

# COVER SHEET

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SEC Registration Number

W A T E R F R O N T P H I L I P P I N E S , I N C .

(Company's Full Name)

N O . 1 W A T E R F R O N T D R I V E

O F F S A L I N A S D R I V E L A H U G

C E B U C I T Y

(Business Address : No. Street City / Town / Province)

MS. IRISH CHARA LAWAS

Contact Person

(02) 559-0130

Company Telephone Number

1 2

Month

3 1

Day

ACGR

FORM TYPE

0 9

Month

1 2

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

468

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

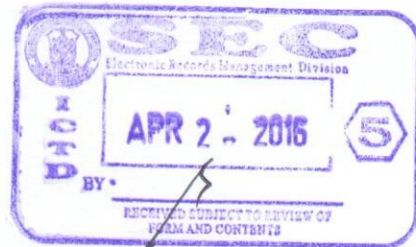
Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM – ACGR  
ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **2015**
2. **Waterfront Philippines, Inc.**  
Exact Name of Registrant as Specified in its Charter
3. **No. 1 Waterfront Drive Off Salinas Drive Lahug, Cebu City**  
Address of Principal Office Postal Code
4. SEC Identification Number **AS094-8678**
5. [   ] (SEC Use Only)
6. BIR Tax Identification Number **080-003-978-254**
7. **02-032-559-0130**  
Issuer's Telephone Number, including area code
8. ....  
Former name or former address, if changed from the last report



## A. BOARD OF DIRECTORS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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#### (a) Composition of the Board

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	Date last elected (if ID, state the number of years served as ID)	No. of years served as director
Renato B. Magadia	Chairman of the Board	2004	11
Kenneth T. Gatchalian	President/Director	2001	14
Elvira A. Ting	Treasurer/Director	2000	15
Reno I. Magadia	Director	2005	10
Arthur M. Lopez	Director	2000	15
Dee Hua T. Gatchalian	Director	2004	11
Lamberto B. Mercado	Director	2003	12
- Sergio R. Ortiz-Luis, Jr.	Independent Director	2006	9
- Ruben D. Torres	Independent Director	2006	9

\*All Directors were last elected and elected during the Annual Stockholder's Meeting on September 12, 2015.

\*Nominators were coming from the stockholders.

#### (b) Corporate Governance

The following are the point-by-point compliance of the Company to the Manual:

The Company has a compliance officer, Precilla O. Toriano, as required by the Manual for Corporate Governance. Said Compliance Officer reported directly to the Chairman of the Board and in his absence, to the executives of the Company.

(i) The Compliance Officer monitored the compliance regarding the provisions and requirements of the Corporate for Governance Manual.

(ii) The Compliance Officer is issuing this certification to the extent of compliance of the Company to this Manual.

(iii) The Compliance Officer has identified, monitor and controlled the compliance risks involved in the Company considering the large scope of its operations and the accounting procedures that have to be done correspondingly

(iv) The Board of Directors has taken care of its responsibility to foster long-term success of the Corporation through its meeting every other month. Each meeting has been carefully recorded in minutes. The authority given to each Board member has been within the by-laws of the Company and within the limits of the law.

(v) The Board of Directors has implemented a process of selection to ensure the combination of its directors and officers.

(vi) The Corporation through the Board and the Corporate Secretary has complied with all the relevant laws, regulations and codes of best business practices.

(vii) The Board of Directors has implemented the proper disclosure of information to its stockholders as exemplified in the General Information Statement sent to each of them.

(viii) According to Company's assessment, the directors have conducted fair business transactions with the Corporation, seen to it that personal interests did not prejudice their Board decisions, have devoted time and attention needed for the discharge of their duties and responsibilities, acted judiciously, exercised independent judgment, observed confidentiality, and ensured the continuing soundness, effectiveness and adequacy of the Corporation's internal control environment.

(ix) The Board has created committees, namely: the Nomination Committee, Compensation & Remuneration Committee, and the Audit Committee.

(x) The Nomination Committee, composed of 3 voting directors (one is independent), is in charge of the screening of the candidates for a seat in the Board of Directors in accordance to the qualifications set in the Manual. Said Committee has also considered the disqualifications specifically enumerated.

(xi) The Compensation and Remuneration Committee is composed of three members, one of them is independent as provided for in the guidelines.

(xii) The Compensation and Remuneration Committee has made sure that the compensation of the key officers and executives of the Company was in line with the culture and policies of the Company.

(xiii) The Compensation and Remuneration Committee has developed a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and officers. The Committee has also developed a system regarding disclosure of all the incoming officers as to their business interests which might be in conflict with that of the Company. No director or officer has been allowed to decide on his own remuneration.

(xiv) The Compensation and Remuneration Committee has provided annual reports, information and proxy statements on the disclosure of the compensation for the executives and officers of the Company.

(xv) The Audit Committee has been composed of three members, one of whom is independent. The said Committee has reviewed all financial reports against compliance with both the internal financial management policy and pertinent accounting standards. The Committee has also reviewed management policies on financial management, audit plans, interface with the internal and external auditors. The Committee has also developed a financial

management system that ensured the integrity of internal control activities throughout the Company.

(xvi) The Corporate Secretary of Waterfront Philippines, Inc. is Atty. Arthur R. Ponsaran, a Filipino citizen. He possesses the administrative and interpersonal skills. He is also a Certified Public Accountant. He gathered all documents with regard to the discharge of his duties and responsibilities, prepared board meeting notices, submitted through the SEC 17C the annual certification as to attendance of the directors during Board meetings.

(xvii) The External Auditor was chosen by the Board and approved by the stockholders upon recommendations of the Audit Committee.

(xviii) The Internal Auditor reporting directly to the Audit Committee provided reasonable assurance that the key organizational and procedural controls were effective, appropriate and complied.

(xix) The Manual for Corporate Governance has been made available to discerning stockholders during office hours of Waterfront Philippines, Inc.

(xx) The reports required for the Manual were prepared and submitted to the Commission.

(xxi) All material information that could potentially affect shares was publicly disclosed in accordance with the rules of the Philippine Stock Exchange and the Commission. The Annual Reports were properly disseminated to the stockholders.

(xxii) The stockholders were given the right to elect, remove and replace directors in accordance with the Corporation Code. Cumulative was used during the last annual stockholders' meeting. They were also provided the power of inspection of the corporate books and records including the minutes of the Board Meetings, without costs and restrictions.

#### **Other Matters**

(i) The Compliance Officer was deemed to have reported grave violations of the Manual but since there was none, none was reported.

(ii) The Compliance Officer was deemed to have appeared before the Securities and Exchange Commission upon summons but since there was none; said Officer was not compelled to.

(iii) For Waterfront Philippines, Inc. being a holding company and limited in terms of physical office space with only a few people holding key functions, it was enough that a few copies were available for inspection by all of its few employees.

(iv) The company did not issue any additional shares during the year to make use of the preemptive right for the stockholders.

(v) The shareholders had been granted the right to propose the holding of a meeting, right to propose items in the agenda, but to date none has been communicated to the management of the Company regarding such proposals.

(vi) The right to dividends has always been in mind of the Company but in the year 2015 no dividends have been issued due to financial status of the Company.

(vii) None so far has expressed to exercise his right to Appraisal in the last annual meeting of the stockholders.

**(c) Vision and Mission**

Since 1999 up to present, the Board has consistently reviewed the vision and mission but has not changed any of the following contents.

**Mission:**

To provide equal opportunities and fair treatment to all employees for growth and advancement. To pursue relentlessly a means to capture and augment business with the highest level of integrity in the pursuit of profitability. To carry out company plans and programs with the highest degree of professionalism. To spearhead community based projects for the development of the tourism industry. To reach out to every customer with utmost passion, dedication and excellence

**Vision:**

To be the leader in the Tourism Industry committed to provide the gracious Filipino hospitality towards total customer satisfaction.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group (within the Group)**

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Renato B. Magadia	Acesite (Phils.) Hotel Corp.	Vice-Chairman/Director
Kenneth T. Gatchalian	Waterfront Cebu City Casino Hotel Inc. Waterfront Mactan Casino Hotel Inc. Waterfront Insular Hotel Davao Inc. Waterfront Promotions Limited Mayo Bonanza, Inc. Grand Ilocandia Resort Development Inc. Acesite Phils. (Hotel) Inc.	President/Director
Elvira A. Ting	Waterfront Cebu City Casino Hotel Inc. Waterfront Mactan Casino Hotel Inc. Waterfront Insular Hotel Davao Inc. Waterfront Promotions Limited Mayo Bonanza, Inc. Grand Ilocandia Resort Development Inc. Acesite Phils. (Hotel) Inc.	Treasurer/Director
Reno I. Magadia	NA	NA
Arthur M. Lopez	Acesite (Phils.) Hotel Corp.	Chairman/Independent Director
Dee Hua T. Gatchalian	Acesite (Phils.) Hotel Corp.	Director
Lamberto B. Mercado, Jr.	Acesite (Phils.) Hotel Corp. Waterfront Food Concepts, Inc. Waterfront Hotel Management Corp. Waterfront Wellness Group Inc.	Director
- Sergio R. Ortiz-Luis, Jr.	NA	NA
- Ruben D. Torres	NA	NA

**(ii) Directorship in the Other Listed Companies**

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Renato B. Magadia	Metro Alliance Holdings	NA
Kenneth T. Gatchalian	Wellex Industries Inc. Phil. Estates Corp. Forum Pacific Inc.	Director Director Director
Elvira A. Ting	Wellex Industries Inc. Phil. Estates Corp. Forum Pacific Inc.	Director President/CEO Director
Reno I. Magadia	NA	NA
Arthur M. Lopez	Phil. Estates Corp.	NA
Dee Hua T. Gatchalian	Wellex Industries Inc. Phil. Estates Corp.	EVP-Finance&Admin Director
Lamberto B. Mercado, Jr.	Phil. Estates Corp. Metro Alliance Holdings Forum Pacific Inc.	Director Director Director
- Sergio R. Ortiz-Luis, Jr.	Phil. Estates Corp.	Director
- Ruben D. Torres	NA	NA

**(iii) Relationship within the Company and its Group**

Mr. Kenneth T. Gatchalian is the son of Ms. Dee Hua T. Gatchalian. Ms. Elvira A. Ting is a sister of Ms. Dee Hua T. Gatchalian and an aunt of Kenneth T. Gatchalian. Mr. Reno Magadia is also a son of Mr. Renato B. Magadia.

**(iii) Relationship within the Company and its Group**

**Multiple Board Seats**

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve shall not be compromised.

Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

**(e) Shareholding in the Company**

Members of the Company's Board of Directors who directly and indirectly own shares in the company:

<b>Title Of Class</b>	<b>Name of Owner</b>	<b>Amount and Nature of Ownership ("r" or "b")</b>	<b>Percent of Class</b>
Common	Renato B. Magadia	200 <b>r&amp;b</b>	0.000
Common	Kenneth T. Gatchalian	30, 000, 100 <b>r&amp;b</b>	1.200
Common	Arthur M. Lopez	1 <b>r&amp;b</b>	0.000
Common	Elvira A. Ting	10, 000, 009 <b>r&amp;b</b>	0.400
Common	Lamberto Mercado	100 <b>r&amp;b</b>	0.000
Common	Arthur R. Ponsaran	110 <b>r&amp;b</b>	0.000
Common	Dee Hua T. Gatchalian	350, 000 <b>r&amp;b</b>	0.014
Common	Reno Magadia	10, 000 <b>r&amp;b</b>	0.000
Common	Sergio R. Otiz-Luis Jr.	110 <b>r&amp;b</b>	0.000
Common	Ruben Torres	1, 000 <b>r&amp;b</b>	0.000

## 2) Chairman and CEO

### (a) Chairman and CEO

Chairman of the Board - Renato B. Magadia  
CEO / President - Kenneth T. Gatchalian

### (b) Roles, Accountabilities and Deliverables

**Chairman of the Board** - The Chairman of the Board of directors shall preside at the meetings of the Directors and the shareholders. He shall also exercise such powers and perform duties as the Board of directors may assign to him.

**President / CEO** - The President, who shall be a Director, shall be the Chief Executive Officer of the corporation and shall also have an administration and direction of the day-to-day business affairs of the corporation. He shall exercise the following functions:

- (i) To preside at the meetings of the Board of directors and of the shareholders in the absence of the Chairman or Vice-Chairman of the Board of Directors;
- (ii) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- (iii) To have general supervision and management of the business affairs and property of the corporation;
- (iv) To ensure that the administrative and operational policies of the corporation are carried out under his supervision and control;
- (v) Subject to guidelines prescribed by law, to appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;
- (vi) To oversee the preparation of the budgets and the statement of accounts of the corporation;
- (vii) To prepare such statements and reports of the corporation as may be required of him bylaw;



- (viii) To present the corporation at all functions and proceedings;
- (ix) To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors;
- (x) To make reports to the Board of Directors and shareholders;
- (xi) To sign certificates of share;
- (xii) To perform such other duties as are incident to his office or are entrusted to him by the

### **Board of Directors**

The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer (s), subject always to his supervision and control.

### **3) Plans of the Board of Directors for the succession of the CEO/ Managing Director/ President and the top key management positions.**

Under Section 8 Article III of Amended By-Laws, any vacancy occurring in the Board of Directors other than by removal by the shareholders or by expiration of term, may be filled by the vote of at least a majority of the remaining director, if still constituting a quorum, otherwise, the vacancy must be filled by the shareholders at a regular or at any special meeting of shareholders called for the purpose.

### **4) Other Executive, Non-Executive and Independent Auditors**

#### **4.1 Responsibilities, Duties and Functions of the Board**

##### **(i) General Responsibility**

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders. The Board shall formulate the Corporation's vision, mission, strategic objectives, and policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

##### **(ii) Duties and Functions**

To ensure a high standard of best practice for the Corporation and its stockholders, the Board shall conduct itself with honesty and integrity in the performance of among others the following duties and functions:

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, appoint competent, professional, honest and highly motivated management officers, and adopt an effective succession planning program for Management.
- b) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures, establish programs that can sustain its long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

- c) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporations' CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board; conduct a regular review of the effectiveness of such system to ensure the integrity of the decision making and reporting processes at all times; and continuously review the Corporation's internal control system in order to maintain its adequacy and effectiveness.
- g) Identify key risk areas and performance indicators and monitor these factors with the diligence to enable the Corporation to anticipate and prepare to possible threats to its operational and financial viability.
- h) Formulate and implement policies and procedure that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company , joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and third parties, including the regulatory authorities.
- k) Meet at such times or frequency as may be needed; record the minutes of such meetings; encourage and give due consideration to independent views during board meetings.
- l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- m) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer shall act as Compliance Officer.

#### **4. 2 Specific Duties and Responsibilities of a Director**

A director's office is one of trust and confidence. A director shall act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

A director shall observe the following norms of conduct:

(i) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

(ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend actively participate in the Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

(iii) Act judiciously.

Before deciding in any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request classification.

(iv) Exercise independent judgment.

A director should view each problem or situation objectivity, is a disagreement with other directors arises he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. He should support plans and ideas that he thinks beneficial to the Corporation.

(v) Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.

(vi) Observe confidentiality.

A director should keep secure and confidential all no-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

**The Secretary** – The Secretary must be a resident and a citizen of the Philippines, He shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the corporation's formal actions and transactions. He shall have the following specific powers and duties:

(i) To record or see to the proper recording of the minutes and transactions of all meetings of the Directors and the shareholders and to maintain minute books of such meetings in the form and manner required by law;

(ii) To keep or cause to be kept record books showing the details required by law with respect to the share certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

(iii) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

(iv) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

(v) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

(vi) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulation;

(vii) To act as the inspector at the election of Directors and as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.

(viii) To act as the inspector at the election of Directors and as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.

(ix) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

**The Assistant Secretary** – In the absence or disability of the Secretary, the Assistant Secretary shall act in his place and perform his duties. The Secretary may, subject always to his supervision and control, delegate any or all of his powers, duties and functions to the Assistant Secretary. The Assistant Secretary shall also perform such other duties as may, from time to time, be assigned to him by the Board of Directors of the President.

**The Treasurer** – The Treasurer of the corporation shall be its chief fiscal officer and the custodian of its funds, securities and property. The Treasurer shall have the following duties:

(i) To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

(ii) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

(iii) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

(iv) To render an annual statement showing the financial condition of the corporation and such other financial reports as the Board of Directors, the Chairman or the President may, from time to time require.

(v) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

(vi) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

**The Compliance Officer** - The Board shall appoint a Compliance Officer who shall report directly to the Chair of the Board. He shall perform the following duties:

(i) Monitor compliance by the Corporation with this Manual and the rules and regulations of regulatory agencies and if any violations are found, report the matter to the Board and the recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;

(ii) Appear before the Commission when summoned in relation to compliance with the Code; and

(iii) Issue a certification, countersigned by the President, every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with the Code of Corporate Governance for the completed year and, if there are any deviations, explain the reason for such deviation.

**The Independent Directors** - should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

### **Internal Control Responsibility of the Board**

The control environment of the Corporation consists of (a) the Board which ensures that the Corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information system, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules regulations and contracts.

(i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

- (ii) Definition of the duties responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
- (iii) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- (iv) Evaluation of proposed senior management appointments;
- (v) Selection and appointment of qualified and competent management officers; a
- (vi) Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (vii) The scope and particulars of the systems of the effective organizational and operational controls may consider the following factors; nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness information technology; and extent of regulatory compliance.
- (viii) The Corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

#### **Board Committees**

The Board shall constitute the proper committees to assist it in good corporate governance.

- (i) The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee shall be an independent director. The Audit Committee shall have the following functions:
  - a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
  - b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk and risk management activities.
  - c) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
  - d) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

- e) Prior to the commencement of the audit , discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;
- i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - ☐ Any change/s in accounting policies and practices
  - ☐ Major judgment areas
  - ☐ Significant adjustments resulting from the audit
  - ☐ Going concern assumptions
  - ☐ Compliance with tax, legal and regulatory requirements.
- j) Coordinate monitor and facilitate compliance with laws and rules and regulations;
- k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as external auditor or will pose as a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;
- l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that; in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

(ii) The Board may also organize the following committees:

- a) A Nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- b) A Compensation or Remuneration Committee which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent and the business environment in which it operates.

## **5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

### **(a) Resignation/Death/Removal**

In the year 2015, Philip Frugere was replaced by Jimmy Boyles due to resignation and Gaye Maureen Cenabre was replaced by Lanelle Cristina Barba due to death of the latter.

## **(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

### **Qualifications of Directors**

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
- ii) Practical understanding of the business of the corporation;
- (iii) Membership in good standing in relevant industry, business or professional organizations; and
- (iii) Previous business experience.

### **Disqualification of Directors**

#### **Permanent Disqualification**

The following shall be grounds for the permanent disqualification of a director:

(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the



Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts violations or misconduct enumerated in sub-paragraphs

(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

### **Temporary Disqualification**

A Director may be temporarily disqualified for any of the following reasons:

(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations code and its Implementing Rules and Regulations. The disqualification shall be in effects as long as the refusal persists.

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

(iii) Dismissal or termination for cause as director of any corporation covered by the Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

(iv) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

### **Voting Result of the last Annual General Meeting:**

<b>Name of Director</b>	<b>Position</b>	<b>Votes Received</b>
Renato B. Magadia	Chairman of the Board	Majority
Kenneth T. Gatchalian	President/Director	Majority
Elvira A. Ting	Treasurer/Director	Majority
Reno I. Magadia	Director	Majority
Arthur M. Lopez	Director	Majority
Dee Hua T. Gatchalian	Director	Majority

Lamberto B. Mercado, Jr.	Director	Majority
* Sergio R. Ortiz-Luis, Jr.	Independent Director	Majority
* Ruben D. Torres	Independent Director	Majority

A temporarily disqualified director shall, within (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

## **6. Orientation and Educational Program**

### **(a) Disclose details of the company's orientation program for new directors, if any.**

If necessary, funds shall be allocated by the Chief Executive officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

A director shall, before assuming such, be required to have attended a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

### **(b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years and continuing education programs for directors: programs, seminars and roundtables attended during the year.**

#### **Arthur M. Lopez**

Good Governance at the Asian Institute of Management (AIM).

#### **Dee Hua T. Gatchalian**

Corporate Governance and Risk Management  
Basic Course on Corporate Governance

#### **Precilla O. Toriano (Compliance Officer)**

In 2010 she was sent to Singapore to attend the Strategic & Sustainable Cost Control Training and the year after that, 2011, she also attended the Financial Modeling Seminar held in Singapore. In the year 2012 in June-July, she was sent by the company to New York to attend the Management Development Program at Cornell University thus granting her the "Certification in Strategic Management".

\* In 2015, the rest of the Directors and Senior management have attended also various trainings, seminars and invites to further enhance leadership, management and good governance.

## **B) CODE OF BUSINESS CONDUCT & ETHICS**

### **Company's policies affecting on the following business conduct or ethics affecting directors, senior management and employees:**

All staff of Waterfront Philippines Inc. is subject to this code of conduct. Any breach of the code will give rise to disciplinary and/or criminal prosecution. Any staff member who has any doubt, propriety or any course of action or who finds that his interest are or may be in conflict with that of the company should seek the advice of the Hotel Manager. Any queries regarding the contents of this Code of Conduct should be directed to the President or Executive Vice President of Waterfront Hotel Management.

## **(a) Conflict of Interest**

### **Directors / Senior Management**

Provides that having interests opposed to those of the Company constitutes grounds for incompatibility for appointment as director and, if applicable, triggers the director's duty to resign from office. Such articles also provide that competence to hold office as director is a requirement for appointment as director of the Company, and expressly lay down the duty of directors to resign when their continuance in office on the Board of Directors may, for any reason, jeopardize directly, indirectly or through their related persons, the faithful and diligent performance of their duties in furtherance of the corporate interest.

For such purposes, it shall be deemed that a director lacks or, if applicable, has ceased to possess, competence where the conflict of interest situation is, or may reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the director and the Company or the companies forming part of the Group.

### **Conflicts of interest shall be governed by the rules set:**

a) **Communication:** the director must give notice to the Board of Directors, in the person of the Chairman or the Secretary of the Board of Directors, of any conflict of interest in which the director is involved.

b) **Abstention:** the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities.

c) **Transparency:** in the Annual Corporate Governance Report, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any othermeans.

In addition, "in the case of customary and recurring transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof".

### **Employees**

As regards the other officers and employees, the Code of Ethics applies to all professionals within the Group, regardless of rank, and dedicates a specific section to conflicts of interest.

#### **Authority**

The authority to sign purchases, contracts, sales, discounts, and the like given to some staff, is subject to the limitations specified and determine by the management. No purchases or contracts shall be signed by a single person. It is to be countersigned by another authorized person. No member or staff shall conclude or induce such purchase, contracts, discounts, or similar transactions with himself, with members of his immediate family or with companies of which he or his family has interests.

#### **Borrowings**

You and the members of your immediate family in behalf of the hotel are prohibited from borrowing or receiving credit, advances, or loans from third parties on an abnormally favored arrangement unless approved by the Hotel general Manager.

In dealing with this issue, the Code provides that “professional decisions must be based on the best defense of the interests of the Group and must not be influenced by personal or family relationships or other personal interests of Group professionals”.

The Code of Ethics provides that written notice must be given to an immediate superior of the existence or possible existence of a conflict of interest. The superior shall notify the Human Resources Division, which shall have and maintain a register covering this type of situation and may, if it deems it appropriate, forward the notice or refer the inquiry in question to the Compliance Unit.

#### Personal And Outside Business

As provided in employment contract, the employee is prohibited from holding directorship or assuming advisory or executive roles in other companies or establishments in your personal capacity without the written approval of the company. Where approval is obtained, such personal and outside business should not be allowed to interface or interfere with your duties, responsibilities, and obligations as an employee of the company.

You are not allowed to use the company’s time and facilities for your personal and outside business. Where business begins to encroach on your work, you should discuss the matter with the Management.

#### **(b) Conduct of Business and Fair Dealings**

All directors, senior management and employees must accept responsibility for maintaining and enhancing the Company’s reputation for integrity and fairness in its business dealings.

In its everyday business transactions the Company must be seen to be dealing evenhandedly and honestly with all its consumers, customers, suppliers, employees, contractors, governments & regulators and others with whom the Company has a relationship.

Anyone should not offer to bribe or similar consideration to any person or company in order to obtain business for the company. Any commission paid, payments made, favorable terms conceded or other advantages given by you in the conduct of the company’s business shall be in accordance with the company’s policies on such matters as determined and outlined by the company. This type of transactions should be promptly put in writing.

As much as possible, you should transact or consummate all purchases and contracts directly with the supplier and manufacturer and not with agents or brokers unless the latter render tangible service to the company. Request the supplier or manufacturer to disclose the identity of the broker agent should there be any.

Any discount, commission or any favor/advantage in any form obtained while transacting business shall be reverted back to the company and not your personal benefit. Directors, managers and others with supervisory responsibility have a duty to ensure that employees and contractors under their supervision are aware of and comply with this policy. Violation of this policy may subject the individual to disciplinary action, including dismissal and cessation of contract.

### **(c) Receipts of gifts from third parties**

**Gifts and entertainment** – The Group and employees of the Company must ensure that they deal with customers, suppliers and other business relationships in a way that avoids their independent judgment on behalf of the Company being influenced by personal advantage, or any appearance that this may be the case.

### **(d) Compliance with Laws and Regulations Directors / Senior Management**

To strictly observe and implement the provisions of the Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers staff, in case of violation of the provision of this Manual:

- ☐ Minor violation- written reprimand on the violator up to suspension for the office: the duration of the suspension shall depend on the gravity of the violation.
- ☐ Major violation-suspend from office up to maximum penalty of removal from office.

A major violation of the Corporate Governance Manual by any member of the board of the Corporation shall be sufficient from removal from leadership.

The **Compliance officer** shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board.

### **Employees**

All employees are required to comply with the Code of Employees Behavior and are personally responsible for doing so. It is the responsibility of the Board of Waterfront Philippines Inc. to ensure, so far as is reasonably practicable, that the principles and ethical values embodied in this Code are communicated to all colleagues of the Company.

### **The Company provided legends for the guidance of all concerns:**

WW - Written Warning  
7S - 7 days suspension  
15S - 15 days suspension  
30S - 30 days suspension  
D – Dismissal

### **Special Provisions:**

1. Any offense not included in the established Code will be treated on a case to case basis. An employee may, therefore, be subjected to disciplinary action for misconduct favorable to the interest of the Company/Guest other than those listed.
2. The Company reserves the right to impose a heavier or lighter penalty than what is specified in the preceding pages for a particular offense if the damage caused and the aggravating and or mitigating circumstances attending to its commission warrant it.
3. The imposition of any of the preceding penalties is without prejudice to the filing of appropriate criminal and / or civil actions by the parties concerned.

**AMENDMENTS:**

The Company may from time to time, change any of these rules and regulations, in the form of issued memoranda in which revisions, additions and / or deletions shall be made effective ten (10) days from the date of the circulation and publication in the Bulletin Boards.

The employees must update themselves and fully understand the changes. Ignorance of the rules and regulations of the Company is never an excuse to be exempted from the imposition of the disciplinary action whenever a violation is committed. Each employee must therefore note the amendments in the blank spaces of the Employee Handbook.

**(e) Respect for Trade Secrets / Use of Non-Public Information**

Observe confidentiality. A director should observe the confidentiality of non-public information acquired by reason of his position as director. He should not disclose any information to any other person without the authority of the Board. Protecting confidential information - employees must ensure that confidential information is preserved and protected. Confidential information is that which is not generally known outside the Company and either gives or could give the Company a competitive advantage or disadvantage, or could lead to the loss of an existing competitive advantage, if it became known to others or became known in the public domain. This kind of information may not be revealed to anyone outside of the Company or Group unless an appropriate confidentiality agreement is in place and such disclosure is necessary for business purposes. Employees are required to respect these confidentiality provisions even after their employment with the Company comes to an end.

Violation of this rule will be dealt accordingly.

**(f) Use of Company Funds, Assets and Information**

**Authorities** - the existence of an agreed authorities structure is an essential requirement for establishing an effective financial and operational control environment. All business units are required to establish and maintain appropriate levels of authority to cover all items of asset value or expenditure and all transactions which need to be subject to management approval.

**Integrity of company financial records** - the books and records of the Company must accurately reflect the nature of the underlying transactions and no undisclosed or unrecorded liabilities or assets shall be established or maintained. Books and records must be maintained in all respects according to law and the accounting principles, policies and procedures that the Company has adopted. The Company will not evade tax obligations and all taxable benefits which employees may receive will be listed and declared for tax purposes.

**Protecting confidential information** - employees and contractors must ensure that confidential information is preserved and protected. Confidential information is that which is not generally known outside the organization and either gives or could give the Company a competitive advantage or disadvantage, or could lead to the loss of an existing competitive advantage, if it became known to others or became known in the public domain. This kind of information may not be revealed to anyone outside of the organization unless an appropriate confidentiality agreement is in place and such disclosure is necessary for business purposes. Employees and contractors are required to respect these confidentiality provisions even after their employment with the Company comes to an end.

#### **(g) Employment & Labor laws & Policies**

There are many laws and regulations applicable to the Company's business. All employees, BOD, officers and contractors must be aware of and observe all laws and regulations governing their activities. Some specific areas of legal and regulatory attention include: health & safety; anti-bribery laws, employment and work place practices; protection of the environment; competition; intellectual property; and, the payment of taxes and social security. Compliance with the Company's internal operating policies and procedures is of equal importance.

#### **(h) Disciplinary Action**

Directors, managers and others with supervisory responsibility have a duty to ensure that employees and contractors under their supervision are aware of and comply with the policy. Violation of the policies may subject the individual to disciplinary action, including dismissal and cessation of contract or even civil/criminal cases.

The Company also provided "LEGENDS" for everybody's guidance.

#### **(i) Whistle Blower**

In order to sustain the longevity and sustainability of the company, ones must protect its assets. Thus, whistle blowing is created to report any anomalies, correct SOPs and to prevent any bigger problems. The Corporate Internal Auditors are the assigned group to do such audit and send the final reports to designated body. Whenever needed, the Company provides a confidential "whistle blower" hotline or mailbox that employees may use to report any violation of the Company's policies.

#### **(j) Conflict Resolution**

The principles, requirements and guidelines are incorporated into the Code of Business Conduct. All employees and contractors are required to comply with this Code and are personally responsible for doing so. It is the responsibility Company to ensure, so far as is reasonably practicable, that the principles and ethical values embodied in the Code is communicated to all colleagues of the Company. Employees at all levels will be required to certify, annually, that they understand the code and that they (and those they supervise who do not have a Company email address) are in full compliance with this Code for the operations for which they have responsibility. On the annual basis by Internal Audit, the Board monitors the findings of this certification. All findings will be communicated through email or memos. Any severe cases will go through panel hearing.

#### **Related Party Transactions**

##### **(a) Policies and Procedures**

The Board of Directors of Waterfront Philippines Inc., (the "Company"), acting upon the recommendation of its Corporate Governance and Nominating Committee (the "Committee"), has adopted the following policy with regard to Related Party Transactions, as defined below.

##### **Policy**

Related Party Transactions, which are limited to those described in this policy, shall be subject to the approval or ratification by the Committee in accordance with this Policy.

## **Background**

Our Code of Ethics, which applies to all employees and directors, provides that all conflicts of interest should be avoided. Pursuant certain regulations of Securities and Exchange Commission ("SEC"), certain transactions between the issuer and certain related persons need to be disclosed in our filings with the SEC. In addition, certain transactions between the Company and our directors and officers may need to be approved by our Board of Directors or a duly authorized committee of the Board. Finally, SEC rules and standards require our Board to assess whether relationships or transactions exist that may impair the independence of our outside directors.

This Policy is intended to provide guidance and direction on Related Party Transactions.

### **"Related Party" means any of the following:**

- \* a director (which term when used herein includes any director nominee),
- \* an executive officer,
- \* a person known by the Company to be the beneficial owner of more than 5% of the Company's common stock (a "5% stockholder"),
- \* or a person known by the Company to be an immediate family member of any of the foregoing. "Immediate family member" means a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer, nominee for director or beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee for director or beneficial owner.

## **Review and Approval of Related Party Transactions**

### **Related Party Relationship**

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

At each of its meetings, the Committee will be provided with the details of each new, existing or proposed Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party.

In determining whether to approve a Related Party Transaction, the Committee will consider, among other factors, the following factors to the extent relevant to the Related Party Transaction:

- ☐ whether the terms of the Related Party Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party;
- ☐ whether there are business reasons for the Company to enter into the Related Party Transaction;
- ☐ whether the Related Party Transaction would impair the independence of an outside director; and
- ☐ whether the Related Party Transaction would present an improper conflict of interests for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's or Related Party's interest in the transaction and the



ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

#### **Accounting for Inter-company Loans**

This provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/ stand-alone financial statements of the lender and the borrower (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

For due from related parties, the Group uses judgment based on the available facts and circumstances, including but not limited to, assessment of the related parties, operating activities, business viability and overall capacity to pay in providing reserve allowance against recorded receivable amounts.

#### **(b) Conflict of Interest**

##### **(i) Directors/Officers and 5% or more Shareholders**

<b>Name of Stockholder of Record</b>	<b>No. of Shares</b>	<b>%</b>
The Wellex Group, Inc.	1, 143, 466, 800	45.757
PCD Nominee Corporation (Filipino)	580, 678, 174	23.236
Silver Green Investment LTD	180, 230, 000	7.212
Chesa Holdings, Inc.	175, 924, 000	7.040
Tybalt Investment LTD	135, 010, 000	5.403

☐ **No conflict of interest involved.**

##### **(ii) Mechanism**

The Company is committed to proactively encouraging its group and employees to demonstrate responsible business behavior and high standards of business conduct. Hence, safety measures were also provided to avoid such. All senior officers are required to disclosed any businesses that they currently have and thus, declaring this through SEC reports. The Company also has independent auditors to objectively solve the issue for the Group. In addition the Company also provided Corporate Internal Auditors, to see whether SOPs' are followed. These auditors conduct quarterly audit or even less.

## **Family, Commercial and Contractual Relations**

### **(a) Family Relationship**

Mr. Kenneth T. Gatchalian is the son of Ms. Dee Hua T. Gatchalian. Ms. Elvira A. Ting is a sister of Ms. Dee Hua T. Gatchalian and an aunt of Kenneth T. Gatchalian.

Mr. Reno Magadia is also a son of Mr. Renato B. Magadia.

There is no voting trust holder of 5% or more.

There are no persons holding a certain class of stocks under a voting trust or similar agreement. There are also no arrangements that may result in a change in control of the registrant.

**There are no other relationships among the officers listed.**

**(b) The following is known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of any class of the Company's voting securities:**

<b>Name of Stockholder of Record</b>	<b>No. of Shares</b>	<b>%</b>
The Wellex Group, Inc.	1, 143, 466, 800	45.757
PCD Nominee Corporation (Filipino)	580, 678, 174	23.236
Silver Green Investment LTD	180, 230, 000	7.212
Chesa Holdings, Inc.	175, 924, 000	7.040
Tybalt Investment LTD	135, 010, 000	5.403

**(c) Shareholder agreements that may impact on the control, ownership and strategic direction of the company.**

There are no arrangements that may result in a change in control of the registrant.

### **6) Alternative Dispute Resolution**

This Policy resolution of most disputes. The process may vary depending on the nature or circumstances of the dispute.

#### **Step 1 : Prevention**

##### **Conflict avoidance**

Open consultation between the parties can help prevent the onset of disputes. Meetings should allow affected parties to explain details, express points of view, confine issues and resolve differences in an atmosphere conducive to conciliation or negotiation.

Early consultation of the Company's development projects with stakeholders may help avoid parties becoming locked into inflexible positions of conflict and prevent their developing into full-scale disputes.

**Contract clauses**

Mandatory inclusion and incorporation of ADR options and provisions in contracts entered into by the Company will ensure the use of such options and assist in determining whether ADR is appropriate for specific disputes.

**Step 2 : Negotiation****Step 3 : Third Party Assistance**

>Mediation

>Conciliation

>Expert determination

**Step 4 : Third Party Decision through Arbitration****Workplace Conflicts**

The Company shall adopt and employ policies that maintain and promote a productive and healthy working environment. Potential disputes shall be identified and settled, at the earliest stage possible and at the lowest possible organizational level before these develop into full blown disputes thus avoiding a formal and adversarial process. Thus, “The Code of Employee Behavior” was created to guide the employees of the company.

**Legal Management**

The Legal Department shall protect the Company from unnecessary litigation to the best of its ability. Subject to the assent of the other party, it shall incorporate ADR clauses in contracts. In monitoring the Company’s legal obligations and rights, it shall review information and cases for possible use of ADR processes at the earliest stage of a conflict as possible and to find appropriate neutrals for the resolution of conflict.

**C. BOARD MEETINGS & ATTENDANCE****1) Meetings Schedule**

\* February 02, 2015

\* February 18, 2015

\* February 25, 2015

\* March 24, 2015

\* August 03, 2015

\* August 26, 2015

\* September 12, 2015

\* September 28, 2015

\* November 25, 2015

**2) Attendance of Directors**

<b>Name of Director</b>	<b>Position</b>	<b>Votes Received</b>
Renato B. Magadia	Chairman of the Board	100%
Kenneth T. Gatchalian	President/Director	100%
Elvira A. Ting	Treasurer/Director	100%
Reno I. Magadia	Director	100%
Arthur M. Lopez	Director	100%
Dee Hua T. Gatchalian	Director	100%

Lamberto B. Mercado, Jr.	Director	100%
* Sergio R. Ortiz-Luis, Jr.	Independent Director	100%
* Ruben D. Torres	Independent Director	100%

\* Election is held every Annual Stockholders Meeting. For the year 2015, it was conducted on September 12, 2015. \* There were 8 scheduled meetings for the year and all directors attended on it.

**3) Separate meeting for non-executive directors without the presence of any executive. NONE**

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members?**

Under Section 24 of the Corporation Code, cumulative voting is allowed in the election of Directors. Thus, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. In all regular or special meeting of shareholders, majority of the outstanding capital stock must be present to constitute a quorum or else meeting shall be adjourned until requisite amount of stock shall be present.

**5) Access to Information**

#### **Right to Information**

4.1) The Shareholders shall be provided, upon request, with periodic reports which disclose relevant personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares dealings with the Company, relationships among the directors and key officers, and the aggregate compensation of directors and officers as required under the pertinent rules of the PSE and the Commission.

4.2) The Minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate purpose in accordance with the By-laws.

4.3) The minority shareholders shall have access to relevant information relating to matters for which the management is accountable for and those relating to matters for which the management shall include such information and if not included, then the majority shareholders shall be allowed to propose to include such matters in the agenda of the stockholder's meeting.

**a) Number of days is board papers prepared in advance for board of meetings provided to the board.**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings. They should supply informations on a timely manner. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members

shall be given independent access to Management and the Corporate Secretary. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense.

**b) Do board members have independent access to Management and Corporate Secretary?**

Directors should also have a separate and independent access to the Corporate Secretary. The role of the Corporate Secretary should be clearly defined and should include responsibility for ensuring that Board procedures are being followed and that applicable rules and regulations are complied with. The Corporate Secretary should attend all Board meetings.

The Board should have a procedure for disclosures, either individually or as a group in the furtherance of their duties, to take independent professional advice, if necessary, at the corporation's expense.

**The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He should –

- (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- (ii) Be loyal to the mission, vision and objectives of the Corporation;
- (iii) Work fairly and objectively with the Board, Management and stockholders;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the Corporation;
- (vii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (viii) Attend all Board meetings, except when justifiable causes such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members;  
and
- (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.

## **Committee Procedures**

### **Executive**

The Board may create an executive committee of such number as the Board shall determine who shall hold office for (1) one year and/ or until their respective successors shall be designated, provided that the majority of the executive committee shall be members of the Board. The Executive committee shall adopt its own rules of procedure and shall keep regular minutes of its proceedings. The executive committee, during the intervals between the meetings of the Board, possess and may exercise powers of the Board which can lawfully delegated in the management and direction of the affairs of the corporation in all cases in which specific directions shall not been given by the Board. All actions by the executive committee shall be reported to the Board at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board, provided that no rights of third parties shall be affected by any such revision or alteration.

### **Audit Committee**

Shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience.

The chair of the Audit Committee shall be an independent director. The Audit Committee shall have the following functions:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk and risk management activities.
- c) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the audit , discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;

i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- ☐ Any change/s in accounting policies and practices
- ☐ Major judgment areas
- ☐ Significant adjustments resulting from the audit
- ☐ Going concern assumptions
- ☐ Compliance with tax, legal and regulatory requirements.

j) Coordinate monitor and facilitate compliance with laws and rules and regulations;

k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as external auditor or will pose as a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;

l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that; in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties. The Board may also organize the following committees:

a) **A Nomination Committee**, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;

b) **A Compensation or Remuneration Committee** which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent and the business environment in which it operates.

## 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

## 7) Change/s in existing policies

All material information/policies about the Corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed. Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

## D. REMUNERATION MATTERS

### Remuneration of CEO, Directors and Officers

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain and services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination remuneration levels for individual directors and officers depending on the particular needs of the Corporation. No director shall participate in deciding his remuneration. The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top (4) management officers during the preceding fiscal year.

To protect the funds of the Corporation, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

None of the Directors receive compensation for serving as Directors of the Company.

The President has no remuneration benefit.

The members of the Board of Director are elected for a term of one year. Director per diem is at a rate of Php8, 000.00 (net of 10% ewt) per board meeting including independent directors. Except for the Chairman and the CEO, Directors, are not entitled to compensation package. Except as herein mentioned, no director received bonuses or profit sharing plans for the years ended 31 December 2015 and December 2014 and December 2013.

### The aggregate paid to the (4) four most highly compensated

	Fiscal Year Ending December 31		
	2015	2014	2013
a) Aggregate compensation paid to four most highly compensated executive officers: - estimated	10,912,500.00	9,253,326.63	9,740,343.82
i) Jimmy H. Boyles			
ii) Precilla Toriano			
iii) Maria Socorro Coteló			
iv) Lanelle Cristina Barba			



b) Aggregate compensation paid to other Officers as a group unnamed - estimated	7,311,564.40	8,245,948.12	7,853,283.92
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### **Stock Rights, Options, Warrants and Other Benefits**

To date WPI has not issued any options or implemented any option scheme to its directors and officers. The Company has no immediate plan with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

### **Amendments of Incentive Programs**

There was none as to amendments and discontinuation of any incentive programs.

### **5) REMUNERATION OF MANAGEMENT**

<b>Aggregate Compensation paid to the highly compensated executive</b>	<b>Principal Position</b>	<b>Total Remuneration</b>
<b>officers</b>		10,912,500.00
Jimmy H. Boyles	General Manager	
Precilla Toriano	Corporate Finance Director	
Maria Socorro Cotelo	Corporate Planning Director	
Lanelle Barba	Corporate Peers Resources and	
	Development Director	

### **B. BOARD COMMITTEES**

#### **1) Number of Members, Functions and Responsibilities**

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Executive has 4 executive directors and 1 independent director.

Audit has 2 executive directors and 1 independent director.

Nomination has 2 executive directors and 1 independent director.

Remuneration has 2 executive directors and 1 independent director.

Its powers, functions and responsibilities were discussed in page 14 and 15.

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Renato B. Magadia	September 12, 2015	9	9	100%	11
Member (ED)	Kenneth T. Gatchalian	September 12, 2015	9	9	100%	14
Member (ED)	Elvira A. Ting	September 12, 2015	9	9	100%	15
Member (ID)	Arthur M. Lopez	September 12, 2015	9	9	100%	15
Member	Lamberto B. Mercado Jr.	September 12, 2015	9	9	100%	12

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Arthur M. Lopez	September 12, 2015	9	9	100%	15
Member (ED)	Dee Hua T. Gatchalian	September 12, 2015	9	9	100%	11
Member (ID)	Sergio R. Ortiz-Luis Jr.	September 12, 2015	9	9	100%	9

**Disclose the profile or qualifications of the Audit Committee members.**

<b>Sergio R. Ortiz-Luis, Jr.</b>	<b>Director</b>
<p>He has degrees of Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle University; PhD Humanities from Central Luzon State University, and PhD Business Technology from Eulogio “Amang” Rodriguez Institute of Science and Technology. He is the President and CEO of Philippine Exporters Confederation, Inc. An Honorary Chairman of Philippine Chamber of Commerce &amp; Industry, Employers Confederation of the Philippines as well as Integrated Concepts &amp; Solutions, Inc. He is the Vice Chairman of Alliance Global, Inc., Export Development Council. He is a Director of Manila Exposition Complex, Inc., Lasaltech Academy, Philippine Estate Corporation, BA Securities, Rural Bank of Baguio, PILAK Foundation, and Universal Access Center for Trade and Philippine International Training Corporation. He is a Council Adviser Member of Philippine Foundation, Inc., a Founding Director of International Chamber of Commerce of the Philippines and GS1. He is also a member of the Board of Advisers of Southville International School and Colleges. He is a commissioner of Patrol 117, a Financing Champion of National Competitiveness Council and a Private Sector Representative of Bamboo Council. He is also a Chairman of Rotary Club of Green Meadows Foundation and also a Chairman of Council of Advisers Eastern Police District. He is the Past President of Rotary Club of Green Meadows Quezon City RI District 3780; a Board of Advisers Member of Council of Advisers Philippine National Police, a senator of Philippine Jaycee Senate, Captain of Philippine Coastguard Auxiliary and a member of the League of Corporate Foundation. He is the Honorary Consul General of Consulate of Romania in the Philippines, a Treasurer of Consular Corps of the Philippines and an Honorary Adviser of International Association of Education for World Peace. Some awards that he received were International Peace Award for Economic Development in 2005, Most Outstanding Citizen of Nueva Ecija in the Field of Business in 2005 also, Most Outstanding Pasigueno in 2006, Ulirang Ama also in 2006 and Presidential Merit Award Medal in 2007. He became an Independent Director of Waterfront Philippines, Inc. since August 2006-present. This 2014, he attended Exporter’s Partner in Gearing</p>	

the Country for the AEC Markets of the World 2, Technology Innovation and Entrepreneurship as Competitive Strategies PHILAAS 63rd Annual Convention and lastly, Bringing the Buy Pinoy Campaign to the Next Level.

<b>Dee Hua T. Gatchalian</b>	<b>Director</b>
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Mrs. Gatchalian was elected director of the Company since 24 June 2004-present. She is the Executive Vice-President of The Wellex Group, Inc., and also the Executive Vice-President of Plastic City Corporation. She is a board of director of Philippine Estates Corporation, and Acesite (Phils.) Hotel Corp. She graduated with a degree in Medical Technology from the Far Eastern University in 1970. In addition to her numerous positions in business firms, she is the Chairperson of Jesus Our Life Ministries, Inc., a non-profit, non-stock organization duly registered with the Securities and Exchange Commission.

<b>Arthur M. Lopez</b>	<b>Director</b>
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Arthur M. Lopez is the Principal Consultant of AML Hotel Consultants, an independent Hotel Consultant. The President of the Philippine Hotel Federation Inc. Currently he is the Hotel Management Consultant of Jin Jiang Inn Ortigas, Jin Jiang Inn Makati, Hotel 101 Manila, Injap Tower Iloilo, Hotel 101 Fort; Hotel Advisor/Director Bellevue Hotel and the B Hotel and the Bellevue Bohol Resort in Panglao, Hotel Advisor of Cathay International Resources Corp., Hotel Technical Services Adviser and Management Consultant of Hotel of Asia Inc. Director of Asia Pacific Top Management International Resources Corp. and, Chairman of Acesite Philippines Hotel Corporation and Director of Philippine Estates Corporation. He is the Owner's Representative and Advisor of the Sheraton Langkawi Beach Resort in Malaysia, Four Points by Sheraton Kuching, Malaysia, the Santubong Resort in Kuching, Malaysia and Helang Hotel, Langkawi, Malaysia. He was the Management Consultant at the Rarotongan Beach Resort & Spa and the Aitutaki Lagoon Resort and Spa in Cook Islands and has done hotel and club consultancy work in Japan, Palau, China and Indonesia. He was the Management and Technical Services Consultant of Federal Land's Grand Hyatt Manila project and assisted in the negotiation of the management and technical services agreement with Hyatt Hotels. Pre-opening Management and Technical Services Consultant Bloomberry Casino Hotels and Resorts/Solaire Hotel and Casino. He was elected as Chairman of Acesite (Phil's.) Hotel Corp., since 2004-present. He is 69 years old and a Masters Degree holder in Business Administration from the University of Santo Tomas. He's been a director of Waterfront Philippines, Inc. since October 2000-present. In 21st September 2013, he received the Certificate of Recognition in the Field of Business Management BSC Management 1968, "in grateful appreciation for giving pride, honor and prestige to UST College Alumni Foundation as well as living the true Thomasian legacy". He was one of the UST Commerce Outstanding Alumni 2013 in the field of Business Management given in 19<sup>th</sup> September 2013. This was in recognition of his having shown professional excellence, exemplary moral and Christian conduct in his chosen field, living the true Thomasian legacy. On 2014, he attended the basic course on Corporate Good Governance.

### (c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Arthur M. Lopez	September 12, 2015	9	9	100%	15
Member (ED)	Lamberto B. Mercado Jr.	September 12, 2015	9	9	100%	12
Member (ID)	Ruben D. Torres	September 12, 2015	9	9	100%	9

**(d) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Arthur M. Lopez	September 12, 2015	9	9	100%	15
Member (ED)	Renato B. Magadia	September 12, 2015	9	9	100%	11
Member (ED)	Kenneth T. Gatchalian	September 12, 2015	9	9	100%	14

**(e) Others (Specify)**

NONE

**3) Changes in Committee Members**

No changes in committee membership that occurred during the year.

**4) Work Done and Issues Addressed**

Describe the work done by each committee and the significant issues addressed during the year.

Appointment of External Auditors

The board will recommend KPMG R.G. Manabat and Co. , as the Corporate External Auditor for the year 2015.

Appointment of External Counsel

For the year 2015 the board will recommend Corporate Counsels, Philippines as the Legal Counsel of the Company.

**Ratification of the acts of the Board of Directors and Management Acts of Management and resolutions of the Board including:**

- To appoint and constitute BOD Trust and Investment Group as our Stock Transfer Agent to issue shares of the company in scrip less or uncertificated form in accordance with Section 43 of the Securities Regulation Code and to link our database to the EDR(Electronic Direct Registration) system of Pastra Net. Inc.
- Renewal of licenses with government agencies/offices and other contracts and designation of the authorized signatories.
- All other administrative matters concerning Waterfront Philippines, Inc..

**5) Committee Program**

**C. RISK MANAGEMENT SYSTEM**

**1) Background**

**Risk Management** is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. Risks can come from uncertainty in financial markets, project failures (at any phase in design,

development, production, or sustainment life-cycles), legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attack from an adversary, or events of uncertain or unpredictable root-cause.

The strategies to manage risk typically include transferring the risk to another party, avoiding the risk, reducing the negative effect or probability of the risk, or even accepting some or all of the potential or actual consequences of a particular risk. Certain aspects of many of the risk management standards have come under criticism for having no measurable improvement on risk, whether the confidence in estimates and decisions seem to increase.

## **Risk Management Structure**

### **Board of Directors**

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

### **Risk Management Committee**

Risk management committee is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits set by the BOD.

The Group's management reviews and approves policies for managing each of these risks as often as possible or yearly.

## **2) Risk Policy and Control Set Up**

### **(a) Company**

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

#### **Purpose**

The Company recognizes the importance of managing risk in the business to sustain growth.

#### **The purpose of this policy is to ensure that:**

- (i) appropriate systems are in place to identify the material risks facing the Company;
- (ii) the potential financial impact of identified risks is ascertained;
- (iii) appropriate controls and strategies are adopted to manage exposure to those risks;
- (iv) appropriate responsibilities are delegated to control identified risks effectively;
- (v) any material changes to the Company's risk profile are disclosed in accordance with the Company's continuous disclosure policy.

## **2. Responsibility & Accountability**

### **Board**

The Board is responsible for the management of risk in the Company. The Board will report annually to the market that management has reported on the Company's management of risk.

### **Audit Committee**

The Audit, Compliance and Risk Management Committee provides assistance to the Board in fulfilling its risk management responsibilities as set out in the Committee Charter.

## **Managing Director**

The Managing Director is required and is delegated authority by the Board to:

- (i) design and implement a risk management and internal control system to manage the Company's material business risks;
- (ii) review and approve the risk profile of the Company;
- (iii) review and approve the controls and strategies implemented for the management of identified risks;
- (iv) allocate 'risk owners' to implement controls and strategies;
- (v) require reporting by 'risk owners' on the performance of controls and strategies to manage risks;
- (vi) review annually the Company's financial capacity to absorb risk and approving appropriate exposure limits;
- (vii) report to the Board on whether risks are being managed effectively. The Managing Director is accountable to the Board, through regular reporting to the Audit Committee and the Board.

### **Risk Owners are accountable to the Managing Director for:**

- (i) the development, implementation, maintenance and review of appropriate controls and strategies to manage allocated risks;
- (ii) reporting to the Managing Director on controls and strategies.

## **Risk Management**

Is accountable to the Managing Director to facilitate and co-ordinate risk management activities by Risk Owners.

## **Employees**

All employees are responsible for taking all reasonable and practicable steps to perform their responsibilities delegated under this policy and related procedures.

## **Key risks**

The key risks currently under management by the Company in accordance with this Policy and the RM Framework are as follows:

- (i) Professional Liability.
- (ii) Law Reform- the Company is exposed to regulatory reform its practice areas and as an incorporated legal practice.
- (iii) Acquisition & Growth- there is a risk that the Company may not achieve its strategic objectives to grow the business through acquisitions and diversification and expansion of practice areas, alternatively such growth objectives may not realize the forecast profits.
- (iv) Recruitment & Retention- there is a risk that the Company may not be able to recruit or retain suitably qualified or experienced people to achieve strategic objectives.
- (v) Competition- there is a risk that the Company will not be in a position to continue to compete effectively with current or future competitors.
- (vi) Reputation & Intellectual Property- there is a risk that the Company's reputation may for providing high quality legal services and access to justice for clients may be damaged. There is a risk of unauthorized use of the Company's intellectual property.
- (vii) Information Systems and Operational Risk- there is a risk that of catastrophic information system failure or other operational failure or malfunction.
- (viii) Employee Misconduct.
- (ix) Governance Failure.
- (x) Economic Risk, Market Conditions, Liquidity and Investment Returns.

**(b) Group**

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

**Financial Risk Management**

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, due from related parties, AFS investments, accounts payable and accrued expenses, other current liabilities, due to related parties, loans payable, and other non-current liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and market risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized as follows:

**Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and non-trade receivables.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk from other financial assets of the Group, which mainly comprise of due from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There is no other significant concentration of credit risk in the Group.

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained thru related party advances and from bank loans, when necessary.

Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. For the Group's short-term funding, the Group's policy is to ensure that there is a sufficient working capital inflow to match repayments of short-term debt.

**Market Risk**

Market risk is the risk that the fair value or cash flows of a financial instrument of the Group will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

**Interest Rate Risk**

Cash flow interest rate risk is the risk that the future cash flow of the financial instruments will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

**Foreign Currency Risk**

Currency risk arises when transactions are denominated in foreign currencies.

**Price Risk**

The Group is exposed to equity securities price risk because of the investment in shares of stock of WII held by the Group which are classified as AFS investments in the consolidated statements of financial position. These securities are listed in the PSE.

The Group is not exposed to commodity price risk.

**(c) Minority Shareholders****Stockholders' Rights and Protection of Minority Stockholders' Interests**

A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the Corporation;
- (iii) Right to inspect corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal right.

B) The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.



## **D. INTERNAL AUDIT AND CONTROL**

### **1) Internal Control System**

There are many definitions of internal control, as it affects the various constituencies of an organization in various ways and at different levels of aggregation.

Under the COSO Internal Control-Integrated Framework, a widely-used framework in not only the United States but around the world, internal control is broadly defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.

#### **Internal control as having five components:**

1. Control Environment-sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control.
  2. Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed
  3. Information and Communication-systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities
  4. Control Activities-the policies and procedures that help ensure management directives are carried out.
  5. Monitoring-processes used to assess the quality of internal control performance over time..
- Discrete control procedures or controls are defined by the SEC as: "...a specific set of policies, procedures, and activities designed to meet an objective. A control may exist within a designated function or activity in a process. A control's impact...may be entity-wide or specific to an account balance, class of transactions or application. Controls have unique characteristics. Controls within a process may consist of financial reporting controls and operational controls (that is, those designed to achieve operational objectives).

More generally, setting objectives, budgets, plans and other expectations establish criteria for control. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components – such as social environment effecting behavior of employees, information necessary in control, and policies and procedures. Internal control structure is a plan determining how internal control consists of these elements.

The concepts of corporate governance also heavily rely on the necessity of internal controls. Internal controls help ensure that processes operate as designed and that risk responses (risk treatments) in risk management are carried out. In addition, there needs to be in place circumstances ensuring that the aforementioned procedures will be performed as intended: right attitudes, integrity and competence, and monitoring by managers.

The Group's management reviews and approves policies for managing each of these risks as often as possible or yearly.

### **2) Internal Audit**

#### **Role, Scope and Internal Audit Function**

Everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed

to affect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a particular role to play:

**Management:** The Chief Executive Officer (the top manager) of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. The chief executive fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a smaller entity, the influence of the chief executive, often an owner-manager, is usually more direct. In any event, in a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise.

**Board of Directors:** Management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their board responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem.

**Auditors:** The internal auditors and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review Information technology controls, which relate to the IT systems of the organization. There are laws and regulations on internal control related to financial reporting in a number of jurisdictions. To provide reasonable assurance that internal controls involved in the financial reporting process are effective, they are tested by the external auditor (the organization's public accountants), who are required to opine on the internal controls of the company and the reliability of its financial reporting.

**Audit Committee:** The role and the responsibilities of the audit committee, in general terms, are to:

- (a) Discuss with management, internal and external auditors and major stakeholders the quality and adequacy of the organization's internal controls system and risk management process, and their effectiveness and outcomes, and meet regularly and privately with the Director of Internal Audit;
- (b) Review and discuss with management and the external auditors and approve the audited financial statements of the organization and make a recommendation regarding inclusion of those financial statements in any public filing. Also review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet issues in the organization's financial statements;
- (c) Review and discuss with management the types of information to be disclosed and the types of presentations to be made with respect to the Company's earning press release and financial information and earnings guidance provided to analysts and rating agencies;

- (d) Confirm the scope of audits to be performed by the external and internal auditors, monitor progress and review results and review fees and expenses. Review significant findings or unsatisfactory internal audit reports, or audit problems or difficulties encountered by the external independent auditor. Monitor management's response to all audit findings;
- (e) Manage complaints concerning accounting, internal accounting controls or auditing matters;
- (f) Receive regular reports from the Chief Executive Officer, Chief Financial Officer and the Company's other Control Committees regarding deficiencies in the design or operation of internal controls and any fraud that involves management or other employees with a significant role in internal controls; and
- (g) Support management in resolving conflicts of interest. Monitor the adequacy of the organization's internal controls and ensure that all fraud cases are acted upon.

**Personnel Benefits Committee:** The role and the responsibilities of the personnel benefits, in general terms, are to:

- (a) Approve and oversee administration of the Company's Executive Compensation Program;
- (b) Review and approve specific compensation matters for the Chief Executive Officer, Chief Operating Officer (if applicable), Chief Financial Officer, General Counsel, Senior Human Resources Officer, Treasurer, Director, Corporate Relations and Management, and Company Directors;
- (c) Review, as appropriate, any changes to compensation matters for the officers listed above with the Board; and (d) Review and monitor all human-resource related performance and compliance activities and reports, including the performance management system. They also ensure that benefit-related performance measures are properly used by the management of the organization.

**Operating Staff:** All staff members should be responsible for reporting problems of operations, monitoring and improving their performance, and monitoring non-compliance with the corporate policies and various professional codes, or violations of policies, standards, practices and procedures. Their particular responsibilities should be documented in their individual personnel files. In performance management activities they take part in all compliance and performance data collection and processing activities as they are part of various organizational units and may also be responsible for various compliance and operational-related activities of the organization.

Staff and junior managers may be involved in evaluating the controls within their own organizational unit using a control self-assessment.

#### **(a) Audit Control Policies and Procedures**

##### **Duties and Responsibilities of the Audit Committee**

Review all financial reports against compliance with both the internal financial management policy and pertinent accounting standards, including regulatory requirements. Review management policy on financial management, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, crisis management. Review audit plans, scope and frequency of the external audit to the extent advisable, interface with the internal and external auditors. Develop a plan to elevate to international standards the accounting and auditing processes, practices and methodologies, including: a realistic timetable within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant; an accountability statement that will specifically identify officers and or personnel directly responsible for the accomplishment of such task; Develop a transparent financial management system that will ensure the integrity of internal control activities

throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Management shall provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders. Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- (iv) The Corporation should consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

#### **Independent Public Accountants**

The external auditor of Waterfront Philippines, Inc. (WPI) for the most recently completed calendar year ending December 2015 is KPMG R.G. Manabat and Co., under Mr. Tireso Randy F. Lapidez, Partner in-charge, and they are being recommended by the board of directors for the approval of stockholders for this coming year. The firm also audited the Company's previous calendar year.

In compliance with SRC Rule 68, Paragraph 3(b)(iv) which states that external auditors shall be rotated every after five (5) years of engagement, the signing partner of the company for the past 5 years Mr. Virgilio L. Manguilimotan was then superseded by the current partner in-charge, Mr. Tireso Randy F. Lapidez. Representatives of said firm are expected to be present at the stockholders' meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

#### **(b) Mechanisms and Safeguards**

The quality of the **audit opinion** is a vital element in maintaining confidence in financial reporting. A key element is that the audit opinion should be free from bias. If the auditors are to achieve this, they must be objective in reaching their opinion. This requires independence of mind from the company being audited. In addition, particularly in respect of listed and other public interest companies, they need to consider external perception of independence.

The approach places the onus on the auditor to consider the particular circumstances and assess whether safeguards can be implemented to reduce threats to independence to an acceptable level. Accordingly, oversight by the audit committee takes on added importance.

**In broad outline the approach consists of three elements:**

- **fundamental principles** – principles which must always be observed by the auditor: integrity, objectivity, competence, performance and courtesy. The key fundamental principle in the case of auditor independence is objectivity;
- **identification and consideration of the threats to independence** – the auditor must conscientiously consider, before taking on audit or other work, whether the work involves threats which would impede observance of the fundamental principles. Actual threats need to be considered, and so do situations that might be perceived as threats by a reasonable and informed observer even if they are not actual threats; and.
- **consideration of safeguards** – where threats to independence exist, the auditor must put in place safeguards that eliminate them or reduce them to clearly insignificant levels. If unable to implement fully adequate safeguards, the auditor must not carry out the work.

The provision of **non-audit services** will often result in the audit team obtaining information regarding the audit client's business and operations that is helpful in relation to the audit engagement. The greater the knowledge of the audit client's business, the better the audit team will understand the audit client's procedures and controls, and the business and financial risks that it faces. The provision of such services may, however, create threats to the

independence of the firm, a member of the audit firm's network (network firm) or the members of the audit team, particularly with respect to perceived threats to independence. Consequently, it is necessary to evaluate the significance of any threat created by the provision of such services. In some cases, it may be possible to eliminate or reduce the threat created by application of safeguards. In other cases, no safeguards are available to reduce the threat to an acceptable level.

**In general terms, the aim of guidance in this area is to ensure that in providing a nonaudit service, external auditors do not:**

- audit their own work;
- make management decisions for the company;
- create a mutuality of interest; or
- find themselves in the role of advocate for the company

During the audit, management requests and receives significant input regarding such matters as accounting principles and financial statement disclosure, the appropriateness of controls and the methods used in determining the stated amounts of assets and liabilities. Technical assistance of this nature is appropriate to promote the fair presentation of the financial statements. Similarly, the audit process may involve assisting an audit client in resolving account reconciliation problems, analyzing and accumulating information for regulatory reporting, providing assistance and advice in respect of the preparation of consolidated financial statements (provided this does not involve origination of transactions), suggesting disclosure items, proposing adjusting journal entries and providing assistance and advice in the preparation of local statutory accounts of subsidiary entities. These services are considered to be a normal part of the audit process and do not, under normal circumstances, threaten independence provided management takes the decisions.

In general, where auditors provide assistance relating to the accounting records or financial statements provided they do not take management decisions, the threats can be reduced to an acceptable level through the application of safeguards. However, due to the perception of auditor involvement in this area, the rules make a distinction on listed interest clients:

#### **Audit clients that are listed or other public interest entities**

Because of the greater importance of the perceived threat to auditor independence with such entities, with limited exceptions an audit firm should not provide accounts preparation services to listed or other public interest entities which are audit clients.

The guidance allows the provision of such services only where they fall within the normal statutory audit mandate, or where there is a genuine emergency situation. In addition, work of a technical, mechanical or informative nature may be undertaken for subsidiaries if the fees earned from the services are immaterial. All services are subject to the general prohibition on taking management decisions.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

#### **Article 9: Commitment to Good Corporate Governance**

The Corporations shall establish and implement their corporate governance rules in

accordance with the Code of Corporate Governance. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management. The manual should be submitted to the Commission for its evaluation to enable the Commission to determine its compliance with the Code of Corporate Governance taking into consideration the nature, size and scope of the business of the Corporation. The manual shall be made available for inspection by any shareholder at reasonable hours on business days.

The Chairman and the CEO attest to the company's full compliance with Securities and Exchange Commission and in addition, proper instruction are delegated to senior management and employees for their guidance and reference.

## **E. ROLE OF STAKEHOLDERS**

**1) Disclose the company's policy and activities relative to the following:**

**Customer welfare** - Refers to the individual benefits derived from the consumption of goods and services. In theory, individual welfare is defined by an individual's own assessment of his/her satisfaction, given prices and income. Exact measurement of consumer welfare therefore requires information about individual preferences. As a hotel industry, excellent service must be given to clients as well as satisfaction. In order to be updated with the things that the hotel has to improve including the services, the hotel incorporated the "Guest Comment Services". This will lead the team to innovate, develop rooms and improve services.

**Supplier/contractor selection practice** - All suppliers of the company undergoes an accreditation process before any transaction is made with said supplier. The supplier must submit all necessary documents and comply with the company's rules and regulations. This will serve as guidelines to

(a)ensure that all properties have the same accredited suppliers for all standard hotel amenities, (b)ensure good buy/price of supplies through volume purchases and (c) to ensure good supply, quantity and quality-wise of goods and services.

**Environmentally friendly value-chain** - Aside from gaining profit, the company is also concern about the environment. The company makes sure that we have proper segregation of garbage and proper disposal at the same time.

**Community interaction** - The company makes it possible to reach the community as a sort of givingback and spirit of sharing. Yearly, the company conducted feeding to less fortunate or giving bundles of joy.

**Anti-corruption programmes and procedures** - This was design to make sure that all peers are under one goal. Anti corruption programs and procedures are discussed earlier. Aside from quarterly audit on standard operating procedures if being followed, the company also adds whistle blowing.

**Safeguarding creditor's rights** - It is the policy of the company to ensure that we have proper control over credit granting and receivable and to prevent potential losses. All credit lines granted to clients must be within the contract to protect both parties.

**Performance-enhancing mechanisms for employee participation Safety, health and Welfare**  
To further ensure everybody's safety, a committee has been organized to establish safety procedures and regulations for everyone's protection.

The success of the safety program developed is dependent upon your total cooperation and

participation. Everybody must report any unsafe act or condition to the department head for immediate action. Thus, the company also is providing some safety rules to be observed strictly.

#### **Company's rewards and compensation**

The company offers special rewards to employees with proven records of their diligence, reliability, dependability, professional integrity, and for their contributions towards the growth of the company.

#### **Company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour.**

The Corporate Internal Auditors are the assigned group to do such audit and send the final reports to designated body. Whenever needed, the Company provides a confidential "whistle blower" hotline or mailbox that employees may use to report any violation of the Company's policies.

Any unethical behavior will be under investigation by the panel and will have to undergo due process.

### **F. DISCLOSURE AND TRANSPARENCY**

#### **1) Ownership Structure**

**(a)** Holding 5% shareholding or more

<b>Title of Class</b>	<b>Name &amp; Address of Record Owner &amp; Relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Class</b>
Common	The Wellex Group, Inc. 22nd Flr Citibank Tower Paseo de Roxas, Makati City <i>TWGI is the holding company and major stockholder of WPI.</i>	The Wellex Group, Inc. 22nd Flr Citibank Tower Paseo de Roxas, Makati City) <i>· Represented by Miss Elvira A. Ting, who is a nominee of said company. Directors &amp; Officers are William T. Gatchalian, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur R. Ponsaran &amp; Yolanda T. de La Cruz</i>	Filipino	1,143,466,800	45.757
Common	PCD Nominee Corporation (Fil.) 37/F Tower I, The Enterprise Center	Various Clients	Filipino	580,678,174	23.236



	6766 Ayala Ave., Paseo de Roxas, Makati City <i>(PCD Nominee is not related to WPI)</i>				
Common	Silver Green Investments LTD. Commence Overseas LTD. Commence Chambers P.O Box 2200, Road Town Tortola, BVI	As of the date of this definitive report the authorized person to vote is not yet known.	Non Filipino	180,230,000	7.212
Common	Chesa Holding, Inc Unit 401 Joy bldg., No.6 Joy St, Grace Village Brgy. Balingasa	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	175,924,000	7.04
Common	Tybalt Investment LTD Scotia Ctr 4/F P.O 2804 George Town Grand Cayman Island British West Indies	As of the date of this definitive report the authorized person to vote is not yet known.	Filipino	135,010,000	5.403

There is no voting trust holder of 5% or more.

There are no persons holding a certain class of stocks under a voting trust or similar agreement.

There are also no arrangements that may result in a change in control of the registrant.

## 2) Does the Annual Report disclose the following:

Key risks	√
Corporate objectives	√
Financial performance indicators	√
Non-financial performance indicators	√
Dividend policy	√
Details of whistle-blowing policy	√
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	√
Training and/or continuing education programme attended by each director/commissioner	√
Number of board of directors/commissioners meetings held during the year	√
Attendance details of each director/commissioner in respect of meetings held	√
Details of remuneration of the CEO and each member of the board of	

directors/commissioners	√
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### 3) External Auditor's fee

Name of Auditor	Audit Fee	Non-Audit Fee
KPMG R.G. Manabat and Co.	3,685,000.00	OPEX - 15% of Audit Fee

### 4) Medium of Communication

At Waterfront, we promote open communications at all levels. We use:

#### a) Notice Boards

- This displays interesting and up-to-date information.

#### b) Employee Newsletter

- An in-house newsletter will be produced to keep you informed of the happenings in the Waterfront group. The Editorial Committee is responsible for the production of the newsletter and all employees are invited to submit articles, photographs, and any other items of interest for publication.

#### c) Daily Briefings

- Conducted at the beginning of every duty shift. The purpose of these briefings is to keep you up-dated on urgent and last minute happenings.

#### d) Divisional/Departmental Meetings

- Respective departments or divisions discuss departmental issues and ensure coordination amongst department heads.

#### e) General Employee Meeting/ Assembly

- Held once or twice a year where employees and management can discuss and exchange ideas and information on general issues.

#### f) Open Door Policy

- If you have any personal or work-related problems, you are encouraged to bring these up anytime with your Supervisor or Department Head or Human Resources Manager or General Manager himself.

#### g) Suggestion Box

- This is for people who find it difficult to talk with Admin.

#### h) Personal Records

- This is to update your records for emergency purposes.

### 5) Date of release of audited financial report.

Audited FS shall be released after final meeting has done with the audit client and after all Important issues are being tackled but must be before April 15 which is BIR's deadline.

### 6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	√
Financial statements/reports (current and prior years)	√
Materials provided in briefings to analysts and media	√
Shareholding structure	√
Group corporate structure	√
Downloadable annual report	√
Notice of AGM and/or EGM	√

Company's constitution (company's by-laws, memorandum and articles of association)	√

## 7) Disclosure of RPT

When RPTs are involved, these processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders:

### Protection of Minority Stockholders Interests are as follows:

#### a) Voting Rights

- Right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporate Code.

#### b) Pre-emptive Right

- All stockholders shall have this right, unless the same is denied in the Articles of Incorporation or an amendment thereto.

#### c) Power of Inspection

- All stockholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation code and shall be furnished with annual reports, including financial statements, without costs or restrictions.

#### d) Right to Information

- The minority shareholders shall have access to relevant information relating to matters for which the management is accountable for and those relating to matters for which the management shall include such information and if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of the stockholder's meeting.

#### e) Right to Dividends

- Shareholders must have the right to receive dividends.

#### f) Appraisal Right

- Right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation code.

It shall be the duty of the directors to promote shareholders rights, remove impediments to the Exercise of the shareholder's rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholder's voting right and solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meeting and/or voting in person.

## G. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	Stockholders representing more than 2/3 of the issued and outstanding stock of the Corporation
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

System Used	A pyramid certification system Has been established, based on the identification of the persons responsible for each business and corporate function at each
Description	subsidiary, who certify the information on their respective areas of responsibility prior to the overall certification performed by the Chairman & chief executive officer, the chief operating officer, and the director of Administration and Control.

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

All rights of the stockholders' laid down in the Corporation Code must be exercise in any meetings may it be annual or special.

**Dividends**

The right to dividends has always been in mind of the Company but since 2004 no dividends have been issued due to financial status of the Company.

**(d) Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings. The shareholders had been granted the right to propose the holding of a meeting, right to propose items in the agenda, but to date none has been communicated to the management of the Company regarding such proposals.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

Prior to Annual Stockholders' Meeting, notices and definitive reports will be distributed to all stockholders for them to be guided during the meeting. All questions are also entertained during the meeting and can be addressed directly to the Chairman or CEO.

a. Date of sending out notices:

August 20, 2015 - Distribution of notice of stockholders' meeting, definitive information statement, proxy form and management report which is at least fifteen (15) business days from the date of the annual stockholders' meeting (SRC Rule 20. 3, C iv) and at least two (2) weeks prior to the annual stockholders' meeting (Art. II, Sec. 4, By-laws).

b. Date of the Annual/Special Stockholders' Meeting:

September 12, 2015

State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The shareholders had been granted the right to propose the holding of a meeting, right to propose items in the agenda, but to date none has been communicated to the management of the Company regarding such proposals.

During the meeting, no significant questions being raised by the stockholders and minority.

### **Results of Annual Stockholder's Meeting.**

The President, Mr. Kenneth T. Gatchalian, reported on the highlights of the Company's financial and operational performance for the year 2013, as reflected in the Annual Report, the Audited Financial Statements and the Information Statement, copies of which have been earlier given to the stockholders. Mr. Gatchalian presented the highlights of the performance of the various Waterfront Hotels for the year 2013, to wit: He said that Philippine tourist arrivals are consistent with the overall worldwide trend, which shows a renewed interest in travel despite a recovering but relatively slow global economy. According to the Department of Tourism (DOT) record, nearly 4.7 million tourists visited the country in 2013. The figure is up by 9.56% from 2012. South Koreans accounted for 25% of tourist arrivals, making them the top international source market, next overall to local guests. Japan and China followed closely. However, there was a notable decline in Taiwanese arrivals, which dropped 35% due to the Taipei-Manila conflict over a Taiwanese fisherman who was shot in Philippine waters. In 2013, the prevailing lack of resolution over the hostage-taking incident in Manila resulted in continuing negative press from the Hong Kong government, with diplomatic tensions signaling an all-time high when Hong Kong threatened to ban Philippine government officials' passports. The year also heralded heightened tensions in the West Philippine Sea, with China's territorial claims causing instability in the region. The Greater China Region (China-Hong Kong-Taiwan) used to be one of the main feeder markets (ranked second), but political and territorial disputes have hampered access to this market.

The Company is therefore approaching the current business climate with cautious optimism. The GDP and tourism numbers are up, but it is too soon to tell whether this new positive growth is sustainable. It has yet to reflect encouraging developments. Despite the challenges in 2013, the Company's performance remains steady. Gross revenue is at PhP1.98 billion. Because of cost-efficiency measures, the Company was able to reduce costs and expenses to 4% from PhP1.52 billion in 2012 to PhP1.46 billion in 2013; thus, giving the Group to edge out a greater GOP compared to last year, up 9% from PhP476.06 million to PhP517.6 million. On October 15, 2013, the group suffered damages on property and equipment due to the 7.2 magnitude earthquake. These losses were recognized for both Waterfront Cebu City Hotel & Casino and Waterfront Airport Hotel & Casino resulting to a net loss of PhP65.33 million versus last year's net income of PhP9.01 million. Consolidated room revenue is at PhP 548.22 million this year, comprising 28% of hotel gross revenue. Average occupancy is at 56% with group average room rate at PhP2361, an increase of 11% from 2012's ARR of PhP2,131, revenue per available room (RevPAR) is at PhP 1,308 this year. F&B revenue is at PhP499.75 million. Positively, there has been an overall growth of 13% in consolidated rent income across all properties, from PhP777.98 million in 2012 to PhP882.79 million in 2013. Waterfront Cebu City Hotel and Casino accounts for 40% of total revenues this year, while Manila Pavilion Hotel brings in a 29% share. Waterfront Airport Casino and Hotel generates 16% of revenue; Waterfront Insular Hotel Davao provides 8% and G Hotel brings in 2%. Moving forward, the Company will continue to use proven strategies to increase performance. It will continue to enhance its product in order to boost guest satisfaction.

Overall GSI this year is 4.41 (out of 5; 5 being the highest rating), considered a "high good" rating in the industry. The recently renovated Waterfront Cebu City Hotel & Casino lobby is delivering positive results: food covers increased by 4.86%; Lobby Lounge revenue is up by 28.28% and the average check has jumped by 22.33%. The biggest product improvement in 2013 is the Manila Pavilion Hotel (MPH) renovation. MPH has just completed the next phase of its PhP500 million project, which is the renovation of the Deluxe Rooms. Along with the refreshed Ambassador Club Rooms and Suites, Executive Suites and Premier Rooms and Suites, the Deluxe

category adds to the new look and feel of the hotel, contributing significantly to guest satisfaction and allowing it to be more competitive in the Manila Bay area. Currently, the renovated rooms and suites, all redesigned by internationally acclaimed architect Sonia Santiago- Olivares, make up 50% of the total room inventory at MPH. With better design and amenities in the MPH property, it will be able to charge more per room and therefore increase revenue. The Company expects the rise in revenue to be reflected in the following year, but it is already beginning to express a significant trend in the 2013 figures. Average Room Rate (ARR) made the biggest leap in the group with a 49% growth rate, from PhP1,447 in 2012 to PhP2,159 in 2013. RevPAR is up by 31%, from PhP730 in 2012 to PhP958 in 2013. The third phase of the MPH renovation program which started in June 2014 has a total project cost of PhP152 million. This time the renovation will involve the Superior Rooms and banquet facilities, to be designed by the prestigious A. Ilustre and Associates architectural firm.

On the soft side, WPI continues to train the Peers according to the highest standards. This is done nationwide and across all properties. The group achieved a Training Index of 122.35 hours per person for 2013, exceeding the target of 70 hours per person by 75%.

The Company constantly finds ways to streamline costs. It focuses on its largest cost centers, manpower and electricity cost. The most recent improvement is the acquisition of brand new state-of-the-art chillers from Cofely International. The old chillers were inefficient with 50% energy wastage. The new chillers are 100% energy efficient, releasing commensurate output with very little wastage. This tremendous increase in energy efficiency is certain to produce big savings.

The Company enhances revenue by improving different distribution networks, online and offline. Online, the Company is a Philippine leader, being awarded multiple times as a top producer by Agoda and Expedia. The Company won the 2013 Agoda Gold Circle Award for WCCH, WAHC and MPH. This has been done for two years consecutively. WCCH is Expedia's most engaged hotel partner for 2013 and the top producing hotel by room nights in the four-star category.

E-commerce is still enjoying a global surge and shows no signs of slowing down as more consumers opt to transact and book their stays online. Online revenue currently contributes an average of 23% to total hotel rooms' revenue across all properties. The overall online revenue for all properties is at PhP124.8 million. For each property, WCCH contributed 45.2%; WAHC contributed 20.4%; WIHD contributed 9.5%; MPH contributed 17.6%; and G Hotel contributed 7.3% to the total hotel group online revenue. The significant values in online percentage contribution indicate a shifting pattern of consumer behavior and the Company's online channels' continued dominance as an important revenue generator. Through the online channels, there has also been a growth in Average Room Rate (ARR) of 11%, from PhP2,131 in 2012 to PhP2,361 in 2013.

In the coming years, the Company will maintain its lead and harness its online potential by revamping its webpage, adding more capabilities to it and by enhancing its online web sweep. The Company is planning to innovate by introducing new online products, and ways to reach its customer through the web. The Company believes that as the world gets more connected it can harness the potential of technologically enhanced service systems. The online and offline systems must become more integrated and efficient so they are able to properly interact with the market and become more profitable through innovation and efficiency.

All of the abovementioned measures build the relevance of the Waterfront name, thereby unlocking value for the stockholders' shares.

After clarifications made on various matters raised from the floor, the stockholders, on motion duly made and seconded, approved the 2013 Annual Report and the accompanying Audited Financial Statements of the Corporation as of December 31, 2013.

#### **APPROVAL OF MINUTES OF PREVIOUS MEETING**

The stockholders present or represented were furnished with copies of the minutes of the annual stockholders' meeting held on September 12, 2015. On motion duly made and seconded, the stockholders approved the minutes of the annual stockholders' meeting held on September 12, 2015

#### **REPORT TO THE STOCKHOLDERS**

The President, Mr. Kenneth T. Gatchalian, reported on the highlights of the Company's financial and operational performance for the year 2014, as reflected in the Annual Report, the

#### **RATIFICATION OF THE ACTS OF THE BOARD AND MANAGEMENT**

The Chairman asked for the approval and ratification the approval and ratification of the acts of the Board and Management for the year ended December 31, 2014 as well as the contracts and transactions entered into by the Corporation for the same period.

On motion duly made and seconded, the stockholders unanimously approved the following resolution:

"RESOLVED, That all acts of the Board of Directors and Management for the year ended December 31, 2014 as well as contracts and transactions entered into by the Corporation for the same period, all as reflected in the minutes of the meetings of the Board of Directors and the board committees, the Annual Report and the Financial Statements, be approved and ratified."

#### **ELECTION OF DIRECTORS**

Proceeding with the agenda, the Chairman entertained nominations for directors to serve for the term 2014-2015. The following were nominated and elected directors:

Mr. Renato B. Magadia  
Mrs. Dee Hua Gatchalian  
Mr. Kenneth T. Gatchalian  
Mr. Reno Magadia  
Atty. Lamberto B. Mercado, Jr  
Ms. Elvira A. Ting  
Mr. Arthur M. Lopez - Independent Director  
Mr. Sergio R. Ortiz-Luis, Jr. - Independent Director  
Atty. Ruben D. Torres - Independent Director

#### **APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman informed the stockholders that the next item in the agenda was the designation of the Corporation's external auditor. Upon motion duly made and seconded, the following resolution was approved:

"RESOLVED, that the accounting firm of KPMG R.G. Manabat & Co. is hereby designated as the Corporation's external auditors for the year 2014-2015."

#### **APPOINTMENT OF EXTERNAL COUNSEL**

On motion duly made and seconded, the following resolution was approved:

“RESOLVED, that Corporate Counsels, Philippines Law Offices and Gancayco, Balasbas Law Offices be, as they are hereby, designated external counsel of the Corporation.”

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders’ Meeting regulations during the most recent year and the reason for such modification:

The Chairman said the next item in the agenda is the approval of the amendment of the Articles of Incorporation, more specifically the amendment of Article THIRD concerning the specific principal office address of the Corporation from “Cebu City, Philippines” to “No. 1 Waterfront Drive Off Salinas Drive, Lahug, Cebu City, Philippines”.

On motion duly made and seconded, the stockholders, representing at least two thirds of the total issued and outstanding capital stock of the Corporation, approved the following resolution:

“RESOLVED, that Article THIRD of the Articles of Incorporation of the Corporation be amended to read as follows:

“THIRD: The place where the principal office of the Corporation is to be established is at No. 1 Waterfront Drive Off Salinas Drive, Lahug, Cebu City, Philippines”.

(f) Stockholders’ Attendance

(i) Details of Attendance in the Annual and Special Stockholders’ Meeting Held:

Type of Meeting	Names of Board Members / Officers Present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH Attendance
Annual	Renato B. Magadia Kenneth T. Gatchalian Elvira A. Ting Reno I. Magadia Arthur M. Lopez Dee Hua T. Gatchalian Lamberto B. Mercado, Jr. * Sergio R. Ortiz-Luis, Jr. * Ruben D. Torres	September 12, 2015	By Hands	18%	None	100%
Special	Renato B. Magadia Kenneth T. Gatchalian Elvira A. Ting Reno I. Magadia Arthur M. Lopez Dee Hua T. Gatchalian Lamberto B. Mercado, Jr.	February 02, 2015 February 18, 2015 February 25, 2015 March 24, 2015 August 03, 2015 August 26, 2015 September 12, 2015	By Hands	100%	None	100%



	* Sergio R. Ortiz-Luis, Jr.	September 28, 2015				
	* Ruben D. Torres	November 25, 2015				

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The Assistant Corporate Secretary does the responsibility

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

At every meeting of the stockholders of the corporation, each share of stock entitles its owner to one vote, provided, however, that in the case of election of directors, every stockholder entitled to vote shall be entitled to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the entire number of votes cast by him shall not exceed the number of shares owned by him multiplied by the entire number of directors to be elected.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting. Every stockholder entitled to vote at any meeting of the stockholders may so vote in person or by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. The instrument authorizing a proxy to act must be in the hands of the Secretary not later than forty-eight hours before the time for the meeting axe (Article II, Sec. 7 of the By-Laws). Voting shall be by raising hands and need not be by ballot, the Corporate Secretary shall duly count any action authorized upon the vote of the majority of the votes cast, except in the election of directors, which shall be on the basis of cumulative voting hitch.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting. Distribution of notice of stockholders' meeting, definitive information statement, proxy form and management report which is at least fifteen (15) business days from the date of the annual stockholders' meeting (SRC Rule 20. 3, C iv) and at least two (2) weeks prior to the annual stockholders' meeting (Art. II, Sec. 4, By-laws).

Notices for regular or special meetings of shareholders may be sent by the Secretary by personal delivery or by mailing the notice two (2) weeks prior to the date of the meeting to each shareholder of record at his last known post office address or by publishing the notice in the newspaper of national circulation. The notice must contain the necessary details or purposes for which the meeting is called.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	468
Date of Actual Distribution of Definitive Information Statement and Management	

Report and Other Materials held by market participants/certain beneficial owners	August 20,2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	August 20, 2015
State whether CD format or hard copies were distributed	CD
If yes, indicate whether requesting stockholders were provided hard copies	Complied

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	√
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	√
The auditors to be appointed or re-appointed.	√
An explanation of the dividend policy, if any dividend is to be declared.	√
The amount payable for final dividends.	√
Documents required for proxy vote.	√

## H. INVESTORS RELATIONS PROGRAM

Communication activities will seek to leverage the company's extensive experience, expertise, and knowledge products so that they have greater impact. Recognition for these contributions will help position the Group as a key reference point for perspectives on Philippine development issues and support its leadership role. Communication activities will be geared towards increasing awareness (i) of financial, technical and intellectual soundness; (ii) its contribution to development in the country.

Visibility without credibility, however, will not enhance the company's reputation, and care will need to be taken to ensure that communication is soundly based on evidence and results. Communications will also need to address identified misperceptions about the company. Communication will therefore need to carefully segment and target messages.

### Internal Communications

- Meetings, speeches, management meetings, messages to staff and memoranda to staff;
- Notices and all mediums stated at employees handbook., which serves as the central platform for disseminating information to staff.
- E-Marketing which is all over lobby area.

### External Communication

**External** communication activities have also expanded in recent years, as management has considered it important to increase awareness of the company's activities among key stakeholders.

These target groups have included regional and non-regional member country government authorities, investors, the private sector, grassroots communities, civil society organizations, universities, researchers, and the media, as well as the general public.

**The main products include:**

- The external website,
- Press releases
- Publications, provides support regarding graphic design, layout, printing, promotion, information disclosure registration.
- Media relations, in particular, in support of presidential speeches and major events.

**Mergers, Consolidations, Acquisitions and Similar Matters**

As of 2015, Waterfront Philippines, Inc. has no plans to merge, and consolidate with other company, to acquire other company's securities, to acquire any other going business or of the assets thereof, to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

**I. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Apart from the financial side and operational, the Company also creates programs to respond to social needs. Partaking in Earth hour, feeding to our least fortunate neighbors, bundles of joy and even reaching out to fellow Filipinos under state of calamity. Religious activities were also inculcated to enriched spiritual needs.

**J. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

**CEO Evaluation**

The Compensation/Human Resources Committee of the Board annually evaluates the performance of the CEO. The Corporate Governance/ Nominating Committee make recommendations to the Board with respect to CEO succession.

The Corporate Governance/Nominating Committee is also responsible to ensure that processes are in place for management development and succession.

**Annual Performance Evaluation of the Board**

The Board annually conducts a self-evaluation using a process approved by the Corporate Governance/Nominating Committee. The Audit, Corporate Governance/Nominating, Compensation/ Human Resources and Finance Committees are each required by their written charters to conduct annual self-evaluations.

**K. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

**To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers staff, in case of violation of the provision of this Manual:**

- Minor violation- written reprimand on the violator up to suspension for the office: the duration of the suspension shall depend on the gravity of the violation.
- Major violation-suspend from office up to maximum penalty of removal from office..

A major violation of this Manual by any member of the board of the Corporation shall be sufficient from removal from leadership.

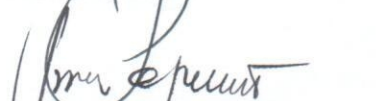
The compliance officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board.

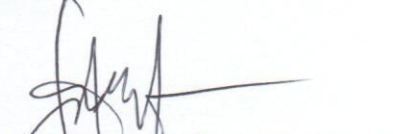
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 2016.


SIGNATURES

  
RENATO B. MAGADIA  
CHAIRMAN OF THE BOARD

  
ELVIRA A. TING  
TREASURER

  
PRECILLA O. TORIANO  
COMPLIANCE OFFICER

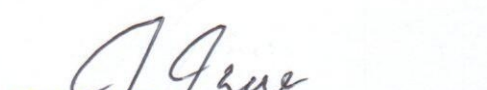
  
KENNETH T. GATCHALIAN  
PRESIDENT

  
ARTHUR R. LOPEZ  
INDEPENDENT DIRECTOR

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of APR 28 2016  
2016, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	NO.	DATE OF ISSUE	PLACE OF ISSUE
Renato B. Magadia	05064644	January 06, 2016	Makati City
Kenneth T. Gatchalian	09685279	January 14, 2016	Valenzuela City
Elvira A. Ting	09685065	January 11, 2016	Valenzuela City
Precilla O. Toriano	02266374	February 04, 2016	Cebu City
Arthur R. Lopez	05062747	January 05, 2016	Makati City

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PAGE NO. 74  
BOOK NO. IV  
SERIES OF 2016

  
ATTY. ALYSHA GRACE M. ZULUETAN  
NOTARY PUBLIC-MANILA  
COMM. NO. 2016-045 UNTIL DEC. 31, 2017  
PTR. NO. 4930793, 1/7/16-MLA.  
BP LIFETIME-011076-6/19/12  
ROLL NO. 60529-MCLE V-0005229  
UNIT 70, 7F, MER CONDO, 1200  
J. BOCOBOST. ERMITA MLA.