



MEMORANDUM

CN - No. 2021 -0009

THE PHILIPPINE STOCK EXCHANGE, INC.

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| <input type="checkbox"/> Trading | <input type="checkbox"/> Public Advisory |
| <input type="checkbox"/> Disclosure | <input type="checkbox"/> Administrative/Technology Matters |
| <input checked="" type="checkbox"/> Listing | <input type="checkbox"/> Others: |

TO : ALL LISTED COMPANIES AND THE INVESTING PUBLIC

SUBJECT : AMENDMENTS TO PSE GUIDELINES FOR FAIRNESS OPINIONS AND VALUATION REPORTS

DATE : February 19, 2021

Please be advised that the Securities and Exchange Commission (“SEC”) has approved the amendments to the PSE Guidelines for Fairness Opinions and Valuation Reports.

The amendments pertain to the express inclusion of tender offers undertaken pursuant to delisting proceedings in the list of transactions where a fairness opinion and valuation report prepared by an independent valuation firm duly registered or licensed by the SEC and accredited by the Exchange are required. Accordingly, the requirements in the PSE Guidelines for Fairness Opinions and Valuation Reports on the contents of the fairness opinion and valuation report, as well as the criteria for determining the independence of the valuation provider, shall apply to tender offers for delisting purposes.

A copy of the amended Guidelines for Fairness Opinions and Valuation Reports is attached as Annex “A”.

The amended Guidelines shall take effect immediately.

For your information and guidance.

(Original Signed)
Ramon S. Monzon
President and CEO

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Guidelines for Fairness Opinions and Valuation Reports

I. Scope

The proposed Guidelines for Fairness Opinions and Valuation Reports ("Guidelines") are applicable to listing applications covering a listing by way of introduction, mergers and non-cash transactions such as share-for-share swaps, debt-to-equity conversions, property-for-share swaps, tender offers relating to delisting proceedings, and other similar transactions. An applicant company is required to submit a fairness opinion covering the valuation of the shares subject of the listing application and tender offer. Such fairness opinion must be supported by a valuation report(s).

II. Guidelines for Fairness Opinions and Valuation Reports

1. The fairness opinion and valuation report(s) on the subject shares must be issued by an independent Firm which includes investment banks, financial advisory firms, and accounting firms under Group 'A' Category, duly registered or licensed by the Securities and Exchange Commission ("SEC") and accredited by the Exchange. The criteria for accreditation, for which a checklist will be provided by the Exchange, are provided under Item III of these Guidelines.
2. The Firm is not considered independent if:
 - a. It is a related party, as defined in the Revised Listing Rules of the Exchange ("Rules"), to the applicant company;
 - b. Its holding or subsidiary company provides financial advisory in relation to the applicant company's listing application or proposed delisting, or external audit services to the applicant company; and
 - c. Other circumstances or arrangements, direct or indirect, between the Firm and the applicant company that, in the determination of the Exchange, may influence, or tend to influence, the objectivity and reliability of the fairness opinion and valuation report(s).

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In general, the Exchange will consider the independence of the Firm when it is able to demonstrate a lack of conflict of interest with the applicant company.

The fairness opinion and valuation report shall be supported by a sworn certification issued by the legal counsel of the applicant company, certifying the Firm's independence.

3. The applicant company shall submit one fairness opinion issued by an independent Firm and supported by a valuation report. The said supporting valuation report may be based on and/or supported by relevant valuation reports issued by different independent experts who are qualified to issue the report under any applicable accreditation or implementing guidelines of the Exchange, such as, but not limited to, property appraisal companies and mining professionals.
4. The fairness opinion and valuation report must disclose the scope of work and valuation approach used. A copy of the service agreement or mandate letter shall be attached as an annex to the report.
5. The valuation report, which supports the fairness opinion, shall cover the valuation of the subject shares of the applicant company and/or the consideration under the transaction covered by the listing application. Such consideration may include the following:
 - a. In a share-for-share swap, shares of the counterparty;
 - b. In a property-for-share swap, property owned by the counterparty. In cases of a real estate property, an accredited property appraisal company must issue a valuation report covering the subject real estate property in accordance with the Rules;
 - c. In a debt-to-equity conversion transaction, the debt which will be converted to the applicant company's shares. In this case, the relevant audited financial statements or external auditor's report on actual findings must be attached to the valuation report.
6. The valuation report, which supports the fairness opinion, shall include, at a minimum, the following information:
 - a. All material details and comprehensive explanation on the basis of the valuation and assumptions used. Copies of any supporting documents used as basis or reference must be attached to the valuation report which

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- may be made available to limited parties from the Exchange, if requested.
- b. At least two (2) relevant valuation methodologies must be presented in the valuation report. The valuation report must include a description and explanation of the valuation methodologies adopted.
 - c. Structure, condition and analysis of the relevant market and/or industry of the applicant company.
7. The date of the fairness opinion and valuation report must not be more than three (3) months before the date on which (i) an offering prospectus is issued; (ii) the transaction involving the subject shares is executed; or (iii) the stockholders' meeting is held where the transaction involving the subject shares, or delisting of the subject shares, is presented for approval.
 8. These Guidelines will form part of the Listing and Disclosure Rules of the Exchange.

III. Criteria for Accreditation

The accreditation of Firms for purposes of issuing fairness opinions and valuation reports required under the rules of the Exchange is valid of a period of one (1) year from accreditation date.

1. The Firm must be duly registered or licensed by the SEC. For accounting firms, its accreditation with the SEC should be under the Group 'A' Category.
2. The Firm, or its local or international affiliate, must have at least five (5) years of business operations.
3. A majority of the members of the Firm's top management and/or division heads must each have a minimum of ten (10) years experience in the Firm's business, including underwriting, investment and financial advisory services.
4. The Firm must demonstrate that its key personnel are qualified to prepare valuation reports and issue fairness opinions. They must identify relevant industry experience in their list of individual qualifications.
5. The Firm must submit a description or summary of its General Engagement Operating Guidelines or Risk Management Procedures. The Firm must demonstrate that it has effective quality controls and procedures to ensure the integrity of fairness opinions and valuation reports. The valuation report

and/or fairness opinion issued by the Firm shall indicate that, in the preparation of such report/opinion, the Firm relied on available information and records, including but not limited to the representation of the applicant company, audited financial statements, competent person's reports, regulatory agency's reports and such other relevant supporting documents.

6. The Firm must have a proven track record of valuing securities. The Firm must show proof of a steady client base and at least five (5) engagements to render financial valuation services to listed companies in the Exchange and other reputable stock exchanges, commercial banks and insurance companies for the past five (5) years.
7. The Firm or its directors or its executive offices must not be subject to any act or case that will pose a serious question on the Firm's, directors', or executive officers' integrity or capability to provide services to listed companies. A serious question exists relative to the above parties if, during the past five (5) years any of the following events occurred:
 - (i) Any petition for insolvency was filed by or against the Firm or its directors or its executive officers;
 - (ii) Any conviction by final judgment in a criminal proceeding for an offense involving moral turpitude, domestic or foreign, including a *nollo contendere* case, or being subject to a pending criminal proceeding for an offense involving moral turpitude, domestic or foreign, excluding traffic violations and other minor offenses;
 - (iii) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
 - (iv) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.
8. The Firm must have a minimum paid-up capital of Php10 million.

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THE PHILIPPINE STOCK EXCHANGE, INC.:



RAMON S. MONZON
President and CEO



ROEL A. REFRAN
Chief Operating Officer

SECURITIES AND EXCHANGE COMMISSION:



VICENTE GRACIANO P. FELIZMENIO, JR.
Director
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