



渣打平安保險公司

Charter  
Ping An

# Hope Ahead

The Charter Ping An 2020 Annual Report



# Table of Contents

**03** Message from the Chairman

**04** Message from  
the President & CEO

**05** The Board of Directors

**10** Executive Leadership Team

**11** Corporate Governance  
The Board of Directors  
Board Committees  
Risk Management and Compliance  
Related Party Transactions  
Whistleblowing Policy

**17** Financial Statements  
Independent Auditor's Report  
Statements of Financial Position  
Statements of Comprehensive Income  
Statements of Changes In Equity  
Statement of Cash Flows



## Message from the Chairman

**Solomon S. Cua**

### In 2020, we remained strong

This was no easy feat for us or anyone. The first quarter of the year met us all with the most unexpected of trials, the likes of which we'd never seen. More than economic instability, the COVID-19 pandemic affected all of us in ways we had no way of being truly prepared for.

But what are the Filipino people if not resilient? And what is the 21st century if not a product of two millennia of false starts, research, and new beginnings?

#### **This was a year where governments, businesses, and individuals were all put to the ultimate test.**

The inflation rate seemed to reflect the bleak situation we were faced with—particularly in the final quarter, where headline inflation jumped to 3.3% from 2.5%—and the country's Gross Domestic Product was affected similarly, shrinking by 9.5%—our worst since 1947, and far beyond any projection anyone could have made the year before. The Philippines overall still managed to defy expectations completely, with overseas Filipinos workers' remittances totaling about \$33.2 billion, only slightly lower than 2019's \$33.5 billion.

It is as predictable as the economy can get that when something as drastic as, say, a pandemic arises, two things are bound to happen: Many supply chains will be affected—in this case, impeded—but whole industries will scramble to seize the inevitable business opportunities. This year made it clear that it was the online consumer who wields the power, and will probably continue to do so for the foreseeable future.

As an insurance company, Charter Ping An's opportunities always lie in wait, virus or no virus. Although, in comparison with our previous successes, we cannot say we thrived, we kept our hand where many were forced to fold. The situation was not ideal, and so the outcomes were not ideal—but that we still stand at all, and in a position to grow and improve, is miracle enough.

But like any line of work, we learned that to innovate is to stay afloat and thrive. Though the insurance industry as a whole was understandably hit hard in the first two quarters of 2020, ultimately resulting in an 8.6% decline in net income for the year, it was made clear very quickly that insurers had to adapt.

And so we made good on our last promise—to build boldly on a good foundation—and molded ourselves to the situation at hand to make the most of it. Reaching out to our clients, making sure none of our transactions endangered them, and meeting them where they were was by no means the hardest part of the work, but it was certainly the bulk of it. From extended grace periods to financial literacy lessons; from no-contact consultations to pandemic-specific insurance packages, we did what we had to do not only to keep ourselves as close to the green as possible, but to remain in service to the Filipino people.

The strong consumer market and our response to the health crisis as a nation are what drove Charter Ping An that year; where once insurance was culturally considered a liability rather than an inconspicuous necessity, 48.22 million Filipinos are now covered, as reported by The Philippine Star in October.

There really is no point in saying we must expect the unexpected—because who apart from the scientists could have foreseen the events of 2020—but what we can say for sure is that when we press on, when we persevere, when we meet each other where we are, we all get through to the other side.



## Message from the **President & CEO**

**Rahul Hora**

### **2020 brought us low, but we still soared above it.**

As one of the leading general insurers in the Philippines, we at Charter Ping An Insurance Corporation now celebrate four years of serving and protecting the needs of the Filipino people. But it seems the celebrations will have to wait.

The rise of the coronavirus pandemic (COVID-19) and the repercussions reflected in our economy made it difficult for us to overcome the numerous obstacles it inevitably posed. But 2020 was a year that brought out our company's determination to endure and persevere, despite the adversities presented by the pandemic.

It is difficult to keep up positive pretenses after the steep decline in income that we experienced—still, we remain optimistic and choose to think that the crisis has only emboldened us to improve in the areas we experienced difficulty in.

Due to the imposed community quarantine, Filipinos have been practicing social distancing, which quickly resulted in the transition to digital interactions and transactions. Our robust commitment to serve the Filipino people despite the community quarantine allowed us to adjust and set up a work-from-home arrangement to continue to prioritize and secure our fellow Filipinos' health and wealth accumulation. In that same vein, we launched our round-the-clock teleconsultation through our application, Emma, to allow our policyholders to get help at their convenience. This also enabled our users to access different sub-functions, such as Rescue Line, a free service for 24/7 emergencies. These emergencies include roadside assistance, ambulance/hospital assistance, fire, and police assistance. This move was the outcome of our business strategy model, payer-to-partner. We consider Emma one of our breakthroughs during this pandemic, as it showcased its capabilities by enabling our customers to do even more things online. Our users can avail different types of insurance, monitor their investments, and, lastly, schedule and book an appointment with a trusted financial advisor.

Our integration of contactless transactions now also includes the purchase of car insurance, thanks to our AutoDeal partnership. Immediate purchase paired with quick turnover of certificates furthers our goals for both safety and efficiency.

In addition, two of our service centers began working together to accommodate our life and general insurance clients collectively as our client base continued to grow—especially as more Filipinos seek medical insurance in the wake of COVID-19. This also encouraged us to refine our values and business strategies for the future.

We are thankful that, in response, we were able to maximize our reach to the people through our partners to continue to promote and prioritize having their health policy.

Metrobank Card Company, one of our partners, collaborated with us to reach their extensive community of cardholders, especially the youth. Now, we work together to improve young people's financial literacy so that they can make wiser decisions while preparing for their future. We also worked hand-in-hand with Globe Telecom's GCash, one of the leading virtual mobile wallets, to touch base with their customers; through this partnership, we offer potential new policyholders micro-insurance opportunities and the ability to protect themselves with ease.

Overall, while 2020 was a year wherein it put all of us at a crossroads, we are confident that we'll recover and surmount the unprecedented challenges that we faced—it is, after all, the Filipino way.

As a company and as a country, the setbacks we encountered made us understand the steps we needed to take to ensure that the future will point to community betterment and sustainable growth, which is just one of Charter Ping An's goals for the coming year.



# **Board of Directors**



# Board of Directors



## SOLOMON S. CUA

Chairman

**Age:** 65 years old

**Date of first appointment:** 2010

**Length of Service:** 10 years

**Directorship in other companies:**

Charter Ping An Insurance Corporation,  
Philippine Racing Club, Inc.,  
Grand Titan Holdings, Inc.,  
Philippine Newton Global Solutions  
Palm Integrated Commodities, Inc.,  
SC & SSC Holdings, Inc., and Profriends  
Developer, Inc.,  
Metropolitan Bank and Trust Co.

**Relevant experience:** Mr. Cua was Vice Chairman of First Metro Investment Corporation from 2005 to 2016, Director of First Metro Investment Corporation from 2001 to 2016, and Director of Metropolitan Bank, China from 2014 to 2016.

**Qualifications:**

Chairman Cua completed his Bachelor of Arts in Economics & Mathematical Science from the University of Melbourne, Bachelor of Law from University of Queensland, and Masters in Law from London School of Economics & Political Science. He was Undersecretary of Department of Finance from 1998 to 2000

**Trainings Attended in 2020:**  
Corporate Governance Seminar



## ARTHUR V. TY

Vice Chairman /  
Non-Executive Director

**Age:** 54 years old

**Date of first appointment:** 2016

**Length of Service:** 4 years

**Directorship in other companies:**

Metropolitan Bank & Trust Company,  
Metropolitan Bank (China) Ltd.,  
GT Capital Holdings, Inc.,  
First Metro Investment Corporation,  
Philippine Savings Bank,  
Charter Ping An Insurance Corporation (2018).

**Relevant experience:**

Mr. Ty is currently the Chairman of Metropolitan Bank & Trust Company, Metropolitan Bank (China) Ltd., and GT Capital Holdings. He is currently the Vice Chairman of First Metro Investment Corporation and Philippine Savings Bank.

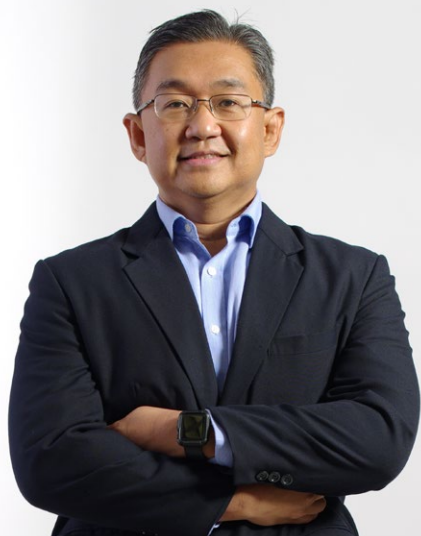
**Qualifications:**

Mr. Ty completed his Bachelor of Science in Economics from University of California, Los Angeles, and Masters in Business Administration from Columbia University, New York.

**Trainings Attended in 2020:**

Advanced Corporate Governance Training Program, Institute of Corporate Directors

# Board of Directors



**FERNAND ANTONIO  
A. TANSINGCO**  
Vice Chairman /  
Non-Executive Director

**Age:** 54 years old

**Date of first appointment:** 2010

**Length of Service:** 10 years

**Directorship in other companies:**

Metrobank  
(Bahamas) Limited,  
Charter Ping An Insurance Corporation (2018)

**Relevant experience:**

Mr. Tansingco is currently the Head of the Financial Markets Sector, Senior Executive Vice President and Treasurer, of Metropolitan Bank and Trust Company. Director of Metrobank (China) limited from 2012 to 2016. Adviser of Metrobank (China) Limited since 2016.

**Qualifications:**

Mr. Tansingco completed his Bachelor of Science in Electrical Engineering from the University of the Philippines. He is a Chartered Financial Analyst (CFA).

**Trainings Attended in 2020:**

Corporate Governance Seminar



**RAHUL HORA**  
Member, President & CEO

**Age:** 47 years old

**Date of first appointment:** 2016

**Length of Service:** 4 years

**Directorship in other companies:**

Charter Ping An Insurance Corporation

**Relevant experience:**

Mr. Hora was the Chief Operating Officer of AXA Philippines from 2015 to 2016, Chief Agency officer from 2009 to 2016, Board member from 2012 to 2014, and Regional Distribution Head of AXA ASIA from 2007 to 2009. He also held different positions in other life insurance companies from 1996 to 2007.

**Qualifications:** Mr. Hora completed his Bachelor of Science from St. Stephen's College and Post Graduate Degree from Centre of Management Development with MBA Marketing

# Board of Directors



## **FRANCOISE GILLES** Non-Executive Director

**Age:** 45 years old

**Date of first appointment:** 2020

**Length of Service:** 1 year

**Directorship in other companies:**

Charter Ping An Insurance Corporation;  
AXA Bank Belgium;  
AXA Banque France;  
AXA Bank Europe SCF

**Relevant experience:**

Ms. Gilles has been Chief Risk Officer and Head of Insurance Office at AXA Asia since October 2019. Prior to her current role, she was Member of the Executive Board of AXA Asia since October 2019.

**Qualifications:**

Ms. Gilles holds both a Master Degree in Actuarial Sciences and Civil Engineer in Applied Mathematics in Universite Catholique de Louvain-le-Nueve.



## **JAIME C. LAYA** Independent Director

**Age:** 82 years old

**Date of first appointment:** 2006

**Length of Service:** 14 years

**Directorship in other companies:**

Charter Ping An Insurance Corporation, Philtrust Bank, Escuela Taller de Filipinas Foundation, Inc., GMA Network, Inc., GMA Holdings, Inc., Ayala Land, Inc., Manila Water Company, Inc., Cultural Center of the Philippines, St. Paul University QC, Ayala Foundation, Yuchengco Museum, Don Norberto Ty Foundation Inc., Metropolitan Museum of Manila

**Relevant experience:**

Mr. Laya was the Minister of Budget from 1975 to 1981, Minister of Education, Culture, and Sports from 1984 to 1986, Governor of Central Bank of the Philippines from 1981 to 1984, Chairman of the National Commission for Culture and the Arts from 1996 to 2001, Professor and Dean of Business Administration of the University of the Philippines until 1987.

**Qualifications:**

Mr. Laya is a Certified Public Accountant since 1957. Mr. Laya completed his B.S.B.A Accountancy from the University of the Philippines, MS in Industrial Management from Georgia Institute of Technology, and Ph.D. in Financial Management from Stanford University.

**Trainings Attended in 2020:**

Corporate Governance Seminar



# Board of Directors



## **LOPE M. YUVIENCO** Independent Director

**Age:** 76 years old

**Date of first appointment:** 2008

**Length of Service:** 12 years

**Directorship in other companies:**  
Charter Ping An  
Insurance Corporation

**Relevant experience:**  
Mr. Yuvienco was an Independent Director of ORIX Metro Leasing and Finance Corp. from 2005 to 2007, Director for Regulatory and Government Sector of Buenaventura Echaz & Partners from 2001 to 2003, and Vice President of Citibank N.A., Manila from 1972 to 1994.

**Qualifications:**  
Mr. Yuvienco completed his Bachelor of Science in Business Administration and Master in Business Administration from the University of the Philippines and is a Certified Public Accountant.

**Trainings Attended in 2020:**  
Corporate Governance Seminar

## **VY TONNE SO**

Adviser to the Board

## **ROBERT YU**

Adviser to the Board

## **ANGELICA S. REYES**

Corporate Secretary

## **JILL MARIE B. LOPEZ**

Asst. Corporate Secretary

## **ARIC JUSTIN TY**

Asst. Corporate Secretary

## **WENDY T. SAEZ CO**

Treasurer

# Executive Leadership Team



**Rahul Hora**  
*President and CEO*



**Jaspreet Singh Kakar**  
*Chief Human Resources Officer*



**Gael Lapie**  
*Chief Financial Officer*



**Aleta Y. Lepatan**  
*Chief Operations Officer*



**Rosa Maria L. Musico**  
*Chief of Commercial Business*



**Maria Faustina B. Raymundo**  
*Chief Distribution Officer*



**Alok Kumar Arunkumar Roongta**  
*Chief of Retail Propositions*



**Delfin Jay Sabido XI**  
*Chief Transformation and Technology Officer*



**Ronaldo C. San Jose**  
*Chief Risk Officer*



**Fernando V. Villar**  
*Chief Customer Officer*

# Corporate Governance

CPAIC is committed to the highest standard of corporate governance.

CPAIC board-approved Corporate Governance Manual (CGM) is the local implementation of the Regional Corporate Governance Blueprint (RCGB) rolled-out by the Regional Office in 2008. The CGM seeks to bridge the gaps between the Regional Corporate Governance Standards and the existing corporate governance structure in CPAIC. The CGM also embodies the corporate governance rules and regulations of the Securities & Exchange Commission (SEC), and the Insurance Commission (IC) and incorporates policies on the compliance system.

## The Board of Directors

### Board Composition

The Board is composed of seven highly qualified business professionals. Of the seven, two are independent directors. The members of the Board collectively have the full range of skills needed for the effective and prudent operation of AXA Philippines. Each director has skills that allow him or her to make an effective contribution to the Board deliberations and processes.

The Board will have at least two (2) independent directors.

### Duties and Responsibilities of the Board

The Board of Directors has the overall responsibility for:

- governance of the Company including its strategic direction;
- reviewing and approving plans established by management;
- monitoring of performance against agreed plans;
- establishment and monitoring of internal controls and compliance with applicable legislative and regulatory requirements; and
- delegation of authority to management.

The directors consider that there are fundamental ethical values that underpin their role as directors and as members of its Board and committees. At all times, directors are expected to:

- act with integrity;
- be honest and open with each other;
- ensure whenever and wherever possible that they do not engage in any activities that may result in a conflict of interest with their duties to the Company and that cannot be appropriately managed;
- work co-operatively among themselves and with management in the best interests of the Company;
- recognize the separate roles and responsibilities of the Board and management;
- be diligent and continuously strive to improve the Company and Board operations and performance;
- observe the letter and the spirit of the constitution, laws, regulations and any policies under which the Company operates;
- have an active interest in and concern for the communities in which the Company operates; and
- avoid any behaviour that is likely to reflect badly on the Board or the Company.

### Policy on Conflicts of Interest

Under CPAIC CGM, Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board.

## Board Attendance

The Board holds regular meetings, at least four (4) times a year, on dates set at the beginning of every year. In 2020, the Board held six (6) meetings with an attendance rate of 85%.

	JAN 8	APR 20	JUN 26	SEP 14	NOV 16	DEC 21
Solomon S. Cua	✓	✓	✓	✓	✓	✓
Arthur V. Ty	✓	✓	✓	✓	✓	✓
Fernand Antonio A. Tansingco	✓	✓	✓	✓	✓	✓
Rahul Hora	✓	✓	✓	✓	✓	✓
Lope M. Yuvienco	✓	✓	✓	✓	✓	✓
Jaime C. Laya	✓	✓	✓	✓	✓	✓
Francoise Gilles*		✓	✓	✓	✓	✓
Robert Yu**	✓	✓	✓	✓	✓	✓
Vy Tonne So**	✓	✓	✓	✓	✓	✓
Angelica S. Reyes	✓	✓	✓	✓	✓	✓
Aric Justin Ty	✓	✓	✓	✓	✓	✓

\* Elected on 20 April 2020

\*\* Adviser to the Board

## The Board of Committees

CPAIC exercises authority over specific aspects of its business through various Board Committees.

### Executive Committee (EXCOM) Attendance

The EXCOM is currently composed of seven (7) directors which includes the Chairman of the Board, Vice-Chairman, and President and CEO. The EXCOM acts within the power and authority granted by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company.

	MAR 25	MAY 29	JUL 30	AUG 26	OCT 28
Solomon S. Cua	✓	✓	✓	✓	✓
Arthur V. Ty	✓	✓	✓	✓	✓
Fernand Antonio A. Tansingco	✓	✓	✓	✓	✓
Rahul Hora	✓	✓	✓	✓	✓
Francoise Gilles*		✓	✓	✓	✓

\* Elected on 20 April 2020



## Risk Management and Compliance

CPAIC is in the business of risk, and risk management for our customers is one of its core competencies. CPAIC considers risks are owned by the respective business units and process owners. Therefore, everyone in CPAIC is expected to proactively manage the risks inherent in their respective areas.

CPAIC commits to comply with all insurance and consumer laws and regulations. In this regard, CPAIC shall continuously enhance its compliance programs that will assist its employees and the Board in identifying, measuring, monitoring, reporting and controlling compliance and business risks.

## Board Risk Management, Audit and Compliance Committee (BRMACC) Attendance

	FEB 26	MAR 13	JUN 10	SEP 17	NOV 20	DEC 9
Jaime C. Laya	✓	✓	✓	✓	✓	✓
Solomon S. Cua	✓	✓	✓	✓	✓	✓
Lope M. Yuvienco	✓	✓	✓	✓	✓	✓
Francoise Gilles*			✓	✓	✓	✓
Angelica S. Reyes	✓	✓	✓	✓	✓	✓

\* Elected on 20 April 2020

## Board Risk Management, Audit and Compliance Committee (BRMACC)

The BRMACC is mandated to assist the Board in overseeing the risk management and compliance of CPAIC.

The BRMACC's primary duties and responsibilities are as follows:

### Compliance, Risk Management & Internal Control

To allow the Committee to review and form an opinion on the effectiveness of the Company's compliance, risk management and internal control frameworks, the Committee:

- Considers management's and/or internal / external auditors' assessments of the effectiveness of the internal control and risk management processes including any weaknesses or other issues revealed by investigations of the causal factors behind events such as internal frauds, significant legal actions and reported operational failures, as well as the results of reviews performed by bodies such as internal and external audit, compliance, management control functions, and regulators;
- Reviews regular updates from management on significant complaints, external and internal fraud.
- Obtains regular updates from management, Compliance and Legal on significant regulatory compliance matters, the effectiveness of systems for monitoring compliance and any instances of non-compliance;
- Obtains regular updates from Legal on the status of material open litigation and other proceedings and the related reserves;
- Reviews periodically any significant complaints received;
- Reviews business risk profiles and periodic risk management statements including key risk report and action plan progress;
- Reviews and monitors fraud and anti-money laundering policies of the Company;
- Discusses with management the Group's framework for assessing and managing the Group's exposure to risks, the results of the risk assessments performed, and the steps management has taken to monitor that such exposures remain within the risk appetite set by the Group;
- Validates the Company's risk appetite position, as endorsed by the LRC, and set alert levels and limits on all functional risk indicators at least once every year, and should make all necessary decisions to manage risk consistently with their risk appetite;

- j.** Assists the Board in performing its oversight functions for avoiding conflicts of interest of related parties by:
  - i.** Implementing effective controls to effectively manage and monitor Related Party Transactions (RPTs) and ensure compliance with the approved RPT policy guidelines, as well as regulatory requirement;
  - ii.** Reviewing and approving RPTs and ensure that dealings with RPTs are conducted on an arm's length basis at all times;
  - iii.** Overseeing the evaluation of RPTs to ensure that approvals are conducted at arm's length basis, and made for the best interest of CPAIC
  - iv.** Ensuring that appropriate steps are taken to control or mitigate the risks, and
  - v.** Ensuring that these duties and duties that may from time to time be required under the existing Related Party Guidelines of the Company are performed.
- k.** The scope of the systems of internal control, as reviewed by the Committee, should include internal control systems, including information technology security, that help ensure sound financial reporting and safeguarding of the Company's assets.

### **Financial Statements & Reporting Processes**

To allow the Committee to form an opinion on the integrity of the publicly reported results and disclosures made in the financial statements of CPAIC and its contribution to the CPAIC Group and/ or Metrobank Group consolidated financial statements, the Committee:

- a.** Reviews recent professional and regulatory issues and pronouncements and their impact on the financial statements and reporting processes of the Company;
- b.** Reviews the results of management's testing of internal controls over financial reporting designed to assure the integrity of the entities' financial statement disclosures;
- c.** Reviews the draft local GAAP financial statements to be submitted for approval to the Board to consider the quality, accuracy, completeness and clarity of the information provided and challenge, where necessary, the actions and judgments of management, particularly focusing upon:
  - i.** Significant accounting policies or practices and any changes thereto;
  - ii.** Compliance with Accounting Standards;
  - iii.** Material decisions requiring a major element of judgment or significant estimates;
  - iv.** The treatment and disclosure of any new complex and/or unusual transactions during the period;
  - v.** Any significant adjustments resulting from external audit work or otherwise;
  - vi.** Any qualifications or non-compliance with accounting standards or any listing, regulatory and/or legal requirements with regard to financial reporting; and
  - vii.** Any matters drawn to the attention of the Committee by the Company's external auditors.
- d.** Considers the reconciliation between local GAAP financial statements and the financial statements reported for consolidation by the AXA Group and/or Metrobank Group;
- e.** Considers the results of, and procedures for the receipt, retention and investigation of, any significant complaints received by the Company regarding accounting, internal controls over financial reporting, or auditing matters.

### **External Auditors**

To allow the Committee to form an opinion on the effectiveness, performance and independence of the Company's external auditors, the Committee:

- a.** Considers the external auditors' internal policies and procedures regarding independence and quality control and receive confirmation that they have been applied;
- b.** Reviews the external auditors' assignment plan, annual report and management letter;
- c.** Monitors the statutory audit of the annual and consolidated financial statements;
- d.** Informs the Board of Directors of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the Committee was in that process;
- e.** Reviews and monitors the independence of the external auditors;

- f.** Reviews and makes a recommendation to the Board of Directors as to the appointment of the external auditors to provide non-audit services after analyzing the threats to their independence and relevant safeguards that have been applied by the auditors;
- g.** Considers the Group Non-Audit Services Policy and its implementation and advise the Board as to whether any updates or changes should be made to this Policy on a regular basis;
- h.** Reviews the breakdown of the fees paid to the external auditors by the Company;
- i.** Considers the appointment, reappointment, dismissal or resignation of the external auditors and oversee the process for selecting the external auditors, making recommendations regarding their appointment, reappointment, or dismissal to the Board;
- j.** Reviews the additional report required from the external auditors and including their declaration of independence.

### Internal Auditors

To allow the Committee to form an opinion on the effectiveness, performance and independence of the Company's internal auditors:

- a.** Reviews and approves the Company's internal audit plan, charter, and activities particularly with regard to the Company's strategy and risk and control profile, ensuring it being adequately resourced and free from constraint by management;
- b.** Considers the adequacy of resources available to the Company's internal audit function (both financial budget and skills available) in the context of the risk and control profile of the Company;
- c.** Reviews the major findings presented by Internal Audit and consider the appropriateness of management's response to them;
- d.** Reviews the quarterly report on resolution of internal audit issues, requesting further management explanation where necessary for high priority issues that are overdue;
- e.** Review a periodic independent assessment of the effectiveness of the internal audit function, including compliance with the International Professional Practices Framework or generally accepted auditing standards;
- f.** Reviews the performance of the internal audit function including a periodic objective assessment of the effectiveness of the internal audit function; and
- g.** Considers the appointment, appraisal, resignation and dismissal of the Head of Audit.

### Other Duties

The Committee:

- a.** Performs other activities according to the applicable regulatory requirements and the joint venture agreement between the shareholders;
- b.** Performs other activities related to these terms of reference as requested by the Board;
- c.** Reviews and assesses the adequacy of these terms of reference annually, requesting Board approval for proposed changes;
- d.** Confirms annually that all responsibilities outlined in these terms of reference have been carried out; and
- e.** Evaluates the performance of the Committee and its members on a regular basis.

### Related Party Transactions

CPAIC has an existing Related Party Guidelines being implemented pursuant to Insurance Commission Circular No. 2017-29 dated May 2, 2017. Said Guidelines is being implement to: (1) Ensure that Related Party transactions are only undertaken on an arm's length basis for the financial, commercial and economic benefit of CPAIC and the entire group where CPAIC belongs; (2) Identify, manage or avoid conflict of interest and comply with regulatory and best practices; and (3) Ensure that a process for approval or rejection of Related Party transaction has been undertaken.

The RPT policy guidelines cover and capture a broader spectrum of transactions not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to CPAIC, and its

stakeholders. Approval and endorsement by the appropriate Related Party Committee (Committee) is required for all related party transactions which would have significant risks to CPAIC, among others.

Under the guidelines, the members of the board, stockholders, and management shall disclose to the Committee whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting CPAIC Philippines. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting CPAIC.

The Guidelines also require disclosure and reporting according to the requirements of regulations.

### **Dividend Policy**

CPAIC shall declare and pay dividends out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law and applicable rules and regulations. In so doing, the Board of Directors shall take into account the provisions of applicable law, the By-laws, and the reasonable financial requirements of the Corporation for the following 12 months in order for the Corporation to maintain a solvency ratio that is at least compliant with the applicable laws plus such margin as is determined by the Board of Directors from time to time.

There were no dividends declared and paid in 2020.

### **Whistle Blowing Policy**

CPAIC adheres to the AXA Philippines 2018 Local Whistleblower Policy which is designed to facilitate fair and thorough investigations of all reported instances of improper conduct through a mechanism that ensures that the person making the disclosure is protected from any potential reprisals or retaliatory actions. All reported incidents and any information given will be treated in confidence and every effort will be made not to reveal the identity of the person making the disclosure.

Reporting of any concerns or suspicions on possible violation of rights or unethical behavior may be made through the following details below:

#### **AXA Philippines**

34/F GT Tower, 6813 Ayala Avenue corner H.V. dela Costa Street, Makati City

Tel. No.: +63 2 8885-0101

Email: [whistleblower@axa.com.ph](mailto:whistleblower@axa.com.ph)

#### **AXA Group**

Email: [speak-up@axa.com](mailto:speak-up@axa.com)



A person wearing an orange long-sleeved shirt is seated at a wooden desk, writing on a document with a silver pen. The desk also holds a laptop, a spiral notebook, and a smartphone. In the background, a small potted plant sits on a windowsill, and bright sunlight streams through the window, creating a warm, golden glow. The overall scene conveys a professional and productive work environment.

# **Financial Statements**

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Charter Ping An Insurance Corporation

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Charter Ping An Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs).

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Charter Ping An Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260 Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534323, January 4, 2021, Makati City

April 28, 2021



**CHARTER PING AN INSURANCE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Notes	2020	2019
<b>ASSETS</b>			
Cash and cash equivalents	4	¥1,502,771,985	¥1,088,028,023
Short-term investments	4	—	38,000,000
Insurance receivables - net	5	1,755,988,754	2,133,137,213
Financial assets	6		
Available-for-sale financial assets		4,456,999,018	5,165,905,601
Loans and receivables - net		76,336,389	69,652,738
Reinsurance assets	7, 12	2,803,928,874	3,304,746,881
Deferred acquisition costs	8	413,482,499	644,298,629
Property and equipment - net	9	65,075,828	121,157,408
Assets held for sale	10	67,465,675	78,023,000
Net deferred tax assets	22	269,718,492	283,112,061
Right-of-use assets	24	44,095,521	59,685,466
Other assets	11	148,661,133	193,964,387
<b>TOTAL ASSETS</b>		<b>¥11,604,524,168</b>	<b>¥13,179,711,407</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contract liabilities	12	¥6,439,101,188	¥7,940,915,877
Insurance payables	13	252,695,130	468,013,029
Accounts payable and accrued expenses	14	1,924,935,464	1,880,519,018
Income tax payable		15,647,943	2,646,328
Deferred reinsurance commissions	8	84,309,686	122,123,556
Lease liability	24	48,630,043	65,784,939
Net retirement benefit obligation	21	9,988,991	68,129,401
<b>Total Liabilities</b>		<b>8,775,308,445</b>	<b>10,548,132,148</b>
<b>Equity</b>			
Capital stock	15	512,500,000	512,500,000
Contingency surplus	15	3,270,000,000	3,270,000,000
Additional paid-in capital		6,634,245	6,634,245
Revaluation reserve on:			
Available-for-sale financial assets	6	81,085,778	3,107,531
Property and equipment	9	55,533,695	96,980,228
Remeasurement loss on defined benefit obligation	21	(575,283)	(50,053,867)
Deficit		(1,095,962,712)	(1,207,588,878)
<b>Total Equity</b>		<b>2,829,215,723</b>	<b>2,631,579,259</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>¥11,604,524,168</b>	<b>¥13,179,711,407</b>

See accompanying Notes to Financial Statements.

**CHARTER PING AN INSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

		<b>Years Ended December 31</b>	
	Notes	<b>2020</b>	<b>2019</b>
Gross earned premiums on insurance contracts		<b>¥4,698,813,347</b>	¥5,540,235,220
Reinsurers' share of gross earned premiums on insurance contracts		<b>(1,409,661,271)</b>	(1,923,563,333)
<b>Net insurance earned premiums</b>	12, 16	<b>3,289,152,076</b>	3,616,671,887
Commission income	8	<b>150,040,239</b>	217,178,638
Interest income	17	<b>202,428,341</b>	188,025,465
Gain on sale of property and equipment	9	<b>17,820,194</b>	—
Gain on sale of available-for-sale financial assets	6	<b>451,264</b>	122,945,644
Dividend income	17	<b>1,571,758</b>	3,673,268
Other income - net	17	<b>7,028,738</b>	—
<b>Other income</b>		<b>379,340,534</b>	531,823,015
<b>Total income</b>		<b>3,668,492,610</b>	4,148,494,902
Gross insurance contract benefits and claims paid		<b>2,743,973,969</b>	2,931,847,113
Reinsurers' share of gross insurance contract benefits and claims paid		<b>(944,202,674)</b>	(770,078,955)
Gross change in insurance contract liabilities		<b>(694,541,843)</b>	129,030,938
Reinsurers' share of gross change in insurance contract liabilities		<b>343,556,669</b>	460,659,404
<b>Net insurance benefits and claims</b>	12, 18	<b>1,448,786,121</b>	2,751,458,500
Operating expenses	19	<b>1,221,824,636</b>	1,504,594,706
Commission expense	8	<b>884,527,503</b>	726,638,798
Interest on lease liability	24	<b>5,504,611</b>	7,201,261
Interest on defined benefit obligation	21	<b>2,923,222</b>	1,626,243
Interest on funds held for reinsurers	13	<b>39,080</b>	24,921
Other expense - net	17	<b>—</b>	7,444,970
<b>Other expenses</b>		<b>2,114,819,052</b>	2,247,530,899
<b>Total benefits, claims and other expenses</b>		<b>3,563,605,173</b>	4,998,989,399
<b>Income (loss) before income tax</b>		<b>104,887,437</b>	(850,494,497)
Current		<b>54,420,889</b>	54,762,329
Deferred		<b>(19,713,085)</b>	(40,195,720)
<b>Benefit from income tax</b>	22	<b>34,707,804</b>	14,566,609
<b>NET INCOME (LOSS)</b>		<b>70,179,633</b>	(865,061,106)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Item that will be reclassified into profit or loss subsequent periods:</i>			
Unrealized fair value gains (losses) on available-for-sale financial assets, net of tax effect	6	<b>78,429,511</b>	195,775,559
Fair value gain on available-for-sale financial assets transferred to profit or loss	6	<b>(451,264)</b>	(122,945,644)
<i>Items that will not be reclassified into profit or loss in subsequent periods:</i>			
Remeasurement (losses) gains on defined benefit obligation, net of tax effect	21	<b>49,478,584</b>	(23,196,755)
<b>Total other comprehensive income (loss)</b>		<b>127,456,831</b>	49,633,160
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>¥197,636,464</b>	(¥815,427,946)

# **CHARTER PING AN INSURANCE CORPORATION** **STATEMENTS OF CHANGES IN EQUITY**

	Capital stock (Note 15)	Contingency surplus (Note 15)	Additional paid-in capital	Revaluation Reserves Available- for-sale financial assets (Note 6)	Property and equipment (Note 9)	Remeasurement loss on defined benefit obligation (Note 21)	Retained earnings (deficit)	Total
As of January 1, 2020	¥512,500,000	¥3,270,000,000	¥6,634,245	¥3,107,531	¥96,980,228	(¥50,053,867)	(¥1,207,588,878)	¥2,631,579,259
Disposal of property during the year	—	—	—	—	(41,446,533)	—	41,446,533	—
	¥512,500,000	¥3,270,000,000	¥6,634,245	¥3,107,531	¥55,533,695	(¥50,053,867)	(¥1,166,142,345)	¥2,631,579,259
Net income for the year	—	—	—	—	—	—	70,179,633	70,179,633
Other comprehensive income	—	—	—	77,978,247	—	49,478,584	—	127,456,831
Total comprehensive income	—	—	—	77,978,247	—	49,478,584	70,179,633	197,636,464
As of December 31, 2020	¥512,500,000	¥3,270,000,000	¥6,634,245	¥81,085,778	¥55,533,695	(¥575,283)	(¥1,095,962,712)	¥2,829,215,723
As of January 1, 2019	¥512,500,000	¥1,800,000,000	¥6,634,245	(¥69,722,384)	¥96,980,228	(¥26,857,112)	(¥342,527,772)	¥1,977,007,205
Capital contribution during the year	—	1,470,000,000	—	—	—	—	—	1,470,000,000
	512,500,000	3,270,000,000	6,634,245	(69,722,384)	96,980,228	(26,857,112)	(342,527,772)	3,447,007,205
Net loss for the year	—	—	—	—	—	—	(865,061,106)	(865,061,106)
Other comprehensive income (loss)	—	—	—	72,829,915	—	(23,196,755)	—	49,633,160
Total comprehensive income (loss)	—	—	—	72,829,915	—	(23,196,755)	(865,061,106)	(815,427,946)
As of December 31, 2019	¥512,500,000	¥3,270,000,000	¥6,634,245	¥3,107,531	¥96,980,228	(¥50,053,867)	(¥1,207,588,878)	¥2,631,579,259

See accompanying Notes to Financial Statements.

**CHARTER PING AN INSURANCE CORPORATION**  
**STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>	
	Notes	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		<b>¥104,887,437</b>	(¥850,494,499)
Adjustments for:			
Interest income	17	<b>(202,428,341)</b>	(188,025,465)
Depreciation and amortization	19	<b>76,126,643</b>	236,503,302
Impairment losses on insurance receivables and reinsurance assets - net	19	<b>35,872,447</b>	404,606,809
Retirement expense	20, 21	<b>29,270,794</b>	8,620,571
Loss (gain) on sale of property and equipment	9,17	<b>(17,820,194)</b>	220,386
Interest on lease liability	24	<b>5,504,611</b>	7,201,261
Interest on defined benefit obligation	21	<b>2,923,222</b>	1,626,243
Dividend income	17	<b>(1,571,758)</b>	(3,673,268)
Unrealized foreign exchange (gain) loss	17	<b>(682,397)</b>	2,915,668
Gain on sale of available-for-sale financial assets	6	<b>(451,264)</b>	(122,945,644)
Interest on funds held for reinsurer	13	<b>39,080</b>	24,921
Operating loss before working capital changes		<b>31,670,280</b>	(503,419,715)
Decrease (increase) in:			
Reinsurance assets		<b>500,818,007</b>	592,303,467
Insurance receivables		<b>341,276,013</b>	340,291,426
Deferred acquisition costs		<b>230,816,130</b>	(43,346,030)
Short-term investments		<b>38,000,000</b>	(35,000,000)
Assets held for sale		<b>10,557,325</b>	(23,211,000)
Loans and receivables		<b>(7,379,837)</b>	18,290,220
Other assets		<b>45,303,254</b>	(16,036,049)
Increase (decrease) in:			
Insurance contract liabilities		<b>(1,501,814,689)</b>	(5,776,404)
Insurance payables		<b>(215,317,899)</b>	(289,665,629)
Deferred reinsurance commissions		<b>(37,813,870)</b>	(15,712,671)
Accounts payable and accrued expenses		<b>44,416,446</b>	(306,553,670)
Net cash used in operations		<b>(519,468,840)</b>	(287,836,055)
Interest received		<b>222,257,257</b>	186,301,027
Interest paid on funds held for reinsurer		<b>(39,080)</b>	(24,921)
Interest paid on lease liability	24	<b>(5,504,611)</b>	(7,201,261)
Dividends received		<b>1,571,758</b>	3,673,268
Contributions paid to the pension fund	21	<b>(19,650,735)</b>	(33,161,379)
Income tax paid		<b>(41,419,274)</b>	(65,429,288)
Net cash used in operating activities		<b>(362,253,525)</b>	(203,678,609)

(Forward)

Years Ended December 31			
	Notes	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale/maturities of:			
Available-for-sale financial assets	6	<b>₱2,192,245,265</b>	₱1,329,464,463
Property and equipment	9	<b>17,831,250</b>	169,999
Acquisition of:			
Available-for-sale financial assets	6	<b>(1,407,299,610)</b>	(2,414,729,967)
Property and equipment	9	<b>(947,682)</b>	(55,179,511)
Net cash provided by (used in) investing activities		<b>801,829,223</b>	(1,140,275,016)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Contingency surplus contribution	15	—	1,470,000,000
Payment of principal portion of lease liabilities	24	<b>(25,514,133)</b>	(21,613,381)
Net cash provided by (used in) financing activities		<b>(25,514,133)</b>	1,448,386,619
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>414,061,565</b>	104,432,994
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,088,028,023</b>	986,510,697
<b>EFFECTS OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>		<b>682,397</b>	(2,915,668)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<b>₱1,502,771,985</b>	₱1,088,028,023

See accompanying Notes to Financial Statements.





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