

PHILAM EQUITABLE LIFE ASSURANCE COMPANY, INC.

2014 ANNUAL REPORT

After the termination of the Bancassurance Agreement in 2009, premiums is already expected to take downward trend as there is no new business generated. Net insurance premiums decreased by 78.9% in 2014 versus 2013. The discontinuance of PELAC's participation on the HDMF/Pag-ibig Insurance Pools (P53.5M LY) accounted for the lower collections. Income recognized this year originated mostly from fees from VUL policies (P10.3M).

Net investment income during the period declined by 25.2%, as a result of disposal of bonds and decrease in policy loans and time deposits.

The disposal of the bonds was made in anticipation of scheduled maturities. The gain realized from the disposal is reported under gain on sale of available for sale financial assets.

The decrease in net insurance benefits and claims (39.4%) is due to last year's redemption of VUL policies mainly from maturity of Principal Protected Tranche 3. Net insurance benefits and claims recognized in 2014 is largely coming from 10-year variant of Preferred Dollar that matured this year.

The decrease in operating expenses is caused by 94.8% decrease in insurance taxes, licenses and fees attributable to the discontinued insurance pools (P13.7M service fees LY).

2014 AUDITED FINANCIAL STATEMENTS

A. Balance Sheets

	2014	2013
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	57,721	166,177
DUE PREMIUMS	154	183
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	267,188	285,561
AVAILABLE-FOR-SALE FINANCIAL ASSETS	449,254	466,632
LOANS AND RECEIVABLES, net	345,129	219,503
ACCRUED INCOME	33,874	33,977
REINSURANCE ASSETS	2,385,852	3,016,290
PROPERTY AND EQUIPMENT, net	-	-
OTHER ASSETS	406	6,034
Total assets	3,539,578	4,194,357
<u>LIABILITIES AND EQUITIES</u>		
INSURANCE CONTRACT LIABILITIES	2,711,784	3,367,349
TRADE AND OTHER LIABILITIES	51,969	48,654
DUE TO REINSURER	15,660	37,278
PREMIUM DEPOSIT FUND	5,070	8,173
POLICYHOLDERS' DIVIDENDS	761	1,662
RESERVE FOR POLICYHOLDERS' DIVIDENDS	457	919
Total liabilities	2,785,701	3,464,035
SHARE CAPITAL	250,000	250,000
CONTRIBUTED SURPLUS	25,000	25,000
CONTINGENCY SURPLUS	169,100	169,100
RESERVE ON FLUCTUATION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS	83,805	83,304
RETAINED EARNINGS	225,972	202,918
Total equity	753,877	730,322
Total liabilities and equity	3,539,578	4,194,357

B. Statements of Income

	2014	2013
REVENUES AND OTHER INCOME		
Net insurance premiums		
Gross premium on insurance contracts	27,913	90,531
Reinsurers' share of gross premiums on insurance contracts	(14,704)	(28,046)
	13,209	62,485
Investment income	37,513	50,129
Gains on sale of available-for-sale financial assets	15,033	-
Foreign exchange gains	1,852	20,214
Commission income	2,650	5,111
Fair value losses on financial assets at fair value through profit or loss, net	(2,073)	(15,714)
Other income	24	20,099
Total revenues	68,208	142,324
BENEFITS, CLAIMS AND OPERATING EXPENSES		
Net insurance benefits and claims		
Gross benefits and claims paid in insurance contracts	39,507	574,591
Reinsurers' share of benefits and claims paid on insurance contracts	(209)	(3,745)
Gross change in insurance contract liabilities	(663,430)	(459,889)
Reinsurers' share of change in insurance contract liabilities	633,963	(94,723)
	9,831	16,234
General and administrative expenses	29,258	28,624
Insurance taxes, licenses and fees	1,147	22,185
Commission and other underwriting expenses	20	30
Interest expense	166	142
Total benefits, claims and operating expenses	40,422	67,215
INCOME BEFORE INCOME TAX	27,786	75,109
INCOME TAX EXPENSE	4,732	11,673
NET INCOME FOR THE YEAR	23,054	63,436
OTHER COMPREHENSIVE INCOME		
Item that may be subsequently reclassified to profit or loss		
Net change in fair value of available-for-sale financial assets	501	(23,792)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	23,555	39,644

C. Statements of Changes in Equity

	Share capital (Note 13)	Contributed surplus	Contingency surplus	Reserve on fluctuation of available-for- sale financial assets (Note 6)	Retained earnings	Total
AS AT JANUARY 1, 2013	250,000	25,000	169,100	107,096	139,482	690,678
COMPREHENSIVE (LOSS) INCOME						
Net income for the year	-	-	-	-	63,436	63,436
Other comprehensive loss	-	-	-	(23,792)	-	(23,792)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	-	-	-	(23,792)	63,436	39,644
AS AT DECEMBER 31, 2013	250,000	25,000	169,100	83,304	202,918	730,322
Comprehensive income						
Net income for the year	-	-	-	-	23,054	23,054
Other comprehensive income	-	-	-	501	-	501
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	501	23,054	23,555
AS AT DECEMBER 31, 2013	250,000	25,000	169,100	83,805	225,972	753,877

CAPITAL STRUCTURE

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

LIS 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 Company (Philam Life)	24,999,992	Common	249,999,920.00	100%	HongKongSAR		
Estelito G. Madrid, Jr. (Chairman/Director)	1	Common	10.00		Filipino	Philam Life	08 July 2014
Allan R. Santos (Non-Executive Director/CEO)	1	Common	10.00		Filipino	Philam Life	03 November 2014
Ernesto R. Lagdameo, Jr. (Independent Director)	1	Common	10.00		Filipino	Philam Life	18 November 2003
Victoria S. Licuanan (Independent Director)	1	Common	10.00		Filipino	Philam Life	30 January 2007
Eric S. Lustre (Executive Director/CIO)	1	Common	10.00		Filipino	Philam Life	19 April 2011
Ma. Adoracion R. Go (Executive Director/Controller)	1	Common	10.00		Filipino	Philam Life	19 April 2011
Amelita M. Intalan (Executive Director/Treasurer)	1	Common	10.00		Filipino	Philam Life	17 January 2008
Richard Sumner (Non-Executive Director)	1	Common	10.00		British	Philam Life	30 July 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 accountable to the shareholders and as such, it shall ensure the highest standard and governance in running the Corporation's business and setting the strategic directions. The detailed roles and responsibilities of the Board are specifically 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.

2014 MEMBERS OF THE BOARD OF DIRECTORS

Board Chairman:

Estelito G. Madrid, Jr.

Executive Director:

Allan R. Santos
Eric S. Lustre
Adoracion R. Go
Amelita M. Intalan

Non-Executive Director:

Richard Sumner

Independent Directors:

Ernesto R. Lagdameo,
Jr. Victoria S. Licuanan

BOARD OF DIRECTORS

Estelito G. Madrid, Jr., 67 years old Executive Director/Chairman

Mr. Madrid, 67, is the Chief Executive Officer of Philam Life. Prior to his designation, he served as Senior Advisor to the Regional CEO of AIA and a member of the Board of Directors from 2012 to 2014. He is also a member of the board of directors of BPI-Philam Life Assurance Corporation (April 2013 – Present). He is also the current President of the Philippine Life Insurance Association (PLIA), the umbrella organization of all life insurance companies operating in the Philippines.

Mr. Madrid started his career as Section Manager of Procter and Gamble before entering the life insurance industry in 1971. He started as a professional career agent of Manulife Financial and later on became a Sales Unit Manager in 1984. By 1985, he became an Agency Director and after only one year became the First Filipino President of Manulife Financial from 1985 to 1995. He also served as President of Ayala Financial from 1995 to 1996. He was also the founding President and Chief Executive Officer of Pru Life UK from 1996 to 2006 and later on served as Chairman of the Board by 2007 until 2012.

He has authored “ Business Without Capital – Insurance Selling” copyrighted in 2013 as part of the “I Did It, So Can You” book series of the Carlos Palanca Foundation Inc. published together with Anvil Publishing Inc.

He holds a Bachelor of Science in Commerce degree from De La Salle University in 1969.

ALLAN R. SANTOS, 48 years old
Executive Director/CEO

Allan Santos is Philam Life's Chief Operating Officer for Affiliates and Head of Operations and Vitality. Prior to rejoining the Philam Group in November 2013, he spent 16 years at Cigna in various key leadership positions including most recently as Regional Chief Financial Officer for Europe. He was in Cigna's home office in Philadelphia, USA initially as the International Division Controller and Compliance Officer and then as Chief Actuary. He later became Cigna Hong Kong's CFO and Chief Actuary and subsequently as Cigna International's Global Head of Product Development. Prior to Cigna, he was Chief Actuary and Head of Operations at Philam Care in the mid-90s. Allan has a Master's degree in Applied Math and a Bachelor of Science in Math from the University of the Philippines, where he served as a Math teacher during the first 3 years of his professional career. He is a Fellow of both the Actuarial Society of the Philippines and the Society of Actuaries (USA) and is a member of the American Academy of Actuaries.

ERNESTO R. LAGDAMEO, JR., 78 years old
Independent Director

ERNESTO R. LAGDAMEO, JR., has been an Independent Director of the Company since 2003 and was re-elected last April 03, 2014. 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, 72 years old
Independent Director

Professor Victoria S. Licuanan is an adjunct professor and research fellow of the Institute. An economist, her areas of specialization, aside from economics, are negotiations, strategy and Asian business.

Her other fields of teaching include strategy implementation, case teaching and case writing, women managers, and women in development. Prof. Licuanan authored three case-books on Southeast Asian women entrepreneurs, and women in government and not-for-profits. Her current research interests are overseas migration issues, entrepreneurship and behavioural economics. Her recent publications are "Entrepreneurship and Innovation Initiatives among Asian Multinationals: A Cross-Country Analysis", written together with faculty members of Hofstra University, NY. The paper will be published in a forthcoming issue of the International Journal of Commerce and Management. Her other recent paper is "The Drivers of Diaspora Donations for Development: Evidence from the Philippines", written with co-authors from Europe. The paper was accepted for publication in 2014 in the journal World Development. She is currently one of the Principal Investigators doing an impact evaluation, using a randomized controlled trial, of innovations in the Pre-Departure Orientation Seminar that is mandated for all Filipinos leaving for overseas as permanent or temporary labor migrants. The research is funded by a grant from 3ie and is co-sponsored by the Philippine Overseas Workers Welfare Administration, the Commission on Filipinos Overseas and AIM.

Prof. Licuanan was Dean of AIM in 2005 - 2010. Prior to being Dean, she held various positions including Associate Dean for Faculty and Academics, Associate Dean for the Asian Center for Entrepreneurship, and Associate Dean for Enterprise and Project Research. In the latter capacity, she directed a number of donor-funded research projects for USAID, CIDA and the German-funded KAF.

Aside from teaching, Prof. Licuanan is also an entrepreneur. Together with a partner, she owned and operated a franchise of the largest bakeshop chain in the Philippines for 15 years. She is currently co-owner and partner in a real estate development company, holding the position of Secretary/Treasurer, as well as sits on the Boards of Directors of two other real estate firms and an insurance company. Prof. Licuanan is active in NGO work with early child education. Before joining AIM, she was an Assistant Vice President at an investment bank in the Philippines, where she headed the Economic Research Department.

Prof. Licuanan obtained her undergraduate degree in business management (Magna Cum Laude) from Maryknoll College in the Philippines. She went to Harvard University under various grants including a Fulbright-Hays scholarship, Harvard University Fellowship and Earhart Foundation Fellowship. At Harvard University, Prof. Licuanan completed her course work and comprehensive examinations for a Ph.D. in economics, specializing in monetary and international economics. She has specialized training in negotiations, teaching methods and in leadership and team building methodologies, and is certified to use the products and materials in leadership and team building of the Symlog Consulting Group in San Diego, California. She also trained in the use of the

Balanced Scorecard with the Palladium Group, Boston, Mass. and has taken various executive education courses in negotiations, and management and leadership at the Harvard Business School and the MIT Sloan School of Management, Cambridge, Mass.

AMELITA M. INTALAN, 58 years old
Executive Director/Treasurer

Ms. Intalan, Filipino, born in 1956, is currently the First Vice-President - Treasury and Administration of The Philippine American Life & General Insurance Co (Philam Life), Philam Equitable Life Assurance Corporation (PELAC), and, BPI-Philam Life Assurance Corporation. She is the concurrent Treasurer of Philam Life, PELAC, Philam Asset Management Inc., Philam Properties Corporation, Philam Life Tower Condominium Corp., Philamlife Tower Management Corporation, Perf Realty Corporation, 18th Floor Holdings, Kapatiran Realty Corporation, Philam Foundation, Inc. and Philam Tower Realty Corporation. She is also a member of the Board of Directors of most of these corporations. Ms. Intalan obtained her degree in Bachelor of Science in Business Administration & Accountancy from the University of the Philippines in Diliman, Quezon City and passed the CPA Licensure Examinations in 1979. She is a member of FINEX.

ERIC S. LUSTRE, 53 years old
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, 40 years old
Non-Executive Director

Mr. Richard Sumner, British, born in 1974. Richard 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 Services Tax for Ernst & Young, based in Hong Kong, where he worked from October 2010. Richard led Ernst & Young's insurance tax practice in the Asia-Pacific region and was a member of their global insurance tax executive. In this role 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 EMEIA Financial Services Tax Desk in Hong Kong, where his work involved advising many of the major global banking, insurance and asset management groups in the region.

Before moving to Hong Kong, Richard worked for Ernst & Young in London as a Financial Services Tax Director with focus on the insurance sector and before that he was a member of the PwC London insurance tax team, which he originally joined in 1997. From February 2008 until February 2009, Richard 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. From Summer 2002 until Spring 2005, Richard worked in PwC's Sydney office.

MA. ADORACION R. GO, 45 years old
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
Estelito G. Madrid, Jr. - Chairman Allan R. Santos Ernesto R. Lagdameo, Jr.	Ernesto R. Lagdameo, Jr. - Chairman Victoria S. Licuanan Ma. Adoracion R. Go	Eric S. Lustre - Chairman Allan R. Santos Ma. Adoracion R. Go J. Vincent R. Daffon Tisha T. Darvin
NOMINATION COMMITTEE	REMUNERATION COMMITTEE	
Estelito G. Madrid, Jr. - Chairman Ma. Adoracion R. Go Ernesto R. Lagdameo, Jr.	Estelito G. Madrid, Jr. - Chairman Ma. Adoracion R. Go Ernesto R. Lagdameo, Jr.	

BOARD & COMMITTEE MEETINGS

The Board had four (4) meetings in 2014 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 2014 and the overall attendance rate is:

MEMBER	BOARD	AUDIT COMMITTEE	NOMINATION & GOVERNANCE COMMITTEE	REMUNERATION COMMITTEE
	NO. OF MEETINGS HELD & ATTENDED FOR THE YEAR 2014			
	4 MEETINGS	2 MEETINGS	3 MEETINGS	NONE
ESTELITO G. MADRID, JR.	3	-	-	-
ALLAN R. SANTOS	4	-	-	-
ERNESTO R. LAGDAMEO, JR.	4	2	3	-
VICTORIA S. LICUANAN	3	2	-	-
ERIC S. LUSTRE	4	-	-	-
RICHARD SUMNER	1	-	-	-
AMELITA M. INTALAN	3	-	-	-
MA. ADORACION R. GO	4	2	-	-

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

RETIREMENT BENEFIT

The Corporation has a retirement benefit plan, which depends on various factors such as age, years of service and compensation.

RELATED PARTY TRANSACTIONS

Related Party transactions exist and details of which are provided in Note 20 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 Operating Philosophy of “Doing the right thing, in the right way, with the right people ... and the results will come” establishes the unique culture of AIA across all 16 markets. This Operating Philosophy, among others, created the foundation for the AIA Code of Conduct, which sets out the ethical guidelines for conducting business on behalf of AIA, of which PELAC is a member corporation. The Code serves as guide in compliance, ethics and risk issues that can allow everybody to contribute positively to the society where the Corporation operates.

The Code applies to all AIA and PELAC officers and employees. The same standard also applies to our business partners, including agents, contractors, subcontractors, suppliers, distribution partners, and others 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 set forth in the Code, and the Compliance Department of the Corporation is tasked to implement those policies, and monitor compliance therewith.

The Code sets forth several policies which all officers and employees should strictly comply and adhere to, and includes, among others, the following:

- Prevention of Insider Trading & Price Sensitive Information Policy, which defines the duty of the employees to safeguard material information from improper use. Under the Policy, it is illegal to trade securities while in possession of material non-public information, and pass material non-public information to anyone who may trade securities based on it or give others recommendations to buy or sell securities.
- Safe, Healthy and Secure Workplace, wherein the Corporation is required to conduct its business in a manner that protects the health, safety and security of PELAC employees and customers. Situations that may pose health, safety, security and environmental hazards must be reported promptly to management or to the appropriate Corporate Security personnel.
- Treating Customers Fairly, which demands that customers should be treated fairly at all times, and that products, services and advice must be appropriate to meet

customer needs. Under the policy, 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 PELAC products, or those of its competitors, is not acceptable. The Corporation is required to provide high standards of service and respond promptly and fairly to customer feedback.

- 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, which requires business with the customers, service providers, suppliers and competitors to be conducted in a fair manner as the Corporation seeks competitive advantages only through legal and ethical business practice. Improperly taking advantage of anyone through manipulation, concealment, abuses of privilege information, intentional misrepresentation of facts or any other unfair practice is not tolerated by the Corporation.
- Anti-Corruption and Bribery, which basically prohibits all employees, agent, or independent contractor in providing bribes or other improper benefits to another person in order to obtain or retain business or unfair advantage in any business interaction involving AIA, PELAC, its customers and employees. Under the Policy, the Corporation is not allowed to use improper means to influence another person's business judgment. All employees and officers are required to comply with AIA's Anti-Corruption Policy and Guidelines, and 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 to their business or otherwise as set out in the Speak Up section.
- Anti-Money Laundering and Counter Terrorist Financing, which provides the responsibility of employees in helping prevent money laundering and terrorist financing. The Policy basically requires employees to identify clients and monitor their activities, and report, if any, suspicious or unusual activities consistent with applicable laws. Employees are required to abide by anti-money laundering programmes established by AIA and its Business Units, and everybody in the organization is encouraged to contact the Compliance Officer, the person responsible for money laundering prevention, as soon as they have learned of any activity that might be unusual or suspicious.
- 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 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.

Whistleblower Policy

As part of Corporate Governance, PELAC adheres to AIA's comprehensive Whistleblower Program, which is designed to handle reports of misconduct and inappropriate behaviour. It aims to establish corporate values and culture that support ethical behaviour. The Program also prohibits retaliation against any employee for making a good faith report of an actual or suspected violation of the Code of Conduct, laws, regulations or PELAC policies.

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

PELAC likewise adheres to the AIA Anti-Corruption and Bribery Policy, which provides that no employee, agent or independent contractor may provide bribes or other improper benefits to another person in order to obtain or retain business or an unfair advantage in any business interaction that involves the Corporation, its customers, and employees.

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.

