

Group Third Party Supply and Outsourcing Policy

Objective

The Group Third Party Supply and Outsourcing ("GTPSO") Policy ensures compliance to the Hong Kong Insurance Authority's ("HKIA") Group-wide Supervision Outsourcing regulations (Module I) and broadens the scope of the HKIA's Outsourcing regulations to cover governance and risk management for all service provider relationships across the Group.

Large organisations, such as Prudential plc and its Business Units ("BUs"), use Third Party Supply and Outsourcing providers to allow them to focus on their core business strengths, reduce costs and manage their delivery risks. Notwithstanding these benefits the use of such third parties (whether Intra-Group or external) can also impact the risk profile of an organisation.

There is a risk with Third Party Supply and Outsourcing arrangements that they could fail, provide an inadequate service or act in a manner that is not aligned to Prudential's values, policies, standards or in the interests of existing and potential customers, which could result in significant business interruptions, liability for losses and costs, reputational damage and regulatory breaches for Prudential plc and its business units.

Principles

Key principles include:

- Provides a consistent Group-wide definition of third party supply, outsourcing, and intra-group outsourcing, and provides clarification of what may be considered "material outsourcing";
- Summarises the Group's due diligence/selection criteria for material outsourced third party supply and intra-group arrangements;
- Defines the minimum contractual requirements for third party suppliers and intra-group arrangements;
- Describes the management and monitoring requirements for material outsourcing, third party supply arrangements and intra-group arrangements, including the required governance structures needed by the HKIA, the associated roles and responsibilities and our supervisory authority notification requirements;
- Defines reporting and escalation principles at BU and Group level for material outsourcing, third party supply contracts and intra-group arrangements; and
- Defines the new additional requirements where an arrangement, whether with a third party supplier or an intra-group arrangement, will need to be notified to the Hong Kong Insurance Authority as deemed material outsourcing.