

The background is a solid red color. Overlaid on this are several large, abstract, white, curved shapes that resemble stylized waves or organic forms, creating a layered, artistic effect.

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

2020 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.

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 2021.

March 2021

Amounts in Php '000s	CYTD Mar 2021 Actual	CYTD Mar 2020 Actual	Growth over PY	CYTD Mar 2020 Budget	Actual vs Budget
First Year Premium	-	-	n/a	-	n/a
Renewal Premium	531	523	1.5%	485	9.5%
Single Premium	-	-	n/a	-	n/a
Total Premium	531	523	1.5%	485	9.5%

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 P900 Million capitalization requirement as of December 31, 2019, its Parent Company, Philam Life, infused additional P250 Million.

3 2020 Calendar Year Results

Presented below are the Financial Highlights for Calendar Year 2020 versus 2019 (Philippine GAAP basis).

Phil. GAAP basis Amounts in Php '000s	CYTD Dec 2020 Actual	CYTD Dec 2019 Actual	Growth Over PY
Net Insurance Premiums	- 455	153	-397%
Investment Income	45,916	29,702	55%
Other Income	78,395	653	11905%
Foreign exchange gains	- 19,663	- 14,234	38%
Gain on Sale of Available for Sale Financial Assets	4,437	-	100%
Fair value gains on financial assets at fair value through profit or loss, net	-	7,797	100%
Net Insurance Benefits and Claims	48,377	- 14,084	-443%
Operating Expenses	35,738	20,236	77%
Net Income (loss)	24,515	17,919	37%

After the termination of the Bancassurance Agreement with BDO in 2009, PELAC was no longer issuing new policies. As a result, net insurance premium continues to decline with -397% decrease in 2020 versus 2019.

4 2020 Audited Financial Statements

A. Assets

	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	296,963	702,319
Insurance receivables	239,622	154,300
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	907,653	493,376
Loans and receivables, net	52,773	66,782
Accrued income	17,317	14,360
Deferred tax assets	3,556	6,839
Other assets, net	4,613	4,616
Total assets	1,522,497	1,442,592
<u>LIABILITIES AND EQUITY</u>		
Insurance contract liabilities, net	15,917	21,767
Premium deposit fund	2,020	1,833
Policyholders' dividends	2,894	2,976
Insurance payables	1,723	1,700
Accounts payable and accrued expenses	385,384	360,014
Total liabilities	407,938	388,290
Share capital	500,000	500,000
Contributed surplus	25,000	25,000
Contingency surplus	169,100	169,100
Reserve for fluctuation on available-for-sale financial assets	90,716	53,598
Reserve for remeasurement on insurance contract liabilities	(3,461)	(2,085)
Retained earnings	333,204	308,689
Total equity	1,114,559	1,054,302
Total liabilities and equity	1,522,497	1,442,592

B. Statements of Income

	2020	2019
PREMIUMS AND OTHER INCOME		
Gross premiums on insurance contracts	2,419	3,456
Reinsurers' share of gross premiums on insurance contracts	(2,874)	(3,303)
Net insurance premiums	(455)	153
Investment income	45,916	29,702
Commission income	523	592
Fee income from unit-linked funds	-	61
Fair value gains on financial assets at fair value through profit or loss, net	-	7,797
Foreign exchange losses, net	(19,663)	(14,234)
Gain on sale of available-for-sale financial assets	4,437	-
Other income	77,872	-
Total premiums and other income	108,630	24,071
EXPENSES		
Change in insurance contract liabilities	(5,214)	(76,684)
General and administrative expenses	25,354	17,969
Benefits and claims paid on insurance contracts, net	53,591	62,600
Investment expenses	380	125
Insurance taxes, licenses and fees	67	2,651
Other expenses	-	11
Total expenses	74,178	6,672
INCOME BEFORE INCOME TAX	34,452	17,399
INCOME TAX (BENEFIT)	9,937	(520)
NET INCOME FOR THE YEAR	24,515	17,919

C. Statements of Changes in Equity

	Share capital (Note 9)	Contributed surplus	Contingency surplus	Reserves		Retained earnings	Total equity
				Fluctuation on available-for- sale financial assets (Note 4)	Remeasurement on insurance contract liabilities (Note 7)		
BALANCES AS AT JANUARY 1, 2019	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 (Note 9)	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
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR							
Net income for the year	-	-	-	-	-	24,515	24,515
Other comprehensive income (loss)	-	-	-	37,118	(1,376)	-	35,742
	-	-	-	37,118	(1,376)	24,515	60,257
TRANSACTION WITH OWNERS							
Additional capital infusion (Note 9)	-	-	-	-	-	-	-
BALANCES AS AT DECEMBER 31, 2020	500,000	25,000	169,100	90,716	(3,461)	333,204	1,114,559

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 (55)

Executive Director/Chairman of the Board

Mr. Kelvin Ang, PELAC'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 (50)

Executive Director/Chief Executive Officer

Mr. Gary Ogilvie is a seasoned Finance professional and qualified UK Chartered Accountant who now takes the role of Chief Financial Officer in PELAC. 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.

Mr. Ogilvie finished Bachelor of Accountancy with Honours at Glasgow University in 1992 and is a bonafide member of Chartered Accountant of Scotland since 1995.



ERNESTO R. LAGDAMEO, JR. (84)

*Independent Director
Lead Independent Director*

ERNESTO R. LAGDAMEO, JR., has been an Independent Director of the Company since 2003 and was re-elected last 14 April 2020. He served as a corporate director for several other Philippine companies and was 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 was 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 was Chairman and President of Educhild Foundation, Inc., he also served as Chairman of the Board of Trustees of St. Scholastica's College (Manila); as Trustee of PAREF Southridge Private School for Boys and as Member of the National Executive Board & Treasurer of the Boy Scouts of the Philippines.

He also attended the IC Mandated Training on December 9, 2020.

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 (77)

Independent Director



Professor Victoria S. Licuanan is currently an adjunct faculty of the Asian Institute of Management (AIM). Prior to her retirement, she was Dean of AIM in 2005-2010, and continues to teach economics, strategy, negotiations and critical thinking at AIM. Prof. Licuanan's research interests are in overseas migration issues, entrepreneurship and behavioral economics.

Her major current research is a longitudinal 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 Fulbright-Hays and Harvard University scholarships, where she completed her course work and comprehensive examinations for a Ph.D. in economics, specializing in monetary and international economics.



RICHARD SUMNER (46)
Non-Executive Director

Mr. Richard Sumner, B.A.(Hons), F.C.A.(ICAEW), 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.

During the past year, Richard completed the Insurance Commission-mandated annual training on Corporate Governance.

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

AUDIT, RPT, AND RISK OVERSIGHT COMMITTEE
Ernesto R. Lagdameo, Jr. – Chairman <i>(Independent Director)</i>
Victoria S. Licuanan <i>(Independent Director)</i>
Richard Sumner <i>(Non-Executive Director)</i>

INVESTMENT MANAGEMENT COMMITTEE
Arleen May S. Guevara – Chairperson <i>(Senior Officer)</i>
Gary James Ogilvie <i>(Executive Director)</i>
Denise Ann R. Saclag <i>(Senior Officer)</i>
Maria Christina H. Samaniego <i>(Senior Officer)</i>
Charline D. Chan <i>(Senior Officer)</i>

CORPORATE GOVERNANCE COMMITTEE
Victoria S. Licuanan – Chairperson <i>(Independent Director)</i>
Gary James Ogilvie <i>(Executive Director)</i>
Ernesto R. Lagdameo, Jr. <i>(Independent Director)</i>

MANAGEMENT COMMITTEE
Kelvin Ang – Chairman <i>(Non-Executive Director)</i>
Gary James Ogilvie <i>(Executive Director)</i>
Ernesto R. Lagdameo, Jr. <i>(Independent Director)</i>

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 generally set on a semi-annual 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 2020, the Board of Directors had a total of four (4) meetings, where the Board posted an overall attendance rate of 95.00%.

<u>MEMBERS</u>	<u>BOARD</u> <u>24 February 2020</u> <u>(Special)</u> <u>14 April 2020</u> <u>(Outgoing)</u> <u>14 Apr.</u> <u>2020(Organizational)</u> <u>23 November</u> <u>2020(Regular)</u>	<u>AUDIT, RPT.</u> <u>AND RISK</u> <u>OVERSIGHT</u> <u>COMMITTEE</u> <u>14 April 2020</u> <u>23 Nov. 2020</u>	<u>GOVERNANCE</u> <u>NOMINATION &</u> <u>COMPENSATION</u> <u>COMMITTEE</u> <u>09 March 2020</u> <u>06 Nov 2020</u>
	4 MEETINGS (95.00%)	2 MEETINGS (100%)	2 MEETINGS (100%)
KELVIN ANG	3/4		2/2
ERNESTO R. LAGDAMEO, JR.	4/4	2/2	2/2
VICTORIA S. LICUANAN	4/4	2/2	
RICHARD SUMNER	4/4	2/2	
GARY JAMES OGILVIE	4/4		2/2

CORPORATE GOVERNANCE

The Company's Corporate Governance Policy placed on the Board the ultimate responsibility for the sustainable performance of the Company, including its consistent achievement of business plans and compliance with statutory and corporate obligations. To fulfil such responsibility, the Board adopted a policy of adherence to all legislations, regulations, and statutory standards as may be applicable and relevant to the Company and mandates all directors, senior management and employees to abide by the principles of good governance and the Company's Code of Conduct.

The Company's corporate governance framework underpins its commitment to corporate governance principles and leading practices.

ROLE AND RESPONSIBILITIES OF THE BOARD

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

In 2020, the Board of Directors, through its Board Risk, and Audit and Related Party Transaction (RPT) Committees, conducted a regular review of the Company's material controls (including operational, financial and compliance controls) and risk management systems. The Audit, RPT, and Risk Oversight Committee and the Board of Directors have declared their satisfaction and confidence on the Company's internal controls and risk management systems.

BOARD INDEPENDENCE AND DIVERSITY

The Board of Directors has a balanced composition of executive and non-executive directors, such that, no individual or small group of individuals can dominate the Board's decision making. The Board will determine whether a director is independent in character and judgment, or there are relationships or circumstances which are likely to affect the director's judgment.

The Board also recognizes the benefits of having a diverse Board as an essential element in maintaining a competitive advantage and achieving optimal decision-making. The Board considers diversity in age, gender, ethnicity, culture, race, skills, regional and industry experience and background, and other distinctions in determining the composition of the Board of Directors.

The Board also ensures that each director does not have, directly or indirectly, a financial, legal, or other relationship with the Company that would reasonably interfere with the exercise of independent judgment in carrying out his or her responsibilities.

BOARD PROCESS

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

In addition to the regular meetings, when necessary, the directors, whether executive, non-executive or independent, may engage in informal meetings to further discuss issues, strategies and business affairs of the Company.

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 Revised 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 or Senior Management are made on merits and subject to objective criteria as set forth in the Manual. Careful deliberation and consideration are 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 of 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

The Board uses a transparent procedure for the election of directors. Screening processes are done both locally and in the AIA Group. The Corporate Governance 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 will be entitled to cumulate his vote in the manner provided by law. After the election process, the Corporate Secretary will count the votes and thereafter declare the duly elected members of the Board.

ORIENTATION PROGRAM AND TRAINING

For newly elected directors, the Corporate Secretary schedules and provides a comprehensive orientation to explain the organizational profile, charters, by laws, policies and procedures of the Company. In compliance with the Circulars issued by the Insurance Commission, PELAC ensures that all its directors have attended a training and orientation course on Corporate Governance conducted by duly accredited training providers of the Commission.

The Board members are also encouraged to attend further trainings and inform the Company on such trainings attended. PELAC provides necessary resources in developing and updating its director's knowledge and capabilities. The Company encourages the directors to attend continuous professional education programs such as the Professional Directors' Program of the Institute of Corporate Directors.

PERFORMANCE EVALUATION

The Board has established its 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 Board, the Chairman, and the senior management; the overall performance of the Chairman, the CEO, the independent directors, the Board and the various Board Committees.

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 Corporate Governance Committee for its approval. The results will then be reported to the Board for its notation.

For 2020, the Annual Board Performance Evaluation Survey was participated by the members of the Board, where they registered an overall rating of "consistently good" to "excellent". This clearly exemplifies the effectiveness and competence of the Board of Directors. It also shows that the Board understands the objectives of the Company, as well as the major role it plays in the Company, to its shareholders and stakeholders.

FEE STRUCTURE AND REMUNERATION OF DIRECTORS

The Independent Directors play 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 to as its members. The fee structure of the independent directors is 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 2020, the total annual gross directors' fees of the independent directors of the Company amounted to Philippine Pesos: Six Hundred Thirty Nine Thousand (PhP639,000.00), broken down as follows: 1) Mr. Ernesto r. Lagdameo, Jr. – (P324,000.00); 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.

RELATED PARTY TRANSACTIONS

PELAC recognizes the importance of establishing and maintaining policies and procedures for transactions between related parties. The Company is mandated to ensure that such transactions are only undertaken on an arm's length basis for the financial, commercial and economic benefit of the Company and the entire group where it belongs.

The Related Party Transactions (RPT) Policy of the Company is adopted to ensure that there is an effective compliance with existing laws, rules and regulations at all times; that all related party transactions are conducted on an arm's length; and that no stakeholder is unduly disadvantaged. 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, will be considered related party transactions. Related party will be interpreted broadly to include not only transactions that are entered into with related parties as defined in the RPT Policy but also outstanding transactions that were entered into with an unrelated party which subsequently becomes a related party. It will also include such other person/ juridical entity whose interests may pose potential conflict with the interest of the Company.

The Policy requires that all RPTs should be on normal commercial terms, fair and reasonable in the interest of PELAC; in the regular course of business; and at arm's length or not undertaken on more favorable economic terms (e.g. price commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under the similar circumstances. PELAC has put in place an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the Company and its stakeholders.

If a particular transaction is considered to involve related parties, the same will be endorsed to the Regulatory and Compliance Committee for appropriate action. If RPT falls below the materiality threshold prescribed by the Policy, the Regulatory and Compliance Committee will have the authority to approve the same, subject to the Board Audit, RPT and Risk Oversight Committee's confirmation. Otherwise, the former will endorse the transaction to the latter for its consideration and approval.

All RPTs that are considered within and above the material threshold, 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, will be endorsed by the Audit and RPT Committee to the Board of Directors for approval and to the stockholders of the Company for confirmation by majority vote, during the annual stockholders' meeting.

The Board of Directors will 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.

PELAC has no RPTs that can be classified as financial assistance to entities other than wholly owned subsidiary companies.

RISK MANAGEMENT

PELAC believes that sound risk management relies on 1) a strong corporate culture driven by the leadership where accountability over risks and effective controls are taken with seriousness across all levels of the corporate hierarchy and operating areas of the Company, 2) a clear and effective Risk Management Framework that promulgates how risks are defined, measured, and mitigated.

PELAC operates using the three lines of defense model in running its Risk Management Framework (RMF). A very important characteristic of the model is to define primary risk ownership by the business areas in order to drive a strong culture of ethics and accountability in the way business is conducted day to day. In this way, risks are identified and mitigated immediately as they emerge.

The RMF is governed by the Philam Group Risk Management Committee (GRMC), which oversees and reviews both financial, product and operational risks, and ensures that appropriate risk policies and mitigation measures are in place. The GRMC reports to the Audit, RPT and Risk Oversight Committee which is responsible for oversight of the Company's risk management activities. The Committee determines the Risk Appetite, the Risk Management Statement, and the Risk Management Framework of PELAC, and advises and assists the Board of Directors in the review and approval of these matters.

The Company operates under a "Three Lines of Defense" governance model.

The First Line is made up of Risk Owners who underwrite risks through product development, investment of asset portfolios, structural allocations and other key business operations. The First Line is responsible for operating within the RMF proposed by the Second Line and approved by the BRC and Board, ensuring that risk and returns are well understood and optimized throughout the decision-making process. The First Line also has the responsibility to operate a robust control environment for their functional areas, including ownership and management of operational and compliance risks.

The Risk and Compliance Function acts as the Second Line of Defense as it implements the RMF, a method to identify, quantify, and mitigate risks within the Company; and ensuring it remains effective. While the First Line is empowered with decision-making authority, including for exception procedures and approvals, the Second Line endorses these decisions and provides independent oversight, challenge and advice.

An independent Audit Function acts as the Third Line of Defense to provide the Board of Directors with insights on risk control effectiveness. Group Internal Audit (GIA) is responsible for providing independent assurance over the effectiveness of the RMF, including key internal controls, and makes recommendations based on audit findings.

The above are key parts of driving a strong risk culture with methods and values embedded across the different parts of the organization and corporate hierarchy.

OPERATING PHILOSOPHY

AIA Code of Conduct

At AIA, employees hold themselves to the highest standards of integrity and ethics in everything they do. In doing so, the trust placed in the Company by customers are protected, maintaining, and enhancing the foundation of long-term sustainability and success. AIA's Code of Conduct defines how this trust is maintained and reflects the Operating Philosophy of doing the right thing, in the right way, with the right people and the right results will come. The AIA Code of Conduct is designed to give AIA officers and employees a practical understanding of how to make the right decisions in their day-to-day work. It provides clear guidance on important issues and outlines how employees should behave and conduct business at AIA at all times and under all circumstances.

Annual Certification Program

AIA conducts and requires a Code of Conduct - Annual Certification Program. To ensure that all AIA 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

AIA does not permit the use of its products and service for Money Laundering and Terrorist Financing purposes. Pursuant to Section 18 of Republic Act (RA) No. 9160, also known as the "Anti-Money Laundering Act of 2001", as amended by RA No. 9194, RA No. 10167, RA No. 10168 and RA No. 10365,

all covered institutions which include insurance companies supervised or regulated by the Insurance Commission are mandated to formulate their respective money laundering prevention program in accordance with the said law.

PELAC's Anti-Money Laundering (AML) Program establishes the governing principles and business standards to protect PELAC and its 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 and collectively oppose any effort to violate or flaunt the anti-money laundering laws.

PELAC adopts the Nice Actimize System to support the implementation of its AML program. The system has three modules used as monitoring mechanisms. These include Watch List Filtering or Screening against PEPs and sanctioned persons, Customer Due Diligence which provides risk scoring for all customers and help determine high risk customers, and Suspicious Activity Monitoring which provides alerts on transactions that breach the red flags loaded in the system.

Customer Welfare

PELAC's Customer Commitment Standard demands that customers are treated fairly at all times. This ensures that customers' needs and reasonable expectations have been considered by the Company in its business activities. Appropriate standards of business practice to promote customer outcomes that are consistent with reasonable expectations are in place. The Company also monitors customer experience and manages the risk of unfair treatment or poor outcome for customers.

Marketing, advertising and sales-related materials and services are 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 are not acceptable.

PELAC adopts a structured framework in handling complaints related to market misconduct. The Customer Complaints Handling Process defines the step by step approach to ensure that all customer grievances and complaints of misconducts are immediately addressed. Misconduct includes but is not limited to misrepresentation of product features, mis-selling, policy replacement, misappropriation of client monies, and any other infringement of the Market Conduct Guidelines.

Data Privacy

PELAC recognizes its responsibilities in protecting the personal data and sensitive information of all its stakeholders including employees, customers, intermediaries, business partners, and third-party service providers. The Board of Directors, management, and employees of PELAC commit themselves to adopt and adhere to the Policy provisions to ensure protection of personal information and sensitive data collected by and shared with the Company.

The Data Privacy Program of PELAC is aligned with RA 10173, the local Data Privacy law. It contains 11 Data Privacy Principles aimed to guide and establish the necessary controls to safeguard the privacy of the personal information in the hands of the Company and its employees.

To strengthen corporate governance, the PELAC Board of Directors appointed a Data Protection Officer for the Company who is tasked to oversee the implementation of its Data Privacy Program based on the issued Implementing Rules and Regulations of the local law, and ensure that appropriate operational controls are implemented across all units or departments.

PELAC's Data Privacy Policy provides guidance to all employees, intermediaries, and third parties on how personal data should be collected, used, stored, transferred, and disposed. It further clarifies the roles and responsibilities of the employees and intermediaries about the relevant standards and procedural controls expected to be observed to secure and protect personal data.

Contract Management

PELAC adopted its Guidelines on Contract Management in October 2018, 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 to awarding, and until execution and termination. To facilitate proper implementation, the Guidelines were cascaded to records coordinators and contract managers.

Market Conduct Guidelines

PELAC envisions itself as having one of the highest sales standards in the Philippine life insurance industry. The Market Conduct Guidelines is used as a guide in the conduct of their business and aid in the determination of what would be deemed proper conduct and behaviour. It will apply equally and consistently to the conduct of life insurance business practices and the sale of all financial products. Any breach of the Market Conduct Guidelines may result in the imposition of a penalty on offender or violator. Compliance with these guidelines does not ensure a continued contractual relationship with PELAC.

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.

This policy was submitted to the Insurance Commission following the requirements of IC Circular 2016-50. The Insurance Commission wants 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

PELAC implements a robust Anti-Corruption Program supported by an Anti-Corruption Policy. The Policy provides guidance on giving and accepting gifts and entertainment and is applied alongside the AIA Code of Conduct.

The Company adopts a zero-tolerance approach on Bribery and Corruption. The Company is prohibited from offering, paying, promising or authorizing (directly or indirectly) any bribery, kickback or anything of value (as defined in the Policy), with corrupt intent or in violation of anti-corruption laws.

The Company is not allowed to use improper means to influence another person's business judgement. All employees and officers are required to report and seek approval, when necessary, to the Compliance Office any gift/entertainment provided to Government organizations and/or any of its officials.

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, this policy prohibits employees and directors from engaging in speculative trading in AIA Group Securities and in any market misconduct such as false trading, price rigging, disclosure of false or misleading information inducing transactions and stock market manipulation.

The policy applies to all employees and directors of AIA Group and each of its subsidiaries, 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. The pre-approval of the Group Company Secretary is valid for three trading days from the date on which the pre-approval is granted. If the proposed transaction is not executed within this period, the pre-approval will lapse, and a fresh preapproval application will need to be submitted.

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. Trading activities in securities included in these lists are restricted and/ or actively monitored.

Investment Code of Ethics

PELAC believes that individual investment activities by its officers and employees should not be prohibited or discouraged. Nonetheless, the nature of PELAC's obligations necessarily require 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 responsibility to treat stakeholders fairly. This duty requires a course of conduct, consistent with other statutory obligations, that seeks to be prudent 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 duties:

1. Place the interests of AIA and its Stakeholders first. 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 preclearance 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

Business partners serve as extensions of PELAC to the extent that they operate within contractual relationships. Business partners are expected to adhere to the spirit of the AIA Code of Conduct and to any applicable contractual provisions.

Business partners must not act in a way that is prohibited or considered improper for a PELAC employee. Employees must ensure that customers, agents, and suppliers do not exploit their relationship with PELAC or use PELAC's name in connection with any fraudulent, unethical, or dishonest transaction.

Suppliers and vendors are 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 are part of the vendor management program.

The total expenditure on goods and services from third party suppliers form a significant part of PELAC's operating cost. Any activity by a line of business to acquire goods/ services must be undertaken in a professional manner to ensure that the Company is able to maximize the value and manage risks associated with use of external suppliers.

The local Sourcing Policy sets out the framework within which PELAC must engage external suppliers for goods/ services, and is supplemented by PELAC's Sourcing Practice Guide. This provides the Company with standard processes and document templates in engaging suppliers that should be read in conjunction with the policy document.

The PELAC Sourcing Policy, with the AIA Group Sourcing Policy as a model, was defined with the primary objective to establish standardized sourcing procedures.

As set out in the AIA Group Sourcing Policy, a Local Sourcing Lead (LSL) or a designate is appointed and will be responsible for ensuring implementation, execution, update and compliance of the local policy. This person should closely work with the AIA Group Sourcing (GS) team.

Supplier Selection

PELAC selects 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.

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

PELAC adheres to a Fair Dealing Policy, which ensures that businesses with the customers, service providers, suppliers, and competitors are conducted in a fair manner. Following AIA's model, PELAC seeks competitive advantages only through legal and ethical business practices. The Company employee must conduct business in a fair manner with customers, service providers, suppliers, and competitors.

Disparaging competitors or their products and services are 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

AIA contributes positively to the social and economic development of the communities in which it operates, with support extended to people and communities in need. AIA and its employees volunteer time and funds to programs that promote health, financial literacy, education and other community needs. AIA is committed to reducing the impact of its operations on the environment and raising awareness about sustainability by taking part in activities that highlight these issues.

AIA Philam Group recognizes the value of social media to engage with stakeholders in innovative and interactive ways. When using social media, every employee must conduct themselves professionally. Its Social Media Policy and Guidelines are intended to provide guidance to all AIA and AIA Philam Group employees on how to use social media to market the AIA brand, as well as the basic principles all employees should follow when using social media in a professional or personal capacity where it may affect an employee's performance or AIA's business interests. The guidelines also apply to any comments employees may make or leave on other social media pages, edits to wikis, responses to tweets, postings on message boards/ fora, opinions on online polls or any product/ services AIA might create. Any breaches of the policy could lead to disciplinary action including dismissal. This Policy will be revised in 2021 to ensure that the Company continuously provides the necessary guidance to financial advisors and employees in maximizing social media effectively, and within bounds.

Creditor's Rights

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

Promoting Health and Well-Being

Philam Group has its own program that allows people to take charge 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 the health and wellness programs of the Company. Employees are encouraged to lead a healthier lifestyle so they can live better and get more out of life. Initiatives that encourage and motivate employees in their journey towards wellness in a fun and collaborative way are also implemented to help them sustain a healthy lifestyle.

Wellness-related benefits, activities, and webinars are made available to employees. All activities are anchored on further promoting health & wellness, productivity, engagement, and a culture of collaboration within the Company.

Rewarding Performance

Philam Group provides a dynamic work environment that encourages employees to bring their best to work each day. In return, it 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 principle 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 AIA Group's Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right people... and the results will come." 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 the business.

THE WHISTLEBLOW PROGRAM

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

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

Employees who are aware of possible wrongdoing within AIA and Philam Group 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.

Speak up culture is being encouraged and widely promoted in the company. Posters are displayed, brochures are distributed to promote reporting whenever employees see or suspect potential misconduct or fraud. A hotline and a link is made available and the employee may choose to be anonymous.

An AIA Ethics line (<https://www.aiaethicsline.com>) 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 seven days a week. AIA and Philam Group can communicate with anonymous whistleblowers through a secure platform using the AIA website. The report may also be made by using the AIA Group Ethics and Compliance Hotline +852 2832 1200, via email to compliance@aia.com or via (PLDT) 1010-5511- 00-800-245-4179 or 105-11-800-245-4179.

DIVIDEND POLICY

PELAC will declare and pay cash dividends, the amount of which will 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.

On 10 January 2020, the Company declared a cash dividend of Forty Four Pesos and Fifty Nine Centavos (PHP44.59) per share, or a total amount of Eight Billion Eight Hundred Ninety Eight Million Four Hundred Ten Thousand Three Hundred Nineteen Pesos and Eighty Nine Centavos (PHP8,898,410,319.89) Philippine Currency payable to all shareholders of the Company in proportion to their holdings as of 30 November 2019.

AUDIT, RPT, AND RISK OVERSIGHT COMMITTEE

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

In 2020, the Audit, RPT and Risk Oversight Committee members were Ernesto Lagdameo as the Chairman, and Victoria Licuanan, and Richard Sumner as members. Each Committee member met the necessary requirements of the Securities and Exchange Commission, the Revised Code of Corporate Governance and other applicable laws and regulations in the Philippines.

The Committee has adopted formal terms of reference (Terms of Reference for the Audit, RPT and Risk Oversight Committee) to detail its responsibility for oversight of the Company's corporate governance process. The Committee, while exercising its oversight role, relies on the expertise of Management and works with Group Internal Audit – Philippines (GIAPH) and External Auditors, Isla Lipana & Co./PricewaterhouseCoopers, to ensure the integrity of the financial statements and the continuous review of the Company's governance process, risk management and internal controls including compliance with the law and relevant standards.

From 1 January to 31 December 2020, the Audit and RPT Committee met four times. In these meetings, the Audit and RPT Committee met with Senior Management, GIAPH, the Compliance Office and the Company's External Auditors. Among the agenda items discussed were the approval of the Annual Audit plan, Group Internal Audit updates, results of Compliance reviews, approval of significant related party transactions and updates from the External Auditors. Group Internal Audit updates include the results of completed audit projects, the status of the audit plan, and tracking of open issues.

GROUP INTERNAL AUDIT

The Terms of Reference for the Audit, RPT and Risk Governance Committee provides the Committee the authority to organize an internal audit function, and to approve the appointment, resignation and dismissal of an independent internal auditor as well as the terms and conditions of appointment and dismissal, in consultation with the AIA Group Head of Internal Audit. The internal audit function of PELAC is carried out by GIAPH.

GIAPH'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 Company, and appropriately challenge executive management to improve the effectiveness of these processes. GIAPH is directly overseen and supported by the AIA Group Internal Audit, reports functionally to the Audit, RPT and Risk Oversight Committee, and administratively to the Chief Executive Officer. GIAPH 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 finalizing the audit plan of GIAPH, input and expectations from key stakeholders are considered prior to the final approval by the Audit, RPT and Risk Oversight Committee. The Committee ensures that GIAPH is authorized to have complete and unrestricted access to PELAC's records, properties and personnel in the discharging of their responsibilities.

The Head of GIAPH, on behalf of GIAPH, is responsible for reporting the result and status of internal

audit work to the Audit, RPT and Risk Oversight Committee on a regular basis. In overseeing the internal audit function, the Committee is actively involved in approving the audit plan including any subsequent changes, assessing the result of audit engagements and monitoring the resolution of key issues identified. The 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.

ENGAGEMENT OF EXTERNAL AUDITORS

The Audit, RPT and Risk Oversight Committee, on behalf of the Board of Directors, is responsible for the appointment, re-appointment, or removal of the External Auditors. For 2020, the Committee has approved the re-appointment of Isla Lipana & Co./ PricewaterhouseCoopers as the External Auditor. The Committee has reviewed and approved accordingly the scope and coverage of the Statutory Audit for 2020. Although Management has the primary responsibility for the financial statements and the reporting process, the Committee, having the oversight role, has noted and reviewed the audited financial statements for the calendar year 2020. The 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 2020, the audit fees of Isla Lipana & 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 2020.

CORPORATE SOCIAL RESPONSIBILITY

Philam Group has its 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.

NEW BOARD CHARTER, REVISED CORPORATE GOVERNANCE MANUAL AND POLICIES

In compliance to the requirements stipulated in Insurance Commission Circular Letter (IC CL) 2020-71, the Board approved its new Board Charter, revised its Corporate Governance Manual, and passed several policies. Below are the highlights of the said manual and policies:

a. Board Charter - sets out the roles and responsibilities of the Board primarily delegating to the Board the ultimate responsibility for the sustainable performance of the Company and its subsidiaries, including the consistent achievement of business plans and compliance with statutory as well as corporate obligations. For more details, the full text of the charter is available in the company website.

b. Revised Corporate Governance Manual (RCGM) – a number of revisions were applied to articulate good corporate governance practices including board annual and on-boarding training, and training topics, among others. For more details, the full text of the RCGM is available in the company website.

c. Remuneration Policy – ensures that board and senior management remuneration programs are designed to be market competitive, fully compliant with local regulations, and foster a strong performance-oriented culture within an appropriate risk management framework

d. Board Diversity Policy – sets out the Company's approach to ensuring adequate diversity in the Board and that selection of candidates for appointment to the Board will be based on merit which include a review of candidate's integrity, educational background, industry or related experience, among others.

e. Retirement Age Policy – as part of succession planning and to promote dynamism in the Company, the Board approved the Retirement Age Policy that provides, among others, the maximum tenure for independent directors to be aligned with local regulations; for retirement age of directors other than independent, key officers and employees; and for the procedures for their retirement.

f. Environment, Social and Governance (ESG) Policy – provides that the Company's ESG direction is aligned with the direction of its parent company, AIA Group Limited, while further developing suitable local

strategies and initiatives, as may be needed.

g. Financial Disclosure Policy – sets out AIA Philam Life’s approach to disclosure of financial information to give a complete picture of the Company’s financial standing and results of business operations to stakeholders. It states that the Company will fully abide by legal and regulatory mandates on financial reporting standards and disclosures of financial information.

h. Internal Audit Charter – sets out, among others, the role, mission, scope and responsibilities of the Company’s internal audit functions, called Group Internal Audit Philippines (GIAPH), including arrangements for ensuring GIAPH’s independence and objectivity. It articulates GIAPH’s purpose, which is to support the Board, the Audit Committee, and the senior management to protect the assets, reputation and sustainability of the Company. It further provides that GIAPH’s mission is to provide independent and objective assessment and reporting of the overall effectiveness of risk management, internal controls and governance processes and appropriately challenge executive management to improve the effectiveness of these processes.

i. Stakeholder Engagement Policy – designed to facilitate communication for various stakeholders to raise their queries and concerns with ease, and to ensure that the same are addressed in a timely manner by the appropriate functional units of the Company. The policy also defines the Company’s Stakeholder Engagement Framework.

STAKEHOLDER ENGAGEMENT FRAMEWORK

Defined in the company’s Stakeholders’ Engagement Policy, the Stakeholder Engagement Framework is envisioned to provide a holistic view of the various stakeholders of the company and the manner by which they can interact and communicate with the company.



Various individual, group or organizations can affect or is affected by the company or its activities. To better manage stakeholder engagements, the company identifies below as its priority stakeholders, possible engagement activities and the various communication touchpoints available to each:

A. Various engagements

Priority Stakeholders	Common Touchpoints		
	Customer	Website: https://www.philamlife.com/en/index.html	Telephone No.: (02) 8 528 2000
Shareholder			
Regulators			
Employees			
Sales Force			
Vendors			
Business partners			
Industry associations			
Communities			

B. Regulatory and conduct-related engagements

Priority Stakeholders	Common Touchpoints	
	Customer	Data Privacy: PHI.philamprivacy@aia.com
Shareholder		
Regulators		
Employees		
Sales Force		
Vendors		
Business partners		
Industry associations		
Communities		

C. Purchase or service engagements, other concerns

	Mode	Touchpoints	Functional Units	Roles and Responsibilities
Customer	Digital	<ul style="list-style-type: none"> ePlan – https://portal.philamlife.com/ePlan Facebook Messenger - Chatbot - AYA 	Operations	<p>Lead in customer centric initiatives of the company;</p> <p>Lead in the implementation of the company's Customer Commitment Standards and other relevant standards of the company such as, Claims Operations Standard, New Business Operations Standard, etc.</p>

	Digital	Philam Vitality	Marketing	Lead in all Vitality initiatives focusing on efforts that enhances customer engagement
	Email	PhilamLife_CustomerCare@aia.com	Operations	Ensures prompt delivery of services in accordance with the Customer Commitment Standard, Claims Operations Standard, New Business Operations Standard, etc.
	Face-to-face	Customer Service Centers	Operations ASG Finance	Ensures prompt delivery of services in accordance with the Customer Commitment Standard, Claims Operations Standard, New Business Operations Standard, etc.
Servicing agents				
Shareholders/ Investors	Email	PhilamCorporateSecretary@aia.com	Corporate Secretary	Implements the company's Corporate Governance Policy and Manual
Regulators	Email	Direct contact with relevant units via: <ul style="list-style-type: none"> • Email • Mobile phone • Others – Viber/FB messenger 	All	In accordance with the company's Regulatory Framework, all functional units ensure that all regulatory communications addressed to the company are promptly handled, monitored, and any responses or communications are signed-off by appropriate units and signed by an officer of the Company with a rank of at least Vice President and up.
	Face-to-face	Direct contact with relevant units <ul style="list-style-type: none"> • IC pigeon hole • Conference 	All	
	Mail	Direct contact with relevant units	All	
Employees	Digital	Workday	Human Resources	Ensures that employee-related concerns are promptly addressed
Sales Force	Digital	Agency Portal	Agency Sales Group	Ensures prompt delivery of services in accordance with the Customer Commitment Standard, Claims Operations Standard, New Business Operations Standard, etc.
	Face-to-face	Nationwide Customer Service Centers		
	Email Face to-face	Official email of agents; servicing agents	Operations Finance	

Vendors	Digital	Ariba	Sourcing	Ensures appropriate due diligence are conducted prior to on-boarding of vendors and suppliers; maintains records of engagement with vendors in accordance with the records management policy; ensures prompt settlement of vendor payments; and handles all vendors/suppliers concerns promptly
	Email	PhilamP2P@aia.com		

ANNUAL ORGANIZATION PEOPLE REVIEW (OPR) AND PERFORMANCE DEVELOPMENT DIALOGUE (PDD)

In the last 21 October 2020 board meeting, the Board has approved and adopted the company's annual OPR aimed at ensuring effective succession planning for directors, key officers and management to ensure growth and continued increase in the shareholders' value.

Further, the Board also approved the company's PDD ensuring that the payment and incentives granted the management, including the Chief Executive Officer, and the personnel are at par with the performance standards set by the Board and Senior Management. PDD also aims to encourage employees to actively participate in the realization of the company's goals and governance.

IC-MANDATED ANNUAL CONTINUING TRAINING FOR THE BOARD

In compliance with IC CL 2020-71, the company conducted annual continuing training for the board with the topics below:

TOPICS AND TRAINER :

Topics	Duration	Trainer
a. code of corporate governance for IC-regulated companies	1 hour	Meer, Meer, and Meer Law Office (Atty Alfredo Pablo Malvar)
b. ACGS and IC Annual Corporate Governance Report		
c. Board Responsibilities		
d. Illegal activities of corporations/directors/officers		
e. Protection of minority shareholders		
f. liabilities of directors		
g. confidentialities		
h. conflict of interest		
i. Enterprise Risk management;	1 hour	SGV & Co./EY Philippines (Leonardo J. Matignas, Jr., and Joseph Ian M. Canlas)
j. case studies and financial reporting and audit	1 hour	SGV & Co./EY Philippines Charisse Rossielin Y. Cruz Bernalette L. Ramos
k. RPT		
l. Audit	0.5	Group Internal Audit Clive Mathews Mandy Lau Rikka Peralta
m. Anti-Money Laundering and Terrorist Financing	0.5	SGV & Co./EY Philippines Veronica Mae Arce Balisi