



## **METRO PACIFIC INVESTMENTS CORPORATION**

### **Business Development and Investment Policy**

#### **Objective**

Metro Pacific Investments Corporation ("MPIC") is actively involved in mergers and acquisitions ("M&A") or new projects, and is always looking at new investments, whether by itself, through its affiliates and subsidiaries and/or with joint venture partners. This exposes MPIC to risks associated with M&A transactions, which may involve commercial, financial, contractual, legal, environmental issues pertaining to the acquired asset or new business.

Prior to making a new investment, proper due diligence activities must be performed. To ensure that key investment project risks of MPIC are identified, quantified, appropriately valued and mitigated, it is suggested that an extensive due diligence including financial, operational, regulatory, environmental and risk assessment undertaken by the Project sponsor / deal team ("**Project Sponsor**"), with the CEO/CFO providing direct oversight. Furthermore, due diligence should, as far as practicable, be conducted on a phased basis to minimize costs of evaluating opportunities that may ultimately not be pursued.

#### **Coverage**

This policy applies to all of MPIC's project development activities. This also applies to MPIC's subsidiaries requesting funding or financial support from MPIC.

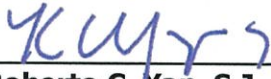
#### **Guidelines**

1. The Project Sponsor shall seek approval from at least one (1) member of the Executive Committee comprising of the Chairman, President/CEO and CFO to pursue a new investment opportunity.
2. The Project Sponsor shall conduct a pre-due diligence screening in which an investment is rejected if it is currently, or if it is likely to in the future, generate a significant share of its revenue from excluded industries or products listed in **Annex 1** (which may be updated from time to time). MPIC will also refrain from businesses that are operationally or financially linked to a country, company or persons registered on a sanctions lists pursuant to a Sanction Law. For purposes of this policy, the term "Sanction Law" shall refer to the sanctions laws, regulations, embargoes or restrictive measures administered, enforced by any sanctions authorities as well as their governmental authorities, including, without limitation, the Anti-Money Laundering Council of the Philippines, the Office of Foreign Assets Control of the United States of America, the Department of State of the United States of America and Her Majesty's Treasury of the United Kingdom.
3. The Project Sponsor shall undertake the due diligence with the support of Company personnel and external resources on an as-needed basis. The Project Sponsor shall also formulate the business case for the project. In conducting the due diligence and

preparing the business case for the investment, the Project Sponsor shall consider the focus areas specified in Annex 2 as may be relevant.

4. The Project Sponsor shall present and discuss with the Executive Committee: (a) the due diligence findings and the proposed mitigants to identified risks, and (b) the key terms of the drafts of the definitive agreements. The endorsement of the Executive Committee must be secured before submitting the project for the approval of the Finance Committee or the Board, as the case may be.
5. The approval of the President or the Chief Finance Officer must be secured before executing any preliminary agreement such as a non-binding offer or term sheet in relation to a project.
6. The approval of the Finance Committee or the Board (or such committee as the Board may delegate the project to) must be secured before submitting a binding offer and/or executing the relevant definitive agreement.

**Reviewed by:**



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**Roberto C. Yap, S.J.**  
**Chairman, Governance and Sustainability Committee**

**Approved by:**



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**Manuel V. Pangilinan**  
**Chairman of the Board**

## **Annex 1: Industry and Product Exclusions**

MPIC will not invest in a company engaged in any of the following business activities:

- a) production, trade and/or distribution of any type of munitions or articles of warfare;
- b) production, trade and/or distribution of tobacco and its variants;
- c) prostitution or procuring of prostitutes;
- d) production, distribution or sale of pornography;
- e) manufacture, operation or marketing of casinos or other gambling activities;
- f) other illegal activities (such as, among others, terrorism, money laundering and smuggling).

## Annex 2: Due Diligence Focus Areas

Key Focus Areas	Key Criteria/Considerations
Strategy for the business to be acquired	<p>Strategic analysis and approach:</p> <ul style="list-style-type: none"> <li>• Establish a broad project strategy and assess means to realize that vision; and</li> <li>• Assess scalability of the investment opportunity and its impact to MPIC's portfolio (including any potential synergies).</li> </ul>
Financial assessment	<p>Viability metrics</p> <ul style="list-style-type: none"> <li>• Target's impact to MPIC's five-year financial forecast;</li> <li>• Valuation of the target and evaluation methods employed (e.g., free cash flow, dividends, comparable company transactions, EBITDA multiple, etc.);</li> <li>• Target IRR and its comparison to MPIC's cost of capital;</li> <li>• Dividend projection; and</li> <li>• Project's payback period.</li> </ul> <p>Quality of earnings, soundness of projections / key assumptions:</p> <ul style="list-style-type: none"> <li>• Target's free cash flow;</li> <li>• Accounting implications of the potential transaction, including a pro-forma purchase price allocation;</li> <li>• Financial performance and condition;</li> <li>• Comparison of company's projections for the current year to the board-approved budget for the same period;</li> <li>• Normalized working capital requirement necessary to continue running the business;</li> <li>• Capital expenditures and other investments requirement to continue growing the business;</li> <li>• Assessment of "quality of earnings" report; and</li> <li>• Assessment as to whether the target has sufficient resources to finance acquisition/development of the project.</li> </ul> <p>Note: While the Company engages third party financial advisors, MPIC Finance Team be involved in reviewing the financial model and impact to MPIC's consolidated core earnings and cash flows.</p>
Tax assessment	<p>Summarize the tax due diligence work with particular attention to:</p> <ul style="list-style-type: none"> <li>• Target's tax compliance and potential tax exposures;</li> <li>• Pending or threatened tax claims;</li> <li>• Results of any tax audits, if any;</li> <li>• Transfer pricing issues; and</li> <li>• Deferred tax asset assumptions.</li> </ul>
Legal and Regulatory diligence	<ul style="list-style-type: none"> <li>• Legal framework regulating the business that the target is engaged in;</li> <li>• Historical and potential future legal and regulatory exposures;</li> <li>• Pending or threatened claims against the company;</li> <li>• Related industry or operating licenses, permits and other government registrations;</li> <li>• Compliance with government regulations;</li> <li>• Contractual rights and obligations of the target; and</li> <li>• Legal condition of the assets, including the existence of any legal or contractual liens.</li> </ul>

Material Contracts	<p>Review of the target's material contracts, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Financial agreements (i.e., guaranties, loans, and credit agreements) and security agreements;</li> <li>• Concession Agreements;</li> <li>• Joint ventures;</li> <li>• Construction contracts;</li> <li>• Management agreement, operation and maintenance agreement or technical services agreement;</li> <li>• Insurance policies;</li> <li>• License/intellectual property agreements and franchise agreements;</li> <li>• Leases (i.e., equipment, real estate) and right-of-way agreements;</li> <li>• Exclusivity and non-compete agreements;</li> <li>• Employment contracts and collective bargaining agreements; and</li> <li>• Contracts outside the ordinary course of business of the target or contracts which create any regulatory compliance issues affecting the target.</li> </ul>
Governance Due Diligence	<ul style="list-style-type: none"> <li>• Corporate governance policies (including but not limited to, Corporate Governance Policy/ Charter, Anti-Bribery and Anti-Corruption Policy, Whistle Blowing Policy, Business Conduct and Ethics Policy);</li> <li>• Governance structure (including whether the target has a compliance officer and corporate governance officer);</li> <li>• Implementation of governance policies; and</li> <li>• Corporate governance issues for the last 3 years.</li> </ul>
Human Rights Due Diligence	<ul style="list-style-type: none"> <li>• Potential adverse human rights impact of business may cause or contribute through its activities or related to its operations;</li> <li>• Measures undertaken by the target to address these human rights impact and degree of effectiveness of the same; and</li> <li>• Human rights issues raised and response to such issues.</li> </ul>
Environmental, Health and Safety diligence	<ul style="list-style-type: none"> <li>• Potential environmental and social impacts of a proposed transaction, evaluating alternatives and designing appropriate mitigation, management and monitoring measures.</li> </ul> <p>Note: Refer to ESIA Policy for details.</p>
Technical / O&M diligence	<ul style="list-style-type: none"> <li>• Conduct of site visits;</li> <li>• Asset condition and performance, including performance history;</li> <li>• Operations &amp; maintenance requirements;</li> <li>• Capital expenditure requirements;</li> <li>• Availability of expert resources to support proper and industry accepted O&amp;M standards;</li> <li>• Critical resource retention needs; and</li> <li>• Asset rationalization.</li> </ul>
HR diligence	<ul style="list-style-type: none"> <li>• Identification of qualified/competent leadership team to effectively manage the target company and execute the investment plan;</li> <li>• Competency review and background checks on the management team;</li> </ul>

	<ul style="list-style-type: none"> <li>• Agreements/incentive arrangements in place with key employees;</li> <li>• Necessity of workforce rationalization;</li> <li>• Benchmark compensation levels and recommend future compensation plans;</li> <li>• Labor disputes and cases; and</li> <li>• For greenfield investments, the requirements for key management and operations personnel and the staffing / organizational build-up plan.</li> </ul>
Cybersecurity	<ul style="list-style-type: none"> <li>• Cybersecurity policies and guidelines;</li> <li>• Technical assessment of IT cybersecurity infrastructure.</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• Sustainability policies of the target, if any;</li> <li>• Sustainability issues pertaining to the target and the business it is involved in.</li> </ul>