



**PHILAM EQUITABLE LIFE
ASSURANCE COMPANY, INC,**

2019 ANNUAL REPORT

COMPANY OVERVIEW

Philam Equitable Life Assurance Company, Inc. (PELAC) was a bancassurance venture with Equitable Bank (which was later merged into Banco De Oro). Banco De Oro has a partnership with Generali which resulted to a compromise where insurance selling in BDO will be divided between Generali and Philam Life. Philam Life later purchased the 5% share of BDO, and is now 100% owned by Philam Life. Management is still keeping the company for a future Sales and Marketing purpose which is still under study.

MISSION AND VISION

As a member of AIA Group and 100% owned by Philam Life, we follow the same mission and vision:

MISSION

We empower Filipinos to achieve financial security and prosperity.

VISION

We are the undisputed leader in insurance and wealth management.

FINANCIAL HIGHLIGHTS

1 Cash Production Report

The table below shows the company's cash production for CYTD March 2020.

March 2020

Amounts in Php '000s	CYTD Mar 2020 Actual	CYTD Mar 2019 Actual	Growth over PY	CYTD Mar 2020 Budget	Actual vs Budget
First Year Premium	-	-	n/a	0	
Renewal Premium	4,140	7,976	-48.10%	5,738	-27.85%
Single Premium	(51)	-	n/a	106	-148.29%
Total Premium	4,088	7,976	-48.74%	5,844	-30.03%

2 Fixed Capitalization Requirements prescribed by the Insurance Code

Under Section 194 of the amended Code, domestic insurance companies' required minimum paid up capital and net worth is as follows:

	Amount
By June 30, 2013	P250 million
By December 31, 2016	550 million
By December 31, 2019	900 million
By December 31, 2022	1.3 billion

Net worth shall consist of paid-up capital, retained earnings, unimpaired surplus, and revaluation of assets as may be approved by the Insurance Commissioner.

To comply with the P900M capitalization requirement as of December 31, 2019, its Parent Company, Philam Life, infused additional P250M.

3 2019 Calendar Year Results

Presented below are the Financial Highlights for Calendar Year 2019 versus 2018 (Philippine GAAP basis).

Phil. GAAP basis Amounts in Php '000s	CYTD Dec 2019 Actual	CYTD Dec 2018 Actual	Growth Over PY
Net Insurance Premiums	153	4,193	-96.4%
Investment Income	29,702	29,163	1.8%
Foreign exchange gains	(5,795)	19,368	-129.9%
Gain on Sale of Available for Sale Financial Assets	(14,083)	-11,644	20.9%
Net Insurance Benefits and Claims	20,744	20,810	-0.3%
Operating Expenses	(520)	1,489	-134.9%
Net Income (loss)	17,919	42,069	-57.4%

After the termination of the Bancassurance Agreement with BDO in 2009, PELAC was no longer issuing new policies. As a result, gross premium continues to decline with 96% decrease in 2019 vs 2018.

2019 lower other revenues is mainly from FX losses recognized in 2019 vs FX gains in 2018.

2019 Net Insurance benefits coming from maturity of High Water Mark Fund and partially offset by COI release.

4 2019 Audited Financial Statements

A. Balance Sheets

	December 31, 2019	December 31, 2018
<u>ASSETS</u>		
Cash and cash equivalents	702,319	212,742
Insurance receivables	154,300	703,471
Financial assets at fair value through profit or loss	-	56,463
Available-for-sale financial assets	493,376	271,374
Loans and receivables	66,782	78,882
Accrued income	14,360	10,798
Deferred tax asset	6,839	2,430
Other assets	4,615	184
Total assets	1,442,591	1,336,344
<u>LIABILITIES AND EQUITY</u>		
Insurance contract liabilities, net	21,767	106,078
Premium deposit fund	1,833	2,065
Policyholders' dividends	2,976	2,916
Insurance payables	1,700	70,628
Accounts payable and accrued expenses	360,014	407,905
Total liabilities	388,290	589,592
Share capital	500,000	250,000
Contributed surplus	25,000	25,000
Contingency surplus	169,100	169,100
Reserve for fluctuation on available-for-sale financial assets	53,598	12,420
Reserve for remeasurement on life insurance reserves	(2,085)	(538)
Retained earnings	308,688	290,770
Total equity	1,054,302	746,752
Total liabilities and equity	1,442,591	1,336,344

B. Statements of Income

	2019	2018
PREMIUMS AND OTHER INCOME		
Gross premiums on insurance contracts	3,456	6,566
Reinsurers' share of gross premiums on insurance contracts	(3,303)	(4,013)
Net insurance premiums	153	2,553
Investment income	29,702	29,163
Foreign exchange (losses) gains, net	(14,234)	18,815
Commission income	592	709
Fee income from unit-linked funds	61	180
Fair value gains (losses) on financial assets at fair value through profit or loss, net	7,797	(278)
Change in insurance contract liabilities	76,684	26,403
Total premiums and other income	100,755	77,545
EXPENSES		
General and administrative expenses	20,511	20,069
Benefits and claims paid on insurance contracts, net	62,600	13,166
Investment expenses	125	410
Insurance taxes, licenses and fees	109	283
Other expenses	11	58
Total expenses	83,356	33,986
INCOME BEFORE INCOME TAX	17,399	43,559
INCOME TAX (BENEFIT) EXPENSE	(520)	1,489
NET INCOME FOR THE YEAR	17,919	42,070

C. Statements of Changes in Equity

	Share capital	Contributed surplus	Contingency surplus	Reserves		Retained earnings	Total equity
				Fluctuation on available-for-sale financial assets	Remeasurement on insurance contract liabilities		
BALANCES AS AT JANUARY 1, 2018	250,000	25,000	169,100	48,749	(2,304)	248,700	739,245
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR							
Net income for the year	-	-	-	-	-	42,070	42,070
Other comprehensive (loss) income	-	-	-	(36,329)	1,766	-	(34,563)
				(36,329)	1,766	42,070	7,507
BALANCES AS AT DECEMBER 31, 2018	250,000	25,000	169,100	12,420	(538)	290,770	746,752
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR							
Net income for the year	-	-	-	-	-	17,919	17,919
Other comprehensive income (loss)	-	-	-	41,178	(1,547)	-	39,631
	-	-	-	41,178	(1,547)	17,919	57,550
TRANSACTION WITH OWNERS							
Additional capital infusion	250,000	-	-	-	-	-	250,000
BALANCES AS AT DECEMBER 31, 2019	500,000	25,000	169,100	53,598	(2,085)	308,689	1,054,302

CAPITAL STRUCTURE

Authorized Capital Stock	-	P600,000,000.00
Subscribed & Paid-up	-	P500,000,000.00
Par Value	-	P10.00 per share

LIST OF STOCKHOLDERS

Name of Stockholder	Shares Held	Class	Amount Paid	% of Ownership	Nationality	Beneficiary Ownership	Date of Appointment
The Philippine American Life and General Insurance (Philam Life) Company	49,999,995	Common	499,999,950.00	100%	Hong Kong SAR		
Kelvin Ang (Executive Director/Chairman)	1	Common	10.00		Malaysian	Philam Life	29 April 2019
Ernesto R. Lagdameo, Jr. (Independent Director)	1	Common	10.00		Filipino	Philam Life	18 Nov. 2003
Victoria S. Licuanan (Independent Director)	1	Common	10.00		Filipino	Philam Life	30 Jan. 2007
Gary James Ogilvie (Executive Director/CEO)	1	Common	10.00		British	Philam Life	23 April 2018
Richard Sumner (Non-Executive Director)	1	Common	10.00		British	Philam Life	30 July 2014
TOTAL	50,000,000		500,000,000.00	100%			

MEMBERS OF THE BOARD OF DIRECTORS

Kelvin Ang	Chairman of the Board
Ernesto R. Lagdameo, Jr. Victoria S. Licuanan	Independent Directors
Gary James Ogilvie	Executive Director
Richard Sumner	Non – Executive Director

BOARD OF DIRECTORS



KELVIN ANG (54)
Executive Director
Chairman of the Board
(since 29 April 2019)

Mr. Kelvin Ang, Philam Life's Chief Executive Officer is a home-grown talent with over 20 years of service in AIA. He has served in various Leadership and Agency Distribution roles across the AIA Group Office and the local Business Units – including Hong Kong, Malaysia, Indonesia, Vietnam and China. In his role as Chief Agency Officer of China and General Manager of Shanghai, he played a key role in the success of AIA China's agency transformation. Mr. Ang also led the successful AIA-ING agency integration in Malaysia in 2015-2018. After his successful stint in AIA Malaysia, he was appointed as Regional Chief Agency Officer, with AIA Hong Kong, China and Vietnam in his portfolio, with the mission to future proof the business through digitalization and new market expansion.

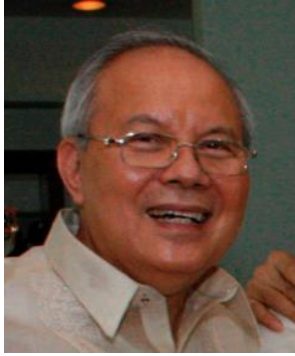
Mr. Ang earned his Bachelor's degree at the Royal Melbourne Institute of Technology in Australia and his Master's degree in Business Administration from Bath University in United Kingdom. He is also currently a corporate member of the Philippine Life Insurance Association Inc. (PLIA).



GARY JAMES OGILVIE (49)
Executive Director/Chief Executive Officer
(since 23 April 2018)

Mr. Gary Ogilvie is a seasoned Finance professional and qualified UK Chartered Accountant who now takes the role of Chief Financial Officer in Philam Life. With 25 years of experience in the insurance industry, he demonstrates strong commercial acumen and experience beyond his core finance capability.

Prior to his appointment as AIA Group's Regional Business Development Director in 2015, he served as the Deputy CEO and CFO of AIA Vitality, rolling it out across three major AIA markets – Singapore, Australia, and Hong Kong. He also held other positions in the Group, namely Head of Finance Transformation and Systems from 2007 to 2012, and AVP for Finance in 2006. With over a decade of experience in the AIA Group, Mr. Ogilvie has proven his expertise in starting up initiatives and business transformation: from visioning to execution, business development, financial governance, program management, and system implementation.



ERNESTO R. LAGDAMEO, JR. (83)

*Independent Director
(since 18 November 2003)*

ERNESTO R. LAGDAMEO, JR., has been an Independent Director of the Company since 2003 and was re-elected last 29 April 2019. 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.

He is at present Director/Treasurer of Service Partners, Inc. and Director of Continental Leaf Tobacco (Phil) Inc. 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 (76)

*Independent Director
(since 30 January 2007)*



Professor Victoria S. Licuanan is currently an adjunct faculty and resident research fellow 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 critical thinking. Prof. Licuanan's research interests are in overseas migration issues, entrepreneurship and behavioral economics.

Her major 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. She is also working on an online survey using behavioral economics to test motivations underlying migration. 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 active in NGO work in early child education, with a focus on assisting young children learn mathematics and English.

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.



RICHARD SUMNER (45)

*Non-Executive Director
(since 30 July 2014)*

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 18 markets across the Asia-Pacific region on a range of tax issues. Prior to joining AIA in July 2013, he was an Executive Director of Financial Services Tax in EY Hong Kong from October 2010 to July 2013. He led EY’s 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 EY’s EMEIA 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 region.

Richard joined EY London as a Director in the firm’s financial services International tax team in May 2009, 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, Richard was seconded from PwC 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, Richard had worked for PwC’s insurance tax team since 1997, in both London and Sydney, and was the main day-to-day point of contact and tax account manager for a number of the largest financial services groups in the world.

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

<p style="text-align: center;">AUDIT & RPT COMMITTEE</p> <p>Ernesto R. Lagdameo, Jr. – Chairman <i>(Independent Director)</i></p> <p>Victoria S. Licuanan <i>(Independent Director)</i></p> <p>Richard Sumner <i>(Non-Executive Director)</i></p>	<p style="text-align: center;">INVESTMENT MANAGEMENT COMMITTEE</p> <p>Arleen May S. Guevara – Chairperson <i>(Senior Officer)</i></p> <p>Gary James Ogilvie <i>(Executive Director)</i></p> <p>Denise Ann R. Saclag <i>(Senior Officer)</i></p> <p>Maria Christina H. Samaniego <i>(Senior Officer)</i></p> <p>Charline D. Chan <i>(Senior Officer)</i></p>
<p style="text-align: center;">GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE</p> <p>Kelvin Ang – Chairman <i>(Executive Director)</i></p> <p>Gary James Ogilvie <i>(Executive Director)</i></p> <p>Ernesto R. Lagdameo, Jr. <i>(Independent Director)</i></p>	<p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p>Kelvin Ang – Chairman <i>(Executive Director)</i></p> <p>Gary James Ogilvie <i>(Executive Director)</i></p> <p>Ernesto R. Lagdameo, Jr. <i>(Independent Director)</i></p>

BOARD & COMMITTEE MEETINGS

To exercise its discretionary powers and management oversight of the Company, the Board of Directors sees to it that it meets on a regular basis as required by the law and Company By-Laws. In all meetings, as provided by the Company By-Laws, the presence of three (3) out of five (5) directors is necessary to constitute a quorum, and the affirmative votes of the majority of the directors present are required to decide a matter, except when the law or the By-Laws required a higher number.

Before the start of the financial year, the Corporate Secretary advises the members of the Board of the schedules of their meetings, which may change subject to their availability and other reasonable circumstances. Board meetings are regularly set on a quarterly basis, while special meetings are called by the Chief Executive Officer, or as provided in the Company-By-Laws.

Five (5) days prior to the scheduled meetings, the Corporate Secretary sends to the members of the Board their respective meeting packs, which would contain among others the Board and Committee meeting minutes, the management report and financial highlights, and other items the need action and approval of the Board.

For 2019, the Board of Directors had a total of six (6) meetings, where the Board posted an overall attendance rate of 76.2%.

MEMBERS	BOARD 22 January 2019 (Special) 29 April 2019 (Outgoing) 29 Apr. 2019 (Organizational) 11 June 2019 (Special) 26 July 2019 (Special) 04 November 2019 (Regular)	AUDIT RPT COMMITTEE 29 April 2019 04 Nov. 2019	NOMINATION, GOVERNANCE & COMPENSATION COMMITTEE 09 March 2019
	6 MEETINGS (84.67%)	2 MEETINGS (100%)	1 MEETING (100%)
ARIEL G. CANTOS*	2/6		1/1
KELVIN ANG**	3/6		
ERNESTO R. LAGDAMEO, JR.	6/6	2/2	1/1
VICTORIA S. LICUANAN	3/6	2/2	
RICHARD P. SUMNER	5/6		
GARY JAMES OGILVIE	6/6		1/1

*resigned effective 30 April 2019

**elected effective 30 April 2019

CORPORATE GOVERNANCE

We confirm our full compliance with the Code of Corporate Governance. Our 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 our goals. Creating a sustainable culture, where trust and accountability are as vital as skill and wisdom, steers us towards 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 strategic directions. The detailed role and responsibilities are set forth in the By Laws and the Manual of Corporate Governance.

For 2019, The Board of Directors conducted a regular review of the Company's material controls (including operational, financial and compliance controls) and risk management systems, and declared their satisfaction and confidence on the Company's internal controls and risk management systems.

BOARD INDEPENDENCE AND DIVERSITY

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.

PELAC also adopts AIA Policy on Diversity, and believes in the power of diverse, talented people to create value and deliver on their customer and shareholder expectations. Fundamental to all the Company's inclusion efforts is zero-tolerance for discrimination or harassment in any form, across all aspects of diversity, including gender, race, nationality and sexual orientation.

BOARD PROCESS

The Board meetings are held on a quarterly basis unless a special meeting is necessary to consider urgent matters. Minutes of meetings of the Board and all Committees are kept by the Corporate Secretary, and open for inspection by the Board and Stockholders upon request. Board materials are sent to the members at least five (5) business days in advance of the scheduled board meetings.

In addition to the regular meetings, the directors also engage in informal meetings on a quarterly basis to further discuss issues and strategies. Non-executive directors also find time to meet separately to discuss the business affairs of the Corporation. Independent Directors likewise regularly met with management, the internal auditors, and the external auditors, separately, to ensure proper check and balance is achieved by the Corporation.

BOARD AND SENIOR MANAGEMENT SUCCESSION AND SELECTION PROCESS

The Board ensures that plans are in place for orderly succession to the Board and senior management to maintain a balance of appropriate skills and experiences within the Company. The Company's Corporate Governance Manual prescribes a formal, rigorous and transparent procedures for the selection and appointment of directors of the Board and senior management. Appointments to PELAC Board of Directors and Senior Management are made on merits and subject to objective criteria as set forth in the Manual. Careful deliberation and consideration is

done to ensure that nominees are qualified to sit in the Board or in Senior Management. The Company, through its major shareholder, considers the knowledge, competencies, skills, and experience that the nominee-director or executives, seriously taking into account the Company's business objectives and strategies. The Company ensures that its Board membership and Senior Management consist of persons with sufficiently diverse and independent backgrounds and possesses a record of integrity and good repute. Part of the selection process of the Company is the use of independent/third party professional search firms to identify and source qualified directors and senior executives.

ELECTION OF DIRECTORS

We use a transparent procedure for the election of directors. The Governance, Nomination & Compensation Committee looks into the qualifications of directors and thereafter the Board deliberates on the recommendation of the Committee. At the stockholders meeting, the shareholders are duly informed by the Corporate Secretary of the qualified nominees and of the voting method and vote counting system. Each stockholder with voting privilege shall be entitled to cumulate his vote in the manner provided by law. After the election process, the Corporate Secretary shall count the votes and thereafter declare the duly elected members of the Board.

ORIENTATION PROGRAM AND TRAINING

The Corporate Secretary provides the orientation for new directors to explain the organizational profile, charters, by-laws, policies and procedures in the Company. A corporate governance seminar is also arranged for each director to ensure adherence to best practices on corporate governance.

The Board members are likewise encouraged to attend trainings and seminars to further develop and improve their skills, knowledge and experience necessary in the effective performance of their functions as members of the Board.

PERFORMANCE EVALUATION

We have established our own performance evaluation, the criteria of which are based on the Insurance Commission's Circular on Corporate Governance. Every April of each year, the Board, as well as the Committees, conducts annual self-assessment of its performance, the results of which are submitted to the Governance, Nomination & Compensation Committee and to the Board of Directors.

In the Annual Board Performance Evaluation Survey, the Board members are required to rate the performance of the Chairman, the CEO, the Board, the Board Committees, and the individual directors based on the standards and criteria provided therein. Among the criteria set are included, but are not limited to, the following: the appropriateness of the Board's composition; the director's skills, expertise, and their participation and contribution in the Board and Committee discussions; the working relationship among the Board, the Chairman, and the senior management; the overall performance of the Chairman, the CEO, the Board, the various Board Committees, and the individual directors. In the Survey, the Board members are required to give the subject either an 'excellent'; 'consistently good'; 'adequate'; or 'needs major improvement' rating. The directors are also required to provide other ideas and suggestions on how they could further improve the performance of the Board. After accomplishing the survey, the directors will submit the same to the Corporate Secretary, who will

then consolidate and evaluate the answers and submit the results to the Governance, Nomination Committee for its approval. The results will then be reported to the Board for its notation.

For 2019, the Annual Board Performance Evaluation Survey was participated by the members of the Board, where the Board registered an overall rating of “excellent”. This clearly exemplifies the effectiveness and competence of the Board of Directors. It also shows that the Board clearly understands the objectives of the Company, as well as the major roles it plays in the Company, to its shareholders and stakeholders.

FEE STRUCTURE AND REMUNERATION OF DIRECTORS

The Independent Directors of PELAC definitely play very significant roles in order to achieve the Company’s business objectives today and in the future. As independent directors, they effectively participate and provide objective, independent judgment in the business affairs of the Company, and at the same time ensure that proper checks and balances are in place.

Considering the above, and in view of the stricter corporate and regulatory environment in the country, the Company believes that the independent directors should be adequately compensated for the knowledge, skills, and expertise they share and impart to the Board; for the time and efforts they provide to the Company; and for potential risks and liability they may be exposed of as its members. The fee structure of the independent directors are based on various factors, such as but not limited to director’s qualification and experience, skills, and expertise; financial services sector benchmark; market condition; and regulatory environment.

As reviewed and approved by the shareholders of the Company on an annual basis, the independent directors receive fixed directors’ fees per Board and Committee meeting attended, and annual bonus. For 2019, the total annual gross directors’ fees of the independent directors of the Company amounted to Philippine Pesos: Six Hundred Forty Eight Thousand (PhP648,000.00), broken down as follows: 1) Mr. Ernesto r. Lagdameo, Jr. – (P333,000.00); and 2) Prof. Victoria S. Licuanan (P315,000.00). The executive and non-executive directors do not receive any remuneration for their directorship in PELAC.

REMUNERATION POLICY FOR EXECUTIVE DIRECTOR AND CEO

Philam Group provides total rewards package to their Executive Director and Chief Executive Officers that consist of guaranteed and variable components that rewards performance and value created for the Company, such as: 1) Guaranteed compensation which includes base salary, allowances and contractual bonus that is reviewed annually to reflect market, individual performance and value created for the company; 2) Short Term Incentive to reward achievement of business and individual performance metrics enabling the individual to share in the immediate success of the company; 3) Discretionary Long Term Incentive to motivate and reward the individual for individual who have contributed significantly to AIA’s success and is likely to continue to do so; and 4) Benefits that are carefully structured supplementing our cash compensation.

RELATED PARTY TRANSACTIONS

PELAC adopts Philam Life’s Related Party Transaction Policy. It recognizes that related party transactions are generally allowed, but they should be done fairly and on an arm’s length basis to ensure that the interest of the Company, its shareholders, policyholders, clients, creditors,

and other stakeholders are adequately protected. In this regard, the Board of Directors has approved the Related Party Transactions (RPT) Policy of the Company, which sets forth the necessary control system to ensure the effective management of related party transactions.

Under the Policy, any transaction that could pose conflict of interest, or any material or special risks, credit or counterparty risks, or potential abuse to PELAC, shall be considered related party transactions. Related party shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party which subsequently becomes a related party.

The Policy requires that all RPTs should be on normal commercial terms, at arm's length, and fair and reasonable in the interest of Philam Life. A transaction may be deemed to be at arm's length if no preferential treatment is given to a related party and the terms and conditions are not more favourable than similar transactions with non-related parties. The Company has put in place an effective price discovery system (i.e. transfer pricing study) and due diligence process to determine the fair price for RPTs.

Under the Policy, if a particular transaction is considered to involve related parties, the same shall be endorsed to the Philam Life Regulatory and Compliance Committee for appropriate action. The Committee should, to the extent applicable, take into account the following considerations: a) reputational risk issues, if any; b) possible improper conflict of interest taking into account the size of the transaction and the significant influence of any director, officer, stockholder, related interest or close family members in the outcome of the transaction; c) the availability of other sources of comparable products or services; d) material facts and proposed aggregate value of the transaction; and, e) any other relevant information (e.g. price discovery mechanism, etc.) to allow determination if the terms are comparable to those given to unrelated parties or reasonable under the circumstances.

If said RPT falls below the materiality threshold prescribed by the Policy, the Regulatory and Compliance Committee shall have the authority to approve the same, subject to the Audit and RPT Committee's confirmation. Otherwise, the former shall endorse the transaction to the latter for its consideration and approval.

As provided in the Terms of Reference of the PELAC Audit and RPT Committee, the latter shall have, among others, the following responsibilities: 1) assist the Board in carrying out its responsibilities pertaining to related party transactions, particularly in ensuring that all transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations; 2) evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured; 3) evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Company are misappropriated or misapplied; and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions; 4) ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interests. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties; 5) ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process; and 6) oversee

implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

All RPTs that are considered material, including write-off of material exposures and renewal of material changes in the terms and conditions of the RPTs, based on the Company's Internal RPT Policy, shall be endorsed by the Audit and RPT Committee to the Board of Directors for approval and to the stockholders of the Company for confirmation, during the annual stockholders' meeting.

The Board of Directors shall be the final approving authority of all material RPTs. Any member of the relevant Committees or the Board who has an interest in a transaction must abstain from deliberation and approval of such transaction.

The PELAC Directors, officers and employees, which have been made fully aware of the Policy, are strictly mandated to comply at all times with the guidelines, protocols, and processes on related party transactions as set forth in the Policy.

Related party relationship exists and details of Related Party Transactions are provided in Note 21.16 of the 2018 Audited Financial Statement. The Company has no RPTs that can be classified as financial assistance to entities other than wholly-owned subsidiary companies. The Company ensures that RPTs are conducted in such a way that they are fair and at arms' length, and discloses such facts in its Annual Performance Report and the Audited Financial Statements.

RISK MANAGEMENT

Effective risk management maximizes the value of the business to shareholders and reassures policyholders on the strength and stability of the business. For regulators, sound risk management is vital to stability of the financial system, and for investors, it is means of protecting and enhancing the long-term value of their investment.

The Risk Management of PELAC is within the Enterprise Risk Management of the Philam Group, which identifies, quantifies, and mitigates risk within the Philam Group. An effective RMF is the key to avoiding significant financial and reputational damages that arise from inadequate or ineffective control of the risks in the business.

The Philam Group Risk Management Committee adopts a strategic view of enterprise-wide risk management. It sets a high-level risk principle and culture, and balances risks pertinent to the Philam Group.

The Group manages its financial risk by periodically running specific scenario-modelling exercises. Financial risk is subdivided into credit risk, market risk, and liquidity risk. The Group's operational risk, on the other hand, is broken down into 13 key operational risks (KORs): business interruption risk; distribution risk; finance and actuarial process risk; fraud and financial crimes risk; information security risk; information technology risk; investment process risk; legal and regulatory risk; operations process risk; people risk; products management risk; project risk; and third party risk. Each KOR is measured using key risk indicators (KRI), with a first line owner for respective KORs. On a yearly basis, the Risk and Control Assessment Process identifies and assesses the impact of the operational risks. Risk incidents are also being reported whether it be a potential, actual, or near-miss event. Management makes sure that incidents are being escalated in order to determine the root cause and apply proper mitigation. The Risk Working Committee reviews these risks regularly including emerging risks and risk incidents.

OPERATING PHILOSOPHY

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 employees strive hard 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.

The AIA Code of Conduct 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 18 markets within the Asia Pacific region that includes PELAC.

The AIA Code of Conduct sets out the ethical guidelines for conducting business which is the same code observed by PELAC. This is the guiding principle in managing the company's compliance, ethics, and risk issues.

The standards set forth in the Code also applies to the company's business partners including agents, contractors, subcontractors, suppliers, distribution partners, and those who act on behalf of AIA and PELAC. 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 and monitor compliance with these policies.

PELAC believes in harnessing the competitive spirit of its diverse, talented people to create value and deliver customer and shareholder expectations. However, competitive advantages are sought only through legal and ethical business practices. The company's good corporate citizenship is founded on its promotion of compliance with local laws and regulatory requirements applicable to the business.

It is the Company's policy that all new hires must undergo the New Employees Orientation Program (NEOP), where Company and all other relevant compliance policies, including the AIA Code of Conduct, are discussed. All new employees are thereafter required to certify that they have read and understood the AIA Code of Conduct, to ensure compliance with its provisions. The orientation program is offered on a monthly basis and is conducted either by the HR Training Department or Compliance.

Annual Certification Program

The Company conducts and requires a Code of Conduct - Annual Certification Program. To ensure that all PELAC employees are aware of the provisions of the Code, an Annual Certification Program is conducted where all employees confirm their knowledge and understanding of the rules and guidelines written in the Code. The Program also requires all employees to certify, on an annual basis, their compliance to the Code of Conduct.

Anti-Money Laundering and Counter Terrorist Financing

Pursuant to 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 laws. Philam’s Anti-Money Laundering (AML) Program, together with the company’s Guidelines, establish the governing principles and business standards to protect the business operations from becoming an unwitting tool of money launderers. The company’s management, officers, and staff remain vigilant in the fight against money laundering and financing of terrorism. To promote an effective AML compliance program, the following actions were taken in 2019: (1) the Manual was revised in January 2019 to incorporate new regulations issued in 2018; (2) an institutional risk assessment was conducted to help the institution identify, assess and understand its ML/TF risks in relation to its customers, geographical location of its customers/operation, service and transaction, products, and delivery/distribution channels; and (3) continuous training for our employees and agents.

Customer Welfare

PELAC complies with the AIA Code of Conduct, which provides for the ethical guidelines for conducting business. It specifies, among others, the Company’s commitment to conduct the business in a manner that protects the health, safety, and security of the employees, customers and other stakeholders.

It is fundamental policy for both AIA and Philam Companies that customers are treated fairly at all times. The Company’s products, services, and advice must be appropriate to meet customer needs. Thus, The Company always ensure that marketing, advertising and sales related materials and services must always be truthful and accurate, and product solutions and advices offered to customers must be based on their needs.

PELAC also values its customers’ privacy and data security. The Company ensures that it carefully handle and safeguard the business and the customers’ personal information. The Company never compromises a customer’s trust by disclosing their information, and undertakes to always strictly observe the country’s Data Privacy Law, and AIA’s Data Privacy Policy and Guidelines.

Data Privacy

PELAC being 100% owned by Philam Life, adheres with the policy of the State to protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth, as enshrined in RA No. 10173 or Data Privacy Act of 2012. Philam’s Data Privacy Policy outlines the company’s Statement of Values and provides guidance to employees, agents, and third parties on how personal data shall be collected, used, stored, transferred and disposed. We maintain appropriate physical, administrative and technical safeguards for personal information and business data is maintained. To promote an effective DP compliance program, the following actions were taken in 2019: (1) breach drill was conducted for the incident response team; (2) continuous training for our employees; and (2) Third Party Security Standard was revised to enhance the parties’ roles and responsibilities and the manner data handling. The objective of this Standard is to ensure appropriate security measures are in place to minimize operational risk brought from services and support provided by external vendors prior to their engagement.

Contract Management

In October 2018, Philam Group has adopted its Guidelines on Contract Management, which aims to support the Philam Group in developing a sound, consistent and effective approach to manage its diverse range of contracts. It deliberately focuses on the activities associated with the operational phase of the contract from negotiations period up to after the contract has been awarded and is up and running. To facilitate proper implementation, the Guidelines was cascaded to our records coordinators and contract managers.

Market Conduct Guidelines

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 is applied 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 PELAC. PELAC reserves the right at all times to terminate the employment contract of any sales personnel in accordance with the terms of the contract entered in by Philam Life and that of the sales personnel.

A Market Conduct Committee was also created with the main purpose of overseeing the implementation of the rules of the Market Conduct Guidelines, Company policies or other guidelines, and to provide assistance to the Board of Directors and Company's management to ensure that the company operates according to the highest ethical business standards and in accordance with the applicable laws and regulations.

Anti-Fraud Policy

PELAC adopts a zero-tolerance approach to fraud and expects all employees, agents, and third parties to act with honesty and integrity. The policy is intended to reinforce management procedures designed to aid in the prevention, detection, and investigation of fraud, thereby safeguarding the Company's assets and providing protection from the legal and reputational consequences of fraudulent activity. All suspected cases of fraud are investigated and disciplinary procedures enforced, including prosecution and termination.

Aside from the Philam's existing Anti-Fraud Policy and Guidelines, the Company is now required by the Insurance Commission through IC Circular Letter No. 2016-50 to submit by September 2017 an Anti-Fraud Plan to ensure that all Companies are prepared and ready to combat insurance fraud for its own protection and for the welfare of its stakeholders or insuring public.

Anti-Corruption & Bribery & Gifts and Entertainment

The Anti-Corruption and Bribery Policy is applied alongside the AIA Code of Conduct, providing guidance on giving and accepting gifts and entertainment. The Policy 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-à-vis the guidelines of the AIA Code of Conduct, the higher standard will be applied. The Anti-Corruption and Bribery Policy prohibits all employees, agents, or independent contractors from providing bribes or other benefits to another person to

obtain or retain business or unfair advantage in any business interaction involving AIA and PELAC, its customers, and employees. The company is not allowed to use improper means to influence business judgment. All employees and officers are required to report to the Compliance Officer any gift/ entertainment provided to Government/ Government officials. All new employees are required to undergo e-learning on Anti-Corruption and Bribery.

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 PELAC is a member of the AIA Group, it 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"), including PELAC.

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.

In connection with this, dealings in AIA securities by certain employees, officers, directors, and their related interests, require pre-approval from the Group Company Secretary. Other securities about which AIA may have received or may expect to receive material, non-public information, or are otherwise subject to restrictions in trading, are placed on watch lists or restricted lists and trading activities in securities included in these lists are restricted and/ or actively monitored.

Investment Code of Ethics

AIA believes that individual investment activities by its officers and employees should not be prohibited or discouraged. Nonetheless, the nature of AIA's fiduciary obligations necessarily requires some restrictions on the investment activities of certain employees, officers, directors, and their related interests, who may be deemed Investment Access Persons.

In managing assets for AIA entities, Investment Access Persons have a fiduciary responsibility to treat stakeholders fairly. This duty requires a course of conduct, consistent with other statutory obligations, that seeks to be prudent and in AIA's and its stakeholders' best interest.

The AIA Investment Code of Ethics is intended to address three fundamental principles that must guide the personal investment activities of Investment Access Persons in light of their fiduciary duties:

- (1) Place the interests of AIA and its Stakeholders first. As fiduciaries, Investment Access Persons must avoid serving personal interests ahead of the interests of AIA or those of its stakeholders.*
- (2) Avoid taking inappropriate advantage of one's position as an Investment Access Person.*
- (3) Conduct personal investing activities in such a way as to avoid even the appearance of a conflict of interest with investment activities undertaken for the AIA Portfolios.*

As a member of the AIA Group, PELAC adopts the same policy and follows the same guidelines. Generally, all Investment Access Persons are required to obtain pre-clearance prior to purchasing or selling a security. In addition, Investment Access Persons must provide and certify on a regular basis their accounts and beneficial holdings as well as all transactions in securities in which they had beneficial ownership and/or control. Certain outside business activities of Investment Access Persons also need prior approvals.

Sourcing Policy

The company adheres to a Sourcing Policy, which includes sourcing and expense policies, as well as the new procurement system, Ariba. A regular supplier summit was also held as a form of sourcing engagement to remind accredited suppliers on proper rules of engagement with Philam Life including the governance in the selection process, AIA Code of Ethics, and AIA Code for suppliers.

Supplier Selection

PELAC complies with the AIA Code of Conduct, which provides that the Company select suppliers and vendors on the basis of performance and merit in accordance with a fair and transparent process. Appropriate due diligence is performed regarding potential agents, consultants and independent contractors prior to engaging their services.

Like AIA, PELAC seeks supplier partnerships with diverse businesses and values suppliers that share the Company's dedication and commitment to diversity and social responsibility.

Fair Dealing

Following AIA's model, PELAC 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 PELAC 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 Company and its employees volunteer time and funds to programs that promote health, financial literacy, education and other community needs. AIA and PELAC 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 PELAC to uphold creditor's rights by honouring 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, PELAC undertakes to honour all its commitments, stipulations and conditions set forth in their binding agreements.

Promoting Health and Well-Being

The Philam Group has its own program that allows people to take change of their health by helping them lead a healthier lifestyle, in fulfilment of its brand promise of helping people live healthier, longer and better lives.

Philam Vitality is the cornerstone of all the health and wellness programs within the organization. Employees are encouraged to lead a healthier lifestyle so they can live better and get more out of life. Wellness initiatives are implemented to encourage and motivate employees in their journey towards total wellness in a fun and collaborative way.

Wellness related benefits and activities such as the annual physical exam, flu vaccination, blood donation drive, Larong Philam, PLIA tournaments, Get Active! Activities (Zumba, Yoga, etc.) are made available to employees. In 2018, "Race to Gold" program was launched to encourage employees to work together as a team and participate in a friendly competition to reach Gold status in Philam Vitality. All activities are anchored on further promoting health and wellness, productivity, engagement and a culture of collaboration within the Group.

Rewarding Performance

Philam Group provides a dynamic work environment that encourages employees to bring their best to work each day. In return, the Company offers a total reward program including growth opportunities and a comprehensive package of pay and benefits which aims to give employees the choice and flexibility to meet their individual needs.

Philam Group's Reward Philosophy is built on the principles of providing an equitable, motivating and market-competitive total remuneration package that fosters a strong performance-oriented culture. Its strong pay-for –performance culture is aligned with the Company's operating philosophy of doing the right thing, the right way, with the right people. It aims to ensure that individual rewards and incentives relate directly to the individual's performance, the function in which they work, and the overall performance of its business.

The Employee Share Purchase Plan (ESPP) is an important element of the Total Reward Program which offers a convenient and attractive means for employees to further benefit from the Company's future success through its one-for-two share matching. The subscription from employees have been steadily increasing, demonstrating commitment to the long-term success of the Philam Group.

The Philam Group also has long-term incentive programs that provides executives certain rewards depending on the performance of the company. The Long Term Incentive (LTI) Plan is a discretionary scheme provided by AIA to motivate and reward executives who have not only made a significant contribution to AIA's and Philam Life's performance and success, but also have the potential to contribute more in the future. It operates through the grant of Restricted Share Units (RSU) and Share Option (SO) Schemes. This means that their contributions to AIA's sustained and profitable performance mean that there is also the potential for the awards to be financially rewarding for them.

THE WHISTLEBLOW PROGRAM

PELAC 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 PELAC 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 PELAC. 'Whistleblower' refers to someone (an AIA employee, business partner, agent, consultant, vendor, customer or other party) who informs AIA or PELAC of suspected illegal or improper ways of doing business involving violation of laws, regulations, AIA or BPI Philam policies, and other unethical actions that might negatively impact AIA's and PELAC reputation.

Employees who are aware of possible wrongdoing within AIA and PELAC 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 PELAC 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.

Any employee (or anyone else) may also raise concerns of misconduct or wrongdoing within AIA or Philam Life through multiple means provided in the AIA Code of Conduct. The report may also be made by using the AIA Ethics Hotline (PLDT) 1010-5511-00, +800-245-4179 or 105-11, +800-245-4179.

DIVIDEND POLICY

PELAC shall declare and pay cash dividends, the amount of which shall be determined through consideration of the following factors: a) local statutory requirements relating to solvency and liquidity; b) ongoing sustainability of corresponding insurance fund taking into consideration likely future changes in regulatory requirements; and c) likely future strategic initiatives. For 2018, the Company did not declare any cash dividends.

AUDIT AND RPT COMMITTEE

The Audit and RPT Committee is an independent Committee formed by the Board of Directors to assist the latter in the performance of its duties and responsibilities, specifically in ensuring the governance, internal controls, and risk management systems of the organization are in place.

The Audit and RPT Committee has adopted a formal terms of reference, the Audit and RPT Committee Charter, to detail its responsibility for oversight of the organisation's corporate governance process. The Committee, while exercising its oversight role, relies on the expertise of management and works with the Internal and External Auditors to ensure the integrity of the financial statements and the continuous review of the organisation's governance process, risk management and internal controls. The Audit and RPT Committee Charter is made available on the Company website.

GROUP INTERNAL AUDIT

GIA's mission is to provide independent and objective assessment and reporting of the overall effectiveness of risk management, internal controls, and governance processes across the Group, and appropriately challenge executive management to improve the effectiveness of these processes. GIA adopts a risk-based audit plan which considers the significant risks affecting the strategies and key objectives of the company. These risks include financial, operational, and compliance and industry's emerging risks, among others.

The Head of GIA, on behalf of the Group Internal Audit function, is responsible for reporting the result of internal audit work to the Audit Committee on a regular basis. In overseeing the internal audit function, the Audit Committee is actively involved in approving the internal audit plan including any subsequent changes, assessing the result of the audit projects and monitoring resolution of key issues noted. The Audit Committee is aware of the process by which assessment of the effectiveness of internal controls, risk management, financial reporting, and information technology security are conducted.

Ms. Shiela S. Alarcio is currently the Head of Internal Audit of the Philam Group of Company.

ENGAGEMENT OF EXTERNAL AUDITORS

The Audit Committee, on behalf of the Board of Directors, is responsible for the appointment, re-appointment, or removal of the External Auditors of the Company. For 2019, the Audit Committee has approved the re-appointment of Isla Lipana & Co. as its External Auditors. The Audit Committee has reviewed and approved accordingly the scope and coverage of the Statutory Audit for 2019. Although Management has the primary responsibility for the financial statements and the reporting process, the Audit Committee, having the oversight role, has noted and reviewed the audited financial statements for the calendar year 2019. The Audit Committee concurred and accepted the conclusion of the External Auditors on the financial statements, and was satisfied that the financial statements were in compliance with Philippine Financial Reporting Standards as assessed by the External Auditors.

For 2019, the audit fees of Isla Lipan & Co. amounted to Philippine Pesos: Two Hundred Eighteen Thousand Seven Hundred Seventy Six (PhP218,776.00), exclusive of out-of-pocket expenses and value added tax (VAT). There were no audit fees paid to Isla Lipana & Co. for 2019.

CORPORATE SOCIAL RESPONSIBILITY

PELAC is a member of Philam Foundation that continues to fulfil its commitment to support nation-building through the Foundation's "Healthy, Wealthy and Wise" Programs, represented by the Alliance for the Philippines' Health and Advocacy (ALPHA), Philam Savings Awareness and Values Education Sessions (Philam SAVES) and Philam Paaralan, respectively. For more details of the activities of the Foundation, please go to the Philam Life website.