

## **POLICY ON ACQUISITIONS**

*(Terms, Conditions and Procedures for Acquisitions of Real Properties)*

Acquisitions of real properties by **CITICORE ENERGY REIT CORP.** (the Company) are subject to the requirements provided under the Revised Implementing Rules and Regulations of Republic Act No. 9856, otherwise known as the Real Estate Investment Trust (REIT) Act of 2009 (the REIT Rules). The applicable rules are -

1. A Real Estate Investment Trust or REIT may invest in real estate located in the Philippines, whether freehold or leasehold. At least seventy-five percent (75%) of the Deposited Property of the REIT shall be invested in, or consist of, income generating real estate. Deposited Property that should be invested in Income-generating Real Estate located in the Philippines shall in no case be less than 35% of the Deposited Property.

Deposited Property means the total value of the REIT's assets reflecting the fair market value of total assets held by the REIT. Income-generating Real Estate means real property which is held for the purpose of generating a regular stream of income such as, but not limited to, rentals, toll fees, user's fees, ticket sales, parking fees and storage fees.

2. A REIT may invest in income generating real estate located outside of the Philippines; *Provided*, that such investment does not exceed forty percent (40%) of its Deposited Property and only upon special authority from the Securities and Exchange Commission (the Commission). The Commission in issuing such authority shall consider, among others, satisfactory proof that the valuation of assets is fair and reasonable.
3. An investment in real estate may be by way of direct ownership or a shareholding in a domestic special purpose vehicle constituted to hold/own real estate, subject to the conditions provided under the REIT Rules.
4. Acquisition of a real estate shall include the ownership of all rights, interests and benefits related to the ownership of the real estate.
5. The real estate to be acquired by the REIT should have a good track record for three 3 years from date of acquisition.

### **I. CRITERIA FOR ACQUISITIONS**

The Company's principal investment strategy is to invest in Income-generating Real Estate. A core tenet of the REIT's investment policy is to invest in properties that meet a select set of criteria designed to provide a competitive return on investment. For purposes of acquisitions, the subject property should have the following characteristics:

- Primarily (but not exclusively) focused on solar power plants, but may be other types of renewable energy properties available in the market
- Be located in under developed areas with validated resource assessment and potential for future township developments to drive long-term appreciating land values
- Have achieved successful plant testing and commissioning with stable off-take contracts and for the 100% expected generation output

## **II. EVALUATION OF POTENTIAL ACQUISITIONS**

The Company will rely on the Fund Manager to implement its investment strategies by: (i) determining the allocation of the Deposited Property to the allowable investment outlets in accordance with the REIT Plan and the investment strategy of the Company; and (ii) selecting income-generating real estate in accordance with the Company's investment strategies.

Notwithstanding the written instructions of the Company, it shall be the fiduciary responsibility of the Fund Manager to objectively evaluate the desired investments, and formally advise the Company of its recommendation, even if contrary to the instruction. The Fund Manager shall ensure that all transactions carried out by or on behalf of the Company are conducted at arm's length and that, at all times, the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements, and any other agreements) entered into on behalf of the Company.

Upon the recommendation of the Fund Manager, the Company's Board of Directors shall assess the potential acquisition and its viability in enhancing shareholder value. If approved, the Company shall comply with the reportorial and disclosure requirements of the Commission, The Philippine Stock Exchange, Inc. (the Exchange), and the Bureau of Internal Revenue.

## **III. GUIDELINES FOR PREPARATION OF VALUATION REPORTS**

The Company shall appoint a duly accredited independent Property Valuer to prepare a full valuation report on real estate to be acquired by the Company. The valuation report shall include, as a minimum, the following:

1. all material details in relation to the basis of valuation and the assumptions used;
2. description and explanation of the valuation methodologies adopted;
3. overall structure and condition of the relevant market including an analysis of the supply/demand situation, the market trend and investment activities;
4. the particulars in respect of each property, such as:
  - i. an address sufficient to identify the property, which shall generally include postal address, lot number and such further designation as is registered with the appropriate government authorities;
  - ii. the nature of the interest the Company holds in the property (e.g. if it is a freehold or leasehold, and the remainder of the term if it is a leasehold);
  - iii. the existing use (e.g. shops, offices, factories, residential, etc.);
  - iv. a brief description of the property, such as the age of the building, the site area, gross floor area, net lettable floor area, and the current zoning use;
  - v. the options or rights of pre-emption and other encumbrances concerning or affecting the property;
  - vi. the occupancy rate;
  - vii. lease cycle duration;
  - viii. lease expiry profile;
  - ix. a summary of terms of any sub-lease or tenancies, including repair obligation, granted to the tenants of the property;
  - x. the capital value in existing state at the date the valuation was performed;
  - xi. the existing monthly rental before profits tax if the property is wholly or partly let together with the amount and a description of any outgoings or disbursements from the rent, and, if materially different, the estimated current monthly market rental obtainable, on the basis that the property was available to let on the effective date as at which the property was valued;
  - xii. the estimated current net yield;
  - xiii. a summary of any rent review provisions, where material;
  - xiv. the amount of vacant space, where material;

- xv. material information regarding the title of the subject property as contained in the relevant opinion, and a discussion as to whether any and how the legal opinions have been taken into consideration in the valuation of the relevant property; and
  - xvi. any other matters which may affect the property or its value.
5. particulars, as set out in item (3) above, of any real estate for which the Company has an option to purchase;
  6. a letter stating the independent status of the Property Valuer and that the valuation report is prepared on a fair and unbiased basis;
  7. an explanation of the rationale for choosing the particular valuation method, if more than one method is adopted.

Whenever a valuation report is prepared for the Company, the date of the valuation report shall be the date which is not more than three (3) months before the date on which a sale and purchase agreement (or other agreement to transfer legal title) is signed, if the transaction does not require shareholders' approval.

#### **IV. PROCEDURES FOR ACQUISITIONS**

1. The acquisition shall be based on acquisition criteria and acquisition strategy as defined in this policy. This includes key criteria such as geographic location or customer base.
2. Fund Manager shall use their identified search criteria to look for and then evaluate potential target companies. This includes contacting target company to check level of interest of the target company to the deal.
3. Fund Manager to gather substantial information (financials, projections, etc.) that will enable fund manager to evaluate the target company, both as a business on its own and as suitable acquisition target. Based on the data gathered, the Fund Manager shall come up with its valuation analysis. Fund Manager may obtain an independent appraiser report to verify the valuation analysis.
4. Fund Manager constructs a reasonable offer and presents to target company for initial feedback
5. Fund Manager presents the business case to the board for approval, including the funding plan. If the target company is a related party, the fund manager and the Company shall adhere to the policies and procedures as set out in the related party transaction policy.
6. Based on the guidance of the board of directors, the fund management shall coordinate with the target company and board until an offer has been accepted by both parties.
7. Upon acceptance of offer, the fund management shall perform due diligence to confirm or correct its assessment of the value of the target company by conducting a detailed examination and analysis of every aspect of the target company's operations – its financial metrics, assets and liabilities, customers, human resources, etc.
8. Once due diligence has been completed with no major problems or concerns, both parties execute a final contract for sale. The funding plan as stated in the business case is executed.
9. The acquisition deal closes upon payment to the target company or execution of the agreed structure.

Any acquisition of real assets from a Related Party (as defined under the REIT Rules) shall comply with the following minimum requirements:

1. full, fair, timely and accurate disclosures on the identity of the parties, relationship with the Company, and other important terms and conditions of the transaction have been made to the Commission and the Exchange;
2. be on fair and reasonable terms, including the contract price;
3. approved by at least a majority of the Company's Board of Directors, including the unanimous vote of all independent directors of the Company;
4. must be approved by the Related Party Transaction Review and Compliance Committee (majority of the members must be independent directors who shall vote unanimously in approving such related party transactions);

5. compliance with SEC Memorandum Circular No. 10, Series of 2019 on the Rules on material Related Party Transactions for Publicly-Listed Companies, or such other relevant regulations that may be issued by the Commission;
6. accompanied by a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the Commission; and
7. any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in the Company.

This Policy on Acquisition shall be effective upon submission to the Commission.

Signed this 26 July 2021 in San Juan City, Metro Manila.

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**OLIVER Y. TAN**  
*President*