

met with Senior Management, Group Internal Audit, Compliance Office and organisation's External Auditors, Isla Lipana & Co./PricewaterhouseCoopers. Among the agenda/topics discussed include the Approval of Audit Plans, Group Internal Audit Updates, Result of Compliance Reviews and Updates from External Auditors. Group Internal Audit Updates usually include the result of completed audit projects and status of audit plan.

### **Group Internal Audit**

Group Internal Audit (GIA) is responsible for reviewing the organisation's ability to manage and control risks and provides an independent assessment as to the adequacy and effectiveness of internal controls across the organisation based on the approved Internal Audit Plan. 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, compliance and industry's emerging risks, among others. In finalising the audit plan, inputs and expectations from management and the Board are likewise considered.

GIA, which is directly supervised and supported by AIA Group Internal Audit, functionally reports to the Audit Committee and administratively reports to the Chief Executive Officer. 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 changes thereof, assessing the result of audit projects and monitoring the resolution of key issues noted. The Audit Committee has overseen the process by which assessment of the effectiveness of internal controls, risk management, financial reporting and information technology security were conducted.

### **Engagement with External Auditors**

The Audit Committee, on behalf of the Board of Directors, is responsible for the appointment, re-appointment or removal of External Auditors. For the year 2015, the Audit Committee has approved the re-appointment of Isla Lipana & Co./PricewaterhouseCoopers as the External Auditor. The Audit Committee has reviewed and approved accordingly the scope and coverage of Statutory Audit for the year 2015. 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 2015. The Audit Committee concurred and accepted the conclusion of the External Auditors on the financial statements is satisfied that the financial statements are in compliance with Philippine Financial Reporting Standards as assessed by the External Auditors.

### **RELATED PARTY TRANSACTIONS**

Related party relationship exists and details of Related Party Transactions are provided in Note 30 of the 2015 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.

### **DIVIDEND POLICY**

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

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

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