgements supporting the Group's IFRS results, including those made in valuing the Group's investments, insurance liabilities and intangible assets under IFRS, together with reports on the operation of internal controls to derive these amounts. The Committee also reviewed the assumptions underpinning the Group's European Embedded Value (EEV) metrics.</p> <p>Assumptions setting</p> <p>The measurement of insurance liabilities is based on estimates of future cash flows, including those to and from policyholders, over a long period of time. These estimates can, depending on the type of business, be highly judgemental. The Committee considered changes to assumptions and other estimates used to derive IFRS insurance liabilities and for EEV reporting. The key assumptions reviewed were:</p> <ul style="list-style-type: none"> > Persistency, mortality, morbidity (including expectations of future medical costs inflation and related premium rises) and expense assumptions within the continuing life businesses. > Economic assumptions, including investment return and associated risk discount rates. This included review of the decision to include a liquidity premium within the valuation interest rate used by Thailand to calculate its IFRS policyholder liabilities as discussed in note C3.2. <p>The Committee was satisfied that the assumptions adopted by management were appropriate. Further information on the effects of material changes to insurance assets and liabilities is included in note C3 of the IFRS financial statements.</p> <p>Valuation of investments</p> <p>The Committee received information on the carrying value of investments in the Group's balance sheet including information on how those values were calculated for those investments which require more judgement. Further information on the valuation of assets is contained in note C2 of the IFRS financial statements. The Committee satisfied itself that overall investments were valued appropriately.</p> <p>Intangible assets</p> <p>The Committee received information to enable it to review the more material intangible asset balances, for example, whether there had been any indication of impairment of the Group's distribution rights asset or goodwill in light of the continued impact of the Covid-19 pandemic on activities in Asia countries. The Committee was satisfied that there was no impairment of the Group's intangible assets at 31 December 2021. Further information is contained in note C4 of the IFRS financial statements.</p> <p>Treatment of Jackson within the financial statements</p> <p>The Committee reviewed the accounting for the demerger of Jackson as explained in note D1.2 of the IFRS financial statements. This included confirmation that Jackson met the held for sale and discontinued criteria of IFRS 5 '<i>Non-current Assets Held for Sale and Discontinued Operations</i>' in half year 2021 and consideration of the fair value of Jackson at the same date. The Committee assessed management's analysis of the related presentation and disclosure in the financial statements and concluded they were appropriate.</p>

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Other financial reporting matters	<p>Demerger of Jackson</p> <p>The Committee reviewed the Shareholder Circular and Supplementary Circular prepared by management in accordance with the UK Listing Rules for the demerger of Jackson and was regularly briefed by Jackson management on its own preparation for listing as a stand-alone US entity. Assurance was sought from external parties including the Group's reporting accountants and financial advisers. The Committee reviewed the procedures undertaken to support the verification of material statements made in the Prudential Shareholder Circular. The Committee reviewed drafts of documents throughout 2021 and commented on the approach and content throughout the process.</p> <p>International placing and Hong Kong public offer of new share capital</p> <p>In October 2021, the Group issued new shares on the Hong Kong Stock Exchange through a concurrent Hong Kong public offer and international placing. The Committee reviewed the Prospectus for the share offer, prepared by management in accordance with the Hong Kong Listing Rules, and the procedures undertaken to support the verification of material statements made in the Prospectus.</p> <p>Going concern and viability statements</p> <p>The Committee considered various analyses from management regarding the capital and liquidity positions at Group and parent company level, taking into account the Group's principal risks. This included an assessment of the impact that different stress scenarios may have on the Group's plan and its resilience to those threats. Following this review, it recommended to the Board that it could conclude that the financial statements should continue to be prepared on a going concern basis and that the disclosures in the 2021 Annual Report and Accounts on the Group's longer-term viability were both reasonable and appropriate.</p> <p>Fair, balanced and understandable requirement</p> <p>The Committee carried out a formal review of whether the 2021 Annual Report and Accounts were 'fair, balanced and understandable' as required by the UK Corporate Governance Code. In particular, it considered whether the report gave a full picture of the Group's business model, strategy, financial position and performance in the year, with important messages appropriately highlighted. It also considered the level of consistency between financial statements and narrative sections, whether performance measures were clearly explained and the prominence of alternative performance measures.</p> <p>After completion of its detailed review, the Committee was satisfied that, taken as a whole, the Group's Annual Report and Accounts were fair, balanced and understandable.</p> <p>Taxation</p> <p>The Committee regularly received updates on the Group's tax matters and provisions for certain open tax items, including tax matters in litigation. The Committee was satisfied that the level of provisioning adopted by management was appropriate. See notes B3 and C7 of the IFRS financial statements. In 2021, the Committee was also updated on the OECD proposals to reform international tax including the introduction of a global minimum tax rate of 15 per cent intended to be effective from 2023.</p> <p>Parent company financial statements</p> <p>The Committee reviewed the parent company profit and loss account and balance sheet, which included the recoverability of the parent company's investment in subsidiaries by assessing and confirming that the net assets of the relevant subsidiaries (being an approximation of their minimum recoverable amount) were in excess of their carrying value at the balance sheet date.</p>
External Audit	<p>External audit effectiveness</p> <p>The Group's external auditor is KPMG LLP (KPMG) and oversight of the relationship with KPMG is one of the Committee's key responsibilities. The Committee reviewed the effectiveness of the auditor throughout the year taking into account:</p> <ul style="list-style-type: none"> > The detailed audit strategy for the year, approach to risk assessment and coverage of the audit response to highlighted significant risks; > Their approach to Group materiality setting in the context of the demerger of Jackson and their proposal on how that is applied to the individual business units; > Insight around the key accounting judgements and the way KPMG applied constructive challenge and professional scepticism in dealing with management; > The outcome of management's internal evaluation of the auditor as discussed below; and > Other external evaluations of KPMG, with a focus on the FRC's annual quality review.

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
External Audit continued	<p>There is an open dialogue on emerging risks and issues between the Group Lead Partner and Committee members via a regular schedule of meetings aligned to key reporting milestones. In 2021 the Committee formally met with the Group Lead Partner without management present on two separate occasions.</p> <p>Internal evaluation of KPMG was conducted using a questionnaire survey that was circulated to the Committee members, independent members of the audit committees of Material Subsidiaries, the Group Chief Financial Officer and Chief Operating Officer and the Group's senior financial leadership for completion. A key component of the evaluation was the degree of challenge and robustness of approach to the audit. The survey asked 29 questions over four categories (audit quality and execution, team performance, process and communication) in relation to the 2020 audit.</p> <p>KPMG was given the opportunity to respond to the findings in the reports and where necessary, proposed enhancements to the audit process and team.</p> <p>The Committee noted the publication by the FRC in July 2021 of the results of its Annual Quality Review. While the report contained a number of areas for improvement for KPMG as a whole, the Committee noted that the FRC had reviewed KPMG's audit of Prudential's financial statements for the year ended 31 December 2019, for which no significant recommendations were made by the FRC for further improvement and a number of areas of good practice were highlighted.</p> <p>Auditor independence and objectivity</p> <p>The Committee has responsibility for monitoring auditor independence and objectivity and is supported in doing so by the Group's Auditor Independence Policy (the Policy). The Policy is approved annually by the Committee. It sets out the circumstances in which the external auditor may be permitted to undertake non-audit services and is based on four key principles which specify that the auditor should not:</p> <ul style="list-style-type: none"> ➤ Have a mutual or conflicting interest with the Group; ➤ Audit its own firm's work; ➤ Act as management or employees for the Group; or ➤ Be put in a position of being an advocate for the Group. <p>The Policy has two permissible service types: those that require specific approval by the Committee on an engagement basis and those that are pre-approved by the Committee with an annual monetary limit capped at no more than five per cent of the Group audit fee in the proposed year and capped at \$65,000 individually. The Policy also provides that the total fees payable to KPMG for non-audit services, other than those required by law or regulation, shall be limited to no more than 70 per cent of the average audit fees paid in the past three consecutive financial years. In accordance with the Policy, the Committee approved these permissible services, classified as either audit or non-audit services, and monitored the usage of the annual limits on a quarterly basis. Non-audit services undertaken by KPMG were agreed prior to the commencement of work and were confirmed as permissible for the external auditor to undertake in accordance with the Policy which complies with the rules and regulations of the FRC's Revised Ethical Standard (2019), the US Securities and Exchange Commission (SEC) and the standards of the Public Company Accounting Oversight Board (PCAOB).</p> <p>The Committee monitored the nature and extent of non-audit services on a regular basis to ensure the provision of non-audit services complied with the Group's Policy and did not impair the auditor's objectivity or independence. The Committee noted that KPMG typically only performed non-audit services where they complemented its role as external auditor, for example the review of half year and EEV financial statements or additional assurance to support capital market requirements. This work has by necessity been significant as a result of the demerger of Jackson and the public offering in Hong Kong in 2021. It is not however considered to detract from the objectivity and independence of KPMG due to the nature of the work and the involvement of separate teams.</p> <p>In keeping with professional ethical standards, KPMG also confirmed its independence to the Committee and set out the supporting evidence for its conclusion in a report that was considered by the Committee prior to publication of the financial results.</p> <p>The Committee will continue to monitor developments to ensure the Group's policies and processes around audit effectiveness and independence evolve in line with market practice.</p>

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
External Audit <i>continued</i>	<p>Fees paid to the external auditor</p> <p>The fees paid to KPMG for the year ended 31 December 2021 amounted to \$15.5 million (2020: \$16.0 million) of which \$6.5 million (2020: \$3.8 million) was total amounts payable in respect of non-audit services, except those required by law and regulation, as defined by the FRC's Revised Ethical Standard (2019). A breakdown of the fees payable to KPMG can be found in note B2.4 of the IFRS financial statements. The ratio of non-audit fees for the Group in 2021 over the average of audit fees for the past three years is 51 per cent for the Group, 19 per cent below the 70 per cent cap set by the FRC.</p> <p>In 2021, \$2.1 million including amounts incurred by the discontinued US operations (2020: \$0.4 million) of the \$6.5 million (2020: \$3.8 million) spent on non-audit services, excluding those required by law and regulation, was for one-off services associated with the demerger of Jackson and the public offering of equity shares in Hong Kong. Excluding these one-off fees, total non-audit service fees that are subject to non-audit fee cap in 2021 were \$4.4 million compared with \$3.4 million in 2020. The services associated with this amount included the review of the Group's half year financial statements and EEV disclosures and in 2021 additionally included assurance work performed by KPMG in connection with Prudential Hong Kong's application to early adopt the new risk-based framework in Hong Kong, the result of which is pending.</p> <p>In all these cases, the audit firm was considered the most appropriate to carry out the work, given its knowledge of the Group and the synergies that arise from running these engagements alongside its main audit.</p> <p>All non-audit services were pre-approved by the Committee and were in line with the Policy discussed above.</p> <p>Reappointment of the external auditor</p> <p>Based on the outcome of the effectiveness evaluation and all other considerations, the Committee concluded that there was nothing in the performance of the auditor which would require a change at the next AGM. The Committee therefore recommended that KPMG be reappointed as the auditor. A resolution to this effect will be proposed to shareholders at the 2022 AGM.</p> <p>Audit tender</p> <p>The Committee acknowledges the provisions contained in the UK Code in respect of audit tendering, along with legal requirements on mandatory lead auditor rotation and audit tendering. In conformance with these requirements, the Company conducted a competitive tender in 2020 to change audit firm for the 2023 financial year end. KPMG was appointed in 1999 and since 2005, the Committee has annually considered the need to retender the external audit service.</p> <p>Following the tender in 2020, the Board resolved that it intends to recommend EY for appointment for the year ending 31 December 2023 onwards, subject to shareholders' approval at the AGM in 2023. Transition to the new audit firm has commenced and in the fourth quarter of 2021 EY confirmed to the Committee their independence from the Prudential Group. A description of the detailed tender process is set out in the 2020 Annual Report and Accounts.</p> <p>Throughout the 2021 financial year, the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the UK Competition and Markets Authority.</p> <p>Lead Audit Partner Rotation</p> <p>Philip Smart, KPMG Group Lead Partner, was appointed in respect of the 2017 financial year and is expected to be replaced after a five-year term following the completion of this 2021 reporting cycle. In line with the Financial Reporting Council's Ethical Standard, the rules and regulations of the SEC and the standards of the PCAOB, a new Group Lead Partner will be required for the 2022 audit. The replacement Lead Partner has been identified and an appropriate transition plan is in place. During the 2021 year end audit, the new Lead Partner shadowed Mr Smart and met with members of the Committee and management team and attended Committee meetings.</p>

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Whistle blowing	<p>Speak out</p> <p>The Group continues to operate a Group-wide whistleblowing programme ('Speak Out'), hosted by an independent third party (Navex). The Speak Out programme received ad hoc reports from a wide variety of channels, including a web portal, hotline, email and letters. Reports are captured, confidentially recorded by Navex, and triaged by Group Security Investigations prior to investigation by the appropriate teams.</p> <p>The Committee is responsible for oversight of the effectiveness of the Group's whistleblowing arrangements. The Committee received regular reports on the most serious cases and other significant matters raised through the programme and the actions taken to address them. The Committee was also briefed on emerging Speak Out trends and themes. The Committee may, and has, requested further reviews of particular areas of interest.</p> <p>The Committee reviews the Group's Speak Out programme annually, satisfying itself that it continues to comply with legal, regulatory and governance requirements. The Committee also considered the consistency of approach adopted across subsidiary audit committees. The Speak Out programme has been further strengthened during the year by the management level committees. Where relevant, the Committee requested information on the sharing of lessons learned.</p> <p>The Chair and Committee spent time privately with the Group Chief Security Officer to understand outcomes of investigations, ensure that investigations were adequately resourced and appropriately managed, that there had been no retaliation against anyone making a report and that investigations were not improperly influenced.</p> <p>A review of the Speak Out programme and its oversight was undertaken in 2021.</p>
Internal audit	<p>Regular reporting</p> <p>The Committee received regular updates from GwIA on audits conducted and management's progress in addressing audit findings within agreed timelines. Any delays in implementing remediation actions were escalated to the Committee and given particular scrutiny.</p> <p>The independent assurance provided by GwIA formed a key part of the Committee's deliberations on the Group's overall control environment. During 2021, the areas reviewed included: transformation and change management (in particular relating to the demerger of Jackson); financial controls; outsourcing and third-party supply; customer outcomes; cyber security and IT risk; compliance and regulatory; and the second line.</p> <p>The Group Chief Internal Auditor reports functionally to the Committee Chair and, for management purposes, to the Group Chief Executive, and also has direct access to the Chair of the Board. In addition to formal Committee meetings, the Committee meets with the Group Chief Internal Auditor in private to discuss matters relating to, for example, the effectiveness of the internal audit function, significant audit findings and the risk and control culture of the organisation.</p> <p>The Committee Chair also meets with GwIA's Quality Assurance Director to discuss the outcome of the quality reviews of GwIA's work and actions arising.</p> <p>Annual internal audit plan and focus for 2022</p> <p>GwIA operates a rolling six-month approach to audit planning. The Committee approved the plan for the second half of 2021. It also considered and approved the Internal Audit Plan, resource and budget for the first half of 2022.</p> <p>The H1 2022 Internal Audit Plan was formulated based on a bottom-up risk assessment of audit needs mapped against various metrics combined with top-down challenge. The plan was then mapped against a series of risk and control parameters, including the top risks identified by the Risk Committee, to verify that it is appropriately balanced between financial, business change, regulatory and operational risk drivers and provides appropriate coverage of key risk areas and audit themes within a risk-based cycle of coverage. Key areas of focus for H1 2022 include: strategic change initiatives; customer outcomes; cyber security; financial risk and financial controls; culture; outsourcing and digitalisation.</p>

Principal activities and significant issues considered by the Audit Committee during 2021

Matters considered	How the Committee addressed the matter
Internal audit <i>continued</i>	<p>Effectiveness of Internal Audit</p> <p>The Committee is responsible for approval of the GwIA charter, audit plan, resources, and for monitoring the effectiveness of the function.</p> <p>The Committee also assesses the effectiveness of GwIA through a combination of External Quality Assessment (EQA) reviews, required every five years, and an annual internal effectiveness review.</p> <p>In 2021, Deloitte performed an EQA of GwIA, which assessed GwIA as a mature function that Generally Conforms (the highest rating under the IIA's framework) with the Institute of Internal Audit (IIA) International Professional Practices Framework and Internal Audit Financial Services Code of Practice (the Standards), and with the approach to meeting the requirements and expectations of the Hong Kong Insurance Authority including the Groupwide Supervision framework. The assessment also considered GwIA's purpose, position, processes and reporting in the context of the Group's wider systems of governance.</p> <p>Having considered the findings of the EQA and the 2021 Internal Effectiveness review, performed by the GwIA Quality Assurance Director, the Committee concluded that GwIA had continued to operate independently of management and in compliance with the requirements of GwIA delegated authorities, procedures and practice standards in all material respects and had remained aligned to mandated objectives during 2021.</p>
Internal control and risk management	<p>Internal control and risk management systems</p> <p>The Committee is responsible for reporting and making recommendations to the Board on the effectiveness of the Group's system of risk management and internal control.</p> <p>The Committee considered the outcome of the annual review of the system of risk management and internal control. The review identified specific areas for improvement and the necessary actions that have been, or are being, taken.</p> <p>Group Governance Manual</p> <p>The Group Governance Manual (the Manual) sets out the general principles by which we conduct our business and ourselves and defines our Group-wide approach to Governance, Risk Management and Internal Control.</p> <p>Incorporating our Group Code of Business Conduct, the Group Governance Manual sets out the general principles by which we conduct our business and ourselves. Each business attests annually to compliance with:</p> <ul style="list-style-type: none"> > Mandatory requirements set out in Group-wide policies, including the Group Code of Business Conduct; and > Matters requiring prior approval from those parties with delegated authority. <p>The Committee reviewed the results of the Group Governance Manual annual content review and the results of the year-end compliance attestation for the year ended 31 December 2021.</p>