



**PHILAM EQUITABLE LIFE
ASSURANCE COMPANY, INC.
2015 ANNUAL REPORT**

1 Cash Production Report

The table below shows the company's cash production for FYTD November 2015 and February 2016.

November 2015

| Amounts in Php '000s | FYTD Nov 2015 Actual | FYTD Nov 2014 Actual | Growth over PY | FYTD Nov 2015 Budget | Actual vs Budget |
|----------------------|----------------------|----------------------|----------------|----------------------|------------------|
| First Year Premium | - | - | n/a | - | n/a |
| Renewal Premium | 15,280 | 19,614 | -22.10% | 21,068 | -27.47% |
| Single Premium* | (16) | (34) | -51.70% | - | n/a |
| Total Premium | 15,264 | 19,580 | -73.79% | 21,068 | -27.55% |

February 2016

| Amounts in Php '000s | FYTD Feb 2016 Actual | FYTD Feb 2015 Actual | Growth over PY | FYTD Feb 2016 Budget | Actual vs Budget |
|----------------------|----------------------|----------------------|----------------|----------------------|------------------|
| First Year Premium | - | - | - | - | n/a |
| Renewal Premium | 2,621 | 4,055 | -35.35% | 2,202 | 19.04% |
| Single Premium* | (6) | (5) | 35.15% | - | n/a |
| Total Premium | 2,615 | 4,050 | -35.43% | 2,202 | 18.76% |

***Negative value represents the taxes on COI*

The table below shows the net asset value of PELAC's VUL funds as of February 29, 2016.

| Fund Amounts in '000s | Original Currency (USD) | Translated Amount (PHP) |
|-----------------------|-------------------------|-------------------------|
| Principal Protect 1 | 1,250 | 59,417 |
| Principal Protect 2 | 3,053 | 145,177 |
| High Water Mark | 1,143 | 54,334 |
| Total | 5,445 | 258,928 |

2 2015 Calendar Year Results

Presented below are the Financial Highlights for Calendar Year 2015 versus 2014 (Philippine GAAP basis).

| Phil. GAAP basis Amounts in Php '000s | CYTD Dec 2015 Actual | CYTD Dec 2014 Actual | Growth Over PY |
|---|----------------------|----------------------|----------------|
| Net Insurance Premiums | 2,764 | 4,813 | -42.6% |
| Net Investment Income | 34,641 | 37,513 | -7.7% |
| Gain on Sale of Available for Sale Financial Assets | 3,441 | 15,033.00 | 100.0% |
| Net Insurance Benefits and Claims | 3,772 | 9,831 | -61.6% |
| Operating Expenses | 32,060 | 30,691 | 4.5% |
| Net Income | 24,284 | 23,054 | 5.3% |

After the termination of the Bancassurance Agreement with BDO in 2009, PELAC was no longer issuing new policies. As a result, gross premium decreased by 28% in 2015 versus 2014. Income recognized in 2015 originated mostly from renewal premium and fees from VUL policies.

Net investment income during the period in the amount of P34.64 Million declined by 8% mainly from lower investment income from bonds due to disposals made in 2015, lower interest on policy loans & lower interest on time deposits. Gain on sale of available for sale financial assets of P3.44 Million came from disposal of bonds in anticipation of scheduled maturities, bulk of which occurred in 2014.

Operating Expenses stood at P32.06 Million, which consisted mainly of the shared service charges from Philam Life. The decrease in net insurance benefits and claims was due to the release of reserves largely coming from 10-year variant of Preferred Dollar, bulk of which matured in 2014.

On the balance sheet, Total Assets slightly increased by 5% mostly coming from increase in Reinsurance receivables from payment of maturities & surrenders (P143M) offset by decrease in investments & cash (P85M) due to sale of bonds and lower Policy Loans for the year (P4M).

3 2015 Audited Financial Statements

A. Balance Sheets

| | December 31, 2015 | December 31, 2014 <i>(As restated)</i> | January 1, 2014 <i>(As restated)</i> |
|---|----------------------|--|--|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | 43,636 | 57,721 | 166,177 |
| Insurance receivables | 388,559 | 245,518 | 114,508 |
| Financial assets at fair value through profit or loss | 264,494 | 267,188 | 285,561 |
| Available-for-sale financial assets | 378,359 | 449,254 | 466,632 |
| Loans and receivables | 96,106 | 99,765 | 105,178 |
| Accrued income | 10,458 | 9,481 | 9,584 |
| Other assets | 530 | 406 | 6,034 |
| Total assets | 1,182,142 | 1,129,333 | 1,153,674 |
| <u>LIABILITIES AND EQUITY</u> | | | |
| Insurance contract liabilities, net | 323,316 | 325,932 | 351,059 |
| Premium deposit fund | 6,647 | 5,070 | 8,173 |
| Policyholders' dividends | 548 | 761 | 1,662 |
| Reserve for policyholders' dividends | 128 | 457 | 919 |
| Insurance payables | 18,802 | 15,660 | 37,278 |
| Accounts payable and accrued expenses | 95,512 | 51,969 | 48,654 |
| Total liabilities | 444,953 | 399,849 | 447,745 |
| Share capital | 250,000 | 250,000 | 250,000 |
| Contributed surplus | 25,000 | 25,000 | 25,000 |
| Contingency surplus | 169,100 | 169,100 | 169,100 |
| Reserve for fluctuation on available-for-sale financial assets | 67,226 | 83,805 | 83,304 |
| Retained earnings | 225,863 | 201,579 | 178,525 |
| Total equity | 737,189 | 729,484 | 705,929 |
| Total liabilities and equity | 1,182,142 | 1,129,333 | 1,153,674 |

B. Statements of Income

| | Notes | 2015 | 2014 <i>(As restated)</i> |
|---|-------|---------------|------------------------------|
| REVENUES AND OTHER INCOME | | | |
| Gross premium on insurance contracts | | 13,963 | 19,517 |
| Reinsurers' share of gross premiums on insurance contracts | | (11,199) | (14,704) |
| Net insurance premiums | | 2,764 | 4,813 |
| Investment income | | 35,228 | 37,613 |
| Foreign exchange gains | | 16,952 | 1,852 |
| Fee income | | 5,285 | 8,396 |
| Gains on sale of available-for-sale financial assets | | 3,441 | 15,033 |
| Commission income | | 2,110 | 2,650 |
| Fair value losses on financial assets at fair value through profit or loss, net | | (6,804) | (2,073) |
| Other income | | 5,956 | 24 |
| Total revenues and other income | | 64,932 | 68,308 |
| EXPENSES | | | |
| General and administrative expenses | | 31,067 | 29,258 |
| Benefits and claims paid on insurance contracts, net | | 20,653 | 39,298 |
| Investment expense | | 587 | 100 |
| Insurance taxes, licenses and fees | | 388 | 1,147 |
| Commissions and other acquisition expenses | | 16 | 20 |
| Interest expense | | 2 | 166 |
| Change in insurance contract liabilities, net | | (16,881) | (29,467) |
| Total expenses | | 35,832 | 40,522 |
| INCOME BEFORE INCOME TAX | | 29,100 | 27,786 |
| INCOME TAX EXPENSE | | 4,816 | 4,732 |
| NET INCOME FOR THE YEAR | | 24,284 | 23,054 |

C. Statements of Changes in Equity

| | Share capital | Contributed surplus | Contingency surplus | Reserve for fluctuation on available-for-sale financial assets | Retained earnings | Total |
|---------------------------------|----------------|---------------------|---------------------|--|-------------------|----------------|
| AS AT JANUARY 1, 2014 | | | | | | |
| As previously reported | 250,000 | 25,000 | 169,100 | 83,304 | 202,918 | 730,322 |
| Effect of restatement (Note 19) | - | - | - | - | (24,393) | (24,393) |
| As restated | 250,000 | 25,000 | 169,100 | 83,304 | 178,525 | 705,929 |
| COMPREHENSIVE INCOME | | | | | | |
| Net income for the year | - | - | - | - | 23,054 | 23,054 |
| Other comprehensive income | - | - | - | 501 | - | 501 |
| Total comprehensive income | - | - | - | 501 | 23,054 | 23,555 |
| AS AT DECEMBER 31, 2014 | 250,000 | 25,000 | 169,100 | 83,805 | 201,579 | 729,484 |
| COMPREHENSIVE INCOME | | | | | | |
| Net income for the year | - | - | - | - | 24,284 | 24,284 |
| Other comprehensive loss | - | - | - | (16,579) | - | (16,579) |
| Total comprehensive income | - | - | - | (16,579) | 24,284 | 7,705 |
| AS AT DECEMBER 31, 2015 | 250,000 | 25,000 | 169,100 | 67,226 | 225,863 | 737,189 |

CAPITAL STRUCTURE

| | | |
|--------------------------|---|------------------|
| Authorized Capital Stock | - | P600,000,000.00 |
| Subscribed & Paid-up | - | P250,000,000.00 |
| Par Value | - | P10.00 per share |

LIST OF STOCKHOLDERS

| Name of Stockholder | Shares Held | Class | Amount Paid | % of Ownership | Nationality | Beneficiary Ownership | Date of First Appointment |
|--|-------------------|--------|-----------------------|----------------|---------------|-----------------------|---------------------------|
| The Philippine American Life and General Insurance Company (Philam Life) | 24,999,993 | Common | 249,999,930.00 | 100% | Hong Kong SAR | | |
| J. Axel Bromley (Executive Director/Chairman) | 1 | Common | 10.00 | | U.S. Citizen | Philam Life | July 1, 2015 |
| Andreas Rosenthal (CEO/Executive Director) | 1 | Common | 10.00 | | German | Philam Life | September 28, 2015 |
| Ernesto R. Lagdameo, Jr. (Independent Director) | 1 | Common | 10.00 | | Filipino | Philam Life | November 18, 2003 |
| Victoria S. Licuanan (Independent Director) | 1 | Common | 10.00 | | Filipino | Philam Life | January 30, 2007 |
| Eric S. Lustre (Executive Director/CIO) | 1 | Common | 10.00 | | Filipino | Philam Life | April 19, 2011 |
| Ma. Adoracion R. Go (Executive Director/Controller) | 1 | Common | 10.00 | | Filipino | Philam Life | April 19, 2011 |
| Richard Sumner (Non-Executive Director) | 1 | Common | 10.00 | | British | Philam Life | July 30, 2014 |
| TOTAL | 25,000,000 | | 250,000,000.00 | 100% | | | |

CORPORATE GOVERNANCE

The implementation of corporate governance principles is a priority of the Philam Group. Accordingly, the Board ensures compliance with IC Circular Letter No. 31-2005. The Corporation adopted a Manual of Corporate Governance in compliance with IC Circular Letter No. 21-2009. PELAC confirms its full compliance with the Code of Corporate Governance, and its commitment to the highest standards of corporate governance is rooted in the belief that a culture of integrity and transparency is essential to the consistent achievement of its common goals. Creating a sustainable culture, where trust and accountability are as vital as skill and wisdom, steers us toward achieving long-term value for shareholders and clients, and strengthens our confidence in the institution.

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board of Directors exercises all the powers of the corporation, and all business conducted and all properties of the corporation are controlled and held by them. The Board is completely independent from management and major stockholders. The Board is accountable to the shareholders and as such it shall ensure the highest standard of governance in running the Company's business and setting the strategic directions. The detailed role and responsibilities are set forth in the By Laws and the Manual of Corporate Governance.

BOARD INDEPENDENCE

The Corporation has two (2) independent directors and who meet all the requirements set in the Manual of Corporate Governance. Each of the independent directors meets the guidelines set in the Manual of Corporate Governance. None of the independent directors has any business or significant financial interest in the Company or any of its subsidiaries. They, therefore, continue to be considered independent.

BOARD PROCESS

Board meetings are held semi-annually (scheduled at the beginning of the year) unless a special meeting is necessary to consider urgent matters. The Corporate Secretary schedules the meetings at the beginning of the year, which however may be subject to changes depending on the availability of the directors. The Corporate Secretary also ensures that Board materials are sent to the members at least five (5) business days in advance of the scheduled board meetings.

The minutes of meetings of the Board and all Committee are recorded and kept by the Corporate Secretary. The minutes are open for inspection by the Board and the stockholders upon request.

ELECTION OF DIRECTORS

The Corporation uses a transparent procedure for the election of directors which is provided in the By Laws and the Manual of Corporate Governance. The Nomination Committee looks into the qualifications of directors and thereafter presented to the Board for consideration.

ORIENTATION PROGRAM AND TRAINING

The Corporate Secretary, together with the key officers of the corporation, provide the orientation for new directors to explain the organizational profile, charters, by-laws, policies and procedures in the Corporation. Board Induction/Orientation materials are also provided to the new directors for their reference. A corporate governance seminar is also arranged for each director to ensure adherence to best practices on corporate governance.

PERFORMANCE EVALUATION

The Corporation has patterned its performance evaluation to Philam Life, the criteria of which are based on the Insurance Commission's Circular on Corporate Governance. Every April of each year, all members of the Board, are given assessment questionnaires for the purpose of evaluating the performance of the Board, the Committees, the Chairman of the Board, and the Chief Executive Officer. The results are then collected and submitted to the Nomination and the Governance Committee, which will then be submitted to the Board for its notation.

2015 MEMBERS OF THE BOARD OF DIRECTORS

Board Chairman:

J. Axel Bromley

Executive Director:

Andreas Rosenthal
Eric S. Lustre
Adoracion R. Go
Amelita M. Intalan *(resigned effective 31 January 2016)*

Non-Executive Director:

Richard Sumner

Independent Directors:

Ernesto R. Lagdameo, Jr.
Victoria S. Licuanan

BOARD OF DIRECTORS

J. AXEL BROMLEY (47)

Executive Director/Chairman of the Board

Mr. Axel Bromley is the Chief Executive Officer of The Philippine American Life and General Insurance Company (Philam Life). He holds various positions within the Philam Group Boards such as: Chairman of Philam Foundation; Chairman of Philam Asset Management; Inc.; Chairman of Philam Equitable Life Assurance Company; and Director of BPI-Philam Life Assurance Corporation.

Prior to his appointment as CEO of Philam Life, Mr. Bromley served as Director of Strategic Initiatives at AIA Group Limited, Philam Life's parent company. Before joining AIA, Mr. Bromley was the General Manager of MetLife Ukraine from 2012 to 2014. He started his career in the insurance industry as a Management Associate for AIG ALICO in 2002 and worked his way up as a Broker Relations Manager, Profit Center Manager of Accident and Health Products then Regional Agency Executive in ALICO Dubai, General Manager of MetLife ALICO in Nepal, and Country Manager of MetLife Qatar.

Mr. Bromley earned his Bachelor's degree in International Relations with a Near Eastern Studies emphasis at Brigham Young University in Utah, USA in 1995. He received a dual masters degree in International Management and Masters of Business Administration (with honors) at Thunderbird School of Global Management and Arizona State University, respectively, in 2002. Mr. Bromley is fluent in Arabic, Spanish, and Vietnamese.

ANDREAS ROSENTHAL (44)

Executive Director/ Chief Executive Officer

Dr. Andreas Rosenthal, German, joined Philam Life in February 2012 as Chief Financial Officer. During those times, he was responsible for the supervision of Philam Life's Finance Operations which consist of Actuarial, Investment, Financial Reporting and Controllership, Risk Management, Treasury and Procurement. He was a primary contributor to the Company's success on the duration of his leadership.

Coming from a one year stint from AIA Korea, he re-joins Philam Life this August 2015 and will assume a bigger role as CFO and Head of Transformation.

He brings with him 18 years of experience in insurance industry across multiple functions such as finance, actuarial, product development and risk management. He held CFO positions in various countries in Asia and was the Regional CFO for Allianz SE covering the entire Asia-Pacific region (responsible for 15 markets) for both the life insurance and property & casualty businesses.

He holds a PhD in Mathematics from the University of Bielefeld in Germany and a Master's Degree (Diplom-Mathematiker) from the FU University of Berlin.

ERNESTO R. LAGDAMEO, JR. (79)

Independent Director

ERNESTO R. LAGDAMEO, JR., has been an Independent Director of the Company since 2003 and was re-elected last 08 April 2015. Now a retired business executive, he continues to serve as a corporate director for several other Philippine companies and is still active in non-government organizations and professional groups as a lecturer/speaker on youth formation, parenting, family management, work attitude development, lifestyle and retirement planning.

His present corporate positions include: Director and Treasurer, Service Partners, Inc.; Director and Vice President, Industrial Underwriters & Commercial Corp. He has been Chairman of A Brown Co., Inc., Philnor Consultants and Planners, Inc., W. Brown & Co., Inc.; Xavier Sports and Country Club, Sinagtala Publishers, Inc. Epic-Asia Int'l Consultants, Inc.; Vice Chairman of Commonwealth Insurance Co., Sanitary Wares Manufacturing Corporation (Philippine Standard); President of Rebar Building, Inc.; Vice President of Warner Barnes & Co., Inc.; Northern Cement Corporation; and Director of Philippine Bank of Commerce, FNCB Finance, and General Paint Corp. (Phil.), Inc.

He is Chairman Emeritus of Educhild Foundation, Inc., a non-profit organization dedicated to the continuing education of parents for the proper upbringing of children, organized in Manila in 1976. He also served as Chairman of the Board of Trustees of St. Scholastica's College (Manila), Chairman and President of Educhild Foundation, Inc.; Trustee of PAREF Southridge Private School for Boys and as Member of the National Executive Board & Treasurer of the Boy Scouts of the Philippines.

Mr. Lagdameo is an accounting graduate of De La Salle University, a holder of an MBA from the same institution, and a Certified Public Accountant. A retired naval reservist, he holds the rank of Captain in the Philippine Navy.

VICTORIA S. LICUANAN (73)

Independent Director

Professor Victoria S. Licuanan is currently a research fellow and adjunct faculty of the Asian Institute of Management (AIM). Prior to her retirement, she was Dean of AIM in 2005-2010, and continues to teach economics, negotiations, strategy and Asian business in addition to research.

Prof. Licuanan's major research projects are in overseas migration issues, entrepreneurship and behavioral economics. Her current research is a randomized controlled trial (RCT) to measure the impact of new modules for the Pre-Departure Orientation Seminar (PDOS) that is currently mandated for all Filipinos leaving for overseas whether as temporary or permanent migrants. The research is funded by an international donor, and undertaken with a MOA with the Philippine Overseas Workers Welfare Administration. Her recent publications together with researchers in the USA and Europe are "Entrepreneurship and Innovation Initiatives among Asian Multinationals: A Cross-Country Analysis", published in the International Journal of Commerce and Management, and "The Drivers of Diaspora Donations for Development: Evidence from the Philippines", published in the journal World Development.

Aside from teaching, Prof. Licuanan is also an entrepreneur in the food business as well as in real estate. She is active in NGO work in early child education.

Prof. Licuanan obtained her undergraduate degree in business management (Magna Cum Laude) from Maryknoll College in the Philippines. She went to Harvard University under a Fulbright-Hays scholarship, where she completed her course work and comprehensive examinations for a Ph.D. in economics, specializing in monetary and international economics.

ERIC S. LUSTRE (54)

Executive Director/Chief Investment Officer

Eric S. Lustre is the Head of Corporate Finance and Real Estate Investment of The Philippine American Life and General Insurance Company. He is also the Country Credit Officer and Chief Executive Officer of Philam Properties Corporation, Philamlife Tower Management Corporation, Philamlife Tower Condominium Corporation and the President of Tower Club, Inc.

Mr. Lustre is a member of the Board of Directors of Phinma Corporation, Philam-Equitable Life Assurance Company, ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc. Pueblo de Oro Development Corporation, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He has a Bachelor of Science in Business Management from the Ateneo de Manila University and holds a Master's degree in Business Management major in Finance from the Asian Institute of Management.

RICHARD SUMNER (41)

Non-Executive Director

Mr. Richard Sumner, British, born in 1974. He leads the AIA Group Tax function and manages the Group's overall tax affairs. In addition to Group level responsibilities, his role involves advising AIA's Business Units in 17 markets across the Asia-Pacific region on a range of tax issues. Prior to joining AIA in July 2013, he was an Executive Director for Financial Tax Services, Hong Kong from October 2010 – July 2013 and Ernst & Young, London and Hong

Kong from May 2009 – July 2013. He lead Ernst & Young insurance tax practice in the Asia-Pacific region and was a member of their global insurance tax executive. In this regard he was the tax account leader for many of the largest pan-regional insurance groups in the Asia-Pacific market. He also led Ernst & Young's EMEI Financial Services Tax Desk in Hong Kong. His role in this area involved working with many of the predominant global banking, insurance and asset management groups in the regions. In May 2009 to October 2010, he was a Director for Financial Services Tax, London. He joined Ernst & Young as a Director in the firm's financial services International tax team with focus on the insurance sector. In this role, he advised a number of UK and non-UK based insurance groups (including groups in the life, non-life, brokerage and reinsurance sectors), as well as several major UK headquartered banks. From February 2008 until February 2009, he was seconded from PwC on a year-long secondment to HM Treasury, where he worked as a Senior Policy Advisor on insurance taxation and the taxation of foreign profits. Prior to his secondment to HM Treasury, he was the main day-to-day point of contact and the account manager for PwC's tax relationship with a number of the largest financial services groups in the world.

Mr. Sumner joined Coopers & Lybrand in September 1997 as a member of the insurance tax team, which sits within the wider financial services group.

From Summer 2002 until Spring 2005 Richard was seconded to PwC's Sydney office, where he initially worked within the financial services tax team dealing with clients from all areas of the financial services industry.

In January 2004 he transferred to the PwC Australian firm's specialist international tax team where he worked on a variety of cross border tax structuring projects, financial product arrangements and acquisitions/disposals.

MA. ADORACION R. GO (46)

Executive Director/Controller

Ms. Go is the Controller of The Philippine American Life and General Insurance Co (Philam Life). She also serves as the Controller of Perf Realty Corporation, Kapatiran Realty Corporation, Philam Call Center Services, Inc., Philamlife Tower Management Corporation and Philamlife Tower Condominium Corporation. She also holds directorships in various Philam companies such as: Philamlife Tower Management Corporation, Philamlife Tower Condominium Corporation, Kapatiran Realty Corporation, Perf Realty Corporation and 18/F, Holdings, Inc. Prior to joining Philam Life in 1997, she was an Audit Supervisor for Life/Non-Life Insurance Audits in SGV & Co.

Ms. Go was a graduate of the University of Saint La Salle, Bacolod City, with a Bachelor of Science in Commerce degree major in Accounting and passed the CPA Licensure Examinations in April 1991.

BOARD SUPPORT

ACE DEVINO A. CUSTODIO

Corporate Secretary

Atty. Ace Devino A. Custodio is currently the Assistant Corporate Secretary of The Philippine American Life & General Insurance Co. and BPI-Philam Life Assurance Corporation. He also serves as the Corporate Secretary of Philam Equitable Life Assurance Company, Inc., Philam Properties Corporation, Philam Asset Management, Inc., Philam Tower Realty Corporation, Philamlife Tower Condominium Corporation, Philamlife Tower Management Corporation, Philam Foundation, Inc. Philam Call Center Services, Inc., Kapatiran Realty Corporation, PERF Realty Corporation, and Tower Club, Inc.

Atty. Custodio is a graduate of University of Santo Tomas with a Bachelor of Arts Degree Major in Economics (cum laude). He likewise took his Bachelor of Laws Degree from the same University.

BOARD COMMITTEES

| MANAGEMENT & GOVERNANCE COMMITTEE | AUDIT COMMITTEE | INVESTMENT COMMITTEE |
|---|--|--|
| J. Axel Bromley - Chairman Andreas Rosenthal Ernesto R. Lagdameo, Jr. | Ernesto R. Lagdameo, Jr. - Chairman Victoria S. Licuanan Ma. Adoracion R. Go | Eric S. Lustre - Chairman Andreas Rosenthal Ma. Adoracion R. Go J. Vincent R. Daffon Tisha T. Darwin |
| NOMINATION COMMITTEE | REMUNERATION COMMITTEE | |
| J. Axel Bromley - Chairman Ma. Adoracion R. Go Ernesto R. Lagdameo, Jr. | J. Axel Bromley - Chairman Ma. Adoracion R. Go Ernesto R. Lagdameo, Jr. | |

BOARD & COMMITTEE MEETINGS

The Board had nine (9) meetings in 2015 and the directors received the materials at least five (5) working days in advance. The presence of at least five (5) directors is necessary to have a quorum.

The number of meetings held in 2015 and the overall attendance rate is:

| MEMBER | BOARD | AUDIT COMMITTEE | NOMINATION & GOVERNANCE COMMITTEE | REMUNERATION COMMITTEE |
|--------------------------|---|-----------------|-----------------------------------|------------------------|
| | NO. OF MEETINGS HELD & ATTENDED FOR THE YEAR 2015 | | | |
| | 9 MEETINGS | 2 MEETINGS | 3 MEETINGS | NONE |
| J. XEL BROMLEY* | 4 | - | 2 | - |
| ANDREAS ROSENTHAL** | 4 | - | - | - |
| ERNESTO R. LAGDAMEO, JR. | 9 | 2 | 3 | - |
| VICTORIA S. LICUANAN | 9 | 2 | - | - |
| ERIC S. LUSTRE | 8 | - | - | - |
| RICHARD SUMNER | 9 | - | - | - |
| MA. ADORACION R. GO | 9 | 2 | 3 | - |

Note: "-" indicates that the directors are not a member of this committee

*elected effective 01 July 2015

**elected effective 28 September 2015

RELATED PARTY TRANSACTIONS

Related Party transactions exist and details of which are provided in Note 17 of the Audited Financial Statement. The Company ensures that RPTs are conducted in such a way to ensure that they are fair and at arms' length, and disclose such facts in its Annual Performance Report and the Audited Financial Statements.

RISK MANAGEMENT

The Risk Management of PELAC is within the Enterprise Risk Management of the Philam Group. The following tools were implemented: Risk Control Self-Assessment (RCSA) and Risk Event Capture and Analysis Process (RECAP). On a quarterly basis, the monitoring of the results of RCSA is reported to the Risk Management Committee which includes discussion on the RECAP.

OPERATING PHILOSOPHY

The AIA Code of Conduct

Honesty and integrity are the cornerstones of the AIA business. AIA serves millions of customers across the most dynamic growth region in the world – and is known and admired for its unwavering commitment to these values.

This reputation and the trust it inspires is critical to the success of the organization. Dedication and commitment to high standards have helped build the organization in the past and for the present. It can only maintain that reputation into the future when each employee strives harder to do what is right and by being prepared to take their personal responsibilities in observing the highest standards of integrity and conduct at all times and in every dealings.

This is what the AIA Code of Conduct is about. It sets out AIA's and its member companies' commitment to the Operating Philosophy of **"Doing the Right Thing, in the Right Way, with the Right people... and the results will come."** This establishes the unique culture of AIA across all 17 markets within the Asia Pacific region that includes **Philam Equitable**.

The AIA Code of Conduct sets out the ethical guidelines for conducting business which is the same code that **Philam Equitable** observes. This serves as guide in managing the company's compliance, ethics, and risk issues.

The standards set forth in the Code also applies to the business partners including agents, contractors, subcontractors, suppliers, distribution partners, and those who act on behalf of AIA and **Philam Equitable**. Thus, the corporation, its directors, senior management and employees are mandated and required to comply with the policies. The Compliance Department is tasked to implement these policies and monitor compliance therewith.

Like AIA, **Philam Equitable** has always believed in the power of diverse, talented people to create value and deliver on customer and shareholder expectations. Thus, it competes vigorously to create new opportunities for its customers and for itself. However, competitive advantages are sought only through legal and ethical business practices. With the products, services and responsible business practices, **Philam Equitable** strives to improve the quality of life of every Filipinos. Promoting compliance with local laws and local regulatory requirements that apply to the business is at the foundation of **Philam Equitable's** good corporate citizenship.

Code of Conduct - Annual Certification Program

To ensure that all **Philam Equitable** employees are aware of the provisions of the Code, an annual certification program is conducted whereby all employees confirm their knowledge and understanding about the rules and guidelines written in the Code.

New Employees Orientation Program (NEOP)

At the same time, it is company policy that all new hires attend the New Employees Orientation Program (NEOP) wherein Company and all other relevant compliance policies are discussed. This program is offered on a monthly basis and is conducted either by Compliance or Training Dept.

PHILAM EQUITABLE SHAPES ETHICAL PRACTICES

Treating Customers Fairly

The Treating Customers Fairly policy demands that customers should be treated fairly at all times and that products, services, and advice must be appropriate to meet customer needs. Marketing, advertising and sales related materials and services must always be truthful and accurate and misrepresenting or attempting to mislead or deceive customers by use of unsupported or fictitious claims about **Philam Equitable** products or those of its competitors is not acceptable.

Philam Equitable should provide high standards of service and should respond promptly and fairly to customer feedback.

Philam Equitable adopts a structured framework in handling complaints related to market misconduct. The Customer Complaints Handling Process ensures that all customer complaints and grievances are immediately addressed. The process defines the step-by-step approach in addressing and handling complaints as a result of any of its sales personnel's misconduct.

There is a Compliance Disciplinary Committee that evaluates all complaints and determines whether a sales personnel has committed any wrongdoing. Any sales personnel found guilty of any market conduct related offense is subjected to appropriate sanctions.

Misconduct includes, but is not limited to, misrepresentation of product features, mis-selling, policy replacement, misappropriation of client monies, and any other infringement of the Market Conduct Guidelines.

Customer Privacy & Data Security

Customers expect **Philam Equitable** to carefully handle and safeguard the business and personal information that they share in the conduct of the business. **Philam Equitable** must never compromise a customer's trust by disclosing private information other than to those with a legitimate business need to know.

Employees who handle customer information are responsible for knowing and complying with applicable information privacy and information security laws. In all cases, appropriate physical, administrative and technical safeguards for personal information and business data must be maintained.

All employees are encouraged to be especially vigilant in following the laws, regulations and policies when transferring personal information and business data across country borders.

To ensure customer privacy and data security, **Philam Equitable** observes AIA's Data Privacy Compliance Guidelines. The guidelines outline the company's statement of values and provides guidance to employees on how personal data should be collected, used, stored, transferred and disposed of any of the members of **Philam Equitable**. The guidelines also clarifies the roles and responsibilities of each and every employee, and the relevant standards and procedural controls expected to secure personal data in accordance with the policy objectives.

The CEO is responsible for the implementation of the data privacy policy and guidelines, through its appointed Data Privacy Officer. This includes ensuring that all employees within the business unit are aware of their obligations stated in the policy and guidelines and that they comply with the standards when managing personal data collected in their business entity. The Business Conduct Orientation Program for new employees includes a module on Data Privacy Policy that is discussed lengthily to ensure that all employees understand their obligations under the local Data Privacy law and **AIA/ Philam Equitable's** Data Privacy policy.

Conflict of Interest

An employee's position in **Philam Equitable** must not be used for inappropriate personal gain or advantage. Any situation that creates, or even appears to create, a conflict of interest between personal interests and the interests of the company must be appropriately managed.

Conflicts of interest (whether potential or actual conflicts) must be reported. There is a system being used for the reporting. Managers are expected to take appropriate steps to prevent, identify and appropriately manage conflicts of interests of those they supervise.

All **AIA and Philam Equitable** employees are prohibited from taking for themselves, or directing to a third party, a business opportunity that is discovered through the use of company' corporate property information. **Philam Equitable** employees are prohibited from using corporate property, information or position for personal gain.

Employees are asked to declare if they have any personal relationships within the group. Immediate family members, members of the household and individuals with whom an employee has a close personal relationship within the group must never improperly influence business decisions. When determining whether a personal relationship might lead to a conflict of interest, the following questions can serve as guide:

- Does one of us have influence over the other at work?
- Does one of us supervise or report to the other?
- Could an outsider view the situation as a conflict of interest?

Supplier Selection

Supplier Selection, which provides that selection of suppliers and vendors should be selected on the basis of performance and merit in accordance with a fair and transparent process. Requirements for suppliers and vendors to follow the standards in the Code must be included in the vendor management program.

Fair Dealing

Following AIA's model, **Philam Equitable** seeks competitive advantages only through legal and ethical business practices. Every employee must conduct business in a fair manner with customers, service providers, suppliers and competitors. Disparaging competitors or their products and services is discouraged. Improperly taking advantage of anyone through manipulation, concealment, abuse of privileged information, intentional misrepresentation of facts or any other unfair practice is not and will not be tolerated at **Philam Equitable** much more in the AIA Group.

Social and Environmental Responsibilities

Social and Environmental Responsibilities, which encourages the Corporation and its employees to make a positive contribution to the society and the environment, to contribute positively to the social and economic development of the communities in which it operates, and to promote health, financial literacy, education and other community needs. The Corporation and its employees volunteer time and funds to programs that promote health, financial literacy, education and other community needs. AIA and **Philam Equitable** are committed to reduce the impact of its operations on the environment and raise awareness about sustainability by taking part in activities that highlight these issues.

Creditor's Rights

It is the policy of **Philam Equitable** to uphold creditor's rights by honoring its contractual obligations with all its creditors and counterparties, in accordance with the provisions of their contracts and the law. In the conduct of its business dealings with third parties, **Philam Equitable** undertakes to honor all its commitments, stipulations and conditions set forth in their binding agreements.

CORPORATE CITIZENSHIP

Communicating with Regulators & Other Governmental Officials

Inquiries from regulators outside the normal course of **Philam Equitable's** regulatory relationships, must be reported immediately to the Compliance Officer or a designated Legal Counsel before a response is made.

Financial reporting related inquiries may be responded to by authorised comptrollers. Responses to regulators must contain complete, factual and accurate information. During a regulatory inspection or examination, documents must never be concealed, destroyed or altered, nor must lies or misleading statements be made to regulators. Requests from auditors are subject to the same standards.

Anti-Money Laundering and Counter Terrorist Financing

“Money Laundering” is the process by which criminals conceal the nature or source of their illegal funds and disguise them to make them appear legitimate. It is not limited to drug money or banking transactions but may involve sophisticated schemes in every sector of the financial services industries from commercial and investment banking to insurance which is our core business.

Pursuant to Section 18 of Republic Act (RA) No. 9160, also known as the “Anti-Money Laundering Act of 2001”, as amended by RA No. 9194, RA No. 10167, RA No. 10168 and RA No. 10365 all covered institutions which include insurance companies supervised or regulated by the Insurance Commission are mandated to formulate their respective money laundering prevention program in accordance with the said law including, but not limited to, information dissemination on money laundering activities and its prevention, detection and reporting, and the training of responsible officers and personnel of covered institutions.

As a member company of AIA, **Philam Equitable** adopts the “AIA Anti-Money Laundering and Counter Terrorist Financing Program and incorporates it as part of the local program.

As a matter of policy, **Philam Equitable** shall foil any attempt by anyone to use the Company or its affiliates for money laundering purposes. This Anti-Money Laundering Program, together with the Company’s Guidelines, establishes the governing principles and business standards to protect **Philam Equitable** and its business operations from becoming an unwitting tool of money launderers. The company’s management, officers and staff must remain vigilant in the fight against money laundering and financing of terrorism and shall collectively oppose any effort to violate or flaunt the “Anti-Money Laundering Act of 2001”, as well as its implementing rules and regulations.

Throughout the world, AIA and its subsidiaries like **Philam Equitable** are firmly committed to complying with all applicable anti-money laundering laws, covered and suspicious transactions reporting and identification requirements. These include taking affirmative steps, within the confines of applicable laws, to prevent, detect and report money laundering activities to appropriate authorities.

Anti-Corruption & Bribery & Gifts and Entertainment

The Policy is applied alongside the AIA Code of Conduct. It provides guidance on giving and accepting gifts and entertainment. The Anti-Corruption Guidelines specifies the roles, responsibilities and procedural controls for transactions involving government officials. All relevant laws countering bribery and corruption must be upheld. If local laws and regulations require higher compliance standards vis-a-vis the guidelines of the AIA Code of Conduct, then **Philam Equitable** must meet the higher standards.

The local CEO is responsible for the implementation of this policy and guidelines including ensuring that all employees within his business unit are aware of their obligations stated in the Policy and Guidelines and comply with the standards. Compliance is responsible for maintaining the Policy and Guidelines for providing second line oversight and monitoring of effective implementation.

The Anti-Corruption & Bribery Policy basically prohibits all employees, agent, or independent contractor in providing bribes or other benefits to another person in order to obtain or retain business or unfair advantage in any business interaction involving **AIA and Philam Equitable**, its customers and employees.

The company is not allowed to use improper means to influence another person's business judgement. All employees and officers are required to comply with the guidelines. Any employee who has knowledge of or in good faith suspects a violation of any of these laws, regulations or policies must report them promptly to the Compliance Officer assigned in the business unit or otherwise as set out in the Speak Up program.

Prevention of Insider Trading & Price Sensitive Information

The AIA Group takes its obligations as a listed entity seriously and is committed to ensuring the highest standards of market conduct and fair dealing. The Hong Kong Securities and Futures Ordinance (SFO) prohibits market misconduct, including insider trading. Breaches of market misconduct laws are serious offences that attract heavy civil and criminal penalties.

Since **Philam Equitable** is a member of the AIA Group, it also adopts the same policy and follows the same guidelines. The Prevention of Insider Trading and Market Misconduct Policy aims to build a robust system to prevent market misconduct including insider trading. It sets out standards and controls to ensure compliance with the regulatory requirements. Lastly, the existence of this policy should prevent employees and directors from engaging in speculative trading in AIA Group Securities.

The policy applies to all employees and directors of AIA Group Limited and each of its subsidiaries ("AIA Group") just like **Philam Equitable**.

This policy defines the duty of each employee to safeguard material information from improper use. Under the policy, it is illegal to trade securities while in possession of a material non-public information and pass a material non-public information to anyone who may trade securities based on it or give others recommendations to buy or sell securities.

THE WHISTLEBLOW PROGRAM

Philam Equitable does business with integrity and follow the highest ethical principles. Any employee (or anyone else) may raise concerns of misconduct or wrongdoing within **AIA and Philam Equitable** that can allow investigation to fix any problems. This Policy guides all employees on how to raise ethical concerns and managers on how they should respond when this happens.

The Whistleblow Policy applies to all employees of the AIA Group including **Philam Equitable**. 'Whistleblower' refers to someone (an AIA employee, business partner, agent, consultant,

vendor, customer or other party) who informs **AIA or Philam Equitable** of suspected illegal or improper ways of doing business involving violation of laws, regulations, AIA or **Philam Equitable** policies, and other unethical actions that might negatively impact AIA's and **Philam Equitable's** reputation.

Employees who are aware of possible wrongdoing within **AIA and Philam Equitable** have a responsibility to disclose that information to management. Reports are taken seriously and investigated confidentially. Employees or other individuals will not suffer retaliation for reporting suspected wrongdoing in good faith.

An AIA Ethics line was developed to support the program. It is an independently managed website and hotline (telephone) service, receiving reports in local language, 24 hours a day, and 7 days a week. AIA and **Philam Equitable** can communicate with anonymous whistleblowers using this website via a secure platform.

The following misconduct including unethical or unlawful acts can be reported through this AIA Ethics line.

- Fraud, misappropriation, theft, bribery or corruption, giving or receiving inappropriate gifts or kickbacks;
- Harassment, bullying or assault, discrimination, conflicts of interest, or abuse of authority;
- Fake or falsification of signatures, customer accounts, information or business performance reports;
- Creating inappropriate funds or cash floats (slush funds) with travel agents, fake vendor bids etc.
- Signs of retaliation against a whistleblower or suspected whistleblower including subtle acts such as exclusion from meetings or events which may impact long term career or advancement.
- Anyone trying to interfere with the confidentiality of a whistleblower report, identifying or giving away the identity of a whistleblower, or encouraging or tolerating such actions.

Reporting concerns or suspicions may be made by multiple means provided in the AIA Code of Conduct. The report may also be made by using the **AIA Group Ethics and Compliance Hotline (PLDT) 1010-5511-00-00-245-4179 or (Globe) 105-11-800-245-4179.**

Market Conduct Guidelines

Philam Equitable envisions itself as having one of the highest sales standards in the life insurance industry in Philippines. All sales personnel are expected to conduct their business with the highest level of professionalism and personal integrity. **Philam Equitable** will not tolerate anything less.

The Market Conduct Guidelines is used as a guide by all sales personnel in the conduct of their business and aid in the determination of what would be deemed proper conduct and behaviour. It shall apply equally and consistently to the conduct of Life business practices and all financial products. Any breach of the Market Conduct Guidelines may result in the imposition of a penalty upon the offender in question. Compliance with these guidelines does not ensure a continued contractual relationship with **Philam Equitable**. **Philam Equitable** reserves the right at all times to terminate the employment contract of any sales personnel in accordance with the terms of the contract entered into between **Philam Equitable** and that of the sales personnel.

DIVIDEND POLICY

It is the policy of Philam Life to adopt and comply with the provision of the Insurance Code (RA 10607) that states that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under the Code and except from profits attested in a sworn statement to the Commissioner by the President or Treasurer of the Company to be remaining on hand after retaining unimpaired the entire paid-up capital stock, the solvency requirements, the legal reserve fund required by the Code, the sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes. Any dividend declared or distributed by the Company shall be reported to the Commissioner within thirty (30) days after such declaration or distribution.

As provided in the Company's By-Laws, Article VII, Section 1, dividends shall be declared only from surplus profits and shall be payable at such time and in such amounts as the Board of Directors shall determine; provided, however, that no stock dividend shall be issued without the approval of the stockholders representing not less than two-thirds of all stock then outstanding entitled to vote at a general meeting of the corporation or at a special meeting called for the purpose. No dividend shall be declared that will impair the capital of the corporation.

The Company did not declare any cash or stock dividends for 2015.

CORPORATE SOCIAL RESPONSIBILITY

PELAC is a member of Philam Foundation, the corporate social responsibility arm of the Philam Group. It is our aim to promote Healthy Education through its flagship project, Philam Paaralan. With the said project, the company helps the Department of Education in classroom building in underserved and/or calamity stricken areas in the country.

Philam Foundation has a KaAkbay Philam Volunteer Corps program which continues to support and encourage Philam Group employees to join various advocacies through its various activities like, Brigada Eskwela, Tree planting etc.