

ARTICLE III EQUITY SECURITIES

PART A GENERAL REQUIREMENTS FOR INITIAL LISTING

SECTION 1. Application for Admission to Listing; General Documentary Requirements – The Applicant Company shall submit the documentary requirements set forth in Appendix 1.

Notes: The documentary requirements are set forth in the checklists for initial and additional listings. (Appendix 1 – Checklist of documentary requirements for initial and additional listing applications)

The Exchange has a standard format for the Application for Listing of Stocks, Agreement with Registrar or Transfer Agent and Distribution of Capital Stock to its Stockholders. (Appendix 1-A – Exchange’s standard format for the Application for Listing of Stocks, Agreement with Registrar or Transfer Agent and Distribution of Capital Stock to its Stockholders). These forms cannot be re-typed.

The Additional Documentary Requirements for a Mining Company took into consideration the requirements under the Rules, the Philippine Mineral Reporting Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“PMRC”) and the Implementing Rules and Regulations of the PMRC. (Supplemental Rule 1 – PSE Memorandum No. 2008-0406 dated 22 August 2008 re: Philippine Mineral Reporting Code; Supplemental Rule 1.1 – PSE Memorandum No. 2010-0501 dated 27 October 2010 re: Implementing Rules and Regulations of the Philippine Mineral Reporting Code; Supplemental Rule 1.2 – PSE Memo for Brokers No. 220-2005 dated 8 September 2005 re: Interpretation of the Listing Rules for Mining Companies; and Supplemental Rule 1.3 – PSE Memorandum CN_2021-0056 dated 4 November 2021 re: Effectivity of the 2020 Philippine Mineral Reporting Code [2020 PMRC])

The Supplemental Documentary Requirements for Petroleum and Renewable Energy Companies took into consideration the requirements under the Rules and the Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies. (Supplemental Rule 2 – PSE Memorandum LA-No. 2011-0032 dated 1 September 2011 re: Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies)

The checklist for Initial Public Offering – Real Estate Investment Trust (“REIT”) took into consideration the requirements under the Rules and the Listing Rules for Real Estate Investment Trust (REITs). (Supplemental Rule 3 – PSE Memorandum No. 2010-0460 dated 29 September 2010 re: the Listing Rules for Real Estate Investment Trust [REITs]; Supplemental Rule 3 – PSE Memorandum No. 2020-0005 dated 7 February 2020 re: Amended Listing Rules for Real Estate Investment Trust [REITs]; and Supplemental Rule 3.1 – PSE Memorandum MEA – No. 2022-0001 dated 13 June 2022 re: Effectivity of Amendments to the REIT Listing Rules on Lock-Up Exemption and Stockholders’ Equity)

The Supplemental Documentary Requirements for Public-Private Companies Listing with the Exchange took into consideration the requirements under the Supplemental Listing

and Disclosure Rules Applicable to a PPP Company. (**Supplemental Rule 14** – PSE Memorandum CN No. 2016-0081 dated 8 December 2016 re: Supplemental Listing and Disclosure Rules Applicable to a PPP Company).

The Checklist of Documentary Requirements for SME Board Listing under the Sponsor Model took into consideration the requirements under the Amended Listing Rules. (**Supplemental Rule 12** - PSE Memorandum CN-No. 2021-0021 dated 24 March 2021 re: Amended Listing Rules)

SECTION 2. Listing Agreement – Upon the filing of the application for initial listing, the Applicant Company shall enter into an agreement with the Exchange manifesting its conformity to comply with and be bound by all the listing rules, requirements and policies of the Exchange.

Note: The Listing Agreement must be secured from the Exchange. The Applicant Company must submit four (4) original copies of the Listing Agreement.

SECTION 3. Publication of Application – The Applicant Company shall cause the publication of a notice of the fact of filing of the listing application with the Exchange and registration statement as required under the SRC, or any amendment or revisions thereof, and other pertinent laws. For that purpose, the Applicant Company shall submit Affidavits of Publication signed by duly authorized representatives of the newspapers concerned, attesting to its publication.

SECTION 4. Engagement of Underwriter – The Applicant Company shall engage the services of a duly licensed Underwriter, who, among others, shall firmly underwrite the entire issue. The Underwriter may likewise act as the Applicant Company's lead Underwriter/Issue Manager. The Applicant Company may at its option, engage the services of another entity to act as its lead Underwriter/Issue Manager to manage the issue. The lead Underwriter shall exercise due diligence to ascertain that all material information contained in the Applicant Company's Prospectus or Offering Memorandum, including their amendments or supplements, are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in the Applicant Company's Prospectus or Offering Memorandum not misleading.

Note: The duly signed mandate letter of the Underwriter as well as the draft Underwriting Agreement must be submitted to the Exchange upon filing of the listing application.

SECTION 5. Issue Managers' and Underwriters' Undertaking – Upon the filing of the application for initial listing, the Applicant Company shall submit to the Exchange the written undertaking of the Issue Managers and Underwriters manifesting their conformity to comply with and be bound by all the applicable

listing and disclosure rules, requirements and policies of the Exchange in relation to the issue applied for by the Applicant Company.

SECTION 6. Engagement of Stock Transfer Agent - The Applicant Company shall engage the services of a duly licensed stock transfer agent acceptable to the Exchange.

The Applicant Company shall take full responsibility for all the acts of its transfer agent. The Applicant Company shall execute and submit an undertaking, holding itself jointly and severally liable for all the acts of its transfer agent in relation to the issue.

SECTION 7. Duties and Obligations of a Transfer Agent - The following are, among others, the duties and obligations of a transfer agent of a Listed Company:

- (a) It shall only issue or register securities of the Issuer authorized for issuance and listing by the Exchange;
- (b) It should not have any backlog in the transfer and registration of shares at the time of appointment by the Issuer;
- (c) For securities already traded in the Exchange and lodged with the Philippine Central Depository, Inc. ("PCD"), the transfer agent, when requested by the shareholder and when delivery of the necessary documents relative to said request is in order, shall issue the certificate(s) not later than fifteen (15) Trading Days from receipt of request, unless a longer period has been agreed upon by the shareholder and/or authorized by the Exchange;

Note: The functions of the PCD have been assumed by the Philippine Depository and Trust Corporation ("PDTC"). Any and all references to the PCD in the Rules shall refer to PDTC or any other entity duly authorized by the Commission.

- (d) The transfer agent, when requested by the Clearing Agency/Depository or by the brokerage firm to confirm whether the certificates delivered are valid and not defective, shall issue such confirmation within two (2) Trading Days from receipt of such request. In the event the certificates delivered are found defective, the transfer agent shall notify the Clearing Agency/Depository or brokerage firm within two (2) Trading Days. A longer turnover period may be agreed upon in case the books of the corporation are

declared closed or may be opted by the investor based on the stated procedures of the transfer agent.

SECTION 8. Disclosure - The Applicant Company shall fully disclose any and all material information relative to the issue. The Exchange may require disclosure of additional or alternative items of information as it considers appropriate and material in any particular case.

The Applicant Company must show its willingness to comply with the full disclosure policy of the Exchange and Commission. If during the application for initial listing, the Applicant Company fails to make a timely disclosure of material information or deliberately misrepresents material facts to the Exchange, then the Exchange may consider said actions as evidence of the Applicant Company's refusal to comply with the full disclosure policy of the Exchange and Commission and on the basis thereof, reject the listing application.

SECTION 9. Listing of Issued and Outstanding Shares and Other Securities, Including Treasury Shares - All issued and outstanding securities of the type and class applied for, including treasury shares, shall be applied for listing in the Exchange.

SECTION 10. Full Payment of Issued and Outstanding Shares - Only fully paid subscribed securities can be applied for listing in the Exchange, except for those securities that are subject of rights offering.

SECTION 11. Minimum Number of Directors - Upon the filing of the listing application, the Applicant Company shall have and maintain a minimum of seven (7) directors.

SECTION 12. Applicable Fiscal Year - The Applicant Company shall be prohibited from changing its fiscal year if the purpose of the change is to take advantage of exceptional or seasonal profits in order to show a better profit record.

SECTION 13. Offering Price - The offering price for initial public offerings shall be at the discretion of the Applicant Company.

SECTION 14. Red Herring Prospectus - The Applicant Company shall submit its Red Herring Prospectus to the Listings Department at least seven (7) calendar days prior to its presentation to the Listing Committee.

*Note: In view of the abolition of the Listing Committee, the Red Herring Prospectus shall be presented to the Exchange's Management. (see **Guidance Note 2**)*

SECTION 15. Offering Prospectus, Press Releases and Other Similar Documents – All offering Prospectus, primers, subscription agreement forms, newspaper prints, advertisements, press releases and the like in connection with the initial listing shall first be submitted to the Exchange for review and disclosure purposes.

Note: The Exchange requires soft copies of certain documents, such as the Prospectus, in relation to an Applicant Company's listing application. However, in case the relevant document is subject to restrictions under foreign laws or regulations, the Applicant Company may submit a written request to the Exchange that the said relevant document be made available for downloading by the public at the Applicant Company's website in accordance with the Exchange's Guidelines for Uploading of Required Documents with Access Restrictions. (Guidance Note 3 – Guidelines for Uploading of Required Documents with Access Restrictions)

SECTION 16. Lodgment of Securities – As a condition for the listing and trading of the securities of an Applicant Company, the Applicant Company shall electronically lodge its registered securities with the Philippine Depository and Trust Corporation (“PDTC”), or any other entity duly authorized by the Commission, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, the actual listing and trading of securities on the scheduled listing date shall take effect only after the submission by the Applicant Company of the following:

- (a) Sworn corporate secretary's certificate stating that all the securities have been issued in uncertificated form in accordance with the requirements of Section 43 of the SRC and electronically lodged with the PDTC or any other entity without any jumbo or mother certificate;
- (b) Written confirmation issued by the transfer agent confirming that it has the capability and capacity to handle the issuance and transfer of uncertificated securities; and
- (c) Written confirmation issued by the PDTC or any other entity confirming the electronic lodgment of the Applicant Company's securities.

The above requirements shall also apply to follow-on offerings and additional listing applications.

Notes: The above Section 16 was amended to reflect the provisions of the Amended Rule on Lodgment of Securities. (Supplemental Rule 4 – PSE Memorandum No. 2010-0203 dated 4 May 2010 re: Amended Rule on Lodgment of Securities – Implementation of the Electronic Lodgment of all Registered Securities)

Subsequently, the Exchange issued interpretative guidelines on the Amended Rule on Lodgment stating that the said amended rule shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the Commission.

The interpretative guidelines stated that the Amended Rule on Lodgment of Securities is applicable to listing applications involving:

- *The offer of shares/securities of the Applicant Company in case of an initial public offering;*
- *The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a Listing by Way of Introduction;*
- *New securities to be offered and applied for listing by an existing Listed Company; and*
- *Additional listing of securities of an existing Listed Company.*

The Amended Rule on Lodgment of Securities is applicable to Companies applying for initial listing starting 1 July 2009. On the other hand, existing listed companies are mandated to comply with the Amended Rule on Lodgment of Securities starting 1 July 2010. (Guidance Note 4 – PSE Memorandum No. 2010-0246 dated 21 May 2010 re: the Interpretative Guidelines for the Amended Rules on Lodgment of Securities with a copy of PSE Memorandum No. 2010-0233 dated 18 May 2010)

SECTION 17. Implementation of the Lock-Up – In order to faithfully observe the lock-up provision, the Exchange shall require the Applicant Company to lodge the shares with the PCD through a PCD participant or any other entity authorized by the Commission for the electronic lock-up of the subject shares or enter into an Escrow Agreement with the Trust Department or custodian unit of an independent and reputable financial institution that is acceptable to the Exchange in order to have the subject shares physically delivered to the escrow agent for deposit and safekeeping during the lock-up period. The Escrow Agreement shall contain, among others, the following points:

- (a) The Company shall ensure that the lock-up shares are electronically registered with the PCD through a PCD participant or any other entity authorized by the Commission for the electronic lock-up of the subject shares for safekeeping;
- (b) The escrow agent shall notify and seek prior approval from the Exchange before the subject shares are removed from its custody;
- (c) The escrow agent shall immediately inform the Exchange of a subsequent event if in its sound judgment, it perceives that there is a potential violation of the agreement; and
- (d) Within seven (7) calendar days after the lapse of the lock-up period stipulated in the Escrow Agreement, the escrow agent shall make a

final report to the Exchange on the total number of shares held in escrow and other information required by the Exchange.

The Applicant Company shall furnish the Exchange a certified true copy of the Escrow Agreement at least seven (7) calendar days before the start of the Offering Period.

Note: Please see related note in Section 7 above. A draft Lock-Up or Escrow Agreement must be submitted to the Exchange for review prior to the execution of the same.

SECTION 17.1. Other Arrangements or Agreements; Conditions - In cases where the Applicant Company has more than one hundred (100) security holders and either the Exchange or the provisions of the Rules require a lock-up of all existing securities of the Applicant Company, the Exchange may, at its discretion, accept other arrangements or agreements executed by the Applicant Company for the purpose of complying with the lock-up requirements; provided that the said arrangements or agreements may be availed of by the Applicant Company and accepted by the Exchange only if the following conditions exist:

- (a) The Applicant Company has successfully placed ninety-eight percent (98%) of its security holdings subject to lock-up through an escrow agreement as described above;
- (b) The Applicant Company must show that the alternative arrangements and agreements adopted by the Applicant Company for the lock-up are effective means of locking-up the security holders and have substantially the same effect or in case of contracts, the same provisions required under said escrow agreement; and
- (c) The securities of major security holders and security holders who are project proponents or officers and directors of the Applicant Company and their immediate family must be locked-up by means of an escrow agreement as described above.

In all cases, the Applicant Company shall cause the recording of the securities subject of the lock-up in the books of the Company. The Applicant Company shall furnish the Exchange a sworn corporate secretary's certification stating that the subject securities are duly recorded in the Applicant Company's books at least seven (7) calendar days before the offer period.

SECTION 18. Responsibility of Directors and Officers of the Applicant Company and Lead Underwriter - Directors and officers of the Applicant Company are required to accept responsibility for the information which the listing application and all documents submitted to the Exchange contain,

including its Prospectus. A statement to that effect shall be incorporated in the Prospectus. Moreover, the last page of the Prospectus or Offering Memorandum shall contain the following:

- (a) A statement that the Applicant Company and the lead underwriter(s) have exercised due diligence in ascertaining that all material representations contained in the Prospectus or Offering Memorandum, their amendments and supplements are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading; and
- (b) The name and signature of a majority of the members of the Board of Directors of the Applicant Company and the chief executive officer/chief operating officer of the Applicant Company and the lead underwriter(s).

ARTICLE III EQUITY SECURITIES

PART B PROCESSING OF LISTING APPLICATIONS

Note: Sections 1, 5, and 9 of this Article III Part B were amended and Section 11 was added to reflect the New Fee Framework for Listing Applications (Supplemental Rule 16 - PSE Memorandum CN No. 2019-0012 dated 22 March 2019 re: New Fee Framework for Listing Applications)

SECTION 1. Acceptance of Listing Application – An application for listing shall only be accepted upon payment of the filing fee and submission of all documentary and other requirements to the Listings Department of the Exchange.

SECTION 2. Submission of Registration Statement and Listing Application – The Applicant Company shall file simultaneously with the Exchange its listing application as it files with the Commission its Registration Statement.

Notes: The Exchange has adopted the following revised procedures for filing a listing application effective 1 June 2010:

- 1. The Applicant Company shall submit two (2) printed copies of each required document: one (1) original copy, or when specified, certified true copy; and one (1) photocopy of each document. The printed copies must be bound in the order as indicated in the applicable checklist, and must be properly tabbed;*
- 2. The Applicant Company shall submit a CD or DVD containing a scanned copy of each required document in .pdf format. The filename for each .pdf file must clearly indicate the type of document (e.g. Application for Listing of Stocks, Articles of Incorporation, Background of Top 20 Stockholders, etc.). The CD or DVD must be properly labeled with the Applicant Company's name, the type of listing application and the date of filing;*
- 3. For an application covering an initial public offering, listing by way of introduction, follow-on offering or stock rights offering, the Applicant Company shall submit a soft copy of the draft Prospectus in MSWord or .doc format;*
- 4. The Applicant Company shall submit a sworn corporate secretary's certification that (i) the photocopies submitted are true copies of the original documents and (ii) the hard copies and soft copies are identical; and*
- 5. Should the Applicant Company be required to submit any additional document after the listing application is officially filed, Steps 1 and 2 above shall be observed unless the Exchange specifies that the soft copy of the additional required document may be submitted through electronic mail.*

The Exchange will not accept a listing application that is not compliant with the foregoing procedures. (Guidance Note 5 – PSE Memorandum No. 2010-0229 dated 17 May

2010 re: Revised Procedures for Filing of a Listing Application)

SECTION 3. Letter of Non-Receipt of Applications – If the Applicant Company fails to submit the complete set of basic documentary requirements for listing, the Exchange shall issue to the Applicant Company a Letter of Non-Receipt of Application. If certain required documents are currently unavailable or are inapplicable, the Applicant Company must explicitly state so in writing and explain the reason for the unavailability or inapplicability. Should any of the requirements be unavailable at the time of filing, the Applicant Company should state as to when such requirement shall be submitted.

SECTION 4. Processing Period – The processing of the application by the Listings Department shall not be less than twenty (20) working days nor more than thirty (30) working days from the submission of all documentary and other requirements. The processing period as herein provided is exclusive of waiting time.

SECTION 5. Rule on Pending Listing Applications – An Applicant Company is required to respond within thirty (30) calendar days to any request by the Exchange for information or submission of documents relating to its listing application.

The failure of the Applicant Company to respond within the prescribed period shall constitute abandonment of its listing application and the Exchange shall consider the same as not to have been filed; however, the Exchange shall not refund the filing fee paid by the Applicant Company.

SECTION 6. Recommendation and Report to the Listing Committee – Upon the lapse of the processing period, the Listings Department shall make the appropriate recommendation and shall present its report to the Listing Committee.

Note: With the abolition of the Listing Committee, the Listings Department shall present its report to the Management and Management shall make the appropriate recommendation and present its report to the Exchange's Board of Directors for approval. (see Guidance Note 2)

SECTION 7. Review and Report by the Listing Committee – The Listing Committee shall review the application and the recommendation of the Listings Department.

Note: With the abolition of the Listing Committee, this section has been impliedly repealed.

SECTION 8. Recommendation to the Board of Directors – If the application is found to be in order, the Listing Committee shall recommend to the Board of Directors of the Exchange the approval of the application.

The Board of Directors of the Exchange shall uphold, modify or overrule the recommendation of the Listing Committee. Any modification/condition made as to the listing application shall be specifically prescribed by the Board of Directors of the Exchange.

Note: Please see related note in Section 6 above.

SECTION 9. Board Action – The Exchange shall immediately notify the Applicant Company in writing of the action taken by the Board of Directors of the Exchange with regard to the application. If the listing application is rejected, the Exchange shall not refund the filing fee paid by the Applicant Company.

*Note: Pursuant to the resolution issued and approved by the Exchange's Board of Directors on 23 June 2010, the approval issued by the Exchange for listing applications covering initial listings and fund-raising activities, such as a follow-on offering and stock rights offering, will be valid for a period of six (6) months from the Applicant Company's receipt of the notice of approval. The Applicant Company must re-file the relevant listing application and pay the corresponding filing fee if it decides to pursue the listing application after the six (6) - month period. (Guidance Note 6 – Resolution No. 107, Series of 2010 of the Exchange's Board of Directors). Please also see **Supplemental Rule 16** - PSE Memorandum CN-No. 2019-0012 dated March 22, 2019 re: New Fee Framework for Listing Applications.*

SECTION 10. Amendments to an Approved Application – A request for amendment of any of the terms and conditions of the approved listing application shall be filed by the Applicant Company with the Exchange, subject to applicable rules of the Exchange and of the Commission. When an amendment is substantial or material, an additional processing fee of not less than fifty percent (50%) of the original processing fee shall be imposed on the Applicant Company.

Note: Pursuant to the resolution issued and approved by the Exchange's Board of Directors on 23 August 2006, the President and Chief Executive Officer of the Exchange is authorized to approve any amendments or changes, as may be necessary or desirable, to any Board-approved application for listing of securities such as, but not limited to, the timetable, price and price range, number of shares, post approval requirements, etc.; provided, that any such amendment shall not materially alter the nature and substance of the approved listing application. (Guidance Note 7 – Resolution No. 126, Series of 2006 of the Exchange's Board of Directors)

SECTION 11. Withdrawal – If the Applicant Company withdraws, or requests the Exchange to defer processing of, the listing application, the Exchange shall discontinue the processing of the application and fifty percent

(50%) of the filing fee paid by the Applicant Company shall be forfeited and not be allowed for future application. The remaining fifty percent (50%) of the filing fee paid may be applied by the Applicant Company to any future listing application with the Exchange, provided that the subsequent listing application is filed within six (6) months from withdrawal or deferment, or if the Exchange has already issued a Notice of Approval ("NOA"), within six (6) months from Applicant Company's receipt of the NOA.

ARTICLE III EQUITY SECURITIES

PART C METHODS OF INITIAL LISTING

*Note: The rules governing listing of Real Estate Investment Trusts (REITs) and Exchange Traded Funds (ETFs), as amended, can be seen as **Supplemental Rules 3, 3.1, and 11.***

These methods of initial listing may be adopted by the Applicant Company in its application for listing of its securities subject to the requirements of the applicable Board.

SECTION 1. Primary Offering – Primary Offering is the original sale made to the investing public by the Applicant Company of its own securities (i.e., primary shares).

SECTION 2. Secondary Offering – Secondary Offering is an offer for sale made to the investing public by the existing shareholders of their securities which are already issued (i.e., secondary shares).

SECTION 3. By Way of Introduction – Initial listing by way of introduction shall refer to an application for listing of securities that are already issued or securities that will be issued upon listing, where no public offering will be undertaken because the securities for which listing is sought would be of such an amount and would be so widely held that their adequate marketability when listed can be assumed, or when listing in an exchange or public offering is mandated by law or by the Commission or other government agencies, in the exercise of their powers under the law.

*Note: Section 3 above has been amended to reflect the first paragraph of Section 1 of the Amended Rules on Listing by Way of Introduction which was approved by the Commission on 3 March 2011 and took effect on 24 March 2011. The details of the requirements, as stated in the said Amended Rules, were incorporated as Article III, Part G of the Rules. (**Supplemental Rule 5** – PSE Memorandum No. 2011-0105 dated 9 March 2011 re: Amended Rules on Listing by Way of Introduction)*

SECTION 4. Applicability – Applicant Companies applying to list in the First Board and Second Board are allowed to conduct both primary offerings and secondary offerings. Only primary offerings are allowed for listing on the SME Board.

For Applicant Companies applying to list by way of introduction, acceptance for listing shall be based on the listing criteria established by the

Exchange in either the First Board or Second Board, Section 2, Part H, Article III of these Listing Rules.

Notes: The first paragraph of Section 4 above has been superseded by the Main and SME Board Listing Rules, particularly Article III, Part D, Section 3(b) for the Main Board and Article III, Part E, Section 4(c) for the SME Board.

Article III, Part D, Section 3(b) provides that companies that are exempt from the track record and operating history requirements, such as mining, petroleum and renewable energy companies and newly formed holding companies referred to in Section 1(b)(ii) of the Main and SME Board Listing Rules, are prohibited from offering secondary securities during the Initial Public Offering.

On the other hand, Article III, Part E, Section 4(c) provides that companies that are exempt from the track record and operating history requirements, such as mining, petroleum and renewable energy companies, are prohibited from offering secondary securities during the Initial Public Offering.

*The second paragraph of Section 4 above has been superseded by the Amended Rules on Listing by Way of Introduction which amended Article III, Part G, Section 2 to read as: "Suitability of applicant companies applying to list their securities by way of introduction shall be based on the listing criteria and requirements established by the Exchange for initial listings". (see **Supplemental Rule 5**)*

ARTICLE III EQUITY SECURITIES

PART D MAIN BOARD LISTING

Note: This Article III Part D was amended to reflect the Amended Listing Rules (Supplemental Rule 12 - PSE Memorandum CN No. 2021-0021 dated 24 March 2021 re: Amended Listing Rules)

Please also see the Guidelines in the Interpretation of Article III, Parts D and E, as amended (see Guidance Note 25)

SECTION 1. General Criteria for Admission to Listing – A company applying for listing in the Main Board (“Applicant Company”) must comply with the following requirements:

- (a) **Track Record of Profitable Operations** – The Applicant Company must have a cumulative net income, excluding non-recurring items, of at least Seventy Five Million Pesos (₱75,000,000.00) for three (3) full fiscal years immediately preceding the application for listing and a minimum net income of Fifty Million Pesos (₱50,000,000.00) for the most recent fiscal year. The applicant must further be engaged in materially the same businesses and must have a proven track record of management throughout the last three (3) years prior to the filing of the application.

For this purpose, the Applicant Company shall submit to the Exchange audited consolidated Financial Statements for the last three (3) full fiscal years preceding the filing of the application. The Financial Statements must be accompanied by an unqualified external auditor’s opinion.

- (b) **Exception to the 3-year Track Record Requirement** – The following are the exceptions to the three (3) year track record rule:
 - (i) The Applicant Company has been operating for at least ten (10) years prior to the filing of the application and has a cumulative net income of at least Seventy Five Million Pesos (₱75,000,000.00) for at least two (2) of the three (3) fiscal years immediately preceding the filing of the listing application.

- (ii) The Applicant Company is a newly formed holding company which uses the operational track record of its subsidiary. This exception, however, shall be subject to the restriction in Section 3(a) hereof.
- (c) **Stockholders' Equity** - The Applicant Company must have a stockholders' equity of at least Five Hundred Million Pesos (₱500,000,000.00) in the fiscal year immediately preceding the filing of the listing application.
- (d) **Operating History** - The Applicant Company must have an operating history of at least three (3) years prior to its application for listing.
- (e) **Minimum Offering to the Public** - The minimum offering to the public for initial listing shall be based on the following schedule:

MARKET CAPITALIZATION

PUBLIC OFFER

Not exceeding ₱500 M	33% or ₱50M whichever is higher
Over ₱500M to ₱1B	25% or ₱100M whichever is higher
Over ₱1B	20% or ₱250M whichever is higher

- (f) **Minimum Number of Stockholders** - Upon listing, the Applicant Company shall have at least one thousand (1,000) stockholders, each owning stocks equivalent to at least one (1) board lot.

Note: The requirement to have at least one thousand (1,000) security holders each owning securities equivalent to at least one (1) board lot is only required upon listing. Once listed, companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the Exchange, provided that companies covered by the Guidelines on MPO Requirements for Initial and Backdoor Listings must maintain a public float of at least twenty percent (20%) after listing. The Exchange may impose a higher percentage effective upon receipt by the Commission of a written notice of such increase. The Exchange may decrease the percentage or suspend or remove the same only with prior approval from the Commission. (Supplemental Rule 6 - PSE Memorandum CN No. 2012-0003 dated 3 January 2012 re: Amended Rule on Minimum Public Ownership; and Supplemental Rule 6.2 - PSE Memorandum CN No. 2020-0076 dated 3 August 2020 re: Guidelines on MPO Requirements for Initial and Backdoor Listings)

- (g) **Valuation of Assets** - When required by the Exchange, the Applicant Company shall engage the services of an independent appraiser duly

accredited by the Exchange and the Commission in determining the value of its assets.

- (h) **Full Payment of Issued and Outstanding Shares** - The Applicant Company shall cause all its subscribed shares of the same type and class applied for listing to be paid in full.
- (i) **Investor Relations Program** - The Applicant Company shall have an investor relations program to ensure that information affecting the company is communicated effectively to investors. Such program shall include, at the minimum, a corporate website that contains, at the minimum, the following information:
 - i. Company information - organizational structure, board of directors, and management team;
 - ii. Company news - analyst briefing report, latest news, press releases, newsletter (if any);
 - iii. Financial report - annual and quarterly reports, at least for the past two (2) years;
 - iv. Disclosures - recent disclosures to the Exchange and the Commission for the past two (2) years;
 - v. Investor FAQs - commonly asked questions of stockholders;
 - vi. Investor Contact - email address for feedback/comments, shareholder assistance and service; and
 - vii. Stock Information - key figures, dividends, and stock information.
- (j) An Applicant Company that is exempt from the track record and operating history requirements of this Rule must state in its Registration Statement the reason for such exemption.

SECTION 2. Lock-Up -

- (a) An Applicant Company shall cause its existing stockholders who own an equivalent of at least 10% of the issued and outstanding shares of stock of the company to refrain from selling, assigning or in any manner disposing of their shares for a period of:

- i. One hundred eighty (180) days after the listing of said shares if the Applicant Company meets the track record requirements in Section 1 hereof; or
- ii. Three hundred sixty-five (365) days after the listing of said shares if the Applicant Company is exempt from the track record and operating history requirements of the Rules.

If there is any issuance or transfer of shares (i.e., private placement, asset for shares swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within one hundred eighty (180) days prior to the start of the Offering Period, or, prior to the listing date in the case of Applicant Companies listing by way of introduction, and the transaction price is lower than that of the offer price in the Initial Public Offering (IPO) or than that of the listing price in the case of Applicant Companies listing by way of introduction, all shares availed of shall be subject to a lock-up period of at least three hundred sixty-five (365) days from the full payment of the aforesaid shares.

The lock-up requirement in the immediately preceding paragraph shall not apply to shares issued to alternative investment funds or their investment vehicle with demonstrated track record in private equity investments within one hundred eighty (180) days prior to the start of the Offering Period at a price lower than the IPO price if:

- i. The shares are issued pursuant to an exercise of rights granted under convertible securities, warrants, options or similar instruments that have been held and fully paid for by the alternative investment fund or its investment vehicle for a continuous period of at least three hundred sixty-five (365) days prior to the Offer ("Holding Period");
- ii. The fund or its investment vehicle is entitled to convert its holdings or subscribe to the underlying shares during the entire Holding Period; and
- iii. The fund or its investment vehicle sells the exempted shares during the IPO.

Shares held by the alternative investment fund or its investment vehicle which are covered by this exemption but are not sold during

the IPO shall be locked up for 365 days from full payment of the shares.

For purposes of this Rule, “alternative investment fund” shall refer to any vehicle established for the purpose of raising capital from different investors and investing the pooled funds in alternative investments such as private equity, venture capital, and real assets.

*Note: Section 2(a) reflects the amendments in **Supplemental Rule 12.2** - PSE Memorandum MEA-No. 2022-0003 dated 13 June 2022 re: Amendments to the Lock-Up Rule in the Main Board and SME Board Listing Rules.*

The lock-up requirement shall be stated in the Articles of Incorporation of the Applicant Company.

- (b) The foregoing lock-up requirement shall be implemented in the manner provided in Section 17, Part A, Article III of the Revised Listing Rules, or any amendment thereto.
- (c) The foregoing lock-up requirement will not apply to a listed company that transfers to the Main Board if the lock-up period set out above, whichever is applicable, has been observed while listed in the SME Board. Otherwise, the difference between the applicable lock-up period and the actual lock-up of shares shall be observed.

SECTION 3. Restrictions –

- (a) **No divestment of shares in operating subsidiary** – A newly formed holding company which invokes the operational track record of its subsidiary to qualify for the track record requirement under Section 1(a) hereof, is prohibited from divesting its shareholdings in the said subsidiary for a period of three (3) years from the listing of its shares. The prohibition shall not apply if a divestment plan is approved by the majority of the Applicant Company’s stockholders.
- (b) **No secondary offering for companies that are exempt from the track record and operating history requirements** – Companies that are exempt from the track record and operating history requirements, such as mining, petroleum and renewable energy companies and newly formed holding companies referred to in Section 1(b)(ii), are prohibited from offering secondary shares during the Initial Public Offering. For purposes of this rule, secondary shares shall mean shares originally held by the existing shareholders prior to IPO.

Note: A newly-listed company shall likewise be prohibited from offering additional shares, except offerings for stock dividend and employee stock option plan ("ESOP") within one hundred eighty (180) calendar days from date of original listing.

SECTION 4. Full Disclosure Policy – The Applicant Company shall submit the following disclosures to the Exchange within the periods specified below to ensure transparency in the use of proceeds raised from the IPO:

- (a) Quarterly Progress Report on the application of the proceeds from the IPO on or before the first fifteen (15) days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- (b) Annual summary on the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- (c) Approval by the Applicant Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Applicant Company at least thirty (30) days prior to the said actual disbursement or implementation.
- (d) A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (a) and (b) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or IPO Prospectus, if any. The detailed explanation must state the approval of the Applicant Company's Board of Directors as required in item (c) above.

The Exchange may require disclosure of additional information as it considers appropriate and material in any particular case.

If during the application, the Applicant Company fails to make a timely and accurate disclosure of material information or deliberately misrepresents material facts to the Exchange, the Exchange may consider the said actions as evidence of the Applicant Company's refusal to comply with the full disclosure policy of the Exchange and on that basis, reject the application.

SECTION 5. Delisting - A listed company that incurs negative stockholders' equity for three (3) consecutive years shall be subject to delisting, in accordance with the rules of the Exchange. The delisting of the listed company's shares shall take effect thirty (30) days from approval by the Exchange's Board of Directors of the said delisting. The Exchange shall send notice of such delisting immediately to the listed company and the Commission. The Exchange shall likewise publish an announcement relative thereto in the Exchange's website.

ARTICLE III EQUITY SECURITIES

PART E SMALL, MEDIUM AND EMERGING (SME) BOARD LISTING

Note: This Article III Part E was amended to reflect the Amended Listing Rules (Supplemental Rule 12 – PSE Memorandum CN No. 2021-0021 dated 24 March 2021 re: Amended Listing Rules).

Please also see the Guidelines in the Interpretation of Article III, Parts D and E, as amended (see Guidance Note 25)

SECTION 1. General Criteria for Admission to Listing – A company applying for listing in the SME Board (“Applicant Company”) must comply with the following requirements:

- (a) **Track Record of Profitable Operations** –Applicant Company must satisfy one of the following requirements:
 - (i) Cumulative earnings before interests, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least Fifteen Million Pesos (₱15,000,000.00) for the three (3) fiscal years immediately preceding the application for listing or such shorter period as the company has been operating. The applicant must further be engaged in materially the same business and must have a proven track record of management throughout the last three (3) years prior to the filing of the application or such shorter period as the company has been operating; or
 - (ii) Cumulative operating revenues or sales of at least One Hundred Fifty Million Pesos (₱150,000,000.00) for the three (3) fiscal years immediately preceding the filing of the listing application or such shorter period as the company has been operating, with an average net sales/operating revenues growth rate of at least twenty percent (20%) over the two (2) fiscal years immediately preceding the filing of the listing application.

For this purpose, the Applicant Company shall submit to the Exchange audited consolidated Financial Statements for the last three (3) full fiscal years preceding the filing of the application or such shorter period as the company has been operating. The Financial Statements must be accompanied by an unqualified external auditor’s opinion.

- (b) **Stockholders' Equity** - Applicant Company must have a stockholders' equity of at least Twenty Five Million Pesos (₱25,000,000.00) in the fiscal year immediately preceding the filing of the listing application.
- (c) **Operating History** - Applicant Company must have an operating history of at least two (2) years prior to its application for listing.
- (d) **Full Payment of Issued and Outstanding Shares** - The Applicant Company shall cause all its subscribed shares of the same type and class applied for listing to be paid in full.
- (e) **Business Plan** - The Applicant Company shall demonstrate its stable financial condition and prospects for continuing growth. For purposes of determining prospects for continuing growth, the Applicant Company shall submit a business plan indicating the steps that have been taken and to be undertaken in order to advance its business over a period of five (5) years.

As a general rule, financial projections are not required, but should there be references made in the business plan to future profits or losses, or any other item that would be construed to indicate forecasts, then the Applicant Company is required to include financial projections in the business plan duly reviewed by an independent accounting firm.

- (f) **Valuation of Assets** - When required by the Exchange, the Applicant Company shall engage the services of an independent appraiser duly accredited by the Exchange and the Commission in determining the value of its assets.
- (g) **Minimum Offering to the Public** - The minimum offering to the public shall be based on the schedule set forth in Article III, Part D, Section 1(e) of these Rules.
- (h) **Minimum Number of Stockholders** - Upon listing, the Applicant Company shall have at least two hundred (200) stockholders. Each of these stockholders must hold at least one (1) board lot of the securities of the company.

Note: The requirement to have at least two hundred (200) security holders each owning securities equivalent to at least one (1) board lot is only required upon listing. Once listed, companies shall, at all times, maintain a minimum

*percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the Exchange, provided that companies covered by the Guidelines on MPO Requirements for Initial and Backdoor Listings must maintain a public float of at least twenty percent (20%) after listing. (see **Supplemental Rules 6 and 6.2**)*

- (i) **Investor Relations Program** - The Applicant Company shall have an investor relations program to ensure that information affecting the company is communicated effectively to investors. Such program shall include, at the minimum, a corporate website that contains, at the minimum, the following information:
- i. Company information - organizational structure, board of directors, and management team;
 - ii. Company news - analyst briefing report, latest news, press releases, newsletter (if any);
 - iii. Financial report - annual and quarterly reports, at least for the past two (2) years;
 - iv. Disclosures - recent disclosures to the Exchange and the Commission for the past two (2) years;
 - v. Investor FAQs - commonly asked questions of stockholders;
 - vi. Investor Contact - email address for feedback/comments, shareholder assistance and service; and
 - vii. Stock Information - key figures, dividends, and stock information.
- (j) An Applicant Company that is exempt from the track record and operating history requirements of this Rule must state in its Registration Statement the reason for such exemption.

SECTION 2. An Applicant Company that does not meet the required track record of profitable operations and/or stockholders' equity may apply for listing with the favorable endorsement of a listing sponsor accredited by the Exchange. The roles and responsibilities of sponsors, requirements for accreditation, and disciplinary actions that may be taken against sponsors are set out in Article III, Part E-1 of the Consolidated Listing and Disclosure Rules

SECTION 3. Lock-Up

- (a) The Applicant Company shall cause its existing non-public stockholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of such shares. All other stockholders shall not be subject to mandatory lock-up under this provision.

For purposes of this section, “non-public stockholders” shall mean the Applicant Company’s: (i) principal stockholders (*i.e.*, the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) any other person who has substantial influence on how the Applicant Company is being managed.

The term “related parties” shall mean the non-public stockholder’s: (i) principal stockholders (*i.e.*, the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) members of the immediate families sharing the same household of any of its principal stockholders, directors, or principal officers.

If there is any issuance or transfer of shares (*i.e.*, private placement, asset for shares swap or a similar transaction) or of instruments which lead to an issuance of shares (*i.e.*, convertible bonds, warrants or a similar instrument) done and fully paid for within one hundred eighty (180) days prior to the start of the Offering Period, or, prior to the listing date in case of Applicant Companies listing by way of introduction, and the transaction price is lower than the offer price in the Initial Public Offering, or the listing price in the case of Applicant Companies listing by way of introduction, all shares subscribed or acquired shall be subject to a lock-up period of at least three hundred sixty-five (365) days from listing of the aforesaid shares.

The lock-up requirement in the immediately preceding paragraph shall not apply to shares issued to alternative investment funds or their investment vehicle with demonstrated track record in private equity investments within one hundred eighty (180) days prior to the start of the Offering Period at a price lower than the IPO price if:

- i. The shares are issued pursuant to an exercise of rights granted under convertible securities, warrants, options or similar

instruments that have been held and fully paid for by the alternative investment fund or its investment vehicle for a continuous period of at least three hundred sixty-five (365) days prior to the Offer (“Holding Period”);

- ii. The fund or its investment vehicle is entitled to convert its holdings or subscribe to the underlying shares during the entire Holding Period; and
- iii. The fund or its investment vehicle sells the exempted shares during the IPO.

Shares held by the alternative investment fund or its investment vehicle which are covered by this exemption but are not sold during the IPO shall be locked up for 365 days from listing of the shares.

For purposes of this Rule, “alternative investment fund” shall refer to any vehicle established for the purpose of raising capital from different investors and investing the pooled funds in alternative investments such as private equity, venture capital, and real assets.

The lock-up requirement shall be stated in the Articles of Incorporation of the Applicant Company.

- (b) The foregoing lock-up requirement shall be implemented in the manner provided in Section 17, Part A, Article III of the Revised Listing Rules.

*Note: Section 3(a) incorporates the revisions to the Mandatory Lock-up Rule for Small, Medium and Emerging (SME) Board Listing (**Supplemental Rule 12.1** - PSE Memorandum CN No. 2020-0080 dated 14 August 2020 re: Revisions to the Mandatory Lock-up Rule for Small, Medium and Emerging (SME) Board Listing) and the amendments in **Supplemental Rule 12.2** - PSE Memorandum MEA-No. 2022-0003 dated 13 June 2022 re: Amendments to the Lock-Up Rule in the Main Board and SME Board Listing Rules.*

SECTION 4. Restrictions – Companies applying for listing in the SME Board are subject to the following restrictions:

- (a) **No listing of portfolio and passive income companies** – The Exchange shall not allow the listing of a portfolio or passive income company. For purposes of this Rule, a portfolio or passive income company shall mean a company that confines its activities to owning stocks in other companies without voting control and whose source of income are mainly dividends, equitized earnings, and interest

earnings from such passive investments. A holding company that has an operating subsidiary is not covered by this restriction.

- (b) **Prohibition on Backdoor Listing** - A company listed in the SME Board is prohibited from doing a backdoor listing. The Exchange may delist a company which undertakes a backdoor listing in contravention of this rule.
- (c) **No Offering of Secondary Securities for Companies Exempt from the Track Record and Operating History Requirements** - Companies that are exempt from the track record and operating history requirements, such as mining, petroleum and renewable energy companies, are prohibited from offering secondary shares during the Initial Public Offering. For purposes of this rule, secondary shares shall mean shares originally held by the existing shareholders prior to IPO.

SECTION 5. Transfer to the Main Board - A listed company initially listed on the SME Board may, upon written request to the Exchange and payment of the applicable processing fee, be elevated for listing in the Main Board upon showing that it has met the requirements for listing in the Main Board.

SECTION 6. Full Disclosure Policy -

- (a) The Applicant Company shall promptly submit a comprehensive corporate disclosure to the Exchange in the following instances:
 - i. Sale of the company's assets other than in the ordinary course of business.

The comprehensive corporate disclosure shall contain, among others, the names of the parties to the transaction, the purpose for which it was entered into, and the potential effect on the operations of the company.
 - ii. Imposition of fines and/or other penalties on the Applicant Company or its subsidiaries by regulatory authorities and the reasons therefor.
- (b) The Applicant Company shall submit the following disclosures to the Exchange within the periods specified below to ensure transparency in the use of proceeds raised from the IPO:

- i. Quarterly Progress Report on the application of the proceeds from the IPO on or before the first fifteen (15) days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- ii. Annual summary on the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- iii. Approval by the Applicant Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Applicant Company at least thirty (30) days prior to the said actual disbursement or implementation; and
- iv. A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (i) and (ii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or IPO Prospectus, if any. The detailed explanation must state the approval of the Applicant Company's Board of Directors as required in item (iii) above.

The Exchange may require disclosure of additional information as it considers appropriate and material in any particular case.

If during the application, the Applicant Company fails to make a timely and accurate disclosure of material information or deliberately misrepresents material facts to the Exchange, the Exchange may consider said actions as evidence of the Applicant Company's refusal to comply with the full disclosure policy of the Exchange and on that basis, reject the application.

SECTION 7. Delisting - A company that incurs negative stockholders' equity for three (3) consecutive years shall be subject to delisting, in accordance with the rules of the Exchange. The delisting of the company's securities shall take effect thirty (30) days from approval by the Exchange's Board of Directors of the said delisting. The Exchange shall send notice of such delisting immediately

to the listed company and the Commission. The Exchange shall likewise publish an announcement relative thereto on the Exchange's website.

SECTION 8. Applicability of Other Provisions - The Applicant Company must comply with the published rules and requirements which the Exchange may deem applicable.

ARTICLE III EQUITY SECURITIES

PART E-1 SMALL, MEDIUM AND EMERGING (SME) BOARD LISTING UNDER SPONSOR MODEL

*Note: This Article III Part E-1 was added to reflect the Amended Listing Rules (**Supplemental Rule 12** - PSE Memorandum CN No. 2021-0021 dated 24 March 2021 re: Amended Listing Rules)*

SECTION 1. Scope – This rule sets out the requirements for listing on the SME Board of Applicant Companies under a sponsor-driven framework.

SECTION 2. Objective – This rule is designed to give high growth and start-up companies that do not have the required track record of profitable operations and/or stockholders' equity access to capital market, without compromising public confidence in the market.

Sponsors are expected to play an important role in maintaining the standard and quality of companies listed in the SME Board under the sponsor model and upholding the integrity of the market.

SECTION 3. Filing of Listing Application – The listing application shall be filed by an Exchange-accredited sponsor on behalf of the listing applicant.

The offer documents and circulars, notice of filing of listing application, and marketing collaterals about the offer, must contain the following statement in bold type on a prominent portion of the document:

“THE COMPANY SEES LISTING IN THE SMALL, MEDIUM AND EMERGING (SME) BOARD OF THE PSE UNDER A SPONSOR-DRIVEN FRAMEWORK. SPONSORED LISTINGS IN THE SME BOARD ARE FOR COMPANIES WHICH DO NOT COMPLY WITH THE PROFITABILITY AND/OR STOCKHOLDERS' EQUITY REQUIREMENTS AND TO WHICH A HIGHER INVESTMENT RISK MAY ATTACH. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH COMPANIES AND ARE ADVISED TO EXERCISE DUE DILIGENCE AND CAREFULLY READ THE OFFER MATERIALS BEFORE MAKING ANY INVESTMENT DECISION.”

SECTION 4. Criteria for Listing – To qualify for listing under this rule, an Applicant Company should be favorably endorsed, without qualification, by a sponsor accredited by the Exchange.

Except for the track record and stockholders' equity requirements in Article III, Part E of the Consolidated Listing and Disclosure Rules of the Exchange, all listing requirements applicable to initial listings, particularly, those provided in Article I and Article III (except Parts D and G) of the Consolidated Listing and Disclosure Rules, shall apply to listing applications filed under this rule.

SECTION 5. Assessment of Applicant's Suitability for Listing - The listing sponsor shall assess the suitability of the applicant for listing and review the veracity and completeness of the information disclosed in the offer documents.

For this purpose, the listing sponsor shall conduct the appropriate due diligence and consider the following matters, among others:

- 1) Financial condition and viability of the business of the listing applicant;
- 2) Prospects of listing applicant's business and the industry it operates in, including recent major developments;
- 3) Applicant's capital structure, ownership structure, and operating history, sites of operation, historical financial information and other corporate information;
- 4) Listing applicant's corporate governance record, including issues that might affect its integrity or might cause its listing to undermine public interest;
- 5) Suitability and past corporate conduct of the applicant's board of directors and key management officers;
- 6) Directors' understanding of, and intention to comply with, the applicant company's obligations upon and after listing;
- 7) Sufficiency of the applicant's systems, procedures, controls and resources to ensure compliance with the Exchange's rules;
- 8) Adequacy of internal control and risk management systems; and
- 9) Nature and extent of conflicts of interest or potential conflicts of interest involving the listing applicant, if any.

Listing sponsor shall ensure that any material issues found during its due diligence are addressed or resolved or otherwise do not affect the applicant's suitability for listing.

SECTION 6. Sponsor's Certification and Undertaking - A listing application filed under these rules shall not be accepted unless accompanied by a duly notarized sponsor assessment report which fully discloses material information gathered from the due diligence review conducted by the sponsor on the applicant. The report shall include, at the minimum, a discussion and assessment of the applicant's business plan, future prospects, financial performance, risks to the applicant's business and future prospects, and other necessary information that supports the sponsor's favorable recommendation of applicant's listing in the SME Board.

The sponsor shall also submit, together with the listing application, a sponsor's sworn certification, declaration, and undertaking that:

- 1) it has exercised due diligence on the applicant company and is satisfied that the company is suitable for listing on the Exchange and its listing will not undermine public confidence in the market;
- 2) it is satisfied as to the viability of applicant's business plans and future prospects;
- 3) it has reviewed the applicant's offer and listing documents, including any amendments and supplements, and all material representations therein are true and correct and no material information necessary to make the statements contained therein not misleading was omitted;
- 4) all information contained in the sponsor assessment report are true and correct and no material information necessary to make the statements contained therein not misleading was omitted;
- 5) the sponsor accepts responsibility, together with the applicant, for any false, inaccurate or misleading information with respect to any material fact contained in the listing application, offer documents, sponsor assessment report and all documents submitted to the Exchange, except in cases where the sponsor proves that it acted in good faith and had no knowledge of, and could not have known, even with the exercise of reasonable due diligence, the falsity, inaccuracy or misleading nature of such information. A similar statement shall be incorporated in the prospectus;
- 6) other than the track record and/or stockholders' equity requirement, the applicant is compliant with all applicable requirements of the Exchange for admission for listing in the SME Board;

- 7) the applicant's securities are freely tradable and not subject to any adverse claim;
- 8) it has given sufficient advice and guidance to the directors and officers of the applicant and, as necessary, other professional advisers, in relation to the applicant's responsibilities and obligations under the Exchange's Consolidated Listing and Disclosure Rules to ensure due compliance by the applicant on an ongoing basis;
- 9) it agrees to comply with and be bound by all the applicable rules, requirements, and policies of the Exchange relating to the responsibilities of the sponsor prior to, during, and after listing of the applicant; and
- 10) submit an updated sponsor assessment report on or before the 31st day of January of each year during the term of the sponsorship, and as necessary, if there are material developments affecting the listed company or its security.

If the sponsor resigns, or the sponsor appointment is terminated for any reason during the processing of a listing application, the sponsored company must appoint a replacement sponsor which shall resubmit, on behalf of the sponsored corporation, a listing application and the sponsor assessment report, declarations and undertakings required by this section.

SECTION 7. Exchange's Action on the Application - The Exchange retains full discretion to approve or reject listing applications filed pursuant to this rule. In reaching its decision, the Exchange shall give particular regard to the general principles outlined in Article I, Part A, Section 3 of the Consolidated Listing and Disclosure Rules of the Exchange.

SECTION 8. Requirements for Sponsor Accreditation - To be eligible for accreditation as a listing sponsor, an applicant must comply with the following criteria:

- 1) Must be a corporation or partnership registered with the Securities and Exchange Commission;
- 2) Has at least five (5) years experience in a leading role (e.g., issue manager, underwriter, etc.) with initial public offerings or significant corporate finance transactions (e.g., rights offer, mergers and acquisitions), or three (3) years experience, if at least two (2) of its key personnel have at least five (5) years experience in a leading role with initial public offerings or significant corporate finance transactions. In this regard, the Exchange will

take into account the experience of the qualified personnel on an individual basis;

- 3) Is not in breach of any relevant rule or law in any jurisdiction where it operates, including being the subject of any disciplinary proceedings, or any investigation which might lead to disciplinary action by any regulatory authority. The Exchange may reject an applicant if complaints, warning letters, fines, private or public censures or reprimands from any regulatory authority, or other disciplinary action by any regulatory authority against the applicant sponsor has occurred in the two (2) years immediately preceding the filing of the application;
- 4) Covered by a professional indemnity insurance in an amount equivalent to the value of the public offering that will answer for damages resulting to investors due to the sponsor's misconduct or negligence in performing its sponsor responsibilities;
- 5) Directors and key officers must be fit and proper. In determining whether an individual is fit and proper to hold the position, regard shall be given to his integrity, experience, education, training and competence.

The following persons shall in no case be allowed to serve or act as director or officer of the sponsor:

- (a) Any person convicted of any crime involving any security or financial product;
- (b) Any person convicted of an offense involving fraud or embezzlement, theft, estafa, or other fraudulent acts or transactions;
- (c) Any person who, by reason of any misconduct, is enjoined by order, judgment, or decree by any court, quasi-judicial body or administrative agency of competent jurisdiction from acting as a director, officer, employee, consultant, or agent occupying any fiduciary position;
- (d) Any person found by the appropriate regulatory agency to have violated, or aided, abetted, counseled, commanded, induced, or procured the violation of the Revised Corporation Code, Securities Regulation Code, General Banking Law, Insurance Code, Anti-Money Laundering Act, or any related laws and any rules, regulations or orders;

- (e) Any person judicially declared to be insolvent, or incapacitated to contract; and
- (f) Any person found guilty by a foreign court, regulatory authority or government agency of the acts or violations similar to any of the acts or misconduct enumerated in Items (a) to (e).

A conviction in the first instance shall be considered sufficient ground for disqualification.

A sponsor must ensure continuing compliance with the above eligibility criteria and such other conditions as may be imposed by the Exchange. It shall notify the Exchange immediately if it ceases to fulfill any of the eligibility criteria or conditions imposed by the Exchange, or has reason to believe that it will cease to do so.

SECTION 9. Validity of Sponsor Accreditation – The Exchange’s accreditation of sponsor shall take effect upon payment of the applicable fee and shall be valid for a period of three (3) years from date of accreditation.

SECTION 10. Assessment of Sponsor’s Independence – The sponsor must demonstrate to the Exchange its independence from the sponsored company. A sponsor is not independent if any of the following circumstances exists:

- 1) The sponsor directly owns twenty percent (20%) or more of the total number of outstanding shares of the sponsored company at the time of the filing of the listing application, or five percent (5%) or more of the sponsored company’s outstanding shares after its listing on the Exchange. With proper safeguards, an investment company or asset management company licensed by the Securities and Exchange Commission or a trust company registered with the Bangko Sentral ng Pilipinas and operated by or affiliated with the sponsor may own shares of the sponsored company in excess of the ownership limits set in this paragraph. The shareholdings of such investment company or asset management company shall not be included in the computation of sponsor’s ownership in the sponsored company; or
- 2) Any of the sponsor’s directors, officers, or relatives of the foregoing within the second degree of consanguinity or affinity is a director or officer of the applicant or listed company for whom it acts as a sponsor.

The sponsor shall maintain its independence from the sponsored company for as long as it remains its sponsor. If the five percent (5%) ownership limit in paragraph (1) of this section is breached at any time after listing, the sponsor must immediately

inform the Exchange and sell down to less than five percent (5%) within twelve (12) months from such breach.

In case of doubt as to its independence, a sponsor may consult the Exchange ahead of entering into any arrangement or transaction.

SECTION 11. Conflict of Interest - A sponsor must take all reasonable steps to ascertain whether a conflict of interest exists or is likely to exist in relation to its role as a sponsor. It shall refrain from entering into any transaction that may lead to a potential conflict of interest. In particular, a sponsor must not act for any other party to a transaction other than the company for whom it acts as sponsor. For the avoidance of doubt, a sponsor may provide both sponsorship and underwriting or other financial advisory services to a listing applicant. A sponsor may also act as sponsor to more than one company, provided such arrangement does not create a conflict of interest.

If the sponsor becomes aware of an actual or potential conflict of interest, it must fully disclose to the sponsored company's board of directors and to the Exchange the nature and extent of the conflict of interest and the steps taken to address such conflict.

Where a conflict of interest cannot be resolved satisfactorily, a sponsor must not act for an applicant or listed company. In case of doubt, a sponsor may consult the Exchange prior to entering into any arrangement or transaction.

SECTION 12. Internal Controls within the Sponsor's Organization - A sponsor must have internal controls, procedures and other safeguards to avoid conflicts of interest, including, but not limited to the:

- 1) segregation of functions between the business unit undertaking sponsor activities and other units within the sponsor's organization;
- 2) separate reporting lines for the unit undertaking sponsor activities and units with other relevant business activities;
- 3) restriction of communication and information flow between the unit performing sponsor activities and other units to avoid leakage of material non-public information, including procedures to ensure that a sponsor's directors, officers, and employees do not divulge, and prevent the leakage of, any material nonpublic information to any person who does not need to know such information;
- 4) restriction of access to documents relating to sponsor activities to authorized officers and employees; and

- 5) implementation of policies, procedures and controls to prevent the use of material non-public information about the sponsored company by the sponsor's directors, officers and employees to trade for their own benefit or the benefit of their related parties. For this purpose, the sponsor shall maintain a list of restricted securities and monitor the trading activities of its directors, officers and employees who are privy to material non-public information regarding restricted securities.

The sponsor shall notify the Exchange in writing at least fourteen (14) days before undertaking a new business function which may create a conflict of interest with its sponsor activities. The sponsor must supply the Exchange with information regarding the new business function and the procedures in place to avoid any conflict of interest with its sponsor activities.

SECTION 13. Continuing Sponsorship - A sponsor who endorses a sponsored company for listing must continue to provide business and compliance advisory services to the sponsored company for at least three (3) full fiscal years from listing. The sponsor cannot resign, and the sponsored company cannot terminate the sponsor's appointment, unless effected in accordance with Sections 14 and 15 below.

Business and compliance advisory services shall include, but are not limited to, the following:

- 1) Advising the sponsored company on the Exchange's rules, and all relevant legislation and regulations that may be relevant to the sponsored company and ensuring its compliance with said rules on an ongoing basis;
- 2) Advising the applicant on the appointment of suitable advisors to meet its audit, legal and other obligations, including the engagement of an external auditor that is an SEC Class A - accredited audit firm;
- 3) Reviewing all documents to be released by the sponsored company to shareholders or to the market (including announcements, resolutions contained in notices of meetings, circulars and corporate actions) before release, to ensure that the sponsored company is in compliance with the Exchange's rules and makes proper disclosure. The document must display prominently the following on the front cover:

"THIS DOCUMENT HAS BEEN REVIEWED BY THE COMPANY'S SPONSOR, _____. IT HAS NOT BEEN REVIEWED OR APPROVED BY THE EXCHANGE AND THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT. THE

CONTACT PERSON FOR THE SPONSOR IS _____, WHO MAY BE REACHED AT _____.

- 4) Reviewing reasons provided by sponsored company for any unusual fluctuations in the price and volume of the listed securities;
- 5) Advising the sponsored company on the suitability of proposed new directors, if there are proposed changes in the sponsored company's board of directors;
- 6) Advising the sponsored company if the trading of the sponsored company's securities should be halted or suspended; and
- 7) Advising the sponsored company on various corporate governance matters, as necessary.

SECTION 14. Termination of Sponsor Appointment -

- 1) Sponsor appointment may be terminated earlier than the prescribed three (3) full fiscal years, upon thirty (30) days' written notice to the Exchange, if all of the following conditions are fulfilled:
 - a. The sponsored company becomes profitable based on the eligibility criteria for non-sponsored applicants for at least one (1) full fiscal year after its listing; and
 - b. The sponsored company has no violations of the Exchange's rules for twelve (12) consecutive months.
- 2) Sponsor appointment may also be terminated earlier than the prescribed three (3) full fiscal years on grounds other than that provided in paragraph (1) of this section, provided the provisions of Section 15 are complied with.

SECTION 15. Procedure for Termination of Sponsor Appointment -

The party initiating the termination must comply with the following:

- 1) Give at least three (3) months' notice to the other party;
- 2) If a replacement sponsor has been found, notify the Exchange of the proposed termination, together with the detailed reasons for the termination, and the name of the replacement sponsor which must likewise be an Exchange-accredited sponsor;

- 3) If no replacement sponsor has been found, seek the Exchange's prior approval of the proposed termination, together with the detailed reasons for the termination; and
- 4) If the party initiating the termination is the sponsor, it shall provide to the sponsored company, in a form suitable for release to the market, confirmation that it is not aware of any non-compliance with the rules by the sponsored company that has not been brought to the attention of the replacement sponsor, or to the attention of the Exchange if a replacement sponsor has not been appointed. The sponsored company shall disclose this confirmation through the Exchange's online disclosure system.

The sponsor shall continue its sponsorship of the sponsored company during the notice period, unless a new sponsor agrees to take over before the expiry of the notice period. The sponsor and sponsored company must take all necessary steps to ensure a smooth and proper transition of existing work of the outgoing sponsor to the replacement sponsor, including providing all relevant documents, information and records.

As a general rule, the Exchange will not approve a proposed termination of sponsor appointment if no replacement sponsor has been appointed, unless there are exceptional circumstances. In the event the Exchange grants its approval but the sponsored company fails to find a replacement sponsor within three (3) months from the date of the Exchange's approval, the Exchange shall suspend the trading of its securities. The Exchange shall automatically delist the sponsored company if it fails to appoint a replacement sponsor at the end of six (6) months from the Exchange's approval of the termination.

SECTION 16. Sponsor's Reporting Obligations -

- 1) A sponsor shall immediately notify the Exchange of the following:
 - A. A sponsored company refuses to heed its advice on matters which may involve or lead to a breach of the Exchange's rules; or
 - B. Sponsor believes that a company for which it acts as sponsor is no longer suitable for listing.
- 2) A sponsor should be available to communicate with the Exchange at all times, especially during trading hours, and whenever requested to do so.

- 3) A sponsor must cooperate and render every assistance to any investigation or inquiry conducted by the Exchange on any matter relating to its sponsor activities.

SECTION 17. Review of Sponsor Performance -

- 1) **Review by the sponsor** - A sponsor must undertake an annual review of its sponsorship activities to enable it to determine the effectiveness of its role as a sponsor and compliance with its obligations under the Exchange's requirements. Where any inadequacies are detected, the sponsor must take steps to address the inadequacies and to enable the effective discharge of its role and responsibilities as a sponsor.
- 2) **Review by the Exchange** - The Exchange may, at any time, review the performance or conduct of each sponsor provided that the Exchange gives reasonable advance notice to the sponsor of its planned review.

During the review, the sponsor must provide reasonable assistance to the Exchange, including:

- A. allowing access to all information, books and records which, in the Exchange's opinion, may be relevant to the review;
 - B. allowing access to its premises; and
 - C. requiring its directors, officers, employees and agents to provide reasonable assistance and attend interviews scheduled by the Exchange.
- 3) In reviewing the performance and conduct of sponsors, the Exchange shall have regard to:
 - A. the conduct of sponsored companies for which the sponsor acts;
 - B. the conduct of the sponsor in its dealings with the Exchange in connection with its sponsor activities;
 - C. the compliance (or non-compliance) by the sponsor with the Exchange's rules or regulations applicable to sponsors, any conditions imposed by the Exchange, and all applicable legislation and guidelines issued by regulatory authorities;
 - D. the possibility or existence of conflicts of interest; and

- E. changes to qualified key personnel during the past twelve (12) months.
- 4) The Exchange may, but is not obliged to, give a copy of the results of its review to the sponsor.

SECTION 18. Regulatory Actions by the Exchange - If the Exchange determines that a sponsor no longer meets the eligibility criteria, or it has not performed its duties satisfactorily, lacks sufficient resources to discharge its obligations, or is in breach of any relevant rule or law in any place where it operates, including being the subject of any disciplinary proceedings, or any investigation which might lead to disciplinary action by any regulatory authority, the Exchange may take one or more of the following actions against a sponsor:

- 1) Reprimand the sponsor;
- 2) Require the sponsor to undergo an education program;
- 3) Require sponsor to undertake corrective action, including the removal of directors and officers not complying with the fit and proper criteria in Section 8, paragraph (5) of the rules;
- 4) Impose conditions or restrictions on sponsor's operation and sponsor activities, including restricting the sponsor from taking on additional sponsored companies; or
- 5) Suspend or revoke the accreditation of sponsor.

A sponsor whose accreditation is suspended shall have three (3) months from effectivity of suspension to rectify or cure the violation that led to its suspension. During the suspension period, it can continue to act as sponsor for its clients but cannot take on additional clients. A sponsor's failure to cure the violation and have the suspension lifted after three (3) months may result in revocation of its accreditation.

If a sponsor's accreditation is revoked, any listed company for which it acts as a sponsor shall be given three (3) months from the announcement of the revocation of the sponsor's accreditation to appoint a new sponsor.

Nothing in these rules prevents the Exchange from commencing disciplinary proceedings as it deems appropriate.

ARTICLE III EQUITY SECURITIES

PART F DISTRIBUTION OF INITIAL PUBLIC OFFERING SHARES THROUGH THE EXCHANGE

Note: This rule, originally Part G of the 2004 Revised Listing Rules, has been renamed as Part F in view of the deletion of Part E on Second Board listing and insertion of the Main and SME Board Listing Rules as Parts D and E, respectively.

SECTION 1. Rationale – In order to achieve the objective of a wider dispersal of shares of the Initial Public Offering (“IPO”) and expansion of local investors, the Exchange shall implement the following distribution of IPO shares in accordance with the rules of the Commission.

Note: The Exchange implements a Timetable of Offering Activities for Initial Public Offerings for domestic offerings and domestic with international offerings. (Appendix 2 - Detailed Timetable of Offering Activities for Initial Public Offerings for domestic and domestic with international offerings)

All Offer-Related activities under this Part shall be in accordance with the Detailed Timetable of Offering Activities for Initial Public Offerings.

SECTION 2. Book-Building Process – A book-building program for the domestic market and simultaneously with the international tranche, if any, shall involve up to sixty percent (60%) of the total amount of the offer shares wherein qualified institutional buyers (“QIB”) may be allowed to participate in the book-building. QIBs shall be limited to the following: mutual funds; pension or retirement funds; commercial or universal banks; trust companies; investment houses; insurance companies; investment companies; finance companies; venture capital firms; government financial institutions; trust departments of commercial or universal banks, non-bank quasi banking institutions, Trading Participants of the Exchange; non-stock savings and loan associations; educational assistance funds; and other institutions of similar nature.

Five (5) Trading Days prior to the start of the book-building process, the Applicant Company shall disclose to the Exchange the exact percentage of the offer shares allocated for book-building; provided, that in cases of a public offering where the offer price can be ascertained by other means, the book-building program shall be optional.

SECTION 3. Allocation to Local Small Investors – The allocation to the "local small investors" or "LSI" shall be at least ten percent (10%) of the entire IPO which shall be offered only after the effectivity of the registration statement and during the formal

offering period. The issuer shall provide the appropriate distribution mechanism to facilitate greater participation in the LSI allocation nationwide.

The term "local small investor" or "LSI" is defined as a "share subscriber" who is willing to subscribe to a minimum board lot and whose subscription does not exceed One Hundred Thousand Pesos (₱100,000.00); provided, however, that the Exchange's Management may increase the maximum subscription amount for the LSI, on a case to case basis, taking into account the offer size of the IPO consistent with the objective of facilitating and achieving maximum participation and subscription to the LSI allocation. In the event of an over or under subscription in the ten percent (10%) offer, a "clawback" or a "clawforward" mechanism shall be implemented.

The issuer shall submit a mechanism that will prioritize subscriptions of small investors with amounts lower than One Hundred Thousand Pesos (₱100,000.00) or the maximum amount determined by the Exchange, as may be applicable, in the ten percent (10%) allocation for LSIs. The same shall be reflected in the registration statement covering the IPO.

*Note: The above Section 3 was amended to reflect the amendments in **Supplemental Rule 15** – PSE Memorandum MEA – No. 2022-0002 dated 13 June 2022 re: Effectivity of Amendments to the Rules for Local Small Investors.*

SECTION 4. Clawback Mechanism – Where an IPO includes an offering to the local and/or international markets, the minimum allocation of shares to the local small investors' subscription shall be as follows:

- (a) an initial allocation of ten percent (10%) of the offer shares;
- (b) a clawback mechanism that increases the number of shares to fifteen percent (15%) when the total demand for shares in the local small investors' subscription is five (5) times or more than the initial allocation. Discounts to the final offer price for any shares in excess of the initial allocation shall be at the discretion of the Issuer.

In the event that the total demand for shares in the local small investors' subscription exceeds the maximum allocation of fifteen percent (15%) under the clawback mechanism, the underwriter shall allocate the shares by balloting.

SECTION 5. Allocation to the General Public – The balance of at least thirty percent (30%) may be distributed by the underwriters directly to their clients/general public, to include institutional investors and high net worth individuals. Stockbroker/dealers may be allowed to subscribe to IPOs for their dealer accounts, provided, that if they opt to sell the shares to their customers during the offering period

it must be at a price not higher than the IPO price. Likewise, stockbrokers/dealers are prohibited from selling these shares after the offering period and before listing. While the stockbrokers/dealers may be allowed to purchase IPO shares for their dealer accounts, their first responsibility is to give priority to their customers' orders. Their books and records shall be subject to post listing audit by the Commission to make certain that they do not purchase IPO shares ahead of their customers' orders. The shares allocated to the general public shall include twenty percent (20%) of the amount of the offer shares, to be sold by the Trading Participants of the Exchange.

SECTION 6. Indications of Interest for Shares - Before trading of the shares commences, the Applicant Company shall disclose the level of indications of interest for the shares offering. This shall be provided in either numerical form or by way of a qualitative description.

SECTION 7. Offering Period to Small Investors - The period within which to offer the shares to the public shall be determined by the Applicant Company, which shall not be less than five (5) Trading Days. Nevertheless, the Applicant Company is prohibited from selling or in any manner disposing of its shares to the public, both locally and abroad, before the start of the offering period. The Exchange shall have the right to revoke the approval of the listing application if it finds that the Applicant Company violated the aforementioned rule.

SECTION 8. Reservation of Listing Date - In reserving the listing date, the basis for queuing shall be the date and time when the Exchange receives the hard copy of the letter-request. The Applicant Company shall only be allowed to reserve one (1) specific date. In the event that the Applicant Company abandons its reserved date, it shall forthwith file another letter-request which shall be subjected to the same basis for queuing.

SECTION 9. Listing Date and Failure to Offer and/or List -

- (a) The offering period and formal listing of the shares shall be conducted within the period stated in the Notice of Approval of the listing application ("Approved Period").

If no offering and listing were conducted within the Approved Period or any new schedule granted by the Exchange, as may be applicable, the listing application shall be deemed abandoned and the Exchange shall not refund the filing fee paid by the Applicant Company. On the other hand, if an offering was conducted, formal listing shall be made within ten (10) calendar days from the end of the offering period; otherwise, the listing application shall be deemed abandoned, the Exchange shall not refund the filing fee paid by the Applicant Company, and the Applicant Company shall be required to

refund all subscription payments within ten (10) banking days from the lapse of the prescribed period for listing. In both cases of abandonment, the Applicant Company may file another application for listing but it shall be filed only after one hundred eighty (180) calendar days from the lapse of the Approved Period.

- (b) After the approval of the application for listing and within six (6) months from the Applicant Company's receipt of the Notice of Approval ("NOA"), the Applicant Company may file with the Listings Department a request to move the offering period and formal listing to a later date but in no case beyond six (6) months from the Applicant Company's receipt of the NOA only if the request is based on meritorious and reasonable grounds, as determined by the Exchange. In such case, fifty percent (50%) of the filing fee paid by the Applicant Company shall be forfeited and only the remaining fifty percent (50%) of the filing fee paid shall be applied to said listing application. Issuer shall pay any deficiency between the remaining fifty percent (50%) of the filing fee paid and the final filing fee.

If the new offering period and formal listing are outside the six (6)-month period from the Applicant Company's receipt of the NOA, paragraph (a) of this section shall apply.

*Note: The above Section 9 was amended to reflect the New Fee Framework for Listing Applications (see **Supplemental Rule 16**)*

SECTION 10. Delivery and Contents of Selling Kits – The Applicant Company shall deliver to the Exchange for distribution to the Trading Participants the sufficient number of selling kits which shall contain: (a) three (3) copies of the Offering Prospectus and any amendment or supplement thereto, if any; (b) sales report; (c) diskette; (d) signature card; and (e) subscription forms.

The selling kits shall be delivered to the Exchange at least two (2) Trading Days before the start of the book-building process. Failure to comply with the aforementioned requirement shall be a ground for the deferment of the Offering Period.

*Note: The selling kits shall be delivered to the Exchange at least two (2) Trading Days prior to the start of the Offering Period in accordance with the Timetable of Offering Activities for Initial Public Offerings. (see **Appendix 2**)*

SECTION 11. Submission of Sales Report – The Applicant Company or its Transfer Agent shall submit a sales report to the Securities Clearing Corporation of the Philippines ("SCCP") and/or the Philippine Central Depository, Inc. ("PCD"), both soft and hard copies, which shall include columns for or indicate the following:

- (a) "Certified or Book-Entry";
- (b) Participant Securities Code where the shares of the subscriber will be lodged;
- (c) "Local Small Investor or Others"; and
- (d) "Foreign or Local".

Note: The functions of the PCD have been assumed by PDTC.

SECTION 12. Rejection or Reduction of Shares – The Applicant Company shall have the discretion to reject or reduce an application to subscribe/purchase its shares, provided that the same is exercised in accordance with the relevant law and its implementing rules and regulations set forth by the Exchange.

In exercising the right of rejection, the Applicant Company shall be guided by the following:

- (a) It shall serve the notice of rejection or reduction to the Applicant Company/subscriber within five (5) banking days after the end of the offering period; and
- (b) It shall refund to the Applicant Company the whole or part payment, as the case may be, for the rejected or reduced subscriptions/applications within the same five (5) banking day period.

SECTION 13. Submission of List of Security Holders – The Applicant Company shall submit an undertaking committing itself to submit to the Exchange not later than ten (10) calendar days after the end of the offering period a computer diskette containing a complete and updated list of its stockholders, as well as:

- (a) For an applicant to the First Board, a copy of the top one thousand (1,000) security holders owning at least one (1) board lot each;
- (b) For an applicant to the Second Board, a copy of the top five hundred (500) security holders owning at least one (1) board lot each; and
- (c) For an applicant to the SME Board, a copy of the top fifty (50) security holders owning at least one (1) board lot.

Note: The Applicant Company must submit to the Exchange no later than two (2) Trading Days prior to the listing date a Certification signed by the authorized officer of the Company certifying the actual number of the Company's shareholders after the IPO and that the Company has complied with Article III, Part D, Section 1(f) and Part E, Section 1(h) of the Rules.

Section 13 has been superseded by Article III, Part D which consolidated the First Board and Second Board into the Main Board, and Article III, Part E, Section 1(h) which requires a company listing on the SME Board to have at least 200 stockholders owning at least one (1) board lot each. (Supplemental Rule 12 - PSE Memorandum CN-No. 2021-0021 dated March 24, 2021 re: Amended Listing Rules)

SECTION 14. Applicability of Trading Rules - The allocation and distribution of the offer shares to clients of the Trading Participants shall be subject to the Trading Rules of the Exchange.

ARTICLE III EQUITY SECURITIES

PART G LISTING BY WAY OF INTRODUCTION

Notes: This rule, originally Part H of the 2004 Revised Listing Rules, has been renamed as Part G in view of the deletion of Part E on Second Board Listing and insertion of the Main and SME Board Listing Rules as Parts D and E, respectively.

*Further, the entire Article III Part G has been amended to reflect all the provisions in the Amended Rules on Listing by Way of Introduction (see **Supplemental Rule 5**)*

SECTION 1. Listing by Way of Introduction – This applies to an application for listing of securities that are already issued or securities that will be issued upon listing, where no public offering will be undertaken because the securities for which listing is sought would be of such an amount and would be so widely held that their adequate marketability when listed can be assumed, or when listing in an exchange or public offering is mandated by law or by the Commission or other government agencies, in the exercise of their powers under the law.

Listing of securities by way of introduction may be appropriate in the following circumstances:

- (a) where securities for which listing is sought are already listed or traded or will simultaneously be listed in another stock exchange or, subject to the approval of the Exchange, are listed on another trading market;
- (b) where the securities of an unlisted Issuer are distributed by way of property dividend by a listed Issuer to shareholders of that listed Issuer;
- (c) where a holding company is formed and its securities are issued in exchange for the securities of one or more listed Issuers and the listing of the listed Issuer or Issuers is withdrawn at the same time as the securities of the Issuer are listed;
- (d) where listing of securities in an exchange is mandated by law or by the Commission, in the exercise of its powers under the SRC; or
- (e) where public offering of securities is mandated by law or applicable regulations; provided that, the Applicant Company secures a clearance from the relevant agency stating that such agency does not object to the listing by way of introduction of the securities of the Applicant Company; provided further, that an Applicant Company which is considered as a “closely-held

corporation,” as such term is defined under Section 127 (B) of the National Internal Revenue Code of 1997, as amended, is not qualified to list by way of introduction under this subsection (e). A subsidiary company that is qualified to list under subsection (e) hereof cannot list its holding company which does not meet the requirements of this section.

SECTION 2. Criteria for Listing – The suitability of Applicant Companies applying to list their securities by way of introduction shall be based on the listing criteria and requirements established by the Exchange for initial listing.

SECTION 3. Initial Listing Price and Fairness Opinion Requirement – A company applying to list its securities by way of introduction shall determine the initial listing price of its securities on listing date which is duly supported by a fairness opinion prepared by an independent and reputable firm, and in accordance with the Guidelines for Fairness Opinions and Valuation Reports.

The Fairness Opinion shall be attached to the Prospectus of the Applicant Company and discussed in a section of the Prospectus. The discussion in the Prospectus shall include a disclaimer in favor of the Exchange that the pricing/valuation of the securities to be listed was determined by the Applicant Company.

This requirement may not apply to an Applicant Company under Section 1(a) if it conducted an initial public offering in another stock exchange simultaneously, or if it conducted a public offering within six (6) months prior to its listing date, or if the Applicant Company listed in another exchange can demonstrate, to the satisfaction of the Exchange, that the public ownership levels and liquidity support the market price.

Notes: The Commission approved on 3 March 2011 the Guidelines for Fairness Opinions and Valuation Reports which became effective on 24 March 2011. (Guidance Note 8 – PSE Memorandum No. 2011-0104 dated 9 March 2011 re: Guidelines for Fairness Opinions and Valuation Reports). It was subsequently amended on 19 February 2021 to include tender offers undertaken pursuant to delisting proceedings as among the transactions where a fairness opinion and valuation report would be required (Guidance Note 8.2 - PSE Memorandum No. 2021-0009 dated 19 February 2021 re: Amendments to PSE Guidelines for Fairness Opinions and Valuation Reports)

The Guidelines, including the requirement to submit a fairness opinion, are applicable to listing applications covering Listing by Way of Introduction, as well as mergers and non-cash transaction (i.e., share-for-share swaps, debt-to-equity conversions, property-for-share swaps) and tender offer pursuant to Delisting Rules.

The Guidelines require the following:

- (1) The fairness opinion and valuation reports 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 Commission and accredited by the Exchange.*

- (2) *The Firm is not considered independent if:*
- a. *It is a related party, as defined in the Rules, to the Applicant Company;*
 - b. *Its holding or subsidiary company provides financial advisory in relation to the Applicant Company's listing application, 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).*

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 Applicant Company's legal counsel certifying the Firm's independence.

- (3) *An Applicant Company is required to submit a fairness opinion covering the valuation of the shares subject of the listing application. Such fairness opinion must be supported by valuation report(s) which 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 reports 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 Listed Company and the consideration under the transaction covered by the listing application. Such consideration may include the following:*
 - a. *In a share-for-share swap, the shares of the counterparty;*
 - b. *In a property-for-share swap, the property(ies) 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(ies) 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 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. *The structure, condition and analysis of the relevant market and/or industry of the Applicant Company.*
- (7) *The date of the fairness opinion and valuation reports 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 is presented for approval.*

*The Guidelines also laid down the requirements for the accreditation of Firm to render fairness opinions. Following the issuance of the Guidelines, the Exchange issued the Checklist of Documentary Requirements for Accreditation of Firms for Purposes of Issuing Fairness Opinions and Valuation Reports. (Guidance Note 9 – PSE Memorandum No. 2011-0117 dated 18 March 2011 re: Documentary Requirements for Accreditation of Firms for Purposes of Issuing Fairness Opinions and Valuation Reports. The checklist of documentary requirements is also under **Appendix 1** of the Rules.)*

SECTION 4. Secondary Listing Requirements – Applicant Companies which are already listed or intend to be listed in another stock exchange as provided in Section 1(a) hereof shall comply with the following requirements:

- (a) The Applicant Company's securities must be, or will be listed on a stock exchange which is a member of the World Federation of Stock Exchanges ("WFE") or the Asian and Oceanic Stock Exchanges Federation ("AOSEF"), or such other exchanges as approved by the Exchange;
- (b) In case the Applicant Company will simultaneously list in another exchange, the Applicant Company shall provide a certification from the foreign stock exchange of its duly received application for a proposed listing, acceptance or provisional acceptance for listing on such exchange(s) as well as the dates of such listing or proposed listing;
- (c) In case the Applicant Company is already listed in another exchange or several exchanges, the Applicant Company shall submit a certification of compliance with the requirements of such exchange or exchanges as well as with the requirements of the competent authority(ies) or regulatory body(ies) which regulate such company and/or its securities; and

- (d) Arrangements may be made between the Applicant Company and the Exchange with regard to the listing and disclosure requirements of the foreign stock exchange. The Applicant Company shall also make other arrangements for simultaneous disclosure and filing by facsimile or electronic means, of any information or material required to be filed or disclosed to the foreign exchanges. The Exchange shall ensure that none of these arrangements contravene the SRC, its Implementing Rules and Regulations and the rules of the Exchange.

SECTION 5. Lock-Up Requirement – A company that applies to list by way of introduction shall be subject to the following lock-up requirement:

- (a) An Applicant Company under Sections 1(a), 1(b) or 1(c) hereof shall be subject to the prescribed lock-up requirement in accordance with the applicable Board provided under Article III, Part D, Section 7 for First Board Listing, Article III, Part E, Section 2(k) for Second Board Listing, and Article III, Part F, Section 2(h) for Small & Medium Enterprises Board of the Rules.

Note: Section 5(a) made a direct reference to the lock-up requirement under the relevant sections of Article III of the Rules. In view of the approval of the Main and SME Board Listing Rules, the lock-up requirements under Article III, Part D, Section 2 [for Main Board] and Article III, Part E, Section 3 [for SME Board] are applicable to the companies applying for Listing by Way of Introduction under Sections 1(a), (b), and (c) above.

- (b) An Applicant Company under Sections 1(d) and 1(e) hereof shall cause its existing stockholders or security holders who own at least ten percent (10%) of the issued and outstanding shares of stock or securities of the Applicant Company, to enter into an Escrow Agreement with an Escrow Agent not to sell, assign or in any manner dispose of their shares or securities from the initial listing date until one hundred eighty (180) days after it conducts a public offering. The implementation of such lock-up must be in accordance with Article III, Part A, Section 17 of the Rules.

Note: For companies applying for Listing by Way of Introduction under Sections 1(d) and (e) above, the Rules, particularly the Amended LBI Rules, provided a different period for the lock-up period after the listing date/offer period than what was provided in the first paragraphs of the relevant sections of the Rules. This, however, does not preclude the application of the lock-up requirement for issuances prior to listing/public offer under the second paragraph of Article III, Part D, Section 2(a) [for Main Board] and fourth paragraph of Article III, Part E, Section 3(a) [for SME Board].

SECTION 6. Lifting of the Trading Band – The trading band on the Applicant Company's securities to be listed shall be lifted on the listing date in order to allow market forces to determine the price of the securities of the Applicant Company. After the listing date, the trading band shall be reinstated.

SECTION 7. Post-Listing Requirement – An Issuer whose securities are listed by way of introduction pursuant to Sections 1(d) or 1(e) hereof, shall undertake a public offering within one (1) year from the listing of its securities in the Exchange, and comply with the minimum public ownership requirement of the Exchange. At the time of the initial listing, the Issuer should disclose the indicative terms and the timetable of its public offering. Notwithstanding the foregoing, the Exchange may require the Issuer to undertake the public offering at any time within the one (1) year period should there be a significant demand for the securities thereof. The required public offering shall be in accordance with the “Distribution of Initial Public Offering Shares Through the Exchange” under Article III, Part G of the Rules.

Note: In view of the deletion of Part E on Second Board listing and insertion of the Main and SME Board Listing Rules as Parts D and E, respectively, the section on "Distribution of Initial Public Offering Shares Through the Exchange", originally in Article III, Part G of the 2004 Revised Listing Rules, is now Part F.

SECTION 8. Consequences for Non-Compliance with the Post-Listing Requirement – In the event the Issuer is unable to conduct the required public offering within the one (1)-year period prescribed under Section 7 hereof, the Exchange shall impose any one (1) or a combination of the following sanctions at the discretion of the Exchange:

- (a) suspend the trading of the Issuer’s securities;
- (b) sanction the Issuer by, among others, doubling the annual listing maintenance fees payable by the Issuer; or
- (c) subject to the provisions of the Corporation Code and the rules and regulations of the Commission, require the Issuer to buy-back its securities within ninety (90) days from the lapse of the one (1)-year period and delist the Issuer’s securities from the official registry of the Exchange with prior written notice to the Issuer and without necessity of a hearing. In case of a buy-back, the Exchange shall require the company to employ an independent party to conduct a valuation of the class of securities of the company that are to be delisted, which is in accordance with the Guidelines for Fairness Opinion and Valuation Reports.

SECTION 9. Prohibition on Backdoor Listing – A company that listed by way of introduction under sections 1(d) and 1(e) hereof is prohibited from doing a backdoor listing until after it conducts a public offering. The Exchange may delist a company which undertook a backdoor listing and which did not conduct a public offering.

*Note: The Exchange has existing rules on backdoor listing and delisting. (**Supplemental Rule 7** - PSE Memorandum CN - No. 2022-0026 dated 22 June 2022 re: Revised Rules on Backdoor Listing; **Supplemental Rule 8** - Rules on Delisting)*

SECTION 10. Applicable Fees – Applicant Companies seeking the listing of their securities by way of introduction shall pay the initial listing fee, processing fee, annual listing maintenance fee and other exchange fees, such as the additional listing fee for the public offering, in accordance with the schedule of fees released by the Exchange and in effect as of the filing of the corresponding application.

*Note: Under the Exchange's new fee framework for listing applications, processing fees for listing applications have been removed and listing fees, which are now called filing fees, shall be paid in full upon filing of the listing application (**Supplemental Rule 16** - PSE Memorandum CN-No. 2019-0012 dated March 22, 2019 re: New Fee Framework for Listing Applications)*

ARTICLE III EQUITY SECURITIES

PART H INITIAL LISTING of PREFERRED SHARES

Note: The Rule on Initial Listing through a Preferred Shares Offering took effect on May 24, 2022. (Supplemental Rule 19 - PSE Memorandum CN - No. 2022-0023 dated 24 May 2022 re: Rule on Initial Listing through a Preferred Shares Offering)

SECTION 1. Coverage - These Rules shall govern the initial listing of an Applicant Company through an offering of preferred shares without listing its common shares.

SECTION 2. Applicability of Existing Rules - Except as provided below, Article III, Parts A to F of the PSE Consolidated Listing and Disclosure Rules shall apply to the initial listing of an Applicant Company through an offering of preferred shares.

SECTION 3. Minimum Offering to the Public - Notwithstanding any provision in the PSE Consolidated Listing and Disclosure Rules to the contrary, the minimum offering to the public for initial listing on the Main Board or SME Board shall be One Billion Pesos (Php1,000,000,000.00), or twenty percent (20%) of the market capitalization of the preferred shares applied for listing, whichever is higher.

SECTION 4. Minimum Number of Stockholders - Upon listing, the Applicant Company shall have at least one thousand (1,000) stockholders, each owning stocks equivalent to at least one (1) board lot. After listing, the company shall maintain, at all times, a minimum public ownership of twenty percent (20%) of the outstanding and listed preferred shares, or such other percentage as may be prescribed by the Exchange.

SECTION 5. Lock-Up -

- (a) If there is any issuance or transfer of preferred shares (*i.e.*, private placement, asset for shares swap or a similar transaction), or of instruments which leads to an issuance or transfer of preferred shares (*i.e.*, convertible bonds, warrants or a similar instrument) done and fully paid for within one hundred eighty (180) days prior to the start of the Offering Period, and the transaction price is lower than that of the offer price in the Initial Public Offering (IPO), all shares availed of shall be subject to a lock-up period of at least three hundred sixty-five (365) days from the full payment of the said shares.
- (b) The lock-up requirement shall be stated in the Articles of Incorporation of the Applicant Company.

- (c) The foregoing lock-up requirement shall be implemented in the manner provided in Section 17, Part A, Article III of the Consolidated Listing and Disclosure Rules, or any amendment thereto.
- (d) The foregoing lock-up requirement will not apply to a listed company that transfers to the Main Board if the lock-up period set out above, whichever is applicable, has been fully complied with while listed in the SME Board. Otherwise, the difference between the applicable lock-up period and the actual lock-up of shares shall be observed.

SECTION 6 - Offering Period to Local Small Investors - While the public offering period under these Rules is five (5) Trading Days, the period within which to offer the shares to the local small investors shall only be three (3) Trading Days.

SECTION 7. Listing of Common Shares - The Applicant Company shall have discretion to subsequently list its common shares.

SECTION 8. Other Prohibitions -

- (a) Companies mandated by law or applicable regulation to list or offer their shares to the public shall not be qualified to list under these Rules; and
- (b) Any company that lists under these Rules cannot list by way of introduction.