



PRIME



Inspiring Resilience

Integrated Report 2020

About this Report (102-46, 102-47, 102-49, 102-50, 102-51, 102-54)

SM Prime Holdings, Inc. presents the first annual Integrated Report and the ninth edition following the Global Reporting Initiative (GRI) Framework.

This Integrated Report features the International Integrated Reporting Council (IIRC) framework that uses the economic, environment, social and governance pillars of sustainability in combination with the six capitals: Financial, Manufactured, Intellectual, Environment, Human and Social and Relationship.

The financial and non-financial information contained herein covers reporting from January to December 2020 and discusses SM Prime's assets where the business has an organizational boundary. The report shares the performance and consolidated data of its malls, residences, leisure resorts, offices, hotels and convention centers. This report has been prepared in accordance with the GRI Standards: Core Option and the Task Force on Climate-related Financial Disclosures alongside multiple internationally recognized frameworks such as the UN Sustainable Development Goals, UN Global Compact and the Sendai Framework for Disaster Risk Reduction (2015-2030).

This report is titled *Inspiring Resilience* to describe the year in terms of the Company's strength, dedication and response to any challenge.

The online version of the 2020 SM Prime Integrated Report is available at the SM Prime website (www.smprime.com).

Feedback on the report may be sent to info@smprime.com.

Cover Photo:
SM Mall of Asia's iconic globe reflects a public health and safety message in line with #SafeMallingatSM.

Next Page:
Part of the Bike-Friendly SM program, commuters ply the new bike lane at the SM Mall of Asia Complex.



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We are SM Prime

Our Story

This section serves as an introduction to SM Prime, our mission and vision as well as our core values.

SM Prime proudly presents our Integrated Value Creation Process alongside the leadership roster and our commitments to sustainability.

In addition, the process of creating our first Integrated Report is discussed in this section.



About SM Prime Holdings Inc. (102-1, 102-2, 102-7, 102-9)

From a mall developer and operator, SM Prime Holdings, Inc. (SM Prime) has grown to become one of Southeast Asia's largest integrated property developers. We offer innovative and sustainable Lifestyle Cities through the development of malls, residences, offices, leisure resorts, hotels and convention centers.

Incorporated in 1994, SM Prime is now the largest in terms of assets in the Philippines. The SM Supermalls, our mall division, has expanded our reach to serve millions with 76 malls in the country and 7 in China, spanning a total of 9.9 million square meters of Gross Floor Area (GFA). We are proudly in partnership with 17,937 mall tenants in the Philippines and 1,857 in China.

SM Prime goes beyond mall construction and management through our units and subsidiaries. SM Development Corporation is our residential business component that sells affordable condominium units while our commercial business unit, the Commercial Property Group, is engaged in the development and leasing of office buildings in key business districts. SM Leisure Resorts Residences serves the tourism industry and its projects complement environmental sustainability and the SM Hotels and Conventions Corporation business unit develops and manages various hospitality facilities and exhibition halls across the country.

As a responsible corporate citizen, SM Prime endeavors to be a catalyst for economic growth by enriching the lives of millions of Filipinos. Simultaneously an environmental steward, we ensure that our core business strategy hinges on sustainability principles that contribute to value creation over time.

Our vision is to build and manage innovative integrated property developments that are catalysts for a better quality of life.

Mission

We will serve the ever-changing needs and aspirations of our customers, provide opportunities for the professional growth of our employees, foster social responsibility in the communities we serve, enhance shareholder value for our investors and ensure that everything we do safeguards a healthy environment for future generations.

What We Stand For

Integrity
Hardwork
Innovation
Teamwork
Sustainability

Integrated Approach to the Value Creation Process

An essential part of the IR framework, the Integrated Value Creation table features the interrelated relationship among our Company resources, our business activities and the overarching strategies to achieve our goals.

Inputs



- Capital expenditure: PHP 59.6B
- Total equity: PHP 310.7B
- Retail bond offering over 3 years: PHP 100B



- Sustainable designs and construction
- SM Prime properties situated in strategic locations nationwide
- Mobility solutions



- Mobile and web-based application development
- Organizational manuals and procedures



- Water consumption: 12M cum
- Greenhouse gas emissions: 968,778 MT CO₂
- Solid waste management: 94.7M kg
- Marine Protected Areas (MPA)
- 22 SM Supermalls with rainwater catchment basins
- 10 SM Supermalls with solar panels on their roof decks



- Total number of employees: 9,576
- Be PRIME core values
- SM LIFE (Life Integration for Employees)
- Group Inclusion and Diversity Agenda (GIDA)
- COVID-19 response to employees



- MSME tenants and suppliers affected by the pandemic: 12,017
- Adopt-a-River program with DENR
- SM Cares advocacies and partnerships

Key Capitals

Our Vision

To build and manage innovative integrated property developments
that are catalysts for a better quality of life

External Factors

- Global COVID-19 Crisis
- Climate Change
- Investor Confidence
- Government Regulations
- Customer Trust

Strategic Focus Areas

- Strategic Growth
- Prudent Financial Management
- Integrity and Good Governance
- Sustainable and Resilient Investments
- Land Acquisition and Optimization
- Customer-centric Innovation

Business Activities

- Market Research
- Climate and Disaster Risk Assessment
- Resilient Designs
- Property Construction
- Operational Performance and Hospitality Services
- Stakeholder Engagement
- Life Cycle Assessment



Financial Capital



Manufactured Capital

Our Mission

We will serve the ever-changing needs and aspirations of our customers, provide opportunities for the professional growth of our employees, foster social responsibility in the communities we serve, enhance shareholder value for our investors and ensure that everything we do safeguards a healthy environment for future generations.

Outputs



- Total Assets: PHP 722.4B
- Total Revenue: PHP 81.9B
- Operating Income: PHP 29.1B



- 3 LEED Gold Certified buildings and 1 Gold Pre-certified building
- 2 new SM Supermalls in Mindanao
- 19.6km bike lanes, 83 repair stations and 522 bike racks good for 5k bikes across all SM Supermalls



- SM LIFE app and Trace Together for workplace health and safety
- 53 BCMS certified (ISO 223001 compliant) SM Supermalls
- SM Disaster Resilience Policy Framework



- 36% of wastewater is recycled for reuse in mall operations
- 28% decrease in electricity consumption in all SM Prime properties
- 100% attendance of pollution control officers in Basic Occupational Health and Safety training
- 3 coves declared Marine Protected Areas: Santelmo, Pico de Loro and Entayo
- Floodwaters are diverted from the surrounding communities
- 9,620MWh generated solar power provides renewable energy



- 1:1 ratio of men:women in top management
- PHP 13.7M budget spent on employee learning and development
- PHP 999.6M for employee compensation during the quarantine period
- PHP 6.6M worth of safety supplies provided to employees
- 70-20-10 blended learning approach



- PHP 23.30B total amount waived in rental relief
- PHP 333.9M total donation and financial assistance to agency personnel and LGUs
- PHP 218M for the Adopt-a-River program where 35,000 kg of trash was recovered
- PHP 95.2M in financial support, CSR marketing campaigns and PR value



Intellectual Capital



Natural Capital

Outcomes

Business viability to ensure the funding of future projects

Funds to build new projects and trigger business growth

Safe and sustainable properties that generate business, provide employment, create customer satisfaction and promote green practices

Urbanization and increased economic activity in provincial areas

Efficient and innovative policies and systems to support our Company's business continuity objectives

Universally-designed properties that are pioneering, accessible, resource efficient and profitable

Reduced carbon footprint and cost-savings

Safe communities around our properties

Marine diversity conservation and management

Accelerated employee growth and the assurance of business continuity

Nurtured employees that work with a happy heart

Improved quality of life, health and safety of employees

Livelihood preservation

Strong multi-sector relationships



Human Capital



Social & Relationship Capital



Board of Directors



Herbert T. Sy

Mr. Herbert T. Sy
Non-Executive Director

Herbert T. Sy has been a director of SM Prime since 1994. He is also an Adviser to the Board of SM Investments Corporation and is currently the Chairman of Supervalu Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM companies engaged in food retail for more than 30 years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University.

Mr. Jorge T. Mendiola
Non-Executive Director

Jorge T. Mendiola has been a Director of SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager



Jorge T. Mendiola

in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master's degree in Business Management from the Asian Institute of Management. He holds an A.B. Economics degree from Ateneo de Manila University.

Mr. Jose L. Cuisia, Jr.
Vice Chairman and Lead Independent Director

Jose L. Cuisia, Jr. has served as Vice Chairman of the Board of Directors and Independent Director of SM Prime since 1994. He was first appointed Lead Independent Director of the Company in February 2017 and has been reappointed in the positions for succeeding years. He served as the Ambassador of the Republic of the Philippines to the United States of America from April 2, 2011 until June 2016.

Mr. Cuisia was also the Vice Chairman of Philam Life after having served the company as its President and Chief Executive Officer for 16 years. He was also Chairman of the Board for BPI-Philam Life Assurance Co., the Philam Foundation and Tower Club, Inc. Mr. Cuisia was also the Governor of the



Jose L. Cuisia, Jr.



Henry T. Sy, Jr.

Bangko Sentral ng Pilipinas (BSP) and Chairman of its Monetary Board from 1990 to 1993. He was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to joining the BSP, he was Administrator and CEO of the Philippine Social Security System from 1986 to 1990. Mr. Cuisia is also a Director of Bacnotan Consolidated Industries (now PHINMA Corporation), Independent Director of Century Properties Group and Manila Water Company, Inc. (all of which are publicly-listed companies). Likewise, he is also Chairman of the Board of The Covenant Car Company, Inc., FWD Life Insurance Company and Starr International Insurance (Philippine Branch).

Ambassador Cuisia also served as Chairman of the Board of Trustees of educational institutions, Asian Institute of Management and De La Salle University. He is also a Convenor-Trustee of the Philippine Business for Education (PBE) and the Chairman of the Board of Trustees of the University of Asia and the Pacific. He was also elected to the Board of Trustees of the Makati Business Club, De La Salle Medical & Health Sciences Institute, De La Salle University – Dasmariñas, and Treasurer of the Ramon Magsaysay

Awards Foundation. He also holds directorates in Adlemi Properties Inc., Five J's Diversified Inc, JVC Corporation and Asian Breast Center, Inc. Mr. Cuisia is an alumnus of De La Salle University, where he graduated in 1967 with degrees in Bachelor of Arts in Social Science and Bachelor of Science in Commerce (magna cum laude). He finished his Masters degree in Business Administration-Finance at the Wharton School, University of Pennsylvania in 1970 as a University Scholar. Mr. Cuisia is a recipient of numerous awards and accolades including the 2017 Signum Meriti for exemplary public service from De La Salle University; 2006 Distinguished La Sallian Award; Ten Outstanding Filipino (TOFIL) awardee on December 2016 by the JCI Senate and ANZA Foundation; the Order of Sikatuna with the rank of Grand Cross by President Benigno Aquino III in 2016; Lifetime Contributor Award (public sector) by the Asia CEO Forum in 2015; Joseph Wharton Award for Lifetime Achievement by the prestigious Wharton Club of Washington, DC in May 2011; Management Association of the Philippines' Management Man of the Year for 2007; Manuel L. Quezon Award for Exemplary Governance in 2006; Raul Locsin CEO of



Jeffrey C. Lim



Gregorio U. Kilayko

the Year Award in 2004; and Ten Outstanding Young Men (TOYM) Award for Domestic Banking in 1982.

Mr. Henry T. Sy, Jr.
Chairman

Henry T. Sy, Jr. has been a director of SM Prime since 1994. He was appointed as Chairman of the Board in 2014. He is responsible for the real estate acquisitions and development activities of the SM Group, which include the identification, evaluation and negotiation for potential sites, as well as the input of design ideas. He is currently the Vice Chairman of SM Investments Corporation, Chairman and Chief Executive Officer of SM Development Corporation, Chairman of Pico de Loro Beach and Country Club Inc., and Vice Chairman of the National Grid Corporation of the Philippines. He holds a Bachelor's Degree in Management from De La Salle University.

Mr. Jeffrey C. Lim
Executive Director and President

Jeffrey C. Lim was appointed President of SM Prime in October 2016 and has been reappointed since then. He is a member of the Company's Executive Committee. He was elected to the Board of Directors of SM Prime in April 2016. He concurrently holds various board and executive positions in other subsidiaries of the Company. He is a Certified Public Accountant and holds a Bachelor's degree in Accounting from the University of the East. Prior to joining the Company in 1994, he worked for a multinational company and for SGV & Co.

Mr. Gregorio U. Kilayko
Independent Director

Gregorio U. Kilayko has been an Independent Director of SM Prime since 2008. He is the former Chairman of ABN AMRO's banking operations in the Philippines. He was the founding head of ING Baring's stockbrokerage and investment banking business in the Philippines and served as a Philippine



Hans T. Sy

Stock Exchange Governor in 1996 and 2000. He was a Director of the Philippine Stock Exchange in 2003. He is also currently an Independent Director in Belle Corporation, Philequity Fund and East West Banking Corporation. He took his Master's degree in Business Administration at the Wharton School of the University of Pennsylvania.

Mr. Hans T. Sy

Non-Executive Director

Hans T. Sy is the Chairman of the Executive Committee of SM Prime and has been a Director of the Company since 1994. He previously held the position of President of SM Prime until September 2016. He also held key positions in several companies engaged in banking, real estate development, mall operations, as well as leisure and entertainment. He is currently Adviser to the Board of SM Investments Corporation and Chairman of National University. Mr. Sy holds a B.S. Mechanical Engineering degree from De La Salle University.



Joselito H. Sibayan

Mr. Joselito H. Sibayan

Independent Director

Joselito H. Sibayan has been an Independent Director of SM Prime since 2011. He has spent the past 34 years of his career in investment banking. From 1987 to 1994, after taking his Master's degree in Business Administration from University of California in Los Angeles, he served as Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operations. He then moved to London in 1995 to run Natwest Market's International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB's Manila representative office in 1998, and later oversaw the transition of the office to branch status.

Corporate Executives

HENRY SY, SR. (†)
Chairman Emeritus

HENRY T. SY, JR.
Chairman

JEFFREY C. LIM
President

HANS T. SY
Chairman of the Executive Committee

JOHN NAI PENG C. ONG
Chief Finance Officer and Compliance Officer

CHRISTOPHER S. BAUTISTA
Chief Audit Executive

MARVIN PERRIN L. PE
Chief Risk Officer

STEVEN T. TAN
Head, Malls

JOSE MARI H. BANZON
Head, Residential (Primary)

SHIRLEY C. ONG
Head, Residential (Leisure)

RUSSEL T. SY
Head, Commercial Properties

MA. LUISA E. ANGELES
Head, Hotels and Convention Centers

ELMER B. SERRANO
Corporate Secretary

ARTHUR A. SY
Assistant Corporate Secretary

From Left to Right:

HANS T. SY
Chairman of the Executive Committee

HENRY T. SY, JR.
Chairman

JEFFREY C. LIM
President





Chairman's Message (102-14)

“As we begin to see some light that we would soon be able to get past this pandemic, SM Prime continues to seize opportunities to develop sustainable lifestyle cities that will service much more people.”

To Our Valued Shareholders,

SM Prime Holdings, Inc. (SM Prime) has been in the forefront of property development in the Philippines delivering sustainable lifestyle cities with modern, world-class amenities and destinations where business and recreation converge.

Through our integrated property developments, your Company has proven that we can be a catalyst of growth, enriching communities and improving the quality of life of millions. These achievements would not have been possible without the continued trust and support of our stakeholders.

This year, your Company is presenting a new and better way of reporting our performance results. The 2020 SM Prime Integrated Report will provide you with better mileage of our attainment of sustainable development goals across our six capital investments.

This report also showcases how SM Prime's sustainability approach is woven at the core of the Company's business strategy – a legacy of our

Founder Mr. Henry “Tatang” Sy, Sr. which we faithfully uphold in all aspects of the business.

In 2020, we were challenged with an unprecedented situation that pushed us to live our lives differently. The spread of a virus that forced almost all of the countries in the world to close their borders and limit the movement of its people through lockdowns and quarantine measures has created a scenario nobody thought could happen in this modern time.

In the Philippines, as community quarantines were imposed, businesses were shut down and almost everyone was directed to stay at home for safety. SM Prime was not spared from this extraordinary situation where 74 of our malls in Philippines were closed down for months – a first in our business since we opened our first SM Supermall - SM City North EDSA - in 1985.

Despite the challenges brought by these circumstances, SM Prime has been providing support to its stakeholders and to various organizations and institutions in the Philippines since the lockdowns started.

Continuous Service and Development

We are indeed grateful that despite these challenges, we remain to be of service to our countrymen while helping rebuild our economy. The national government allowed us to continue servicing the families and communities through our affiliates like supermarkets, banks, pharmacies and other essential partner-tenants to provide basic necessities and services in a safe and secure environment.

Your Company put to good use the months that we were ordered to close by providing much needed support to our employees, extended workforce, business partners, and civil society. With the extended financial aid and waived rental fees, we've been helping more people, entrepreneurs, farmers and local transportation services to survive this pandemic, while also finding ways and means to sustain our various businesses.

As of end-December 2020, SM Prime has provided almost PHP25B worth of assistance to its stakeholders as well as to the national government to combat this crisis. But we are not stopping here. Your Company, through SM Foundation, Inc., has committed to donate doses of vaccines that will help people contain the spread of the virus. We've also partnered with non-government organizations such as the Philippine Red Cross (PRC) to provide sites for its saliva transcription-polymerase chain reaction (RT-PCR) testing, while Mall of Asia Arena continues to be a Mega Swabbing

Facility for our frontliners and travelers coming into Metro Manila.

As we begin to see some light that we would soon be able to get past this pandemic, SM Prime continues to seize opportunities to develop sustainable lifestyle cities that will service more people. We managed to open two new malls in Mindanao – SM City Butuan and SM City Mindpro – in the last half of 2020 to expand the reach of our SM brand of care and support to our fellow Filipinos in the south.

On a brighter note, SMDC sustained its double-digit sales growth in 2020 with the launch of its four new residential projects - Smile Residences in Iloilo City, Gem Residences in Pasig City, Mint Residences in Makati City and South 2 Residences in Las Piñas City. SMDC's urban lifestyle developments continue to be in demand, notwithstanding the pandemic, particularly among overseas Filipino workers (OFWs), especially in the health sector. Together with the expansion of existing projects in 2020, SMDC has provided more than 15,000 additional housing units to the market.

Meanwhile, our office business maintained its steady revenue growth in the past year given that majority of our tenants are BPO-related companies that were allowed to operate by the national government.

“We still have so much more to do to win this fight – and we cannot do it by ourselves. We have to keep working together, striving together and living together.”

Moreover, this year, we’ve also opened the Olongapo City Convention Center, as a center of convergence in the Province of Zambales.

Work Together, Heal as One

We still have so much more to do to win this fight – and we cannot do it by ourselves. We have to keep working together, striving together and living together. As heroes continue to emerge from this crisis, let me acknowledge our brave and dependable employees who have been working diligently in the frontlines amidst this pandemic. I want to take this opportunity to thank our modern-day heroes for upholding the values that our Founder has taught us and making sacrifices for the welfare of the communities we serve.

I would also like to thank our stakeholders for your continued trust and confidence in the Board and Management of SM Prime. I also want to thank our Management for leading our Company in extending help to various groups and institutions during these trying times, as well as being of service to communities with whom we are partners.

To our business partners who remain with us, please know that you are family to us. We will keep working together for the improvement of our businesses, our people and our customers who have been with us all these years.

Lastly, to our Board of Directors, most especially to our outgoing Independent Directors – Mr. Jose L. Cuisia, Jr., Mr. Gregorio U. Kilayko and Mr. Joselito H. Sibayan – thank you from the bottom of our hearts for your unwavering guidance and wisdom through these past remarkable years of SM Prime. Your legacy will serve as light and inspiration to all of us as we remain optimistic and continue to provide sustainable developments in the coming years.

May we all find peace and comfort in the coming days as we continue to hope for a safer, healthier and brighter future for ourselves, for our nation and for the whole world. Stay safe, everyone!

Mabuhay ang Pilipinas! Mabuhay tayong mga Filipino!



Henry T. Sy, Jr.
Chairman

Vice Chairman and Lead Independent Director's Statement

It is a great honor and invaluable learning experience to serve as Independent Director of SM Prime Holdings, Inc. for 27 years. I cherish most the deep friendship with Mr. Henry Sy, Sr., endearingly called "Tatang," whose business acumen, incredible work ethic, clarity of vision, simplicity and humility inspire beyond words. Tatang's legacy lives on in his children who are decisive leaders, promote value-driven management, and espouse a pragmatic "stick to the knitting, stay with the business you know" philosophy.

In 1994, SM Prime had PHP2.26B in revenues, PHP1.01B in net income, and PHP15.4B in total assets. By 2019, these key result areas reached a phenomenal PHP118B, PHP38B, and PHP667B respectively. Today, SM Prime is the second largest company in the Philippine Stock Exchange, thanks to the dedication of our employees, the professionalism of Management, and the leadership of the Board.

I am especially privileged to have worked with two other fellow Independent Directors as well as other Board members whose integrity, dynamism and commitment are unquestionable. 2020 was a devastating year for business and the economy, but it also illuminated our organization's true character of genuine concern for employees and all stakeholders whose safety and well-being overrode profit considerations.

Then and now, the SM Group generously assists many needy Filipinos and communities. And when we have the head for business as well as the heart for people, as our slogan declares, "We've got it all for you." In the years ahead, I am certain SM Prime's unparalleled growth and profitability will scale even greater heights. In particular, I congratulate and sincerely thank Board Chair Henry Sy, Jr., ExCom Chair Hans Sy, and President Jeffrey Lim for making me part of this remarkable journey.



Ambassador Jose L. Cuisia, Jr.



President's Report (102-14)

“While the year 2020 has disrupted the consistent year-on-year growth of your Company, our balanced portfolio of malls, residential projects, offices, hotels and convention centers, and distribution of our businesses across the country, have allowed us to sustain our operations amidst the economic difficulties.”

In my more than two decades of service in SM Prime Holdings, Inc., I've faced many challenges as an individual and as a leader of this growing company. From being a mall operator back in the early '90s to one of the leading integrated property developers in Southeast Asia, SM Prime has established an organization that is driven to make a change in the society through world-class properties topped with sustainable developments, all for the enrichment of lives of millions of people.

The Year 2020 has brought a different kind of challenge not only to our Company, but to the entire world. The disruptions caused by the spread of Coronavirus Disease 2019 (COVID-19) led to strict implementation of safety protocols in every nation leading to lesser mobility of people and closure of borders. The Philippines was not spared from these challenges as the national government-imposed community quarantines that required closure of all public and private

establishments to contain the spread of the virus. As the adverse impact of this pandemic persists, we, at SM Prime, continue to weather this global crisis.

Over the past years, SM Prime has been recognized as one of the property market leaders not only in the Philippines but also in Southeast Asia. The sustained growth of your Company is attributed to the integration of SM's property companies in 2013 that paved the way for expansion in different parts of the Philippines and in China. While the year 2020 has disrupted the consistent year-on-year growth of your Company, our balanced portfolio of malls, residential projects, offices, hotels and convention centers, and distribution of our businesses across the country, have allowed us to sustain our operations amidst the economic difficulties.



Continuous Sustainable Operation

Despite the setbacks brought about by the pandemic, your Company reported PHP 18.0B in consolidated net income in 2020. This is on the back of PHP81.9B achievement in consolidated revenues. SM Supermalls, which accounted for 34% of SM Prime's 2020 consolidated revenues, recorded PHP28.3B revenues.

While our mall business segment was taken aback by restrictions implemented to control the spread of the virus, SM Prime's primary residential business segment showed a steady growth and accounted for 58% of consolidated revenues. Led by SM Development Corp. (SMDC), SM Prime's primary residential business unit posted a 6% revenue increase in 2020 to PHP46.5B, with operating income rising to PHP19.7B, 16% higher than the previous year. Through careful and strategic ways of reaching to our customers here and abroad, SMDC's reservation sales recorded a 10% growth to PHP99.0B in 2020.

SM Prime's offices, with majority of its tenants being in the business process outsourcing (BPO) industry, continued to operate within optimal level. The commercial business unit that manages these offices has contributed to the Company PHP4.8B revenues and PHP3.9B operating income in 2020. SM Prime's hotels added PHP1.6B in SM Prime's 2020 consolidated revenues as our hotels remained open for accommodation needs of BPO employees as well as temporary shelter for returning Overseas Filipino Workers (OFWs). With long term sustainable growth in view, your Company continued to explore favorable acquisitions and/or investments throughout the period. At the onset of the community quarantine protocols implemented by the government which affected many of our countrymen, your Company prioritized giving assistance to help meet their needs.

SM Prime, together with SM Investment Corp. (SM) and SM Foundation, Inc. (SMFI), has provided support to various stakeholders including its employees, public and private partners, medical and civic organizations in 2020. Alongside these partnerships and assistance, SM Prime and SM Engineering Design and Development (SM EDD) also donated emergency quarantine facilities, and converted the Mall of Asia Arena in Pasay City into a Mega Swabbing Facility, which has served a large number of frontliners and metro dwellers since it opened publicly in the second half of last year.

In this report, you will learn further details of our assistance to various stakeholders during this crisis, as well as our recovery plans across our businesses. We also included a report on the growth across the categories of capital investments which provides us with a sustainable path towards growth in the future.

Pursuing Excellence and Innovation in the Midst of Challenges

SM Prime remains optimistic and continues to innovate its businesses to adapt to the changing needs and aspirations of our customers. In 2020, given restricted mobility, your Company accelerated going into the digital space with the introduction of the SM Mall online app where customers can safely buy from SM Mall tenants through their mobile gadgets. Meanwhile, for those who go to SM Malls, SM Prime ensures that minimum health and safety protocols are observed within the mall premises. In addition, we have launched "Trace Together," a generic mobile tracing tool for all our properties to complement the tracing program of the national government. We have likewise transformed back office processes, engaging in more online collaborations, trainings and seminars to ensure the safety and well-being of our employees who continue to provide operational support to the businesses.

We will continue to look for opportunities and ways to improve how we do things in order to serve our customers and stakeholders better. In our pursuit to improve disclosure and transparency to our stakeholders, SM Prime presents this year our first Integrated Report, which will provide detailed information on how we utilize our capital investments to deliver sustainable value and growth. This Integrated Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. It also contains discussions relative to the Task Force on Climate-Related Financial Disclosures (TCFD).

Furthermore, this report captures our advancement in disaster risk reduction with the National Resilience Council and ARISE Philippines, with Mr. Hans T. Sy, SM Prime's Chairman of the Executive Committee, as the first Filipino elected to the ARISE International Board. UN ARISE aligns us with the Sendai Framework and UN Sustainable Development Goals (UN SDGs), which has been a global standard for sustainable development.

Meanwhile, SM Prime continues to be recognized for excellence in corporate governance as your Company received yet another Golden Arrow Award from the Institute of Corporate Directors for ranking well in the ASEAN Corporate Governance Scorecard brought by its success in fostering a culture of fairness, accountability, and transparency at all levels within the organization. We hope that through these milestones, we will be able to further gain your trust and confidence as we continue to excel in good governance and sustainable development.

Committed to Bounce Back

The vaccination rollout gives us hope that this pandemic will be over soon. Your Company supports the government's vaccination program by committing to donate a portion of vaccine doses we have procured for our employees. We should all work together and help one another so we can rise above the challenges the COVID-19 pandemic has brought to us.

To our customers and public and private partners, thank you for trusting and supporting us in all our endeavors despite a challenging year. Our commitment and passion toward a safer and healthier environment are for every one of us who aspire to live in a better and safer environment.

To our devoted employees and Management, thank you for your hard work and sacrifices for the Company. You mean a lot to the fulfilment of SM Prime's vision of

building and managing innovative integrated property developments that are catalysts for a better quality of life.

To our Board of Directors, most especially to our three outgoing Independent Directors - Mr. Jose L. Cuisia, Jr., Mr. Gregorio U. Kilayko and Mr. Joselito H. Sibayan - please bear in mind that we will always be grateful for the years of service you have rendered in SM Prime. The wisdom and knowledge you have shared with us will always be a huge part of the Company that has grown into a regional powerhouse in property development.

Finally, to our stakeholders, we have done a lot in the past years, and we will continue doing more for the betterment of our lives. We hope to keep your trust and faith in all that we do, and rest assured that we will build on the faith you have put on us. *Maraming salamat sa inyong lahat.*

May we all continue to lead meaningful and fruitful lives, grateful for the people whose principles continue to echo in the values we have embraced and will pass on to the generations to come. Thank you and please stay safe, everyone.



Jeffrey C. Lim
President



Sustainable Leadership

SM Prime's sustainability journey began years ago when a young engineer saw the need to improve building operations and elevate SM property management to its status today. That young man was Hans T. Sy, now Chairman of the Executive Committee of SM Prime Holdings, whose role in the group has evolved but has remained ever active in all things sustainability, including disaster risk resilience and management.

A History of Change

Under his leadership, SM Supermalls pioneered the integration of energy efficient and water conservation methods in the malls. It was in the early 2000's when he converted the SM malls' air conditioning system and installed Variable Speed Drives as part of the building management system. The conversion complied with the national government's regulations on the reduction of the greenhouse gases that affect the globe's ozone layer. In addition, these investments alone saved the Company millions, most especially when electricity rates began to increase.

Another milestone change was the integration of sewage treatment plants to process waste water and reuse it for water closet flushing, aircon cooling tower operations, and others. It has since been lauded by the government and replicated by other companies. The pioneering SM programs on air quality began with the park finder systems in the mall carpark buildings and more recently, the bicycle lanes and parking in the properties. Hans led solid waste management programs and implemented the practice of voluntary waste segregation among mall tenants as well as customers, through properly labeled trash bins, even before the government

released ordinances on segregating trash at its source. Programs on solid waste management further flourished under his direction with the launch of the original SM reusable bag and the Trash to Cash recycling market. The responsible disposal of hazardous waste, plastic waste collection, and paper recycling initiatives soon followed. For every external program that was launched there were various information and education campaigns for the environment and other community advocacies through SM Cares, the umbrella arm of SM Prime for corporate social responsibility. Through all these programs, SM opened the eyes of customers and in effect made them force multipliers in caring for Mother Earth.

Resilient Investments

Hans once said, "The safety of the communities, employees, customers, and the facility structure remain top priorities in all SM Prime developments. As I tell my design teams ever so frequently, ensuring safety is the only way I can sleep well."

In constructing a mall, he began to introduce resilient design. In the case of one of the largest malls in the Philippines, SM Mall of Asia, science-based research informed him that building it beyond the national building code's standards would benefit the business in the long run. Indeed, the mall was protected from storm surges, and similarly for SM City Marikina which is built on stilts near a flood-prone river, floodwaters did not severely affect mall and tenant operations.

Hans has long believed in going green as he saw the growing potential gains of these sustainable assets. Rainwater catchment basins underneath the malls act as reservoirs and serve the same purpose of



keeping the surrounding community safe, preserving capital assets without compromising the natural environment.

In line with energy conservation, SM Prime was the first to consider renewable energy in mall properties with solar panels in SM City Xiamen then in SM North EDSA's roof deck in 2013. Generating a total of 9,620 MWh, seven sites have the landmark solar panels. To further long term energy conservation, SM properties have converted lighting fixtures into LED systems and have encouraged tenants to utilize electricity-saving devices.

More of SM Prime's buildings bear the mark of green investments as 10% of capital expenditure budget goes into sustainable design and disaster risk resilient construction. Several, such as Conrad Hotel, SM Aura Premier and two E-com buildings, have now been LEED-certified, awarded, and recognized for environmental stewardship. More than half of the mall properties are now Business Continuity Management System, or BCMS, ISO 22301 certified.

Partnerships for the Environment and More

Being in a position of influence and reach, it was only natural for Hans to advocate sustainability and disaster risk resilience in the property management industry and the private sector. He became the first

“As I tell my design teams ever so frequently, ensuring safety is the only way I can sleep well.”

Filipino member of the United Nations (UN) ARISE Private Sector Alliance for Disaster Risk Reduction after being part of the UN Private Sector Advisory Group. In 2017, he co-founded the Philippine National Resilience Council (NRC) alongside the Carlos P. Romulo Foundation and the Department of National Defense. Public-private partnerships or PPP was seen as a clear path to national resilience against the effects of natural and manmade disasters.

The pivotal “Adopt-a-City” program that featured the PREPARE, ADAPT and TRANSFORM phases towards making cities resilient started when SM sponsored Naga City, Cagayan de Oro and Iriga City. One other result of these collaborations were the pre-agreements between the private sector members and the government. At the height of the coronavirus 2019 (COVID-19) disease pandemic, bottled water, health essentials, food relief and hospital needs were provided to frontliners.

Hans also took part in a series of impressive knowledge sharing webinars on topics that dealt with the pandemic, including the web-based Geospatial Risk Database or Web-GRID training. These PPP initiatives became a large-scale effort that showed unity and strength in numbers.

Continuing Advocacies

Hans never wavered in his commitments despite the challenges that came to the business. Going virtual due to the pandemic, he was part of a number of online engagements that heralded the advocacies close to his heart. November 2020 saw him deliver a message at the Management Association of the Philippines' Convocation for Shared Prosperity where he expressed his views as a businessman on the natural world. On commitment to the environment he said, "Being in business, we must carry the responsibility of safeguarding the surrounding environment - the earth we build on, the air we breathe and the energy and water we use. The very resources that keep us alive compel us to do better for the community and retain the confidence of our stakeholders as well as our shareholders."

With the growth and expansion of the Company especially through the malls, SM Prime carefully ensures that its design, construction and operations are guided not only by principles of sustainability but also of resilience. Hans expressed this in his speech to the students at the Asian Institute of Management's Convocation Program – Executive Master in Disaster Risk and Crisis Management. He explains, "I believe that proactive and science-based solutions in disaster risk reduction

and resilience intervention are crucial to mitigate the risk of displacement and protect the citizenry. This requires systematic efforts to analyze and manage the causal factors of disasters by reducing exposure to hazards and minimizing vulnerability of people and property."

Hans continues to pursue disaster risk resilience beyond the Company as the Co-Chair of the UNDRR's ARISE Philippines. At the last annual membership meeting, he noted that the COVID-19 pandemic caused businesses to work harder to sustain operations for the sake of the employees, partners and the community. Private sector assistance to the government in effect became an essential part of the whole of society approach in the fight against the crisis. Forging public-private partnerships with political leaders, civil society groups and the academe became key to adapting to the better normal. Hans echoes the call for preparedness, prevention and mitigation among the sectors, and it is a demand which requires action to move forward together.

SM Prime is clearly on its way to be a future-proofed business, led by a man with a heart for the environment, for its people, the community, and the nation.



Our Commitments

SM Prime acknowledges that our businesses largely impact the environment and society. We therefore continuously uphold our commitment to operate sustainably not only for our interests but also for the benefit of our stakeholders, the environment and society.

Focus on Sustainability

Our sustainability strategy is anchored on four pillars covering the dimensions of sustainability: People, Economic, Environment, and Community. Sustainability complements our strategy to deliver financial performance that is above industry standards. We create positive socio-economic impact, leave a favorable footprint in communities and is environmentally responsible in our operations while we build innovative and sustainable lifestyle cities.

SM Prime's sustainability programs are designed to support global frameworks that seek to address the challenges imposed by poverty, inequality, climate change, and disaster risks. We have the opportunity to present and measure our contributions to the SDGs and show our support to the Sendai Framework in this report.

Board Statement

SM Prime is committed to sustainability and incorporates the key principles of environment, social and governance (ESG) in our core business strategies and operations. Our Board of Directors sets the Company risk appetite, which determines the nature and extent of material risks that our Company is willing to pursue to achieve our strategic and business objectives. The risk appetite incorporates ESG factors such as fraud, corruption, bribery, environment as well as health and safety.

Our Company's business plans, including our sustainable corporate practices, are translated in both quantitative and qualitative performance targets and are cascaded throughout the organization.

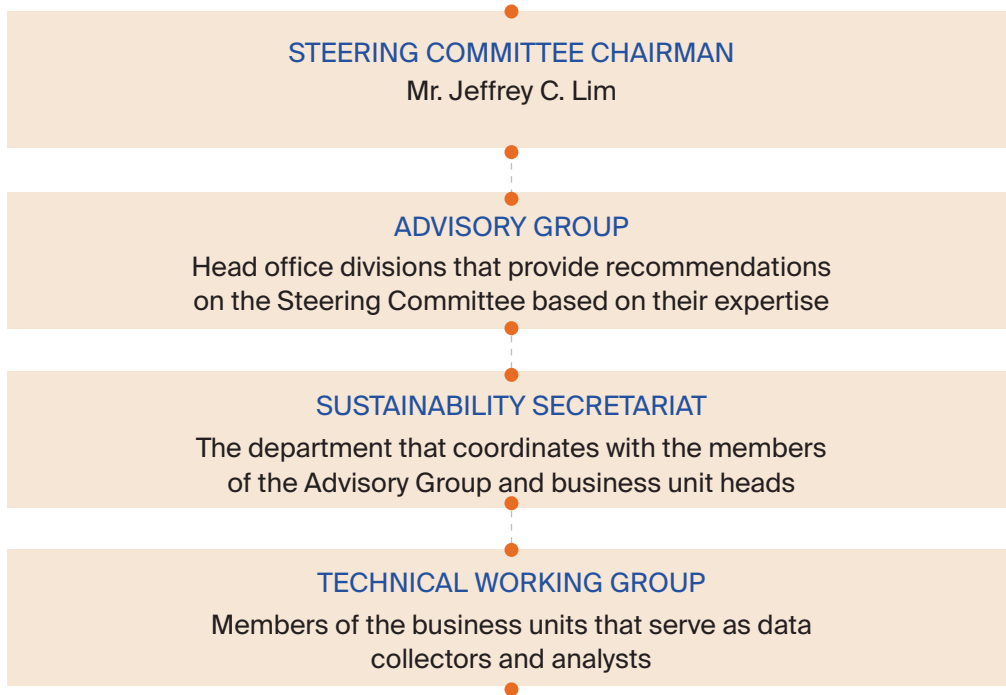
We recognize, that while the country is among the leading growth economies in the region, its growth has enhanced its exposure to global value chains and increased vulnerability due to socio-economic conditions. We, therefore, acknowledge the need for sustainability and resilience as a foundation for informed action to sustainable development.

We also commit to the following:

- Prioritize risk sensitive investment and action through the adoption of new standards for resilient infrastructure, buildings, and industrial and business practices
- Increase support for the creation and mobilization of trans-disciplinary knowledge on disaster risk and resilience through higher education and the professionalization of risk reduction and resilience practices
- Pro-actively participate in the formulation of National Multi-Stakeholder Science and Technology plans that effectively link disaster resilience to sustainable development
- Establish multi-stakeholder platforms to continuously share knowledge and innovation in disaster risk reduction for whole-of-society solutions
- Advance public-private collaboration on disaster resilience based on the national policy for open access to data that is critical to the formulation of disaster resilient strategies

With a sustainability management structure, our business units and all employees are empowered towards sustainable development, which is, to meet the needs of the present without compromising the ability of future generations to meet their own.

Sustainability Council



Materiality

SM Prime identifies and conducts reviews on material issues that are most relevant and across all of our business units and stakeholders. The Enterprise Risk Management Group (ERM) leads the assessment and documentation of material risks and related internal controls. These are prioritized based on the potential impact of issues affecting our business continuity and property development.

Report Content

This report aligns with the guiding principles of the International Integrated Reporting Council (IIRC) by connecting the ESG performance with business and financial impact. Centered around six capitals – Financial, Manufactured, Intellectual, Environment, Human, and Social and Relationships – this aims to present the interrelationship between our businesses and sustainability performance leading to value creation.

This report has undergone review using the Global Reporting Initiative (GRI) Standards and also supports the Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, it adheres to the UN Sustainable Development Goals, the UN Global Compact and the Sendai Framework for Disaster Risk Reduction.

Priority of ESG Material Issues

Environment	<ul style="list-style-type: none"> • Energy efficiency • Waste management • Climate change and emission reduction 	<ul style="list-style-type: none"> • Biodiversity • Construction and operational waste
Social and Labor	<ul style="list-style-type: none"> • Employment • Stakeholder engagement • Occupational health and safety 	<ul style="list-style-type: none"> • Supply chain management • Diversity • Human rights
Governance	<ul style="list-style-type: none"> • Compliance • Business ethics • Products and services 	

SM PRIME'S PATH TO SUSTAINABLE DEVELOPMENT

JOBS CREATION

- Provides job opportunities to thousands across business units
- Local hiring prioritized



Builds Malls, Offices, Residences, Leisure Resorts, Hotels & Convention Centers

Disaster Risk Reduction and Resilience

- Capital Expenditure investment on disaster-resilient features
- Capability building for employees and stakeholders
- Promotes pre-agreements among sectors



Operationalizes Risk-informed Investments

Supporting Communities

- Inclusive programs for persons with disability, senior citizens, women and breastfeeding mothers, children and the youth
- Community-based activities such as feeding programs and tree-planting initiatives by SM Prime's business units



Creates Positive Community Impact

Facilitates Economic Development

- Increased investment in manufactured capital
- Investments in capacity building for internal and external stakeholders
- Public-Private Partnerships



Provides Inclusive Economic Opportunities

Sustainable Operations

- Energy and air efficiency
- Water recycling
- GHGs monitoring and management
- Waste management



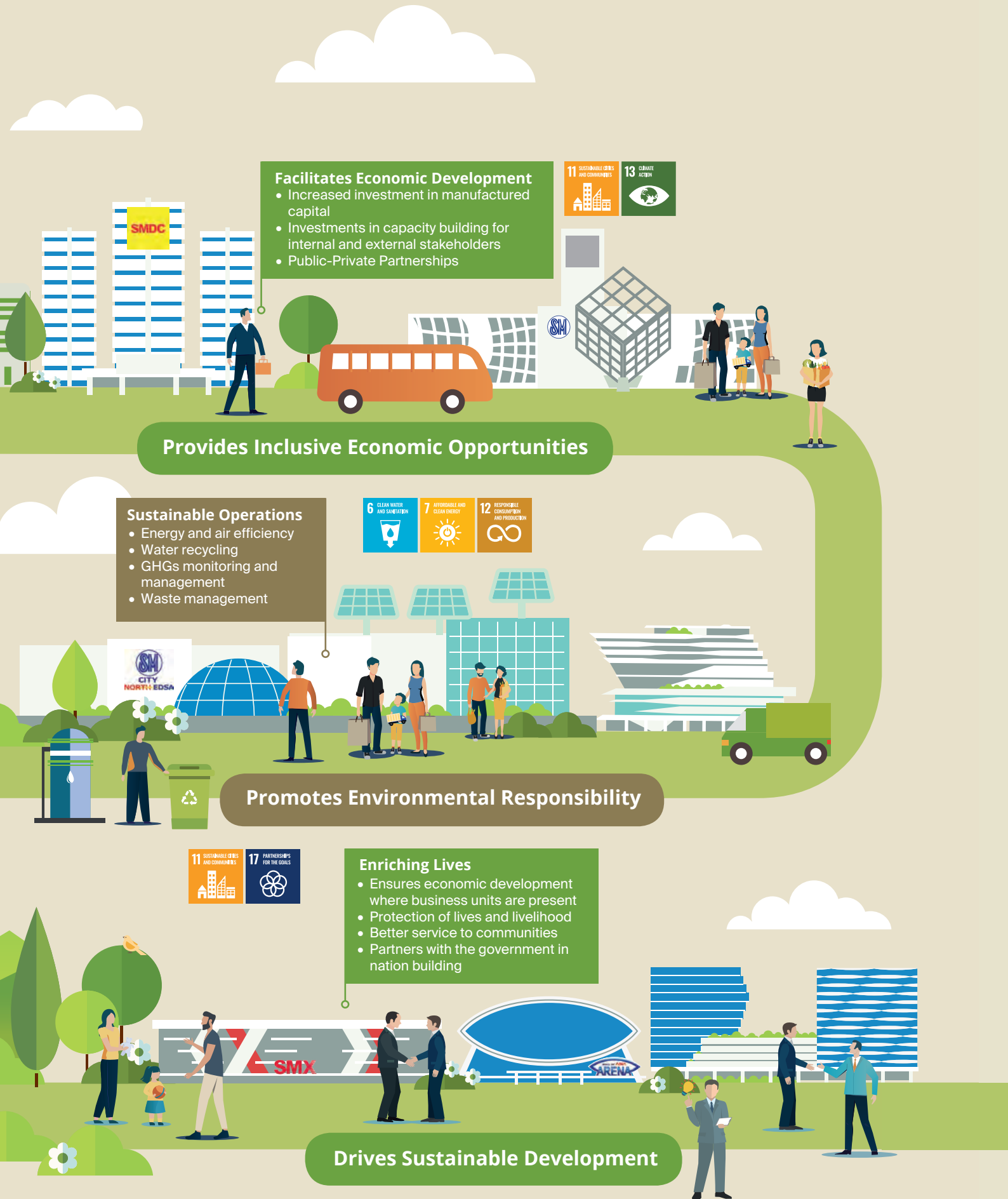
Promotes Environmental Responsibility

Enriching Lives

- Ensures economic development where business units are present
- Protection of lives and livelihood
- Better service to communities
- Partners with the government in nation building



Drives Sustainable Development



Our Four Sustainability Pillars (102-16)

We consider the sustainability of our vision as integral to delivering a better world for Filipinos. SM Prime's sustainability is anchored on the following pillars: Economic, People, Environment and Community pillars. With these pillars, our lifestyle cities composed of first-class malls, luxuriously affordable residential and leisure home properties, prime offices, hotels and convention venues are able to serve and elevate the Filipino people way of life and experience.



Our Reporting Process

(102-16)

SM Prime's 4-Step Sustainability Reporting Process ensures that we meet our responsibility to our stakeholders. We include the GRI Sustainability Reporting Standards as part of this report and the contents are verified and presented fairly. The primary information in the pages are declared accurate, objective and compliant with the reporting process cycle. Each section states general disclosures and the approach of management.



Step 1: Capability Building

We conducted stakeholder identification and prioritization. The stakeholders are verified as the groups that significantly affect the operations of our Company, subsidiaries and business units.

Step 2: Materiality Assessment

For this report, a new materiality survey was released to members of the identified stakeholders. The survey questions revolved around economic, environment, social and governance topics.

Step 3: Management Review

Once the material topics have been ranked according to importance, they underwent further review by our management. The results of the survey became our basis for the sustainability targets.








Step 4: Data Gathering

The financial and non-financial data presented in this report were collected through interviews and available figures from data users.

Stakeholder Engagement

(102-6, 102-9, 102-16, 102-40, 102-42, 102-43)

The involvement of many stakeholders from different backgrounds in company strategy, operations and future plans ensures a holistic view, one that opens up potential enhancements as well as group-wide directions. For this year's report, our Company considered all of our valued stakeholders' interests and priorities at this unique time. Each business unit reviewed its active stakeholders and had its groups participate in a 36-item materiality survey. The comprehensive list below is representative of multiple investor groups.

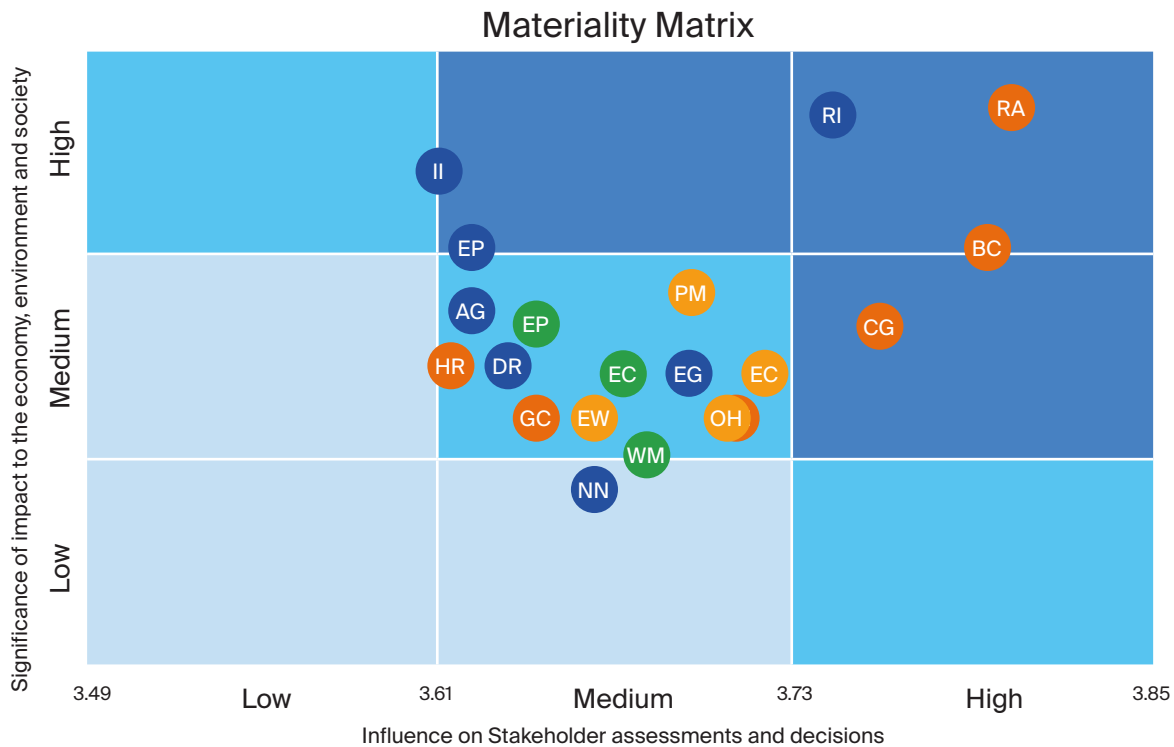
Stakeholders Group	Impact and Significance
 <ul style="list-style-type: none"> Clients/Customers <ul style="list-style-type: none"> • Clients/Customers • Unit Owners • Tenants 	<p>We deliver world-class lifestyle cities that evolve with the ever-changing needs of our tenants, customers and home owners. In line with sustainable development, these stakeholders receive an elevated form of service.</p>
 <ul style="list-style-type: none"> Shareholders <ul style="list-style-type: none"> • Investors 	<p>We prioritize the optimization of shareholder returns and aim to preserve good corporate governance. Financial and sustainability reporting is transparent and provides proactive and timely communication of data.</p>
 <ul style="list-style-type: none"> Company <ul style="list-style-type: none"> • Employees • Management • Principals 	<p>The health and safety, skills, welfare and professional development of our workforce are essential to our Company's performance. We endeavor to develop their potential to drive innovation, productivity and organizational excellence.</p>
 <ul style="list-style-type: none"> Business Partners <ul style="list-style-type: none"> • Third-party Service Providers • Sellers/Brokers • Contractors • Ride Partners 	<p>We ensure that our supply chain partners prioritize our policies and standards on environmental conservation, work site safety and workers' health and wellbeing. With our reach and influence, we strive to reduce our overall carbon footprint.</p>
 <ul style="list-style-type: none"> Community/NGO <ul style="list-style-type: none"> • Communities • Condominium Associations • Sector Partners 	<p>Our properties create positive influence in the communities and their surroundings. Through multi-sector collaboration, volunteerism, sustainability, resilience and inclusive programs, we effect change.</p>
 <ul style="list-style-type: none"> Government Sector <ul style="list-style-type: none"> • Local Government Units • Government Agencies 	<p>Public-private partnerships enhance our contribution to nation-building. To this end, our resources remain accessible and available to all sectors of society, whenever needed.</p>
 <ul style="list-style-type: none"> Media Partners 	<p>By engaging actively with our media and communication partners, we are able to communicate factual, positive and inspiring news as well as share our advocacies, promote our brand and address any gaps in information.</p>

Materiality Assessment

(102-44, 102-46, 102-47)

In line with the reporting process, we conducted a materiality survey. The result produced 20 material topics above a predetermined threshold. These topics are guided by the GRI Sustainability Reporting Standards and fall within the economic, environment, social and government realms as well as the Integrated Report's 6 capitals.

This materiality matrix shows that our stakeholders place high importance on SM Prime's risk assessment, Business Continuity Management (BCMS) and corporate governance, most of which fall under the governance realm. The next ranking topics involve resilient infrastructure, employee compensation, data privacy and occupational health and safety which are among the economic, social and governance related.



ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
RI - Resilient Infrastructure	EP - Environmental Performance	PM - Property Management	RA - Risk Assessment
II - Infrastructure Investment	EC - Environmental Compliance	EC - Employee Compensation	BC - BCMS
EP - Economic Performance	WM - Waste Management	OH - Occupational Health & Safety	CG - Corporate Governance
AG - Assistance to the Government		EW - Employees Welfare	HR - Human Rights
DR - Disaster Response			DP - Data Privacy
EG - Economic Growth			GC - Graft & Corruption
NN - New Normal Innovations			

Organizational Resilience

2020 was a daunting year filled with challenges and has reshaped SM Prime's priorities as a Company. SM Prime was exposed to a myriad of disruptions to business operations such as volcanic eruptions, earthquakes, and the ongoing pandemic. The ability of an organization to survive an ever volatile and uncertain environment lies within its corporate DNA.

Prior to the pandemic, SM Prime has been vigilant toward an ever changing and volatile business landscape. SM Prime identifies four important elements that bolster the organization's resilience:

Leadership

Setting the tone from the top, Mr. Hans Sy, Chairman of the Executive Committee, believes that organizational resilience must extend to the society at large. SM Prime fully commits to the Sendai Framework for Disaster Risk Reduction (SFDRR) and in the advancement of the Sustainable Development Goals.

By participating in various global and national platforms such as the Private Sector Alliance for Resilient Societies (ARISE) and the National Resilience Council (NRC), SM Prime hopes to achieve substantial reduction of disaster risks including losses of lives and livelihoods. The ongoing crisis has brought to light the importance of ESG and the need to accelerate its integration by accentuating the instrumental role the business plays in addressing wider societal, environmental and ethical issues.

Culture

In order to have disaster ready personnel, SM Prime provides appropriate training which introduces the basic and important concepts of Business Continuity Management and Disaster Resiliency to all members of the organization.

SM Prime conducts regular awareness seminars for fire, earthquake and other disasters. We continue to participate in nationwide efforts to build disaster

resilience by partnering with local and national government campaigns, such as the Nationwide Simultaneous Earthquake Drill Campaign, Fire Prevention and Safety, and Incident Command Systems.

Infrastructure

As a first line of defense against disasters, SM Prime strives to create disaster resilient structures built into the design of our properties.

We design our properties with features such as slab systems, rainwater catchment basins and elevated structures using pilings and other support structures. SM City Marikina, which is situated within the Marikina watershed, is designed to be elevated on concrete stilts, so that during heavy flooding, it may serve as refuge for displaced local residents.

SM Prime also commits to provide necessary resources towards disaster resiliency such as generators, holding tanks, earthquake recording instruments and fire detection systems, etc.

Process

Recent disruptions have tested the SM Disaster Resilience Policy Framework, designed to be a common reference for the management, personnel, and stakeholders on matters relating to disaster resilience of SM Prime.

The framework provides guidelines on how to minimize the impact of a disaster on the organization. Through the framework and continuous improvements, our Company gained an



Leadership

An engaged and dynamic leadership that drives the organization towards resiliency



Culture

A culture that is built to be disaster ready



Process

Processes that evolve with the changing times



Infrastructure

Infrastructures built to last

understanding that in order to be a resilient organization, we must ensure the sustainability of our stakeholders. This is more apparent in 2020, as tenants were provided rent concessions to enable them to survive business disruption during the COVID-19 pandemic.

Through close coordination with local and national government, SM Prime implemented protocols to ensure the health and safety of our mall goers. Just as important as the ability to survive disasters, the ability to bounce back as quickly as possible is equally important.

As a reference to the path to recovery, malls are tasked to document Business Continuity Plans to guide them post-disaster to return to normalcy. SM Prime also acquires appropriate insurance policies key assets to financially safeguard the organization damages and breakdowns.

With data being an increasingly important part of the operations, SM Prime established the SM Resilience Center to gather and document both the information,

communication and procedural needs and requirements to implement disaster risk reduction and management (DRRM). The SM Resilience Center may also serve as a Command Center during disasters. To ensure that SM Disaster Resilience is up to standards, SM Prime's malls undergo the annual ISO 22301 Business Continuity Management System (BCMS) Certification annually.

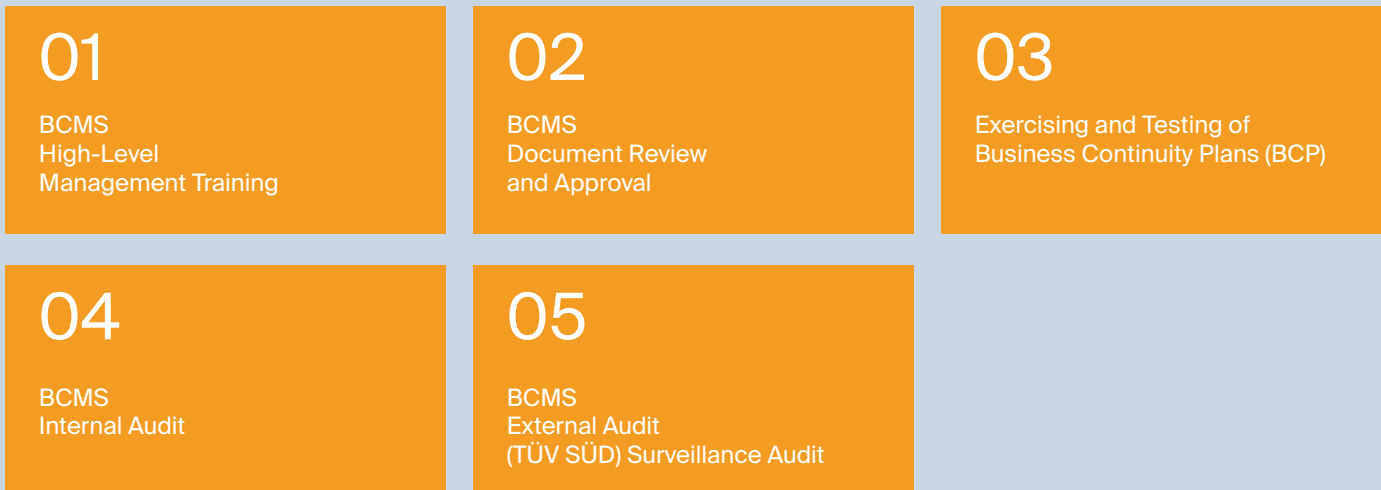
The company engages TÜV SÜD to assess organization's compliance to the ISO 22301 standards, and whether the management system is effective in supporting the organization's business continuity objectives.

This process of continuous improvement helps SM Prime in our effort to be organizationally resilient. 89% of SM Prime's existing malls are projected to be BCMS-certified by 2022. In 2020, 70% of the existing malls had been BCMS-certified. This is 8% better than the set target. To date, a total of 53 malls are already BCMS-certified.



Business Continuity Management System

The process of the certification is composed of five major steps. All of SM Prime’s 53 BCMS-certified malls underwent this process:



Based on our Five-Year Roadmap, 89% of SM Prime’s existing malls are projected to be BCMS-certified by 2022.

Climate-Related Disclosures

(201-2)

SM Prime understands the impact that climate change can have on its stakeholders and on its portfolio. As we have been reporting on climate-related risks in our sustainability reports, we pledge our full support for the Task Force on Climate-related Financial Disclosures (TCFD). Mandated by the Securities and Exchange Commission, we encourage financial disclosure and promote non-financial reporting as espoused by the TCFD.

Governance

The SM Prime Board of Directors sets the Group's risk appetite. This determines the nature and extent of material risks the Group is willing to take in achieving our strategic business objectives. The determination of risk appetite takes into account ESG factors including climate change.

SM Prime's Enterprise Risk Management (ERM) team monitors the Company's risk management processes to ensure its effectiveness and reports regularly to the Board of Directors through the Risk Oversight Committee to update them on the status of key risks for resolution including threats posed by natural calamities to properties within the SM Prime Property Group.

SM Prime's sustainability management efforts is supported by the Chief Sustainability Officer and the Sustainability Steering Committee which oversees various work teams to ensure the Group's continued progress and improvement in the areas of ESG.

Strategy

SM Prime employs a two-pronged strategy to address climate change. The first strategy focuses on resiliency.

We aim to improve our organizational resilience through our Business Continuity Management System (BCMS) and endeavors to future-proof developments by incorporating disaster resilient features in infrastructure designs.

The second strategy focuses on the reduction of Greenhouse Gases (GHG) emissions and the

reduction of the Company's carbon footprint. We also consider the reduction in energy and water use as a contributor to reduced GHG emissions.

SM Prime recognizes that one of the causes of a drought and power loss is the increasing dependence on dirty (i.e. coal fired power plants) rather than renewable energy (e.g. hydroelectric power plants).

To achieve this goal, SM Prime employs programs such as the use of more energy efficient LED bulbs, water recycling in its properties, paper recycling and the maintenance of biodiversities.

Risk Management

SM Prime is exposed to physical risk brought about by climate change. It recognizes that climate change brings about different effects in different geographies including rising sea levels, violent storms, long intense heat waves, flash floods and fresh water depletion.

In 2020, SM Prime properties were exposed to earthquakes, volcanic eruptions, typhoons and flooding. The ways in which SM Prime's portfolio could be impacted by such geophysical and hydrometeorological risks are diverse, resulting to some uncertainty as to the severity of impact.

SM Prime recognizes that the countries where we operate are challenged to strengthen their resilience against climate change risks, manage their GHG emissions and achieve economic growth in a sustainable manner. As a result, SM Prime expects some transitional risk particularly in the area of regulatory compliance as new or more stringent

regulatory requirements may be introduced by the government. SM Prime also anticipates increased expectations from stakeholders not just to comply but also to go beyond compliance.

As a response to these climate-related concerns, we have included climate risk in SM Prime's ERM framework. Using this framework, climate-related risks and opportunities are identified, mitigated and monitored. To emphasize its commitment, SM Prime voluntarily subjected its SM Supermalls for ISO 22301 BCMS certification. As part of its measures to minimize climate risk, SM Prime has implemented several programs such as energy and water conservation, water and paper recycling as well as tree planting activities.



Our Company aims to ensure efficient energy consumption by initiating the transition of all our business units to LED bulbs as well as installing solar panels. We monitor and annually disclose our operational water and energy data.

Since 2016, we have been disclosing Greenhouse Gas emissions Scope 1, 2 and 3 of our global portfolio. We review data to set a science-based carbon target and an internal carbon price.

To mitigate the physical risks posed by climate change, SM Prime studies the local context of each project in detail to consider the appropriate counter measures. It is our commitment to continue improving our climate-related initiatives and increase the overall coverage of these programs. As a good corporate citizen, we always endeavor to comply with all laws and regulations, be it climate-related or otherwise.

Metrics

SM Prime gives much importance to metrics and targets to assess and manage relevant climate related risks that are material to the company. SM Prime implemented sustainability practices to minimize the effect of operations to the environment. For year 2020, here are the outcomes of some of the programs.

9,620 MWh generated power

from solar panels on roof decks

176 hectares of biodiversity

in Pico de Loro is estimated to absorb 1,127 tons of CO2 in the air

Water recycling facilities

saved 3.4M cubic meters of water

70% of SM Malls

in the Philippines are ISO 22301 BCMS Certified

50,970 kg of office documents

were collected in the recycling program

22 rainwater catchment basins

divert floodwaters from communities




















SM Prime's Climate-Related Risks and Opportunities

	Material Issues	Risks/Challenges	Opportunities
Disaster Resilient Design	Disaster Preparedness and Resiliency	Threat to human safety and security and property damage caused by diverse geophysical and hydrometeorological risks	Creating value through adapting disaster-resilient design and technology for infrastructure and communities
Compliance with Stricter Government Regulations	Environmental Compliance	Company is unable to comply with ever changing regulatory requirements	Going beyond compliance through Public-Private Partnerships with government to tackle complex environmental issues
Water Recycling	Efficient use of Natural Resources (Fresh Water Depletion)	Increasing cost of water supply due to scarcity (average increase of 10% in 2020); water shortage may also disrupt business operations and may decrease desirability of property location	Sustainable use of water resources that will benefit communities today and make clean water available for future generations
Solar Panels and Electricity Usage	Efficient use of Natural Resources (Electricity)	Inefficient use of electric power increases both operational costs of the company (average increase of 10% in 2020) as well as the company's carbon footprint	Efficient use of electric power and the use of renewable energy helps reduce carbon footprint to help slow global warming
Paper Recycling	Waste Management	Increased cost (average increase of 80% in 2020) and challenges in solid waste disposal	Creation of a circular economy; reduction of solid waste in landfills; reduced need for cutting down trees that absorb GHG
Conservation of Surrounding Ecosystems	Biodiversity and Greenhouse Gas Emissions	Increased volume of GHG in the air contributes to global warming	Absorbs GHG released into the air; conservation of various flora and fauna for future generations

The Integration of Sustainable Pillars with the UN Sustainable Development Goals and the Six Capitals

Our People

We sustain our human capital through developmental programs focused on health and education systems, access to services, nutrition, knowledge and skills which are necessary to support the functions and sustainability of the business and the well-being of communities and societies.

	More than PHP900M paid as salaries while employees were at home during the Emergency Community Quarantine (ECQ) period	
	Adherence to DOLE, DOH, IATF and LGU guidelines on workplace sanitation and working conditions	
	5 additional paid leaves for COVID-19 confirmed or exposed employees, Work from Home Arrangement for 301 employees	
	136 education and information campaigns against COVID-19 released through SM LIFE app, SM Announcements and emails	
	8,367 employees have company-provided health insurance	
	PHP3.6M worth of safety supplies provided to employees, employees including free rapid test PCR testing for confirmed COVID-19 cases and those with exposure	
	All malls and offices have clinics duly manned by nurses and retainer doctors, Mental health services are made available to employees	
		
	56 % of managerial and executive positions are held by women	
	60 % of entire workforce is composed of women	
	PHP13.7M spent on training of employees resulting to 82 learning sessions with 3 hours average training per employee	
	46 employees are licensed Food Safety Compliance Officers	
	Public-private partnerships with Bureau of Fire Protection resulted in the training of 1,300 employees and third party providers as fire brigade members while the Office of Civil Defense (OCD) trained 180 employees for disaster preparedness and response.	 
	509 employees given training / orientation on Pollution Control	



Financial Capital



Manufactured Capital



Intellectual Capital

Our Environment

We aim to improve human welfare by ensuring that the needs of our people, community and business are met without the risk of compromising the needs of future generations by protecting our natural capital.



All administration offices and Foodcourt areas are provided with a clean drinking fountain for free use of employees and customers



Ten malls (7 in the Philippines, 3 in China) have solar panels on their roofdecks with a combined capacity of 9,620 Megawatt hour



SM Prime adopted Cagayan de Oro, Naga and Iriga through the Adopt-a-City program of the National Resilience Council to help in the risk reduction and long-term resiliency of said LGUs



1,665 mall tenants were oriented on SM Business Continuity Planning (SM BCP)



9 climate related disaster advisories were released to SM Prime employees through the SM LIFE app



Partnered with USAID and PPRCFI for the AweSM Seas Campaign which generated 260,973 social media engagements and reached an audience of 1.5M



35,800 kgs of trash were recovered during the annual coastal clean up during Coastal Clean-up



326,359 liters of used cooking oil by tenants were hauled and responsibly disposed



3 Marine Protected Areas (MPAs) in Hamilo Coast are regularly patrolled to prevent illegal fishing



An additional 157 Olive Ridley sea turtle hatchlings were released in Hamilo Coast



51,600 various tree species planted by SM Supermalls employees in Benguet Province



30,000 native trees and 50,000 mangroves planted in Hamilo Coast



4 flora and 8 fauna listed in the IUCN Red List of Threatened Species are preserved in Hamilo Coast in partnership with World Wide Fund for Nature (WWF) Philippines



Natural Capital



Human Capital



Social and Relationship Capital

Our Community

We support the development of urban centers and lifestyle cities that guarantee decent work and well-being of our stakeholders, as well as promote equality and sustainability.



Employment of 15,401 sales agents and third party service providers



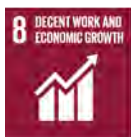
All third party service providers on duty received PHP5,000.00 each during the ECQ



Malls and offices have breastfeeding stations for customers and employees that breastfeed or pump breast milk for their children



“The Good Guys” weekend market set up at SMDC condominiums for the residents' safety and convenience



80% of the workforce in Pico de Loro are from the nearby communities



SM Hotels and Conventions Corp. (SMHCC) promote sustainable tourism and agriculture by having organic herbs and vegetables from the Adopt-a-Farm initiative



The SM Supermalls are venues for festivals and tourism activities of LGUs and the Department of Tourism



11,870 MSMEs are tenants of SM Supermalls or 1.2% of the total MSMEs in the country



2,000 retired senior citizens have been employed in the malls' Community Service Program



26,000 participants in on-ground events nationwide for Happy Walk for Down Syndrome and Angels Walk for Autism



All SM Supermalls have PWD ramps and comfort rooms for people with special needs



Free parking for the general public during calamities



101.4M kg of solid waste were composted, reused, recycled and collected by accredited waste haulers



Green Procurement of assets and other inventory



1 fire truck donated to Bureau of Fire Protection



Financial Capital



Manufactured Capital



Intellectual Capital

Our Business

We aim to efficiently use our assets to maintain company profitability throughout the life cycle of the business.

	<p>PHP100B retail bond offering over three years for the construction and expansion of properties of which 10% of CAPEX is allocated to disaster risk reduction</p>	
	<p>3 properties LEED Gold Certified: Conrad Hotel, SM Aura Premier, ThreeE-com Center</p>	
	<p>18 km bike lane in SM Mall of Asia and 1.6 km in SM Seaside; 2.1 hectare bike trail at SM Pulilan</p>	
	<p>Sustainable features were incorporated in 2 newly-opened malls (SM City Butuan and SM City Mindpro), Park Inn Clark Extension, Park Inn Bacolod and Lanson Place</p>	
	<p>53 SM Supermalls with BCMS accreditation (ISO 22301 compliant)</p>	
	<p>51 tonnes of office documents were recycled</p>	
	<p>496k or less 28% in electricity consumption and 6.8M cum or less 36% in water consumption via proper resource management and operational controls</p>	
	<p>4 awards in strong governance</p>	
	<p>4.5M customers availed of free WIFI access in the malls</p>	
 <p>(102-13)</p>	<p>SM Prime as National Secretariat of UNDRR ARISE - Philippines; 1 SM executive on the ARISE Global Board</p>	
	<p>USAID partnership in the AweSM Seas Campaign</p>	
	<p>US Embassy and Dela Salle University for Green Film Festival</p>	
	<p>Bureau of Fire Protection for fire brigade training and safety campaigns</p>	
	<p>DENR for environment related programs</p>	
	<p>WWF Philippines for conservation efforts in Hamilo Coast</p>	
	<p>National Resilience Council for Adopt-a-City Program</p>	
	<p>Department of Education for educational outreach program</p>	
	<p>Autism Society of the Philippines and Down Syndrome Society of the Philippines for SM CARES Programs</p>	



Natural Capital



Human Capital



Social and Relationship Capital

Awards and Accolades

SM Prime Holdings Inc.

Grand Stevie - Organization of the Year
2020 Stevie Awards Asia-Pacific
SM Prime Holdings, Inc.

Philippines Best Employer Brand Award
Employer Branding Institute
SM Prime Holdings, Inc.

10th Asian Excellence Award Asia's Best CEO
(Investor Relations)
Jeffrey C. Lim

Bronze Award for Most Exemplary Employer
2020 Stevie Awards International Business Award
SM Prime Holdings, Inc.

Gold Award for "Pride in My Purpose" (PR Tool)
Silver Award for 2018 Sustainability Report (PR Tool)
55th Anvil Awards
SM Prime Holdings, Inc.

Asia's Best CSR Best Corporate Communications
Best Investor Relations Company in the Philippines
SM Prime Holdings, Inc.

4-Golden Arrow Recognition
2019 ASEAN Corporate Governance Scorecard
Recognition Night
SM Prime Holdings, Inc.

ASEAN Top 20 Publicly Listed Companies
ASEAN Asset Class Publicly Listed Companies
2019 ASEAN Corporate Governance Awards
SM Prime Holdings, Inc.

Asia's Best CSR Best Corporate Communications
Best Investor Relations Company in the Philippines
SM Prime Holdings, Inc.

Malls

Brand of the Year
World Branding Awards
SM Supermalls

Platinum Award Reader's Digest
Most Trusted Brand
Reader's Digest
SM Supermalls

Gold Award - Most Bicycle Friendly
Commercial Establishments
Mobility Awards
SM Mall of Asia
SM City Marikina

Silver Award - Most Effective Planning,
research, and evaluation in consumer commu-
nications
AMEC Awards
SM Supermalls

Circle of Excellence for Wellness
Company of the Year
Asia CEO Awards
SM Supermalls

Best Customer Experience Initiative - Mall
Owners' Category
World Retail Awards
SM Supermalls: SM Superkids Day

Gold Award - Brand of the Year
2020 World Branding Awards
SM Cinema

12th Global CSR Awards

Best Country Award for overall CSR |
Excellence in the Philippines
SM Cares

Gold Award for CSR Leadership
SM Cares

Silver Award for Best Environmental Excellence
SM Supermalls

Bronze Award for Best Community
Programme
SM Supermalls

2020 Stevie Awards International Business
Award

Silver Award for Most Valuable
Corporate Response
SM Supermalls
2020 Stevie Awards International Business

Award
Silver Award for Most Valuable Corporate Response
SM Supermalls

Bronze Award for Most Exemplary Employer
SM Supermalls

2020 Stevie Awards Asia Pacific

Grand Stevie for Most Honored Organization
SM Supermalls

Gold Award for Innovation in Consumer
Products & Services
SM Supermalls' Enjoy a New Way of Malling
with SAM the Robot

Gold Award for Innovation in Energy
& Sustainability
SM City Baguio: Greening Project

Gold Award for Innovation in
Branded Entertainment
SM Cinema

Silver Award for Innovation in Energy
& Sustainability
SM City Marilao: E-IlluminART

Silver Award for Innovation in Living, Learning, and Working
Environments
SM By the Bay: Coastal Clean Up

Silver Award for Innovation in Public Affairs
Communications
SM Supermalls' Filipina Beauty Barbie

Silver Award for Innovation in the Use of Events
SM Supermalls' Unplugged & Play

Silver Award for Innovation in
Branded Entertainment
SM Supermalls' A Game of Thrones Experience

Silver Award for Innovation in
Entertainment Events
SM Mall of Asia: Grand Mascot Parade 2020
SM City Baguio: Experience Codil-Iera Fun
SM City Pampanga: Glitter City

Silver Award for the Innovative Use of Technology
in Customer Service > All Other Industries
SM Supermalls

Silver Award for Innovation in Human
Resources Management, Planning & Practice > All Other
Industries
SM Supermalls

Silver Award for SM Supermalls Employee
Transformation Journey
SM Supermalls

Bronze Award for Innovation in Community
Relations or Public Service Communications
SM Supermalls: Juan Fun Adventure

Bronze Award for Innovation in
Branded Entertainment
SM City Bicutan: Heart Beats GLOW

Bronze Award for Innovation in Social
Media Marketing
SM Seaside City Cebu: SM Seaside Stickers
SM Supermalls: How SM Super-malls Resparked Na-
tionwide In-terest for Mother's Day at the Peak of Election
Season

Bronze Award for Innovation in Consumer Events
S Maison: World Chocolate Fair
SM Supermalls: A Culinary Jour-ney in South Luzon
SM Supermalls: SM Superkids Day 2019
SM City Batangas' Chefs Show-down
SM Supermalls: Milk Tea Party

Bronze Award for Innovation in
Entertainment Events
SM Mall of Asia: Grand Festival of Lights
SM City Tarlac: It's A Small World
SM City Tarlac: Castaway

Bronze Award for Innovation in Lifestyle Videos
SM Supermalls: Self-Love Campaign

Bronze Award for Innovation in Living, Learning, and Working
Environments
SM City Baliwag: ART-IC HUENIVERSE

Bronze Award for Innovation in Energy
& Sustainability
SM City Tarlac: Belenismo Sa Tarlac

Bronze Award for Innovation in Public
Relations Videos
SM Supermalls: SM for SMEs Campaign

Bronze Award for Innovation in
Community Relations or Public Service Communications
SM Cinema "Into the Moors",
A special exhibit for children with special needs
SM Cinema "Kids Watch for Free":
Championing Filipino families through movie watching

Bronze Award for Innovation in
Entertainment Events
SM Cinema "Into the Movieverse",
bringing the cinema experience into the real world
55th Anvil Awards

Gold Award for Global Youth Summit (PR Tool)
SM Cares

Gold Award for Emergency Preparedness Forum (PR Program)
SM Cares
Silver Awards Program Category

SM Supermalls' #SMforSMEs
SM City Angono's Art Walk
SM City Marikina's Junior Fire-fighters Camp

Silver Award Tool Category
SM Supermalls' Unplugged and Play
SM City Taytay's Barbie in the East Wedding Edition
Silver Award for Emergency Preparedness Forum (PR Tools)

SM Cares

Silver Award for Emergency Preparedness Forum (PR Tools)
SM Cares

Residences (Primary)

8th Property Guru Philippines

Property Awards
Best Developer
SM Development Corp

Best Lifestyle Developer
SM Development Corp

Best Mid-End Condo Development (Metro Manila)
Charm Residences

Best Condo Development (Luzon)
Park Residences

Best Lifestyle Development
Fern at Grass Residences

Best Condo Architectural Design
Sail Residences

Best Landscape Architectural Design
Sail Residences

Highly Commended Best High-End Condo Development for Metro Manila
S Residences

Highly Commended Best Mid-End Condo Development for Metro Manila
Leaf Residences

Highly Commended Best Affordable Condo Development for Metro Manila
Bloom Residences
Field Residences
Vine Residences

Highly Commended Best Condo Development for Luzon
Green 2 Residences
Hope Residences

Highly Commended Best Condo Development for Visayas
Smile Residences
Style Residences

Highly Commended Best Lifestyle Development
S Residences
Sail Residences

Highly Commended Best Condo Architectural Design
S Residences

Highly Commended Best Condo Interior Design
S Residences

Highly Commended Best Landscape Architectural Design
S Residences

Highly Commended Best Condo Interior Design
Sail Residences
Shore 3 Residences

Special Recognition in CSR
SMDC The Good Guys Community Relations

18th Philippine Quill Awards

Winner for Community Management: Community Relations
SMDC Happynings

Winner for Community Management: CSR
COVIDComms 2020: The Good Guys Campaign

Residences (Leisure)

Longest Sustainability Partner
World Wide Fund (WWF) for Nature Philippines
Costa Del Hamilo, Inc.

Hotels and Convention Centers

Agoda's 2020 Customer Review Award

2020 Customer Review Award with a rating of 8.9
Radisson Blu Cebu

2020 Customer Review Award with a rating of 8.7
Park Inn by Radisson North Edsa

2020 Customer Review Award with a rating of 8.5
Park Inn by Radisson Clark
Pico Sands Hotel

2020 Customer Review Award with a rating of 8.3
Park Inn by Radisson Davao
Taal Vista Hotel

ASEAN Green Hotel Award
ASEAN Mice Hotel Award
ASEAN TOURISM STANDARDS AWARDS
Conrad Manila

Booking.com's Traveller Review Awards 2020

Traveller Review Award 9 out of 10
Conrad Manila

Traveler Review Award 8.9 out of 10
Park Inn by Radisson North Edsa

Traveler Review Award 8.5 out of 10
Park Inn by Radisson Clark

Hotels.com Loved by Guest Award 2020

Loved by Guest Awards with a rating 8.4
Park Inn by Radisson Davao

Loved by Guest Awards with a rating 8.4
Park Inn by Radisson Clark

Loved by Guest Awards with a rating 8.2
Pico Sands Hotel

Philippine Tatler
Top 20 Best Restaurant
China Blue by Jereme Leung

Best Restaurant for 2020
Taza Fresh Table at Taal Vista Hotel
Veranda at Taal Vista Hotel

TripAdvisor Travellers' Choice Awards 2020

Best Restaurant for 2020
Taza Fresh Table at Taal Vista Hotel
Veranda at Taal Vista Hotel

TripAdvisor Travellers' Choice Awards 2020

Travellers' Choice Award
Conrad Manila
C Lounge at Conrad Manila
China Blue by Jereme Leung at Conrad Manila
Conrad Spa at Conrad Manila
Feria Restaurant at Radisson Blu Cebu
Park Inn by Radisson Clark
Radisson Blu Cebu
SMX Convention Center Manila

ASEAN MICE Venue (Meeting Room Category) Award 2020-2022
ASEAN MICE Venue Standards
SMX Convention Center

Best Luxury Hotel, Philippines
The International Hotel Awards 2020
Conrad Manila

Chinese Cuisine, Country
World Restaurant Awards 2020
China Blue by Jereme Leung

Luxury Contemporary Hotel, Regional
World Luxury Awards 2020
Conrad Manila

Luxury Scenic Setting, Continent
World Restaurant Awards 2020
China Blue by Jereme Leung

Philippines' Best Hotel Spa
World Spa Awards 2020
Conrad Spa

Philippines' Best MICE Hotel 2020
World MICE Awards 2020
Conrad Manila

Philippines' Leading Conference Hotel 2020
World Travel Awards
Conrad Manila

Recommended Award
Forbes Travel Guide
Conrad Manila

SGS Disinfection Monitored, Cleaning Checked
Mark SGS
Park Inn by Radisson North Edsa

Certificate of Appreciation
World Wide Fund (WWF) for Nature Philippines
Maria Eulalia Magallanes, VP SMHCC

Securing our Stakeholders

This section is a summary of SM Prime's response and relief efforts during the first year of the COVID-19 pandemic.

Employees organize donations in the SM Warehouse



MEDICAL
SUPPLIES
DONATION



MEDICAL
SUPPLIES
DONATION



MEDICAL
SUPPLIES
DONATION



MEDICAL
SUPPLIES
DONATION



DONATION



MEDICAL
SUPPLIES
DONATION



COVID-19 Initiatives (203-1)



The Philippines had enjoyed over a decade of strong economic growth prior to the advent of the COVID-19 pandemic. While it affected the lives of millions, at SM Prime, our people immediately adapted to meet the new and evolving needs of our stakeholders – our employees, tenants, customers and business partners.

160k tested at the
Mega Swabbing Facility

492M worth of support
given by SM MOA Arena

Total of 156 beds
in 3 donated EQFs

1,000 employed via
the SM Riders program

23.30B waived in
tenant rental relief

Safe malling at SM Supermalls



SM Prime Human Resources

Championing our brand champions

We took care of our people so they can take care of our customers. We distributed face masks, vitamins and hand sanitizers. We conducted regular rapid testing to over 21,000 employees and agency staff. We distributed Employee Resiliency Kits and we provided holistic programs for their well-being through the SM LIFE Mobile App, MindYou, an online Mental Wellness Counselling Program, and DIGI-U, a dedicated remote learning program.

SM Supermalls

A community of people helping people

We provided rental relief to our valued tenants, including the many micro, small and medium enterprises (MSMEs) who comprise over 65% of tenants in our properties.

Amid the government-imposed lockdown, SM never stopped serving the community. Establishments that provide essential services, such as the supermarkets, banks and pharmacies, remained open while observing strict safety protocols. Select restaurants were also allowed to provide takeout and delivery.

#SafeMallingAtSM

thorough health and safety protocols in our malls

#DineInSM

partnering with RestoPH for dining with stringent health and safety standards

#SafeHandsAtSM

a handwashing campaign in partnership with Procter & Gamble's Safeguard

Farmers' Produce

connecting Filipino farmers to restaurants and customers, working with the Department of Agriculture and RestoPH

#SMforSMEs

engaging customers to support MSMEs by sharing their inspiring stories of resiliency, compassion and innovation

SM Riders Program

engaging local jeepney and tricycle drivers as personal shoppers and delivery service providers

SM Malls Online

providing omnichannel services for an uninterrupted SM Experience

SM Personal Shopper Program

making omnichannel services personal, especially for those with special needs



SM MOA Arena as the Mega Swabbing Facility

SM Curbside Pick-Up Stations

convenient pick-up points with minimal contact

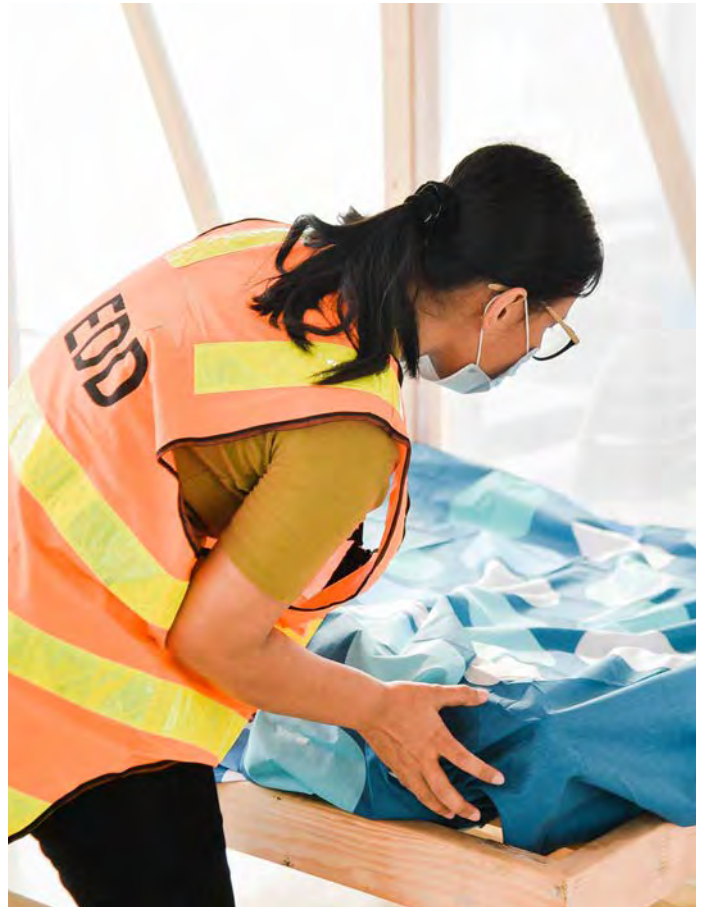
SM Viber Community

food and shopping delivery services with Grab, Lalamove and pabili services

SM Engineering Design and Development Emergency Quarantine Facilities

Volunteers of SMEDD, our architectural and engineering arm, constructed seven emergency quarantine facilities to house and treat asymptomatic and mild symptom COVID-19 patients. These structures are insulated yet flexible, with a total of 156 beds, air-conditioning, ceiling and exhaust fans, restrooms, shower areas and nurse's lounges. Each bed in the Camp Crame facility also has a built-in call system and Wi-Fi access.

SM EDD in action at an EQF



Wheels On-the-Go delivery service at SM City Baliwag

SM Mall of Asia Arena

Transforming into an Arena of Hope

SM Mall of Asia (MOA) Arena, the country's premier events venue, was converted into a Mega Swabbing Facility in response to the national government's initiatives on health and sanitation. The Inter-Agency Task Force for Emerging Infectious Diseases and the Philippine Red Cross, together with the Bases Conversion and Development Authority, designated the MOA Arena as the swabbing center for the Southern Manila sector. It has 72 testing booths manned by health personnel from the Department of Health and Philippine National Police medical staff.

Commercial Properties Group Forward Looking

CPG was one of the first to conduct temperature monitoring of its tenants and guests and to disseminate communication materials on safety and prevention against COVID-19. They initiated the frequent sanitation of common areas and provided hand sanitizers. CPG also supported their staff and third party employees with food and financial assistance.

For business continuity, they launched a Virtual Tour for prospective tenants and started Lidar Scanning for newer buildings as an added safety measure.

Tagaytay Highlands Safe Haven amid the Crisis

All Club frontliners were provided face masks and face shields for protection, while hand sanitation was made available throughout the property. Meanwhile, Tagaytay Highlands' medical clinic was kept open 24/7 with doctors and trained nurses, an ambulance service and an isolation facility.

For protection, thermal scanning of all employees, homeowners and guests is performed upon arrival and temperatures are again checked at all main entrances in Tagaytay Highlands and at residential amenities.

The Club also mounted plastic partitions in members' and employees' shuttle services and golf carts, while riding capacity was reduced to 50% for physical distancing.





The Good Guys Market at SMDC residences

SM Hotels and Conventions Corporation Sustainably Safe

Always aiming to exceed expectations, Sustainably Safe is SMHCC's health and hygiene initiative aimed at providing guests with utmost safety and comfort while ensuring the well-being of its staff. The program is an intensive and holistic set of policies that follow an efficient methodology in the prevention and mitigation of COVID-19 and other diseases. This includes health and safety protocols for staff, guest rooms, common areas, function venues and facilities, food and beverage areas, payments and transactions processing, operations, engineering, and waste management.

To further strengthen the program, SMHCC has partnered with Johnson Diversey, an expert in the field of integrated hygiene technologies, to provide ongoing advice on best practices for sanitation, disinfection and facility management.

SM Development Corporation Within and Beyond Boundaries

At the onset of the pandemic and the subsequent quarantine, SMDC ramped up The Good Guys program, an initiative to foster community spirit, promote healthy lifestyles and develop secure and safe neighborhoods across SMDC developments. Sanitation and social distancing protocols were immediately set up and regular webinars on mental health, wellness, online safety and entrepreneurship were conducted for residents and other SMDC stakeholders.

SMDC collaborated with the Red Cross and SM Foundation to conduct a Health and Wellness Caravan to provide non-COVID-19 health services primarily for the elderly and persons with disability (PWD) residents. These vulnerable communities have also been provided with personal shopping services for their food and medicinal needs.

As part of the Protect Our Community initiative, SMDC donated face shields and vitamins to the Philippine National Police.

Local farmers benefited from the Good Guys Weekend Market, where residents can directly purchase fresh produce safely and conveniently. The market was expanded to include over 200 resident-entrepreneurs also affected by the quarantine.

SMDC residents have the opportunity to contribute through The Good Guys program by donating groceries, PPEs, blankets and clothes for service staff. Some residents also volunteered as medical volunteers or marshals or participated in The Good Guys blood donation program. More than 300 blood bags have so far been donated to the DOH for COVID-19 patients.

Our 6 Capitals: Prime Assets and Ideas

Fundamental to an Integrated Report, each capital is discussed in relation to the inputs and outputs that produce value for SM Prime's stakeholders. This section shares the Management approach and business activity highlights that enable our Company's growth and development.



















Financial Capital

(103-1, 103-2, 103-3, 201-1)

Financial Capital

To maintain long-term value for stakeholders, SM Prime conducts due diligence in financial planning to achieve our targets. We actively review our cash flows, debt maturity profile and overall liquidity position in addition to maintaining a prudent capital structure. Revenue is primarily sourced from lessee payments, residential sales, interest and fees from the shopping malls rentable areas, office spaces, hotel rooms, trade halls and fund management, among others.

Direct economic value generated	2020		83.80	Payments to providers of capital	2020		14.22
	2019		121.55		2019		19.97
Economic value distributed	2020		68.72	Payments to Government	2020		6.84
	2019		92.80		2019		14.10
Operating cost	2020		39.01	Community investments	2020		.54
	2019		49.69		2019		.28
Employee wages and benefits	2020		8.11	Economic value retained	2020		15.08
	2019		8.76		2019		28.75

*in PHP billions

Economic Value

SM Prime endeavors to make significant contributions to the nation's economic development by maintaining a solid balance sheet supported by recurring income from our varied assets. While our 2020 figures were affected by quarantine restrictions from the COVID-19 pandemic, our brand equity remains stable and our commitment to servicing communities especially during crises, has been unwavering.

	Material Issues	Risks/Challenges	Opportunities
Financial performance	Economic growth and performance	Highly impacts the vested interests of shareholders, employees and suppliers	<ul style="list-style-type: none"> Capable of giving back to society through donations for the marginalized sectors and supporting the national government during the COVID-19 pandemic Embarking on public-private partnerships for environmental conservation and disaster risk reduction capability building Extending financial support to our MSME partners, including their recovery campaigns

Casting the Net

Every year, there is movement and progress among the business units at SM Prime - a mall opens to the public, BPO spaces are leased, a tower is added to a set of residential condominiums and more hotel rooms are available for tourists. These activities are the result of proper financial and asset management combined with meticulous planning and forecasting. One such milestone was the announcement of SM Prime's PHP100B retail bond offer in early 2020. The Philippine Securities and Exchange Commission (SEC) had greenlit the proposal in favor of gathering funds for the construction and expansion of shopping malls and other properties. In the prospectus, the aggregate principal amount of PHP100B is to be offered in tranches over a period of three years.

The initial offer of up to PHP15B with an oversubscription of PHP5B had a fixed rate of 4.8643% p.a. for the Series K Bonds due in five years while the Series L Bonds due in seven years had a fixed rate of 5.0583% p.a. The proceeds of these

offers will be allocated for the projects lined up until 2022. Part of the funds were disbursed for two malls in Mindanao, SM City Butuan and SM City Mindpro, which opened in the last quarter of 2020 as well as for several soon-to-open malls such as SM City Daet in Bicol, SM City Grand Central in Caloocan, SM City Roxas in Capiz. SM Prime allotted some of the proceeds to the expansion of SM City Baguio and construction of the first Ikea store in the Philippines, located in the Mall of Asia Complex. The remaining proceeds will go to more expansion projects in our existing malls in Luzon for the construction of new malls in various key cities, which are slated in the coming years.

SM Prime will continue to build sustainable lifestyle cities anchored by its key businesses, malls, residences, offices, hotels and convention centers to provide an improved quality of life to millions of people.



SM City Butuan opened to the public on November 13, 2020

Financial Highlights

	2020	2019	2018
Balance Sheet Highlights (in PHP billions)			
Total Assets	722.36	667.28	604.13
Investment Properties	436.16	410.64	343.42
Total Debt	272.47	237.95	222.81
Net Debt	241.81	203.35	184.04
Total Stockholders' Equity	309.28	300.92	275.30
Income Statement Highlights (in PHP billions)			
Revenues	81.90	118.31	104.08
Cost and Expenses	52.83	61.62	55.75
Operating Income	29.07	56.69	48.33
Net Income attributed to Equity holders of the Parent	18.01	38.09	32.17
EBITDA	39.28	66.81	57.24
Financial Ratios			
Debt to Equity	47:53	44:56	45:55
Net Debt to Equity	44:56	40:60	40:60
Return on Equity	6%	13%	12%
Debt to EBITDA	6.94	3.56	3.89
EBITDA to Interest Expense	4.57	7.56	7.59
Operating Income to Revenues	0.35	0.48	0.46
EBITDA Margin	0.48	0.56	0.55
Net Income to Revenues	0.22	0.32	0.31
Market Capitalization (in PHP billions)	1,111.85	1,215.82	1,033.88
Dividends Paid (in PHP billions)	5.34	10.51	10.30

722.36B

Total Assets

309.28B

Total Equity

47:53

Debt to Equity ratio

1,111.85B

Market Capitalization






















18.01B

Net Income

0.624

Earnings per share
in PHP

Performance Overview

Market Capitalization in PHP billions	2020		1,111.85
	2019		1,215.82
	2018		1,033.38
Earnings Per Share in PHP	2020		0.62
	2019		1.32
	2018		1.12
Price/Earnings Ratio in PHP	2020		61.70
	2019		31.90
	2018		32.11
Dividends in PHP billions	2020		5.34
	2019		10.51
	2018		10.30
Asset Growth in PHP billions	2020		722.36
	2019		667.28
	2018		604.13
Revenue Growth in PHP billions	2020		81.90
	2019		118.31
	2018		104.08
Net Income Growth in PHP billions	2020		18.01
	2019		38.09
	2018		32.17

Overview of our Business Segments (102-7)

Malls



With 76 malls in the Philippines and 7 malls in China, SM Prime will continue to build world-class and innovative shopping centers to meet the ever-changing needs of millions of our consumers.

76	Malls in the Philippines
7	Malls in China
9.9M	sqm total Gross Floor Area
404	Cinema Screens
PHP28.3B	Total Revenue
PHP6.7B	Operating Income
PHP393.4B	Total Assets

Residences



We provide residential developments with luxurious 5-star amenities within a commercial retail environment to address the aspirations of our customers.

71	Residential Projects
155,524	Residential Units (since 2003)
PHP47.5B	Total Revenue
PHP19.9B	Operating Income
PHP254.9B	Total Assets

Offices



We develop offices in various strategic locations across the Philippines that contribute to economic growth.

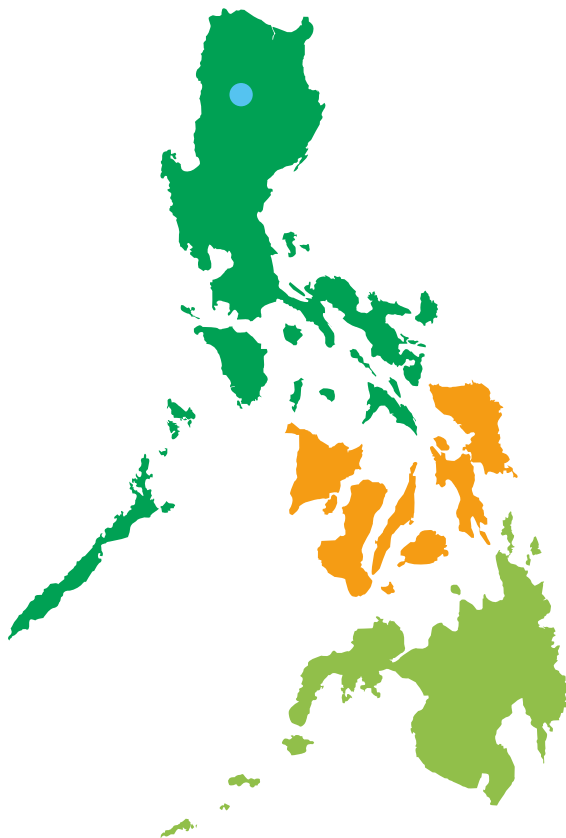
12	Official Buildings
0.70M	sqm total Gross Floor Area
PHP4.8B	Total Revenue
PHP3.9B	Operating Income
PHP61.6B	Total Assets

Hotels and Convention Centers



SM Hotels and Conventions Corporation was established in April 2008 with the primary purpose of developing and managing the hotel and convention properties of SM Prime. Through SMX Convention Center, SMHCC also owns the largest privately run exhibition and trade halls business in the Philippines.

8	Hotels
1,961	Hotel Rooms
5	Convention Centers
3	Trade Halls
PHP1.6B	Total Revenue
(PHP914M)	Operating Income
PHP14.1B	Total Assets



Malls

Metro Manila

North EDSA
Sta. Mesa
Megamall
Southmall
Fairview
Manila
Sucat
Bicutan
San Lazaro
Valenzuela
Mall of Asia
Pasig
Muntinlupa
Marikina
Las Piñas
Novaliches
Aura Premier
BF Parañaque
Sangandaan
Cherry Shaw
Cherry Congressional
East Ortigas
S Maison

Luzon

Bacoor
Pampanga
Lucena
Baguio
Marilao
Dasmariñas
Batangas
Molino
Sta. Rosa
Clark
Lipa
Taytay
Rosales
Baliwag
Naga
Rosario
Tarlac
San Pablo
Calamba
Masinag

Olongapo
San Fernando Downtown
Cauayan
Angono
Megacenter Cabanatuan
San Mateo
Cabanatuan
San Jose Del Monte
Trece Martires
Cherry Antipolo
Tuguegarao Downtown
Pulilan
Lemery
Imus
Urdaneta Central
Telabastagan
Legazpi
Olongapo Central
Center Dagupan
Puerto Princesa

Visayas

Cebu
Iloilo
Bacolod
Consolacion
Seaside City Cebu
Ormoc

Mindanao

Davao
Cagayan de Oro
General Santos
Lanang Premier
CDO Downtown Premier
Butuan
Mindpro

China

Xiamen
Jinjiang
Chengdu
Suzhou
Chongqing
Zibo
Tianjin

Project List

Residential

SM Development Corporation

Metro Manila

Chateau Elysee
Mezza Residences
Berkeley Residences
Grass Residences
Sea Residences
Field Residences
Princeton Residences
Sun Residences
Jazz Residences
Light Residences
M Place at South Triangle
Blue Residences
Mezza II Residences
Shine Residences
Green Residences
Shell Residences
Grace Residences
Breeze Residences
Grass 2 Residences
Trees Residences
Shore Residences
Air Residences
Fame Residences
Shore 2 Residences
South Residences
Coast Residences
Spring Residences
S Residences
Shore 3 Residences
Vine Residences
Bloom Residences
Red Residences
Leaf Residences
Hill Residences
Lush Residences
Sail Residences
Glam Residences
Light 2 Residences
Gold Residences
Gem Residences
South 2 Residences
Mint Residences

Luzon

Wind Residences
Cool Suites
Cheer Residences
Cheerful Homes
Green 2 Residences
Hope Residences
Charm Residences
Park Residences

Visayas

Style Residences
Smile Residences

Mindanao

Lane Residences

Costa Del Hamilo Inc.

Luzon

Carola
Jacana
Miranda
Myna
Freia

Highlands Prime Inc.

Luzon

Woodlands Point
Hillside
Horizon Phase 1
Vireya 1 & 2
Vireya 3
Woodridge Place Phase 1
Pueblo Real
Sierra Lago
Aspenhills
Woodridge Place Phase 2
Horizon Terraces Phase 2
The Pines at Aspenhills
Provence

Offices

Metro Manila

Makati Cyber One
Makati Cyber Two
TwoE-com Center
SM Cyber West
FiveE-com Center
ThreeE-com Center
Aura Office Tower
SM Southmall South Tower
NU Mall of Asia (NUMA) Building

Luzon

SM Taytay BPO Tower
SM The Core Tower 1
SM Clark BPO Tech Hub

Hotels

Metro Manila

Conrad Manila
Park Inn by Radisson North EDSA

Luzon

Taal Vista
Pico Sands
Park Inn by Radisson Clark

Visayas

Radisson Blu Cebu
Park Inn by Radisson Iloilo

Mindanao

Park Inn by Radisson Davao

Convention Centers

Metro Manila

Megatrade Hall
SMX Convention Center Manila
SMX Convention Center Aura

Luzon

Olongapo City Convention Center

Visayas

Cebu Trade Hall
SMX Convention Center Bacolod
Sky Hall Seaside Cebu

Mindanao

SMX Convention Center Davao

MSME Assistance

(103-1, 103-2, 103-3, 203-2)

Kasama ng SM: Helping MSMEs Bounce Back Better

Home to thousands of micro, small and medium enterprises (MSMEs) throughout the Philippines, SM is a community, marketplace and partner in growth. Without our MSME partners, SM would not be where we are today.

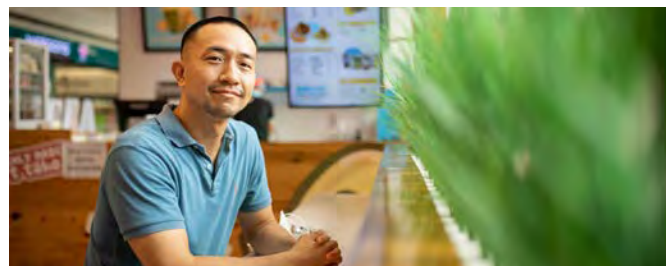
The SM community serves as home to a variety of local businesses, fueling livelihood opportunities in the cities and towns SM is part of. The SM Store and Kultura are marketplaces and partners to social enterprises – promoting local artisans such as craftsmen, weavers, chocolate makers. Together, our goal is to showcase and share to the world the depth and breadth of Filipino ingenuity and industry.

Amid the pandemic, these MSMEs are among the country's most vulnerable. Aside from providing rental relief to our tenant-partners so they could sustain the livelihood of their own employees and suppliers, SM continues to support the backbone of the economy by helping each bounce forward better. Here are some of their stories of resilience:

Over 65%
of our mall tenants are MSMEs

“The terms granted by SM are giving us a much higher chance of survival. On the sustainability part, SM really wants to save as much as possible the MSMEs that are hit by the pandemic”

SOY YUMMY



Henry Gomez, General Manager of Soy Yummy, prioritized his employees' health and safety during the COVID-19 pandemic. He shouldered their testing, provided lodging near the commissary and also provided service vehicles for the employees. “The terms granted by SM are giving us a much higher chance of survival. On the sustainability part, SM really wants to save as much as possible the MSMEs that are hit by the pandemic,” Henry says.

YAMANG BUKID



Aside from believing in the wealth that lies in nature, the owners of Yamang Bukid have always championed taking care of their people and partner communities. This advocacy did not take a back seat even in the face of the pandemic. While their stores closed temporarily during the lockdowns, the company made sure the employees had their source of income by providing their sales staff free products including their best-selling 10-in-1 turmeric tea which they could sell, and by repurposing their company drivers as delivery riders for online orders. They also donated food supplements to frontliners.

RIBSHACK



IT entrepreneur Delman Alagao's start in the food industry was purely by chance. Starting with a small stall in a Bacolod food court, he turned to his mom, Delicia, a dedicated home cook, and her recipe for baby back ribs, already a family favorite. It took years to grow the brand, until Ribshack took the offer of SM Bacolod to open a full restaurant. From less than 10 employees in 2012, Ribshack now employs over 500 people and 15 branches in SM malls all in the Visayas, Mindanao, and Palawan. "It was a leap of faith to open at SM, but we never looked back. We have to close some branches due to the pandemic but all our SM branches will definitely remain open," says Aryan Alagao, Delman's wife and Operations Manager.

BIKE PLUS



Driven by his passion for bikes, Johnny King Jr. decided to put up Bike Plus. His business has grown into 10 branches across Luzon, 9 of which can be found in SM malls. When the pandemic struck, Johnny's worries were relieved when bikes started becoming a popular mode of transportation. When malls resumed operations, people flocked to his stores to buy bikes. Recognizing he is fortunate to experience growth amid a difficult situation, Johnny gives back by donating bikes, food packs, personal protective equipment and bicycle reflectors.

"It was a leap of faith to open at SM,
but we never looked back.

We have to close some branches
due to the pandemic but all our
SM branches will definitely remain
open"

Manufactured Capital

SM Prime, as an integrated property developer, places a high premium on the sustainable construction and completion of projects. The physical resources and the provision of services including buildings, equipment and infrastructure are meant to last, expand and multiply as well as provide increasing value to shareholders.

To maintain environmental integrity, we prioritize the creation of Green Buildings in line with sustainability guidelines. Green Buildings, also known as high-performance or sustainable buildings, embody environmental responsibility and resource efficiency.

SM Prime's architectural strategies for Green Buildings are:

- **Responsiveness to site conditions.** The layout of the site and the positioning of the building are important. Orienting the building correctly can help save as much as 25% energy and maximize the use of daylight.
- **Engineering tests.** The commissioning of various engineering tests such as but not limited to hydrology and hydrographic surveys, topographic surveys, soil investigation, and geotechnical assessment are done to ensure the applicability and future proofing of the design of our malls.
- **Specialized consultants.** SM Engineering Design and Development hires specialized consultants for acoustic, lighting, fire and life safety, as well as LEED consultants for the LEED certification.
- **Passive and active sustainable design.** The passive and active designs are reliant on the materials used as well as cooling comfort considerations.
- **Sustainable building materials.** We specify high-quality building materials that are environmentally friendly and energy efficient, both in the way they are made and the way they perform.
- **Energy systems.** Renewable energy systems include those that harness solar or wind energy, such as solar thermal panels. Effective insulation is a vital element of energy efficiency design. The implementation of a high-tech Building Maintenance System (BMS) simplifies the maintenance of energy efficiency by regulating energy consumption. The introduction of other energy efficient technologies create high indoor quality, enable highly efficient Heating, Ventilation and Air-Conditioning (HVAC) systems.
- **Lighting priorities.** Energy efficiency and daylighting are both priorities. A form of passive design, daylighting allows the sun to light and heat interiors. We also prioritize the use of energy efficient lighting fixtures (LED) for artificial lighting.
- **Water conservation.** Rainwater harvesting is part of the design. It is excellent for irrigation, toilet flushing, and cleaning. These water recycling systems can easily be incorporated into the initial design of a building.
- **Stormwater management.** This strategy involves green roofs, rainwater catchment basins and retention pods.
- **Reduction of waste.** The practice of 3Rs (reducing, reusing and recycling) on materials cut costs. Specifying pre-cut and pre-assembled materials make a huge difference. Waste reduction also extends to the operation of completed buildings.

- **Landscaping.** Good landscape design can significantly modify the microclimate around the building. Well-chosen and creatively positioned native trees and shrubs can provide shade and minimize the effect of wind.
- **Disaster Resiliency.** Appropriate measures were taken in consideration of climate change. Various malls incorporate rainwater catchment basins, including a mall built on stilts to address the risk of heavy flooding.
- **Use of Application-based Technology.** It is important to increase the use of Business Information Modeling (BIM) to forecast possible clash detection, minimizing rework and abortive works.

Certification in 2017, with 65 points each. LEED (Leadership in Energy and Environmental Design), a voluntary, consensus-based national rating system maintained by the U.S. Green Building Council, provides official recognition for projects that comply with sustainable site development, water savings, energy efficiency, materials and source selection and indoor environmental quality. The latest E-com Centers at the Mall of Asia Complex in Pasay City carry LEED certifications as well – ThreeE-com Center (LEED Gold Certified Building) and FourE-com Center (Pre-certified LEED Gold Building) – while five more properties are undergoing LEED certification.

New Malls

Sustainable designs were automatically integrated in the case of the two new malls which opened in 2020, SM City Butuan and SM City Mindpro.

Green Building Initiatives

As a testament to green building initiatives, SM Aura Premier and Conrad Manila Hotel stand out as having achieved LEED Gold

Sustainable Design	Features
Energy Saving	<ul style="list-style-type: none"> • Natural lighting through the use of clerestory windows • Reduction of electricity consumption through the use of LED lighting across the mall areas
Water Management	<ul style="list-style-type: none"> • Addressing the flooding in the area as part of a resilient design through a rain water catchment which acts as a retention and storage and at the same time serves as reservoir for recycled water
Amenities for sustainable living	<ul style="list-style-type: none"> • Materials Recovery Facility (MRF) where recyclable materials are sorted and segregated
Inclusive Design	<ul style="list-style-type: none"> • Ergonomic design that promotes universal access using PWD ramps, parking provision and lifts in accordance with the accessibility law to the accessibility law • Bicycle parking racks which promote a sustainable form of transport and at the same time help improve the health of the communities in the area
Site Optimization	<ul style="list-style-type: none"> • Part of the design conceptualization utilizes pre-engineering reports where site, vicinity, hazards, soil condition, and traffic flow are considered in the design • Building setbacks as required by regulatory codes and orientation are complied with and considered in the mall design • Landscape softscape species selection that are not high in maintenance, at the same time contributes in the air filtration

	Material Issues	Risks/Challenges	Opportunities
Green Buildings	Green infrastructure and sustainable designs	Considering the cost, warranties and performance efficiencies of new materials, technology and processes, the cost overruns and time delay can be a huge difference	<ul style="list-style-type: none"> • Competitive advantage • Core principles of green design are on energy and water management • The lower operation and maintenance cost is attractive to tenants, condominium owners and other clients, and improves the budget and asset value

Sustainable Living at SMDC

SM Development Corporation's residential developments provide access to essential goods and services, employment, livelihood and business opportunities, as well as recreational and social venues and transport hubs.

They provide a secure environment with green open spaces that encourage healthy and active living and opportunities for social connectedness between families and neighbors.

Our residences are located in major central business districts with easy access to work and business opportunities and typically adjacent to SM Malls with their integrated retail, commercial and entertainment facilities.

They encourage easy living through resort-style amenities and hotel-like lobbies, while building a community through shared activities and weekend markets.

Our developments are ecologically friendly, disaster resilient and future-ready.

Each development is built to be disaster resilient, strictly following building codes and conducting regular training and drills for all staff, Emergency Response Teams (ERT) teams and residents.

The properties focus on environmental living, maximizing natural lighting and ventilation, and are energy efficient with LED lighting in common areas. They provide large common spaces with lots of greenery and use state of the art waste management systems.



SMDC properties are socially inclusive with child-friendly amenities and spaces, special needs facilities, access ramps for accessibility, and community activities for the elderly and persons with disability (PWDs).

We aim to enable a happy and healthy lifestyle. Through our regular The Good Guys Happynings events, such as sports fests and socials, we build camaraderie and social connectedness among all our residents. We know that a socially connected community produces a high quality of life.



Last year, SMDC launched five sustainable developments – Smile Residences in Bacolod, South 2 Residences in Las Piñas, Gem Residences in Pasig, Mint Residences in Makati, and Phase Two of Gold Residences in Gold City, Parañaque.

SMDC aims to ensure the well-being, convenience and security of all our residents. We are a trailblazer in creating modern sustainable living.

Intellectual Capital

Through the years, SM Prime has been recognized as a leader in the property development industry and the name has been synonymous with sharp business innovation and strategies. Corresponding policies and practices including proper risk management drive our Company's sustainable growth and help maintain business health.

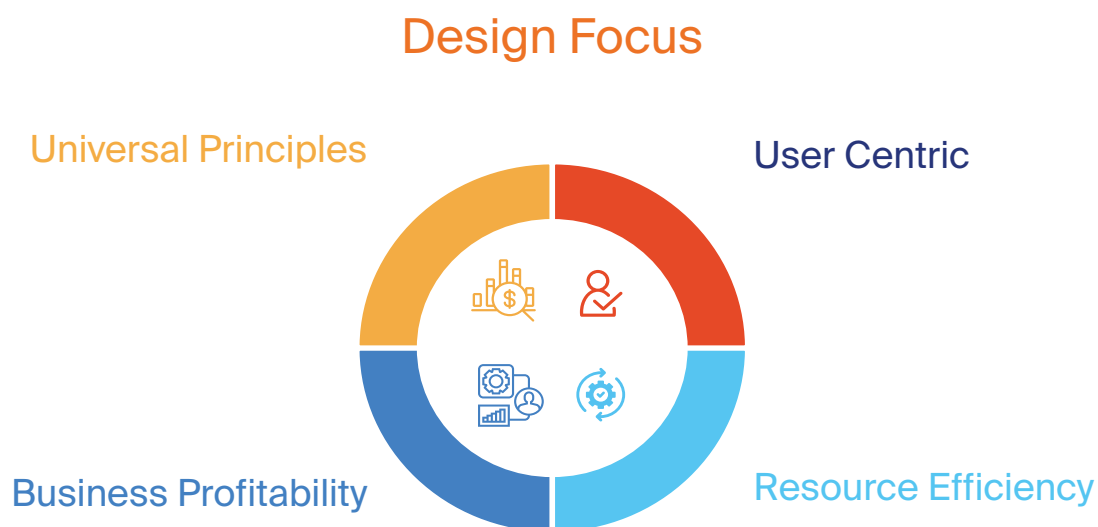
SM Prime's intellectual capital includes tacit knowledge, systems and procedures. The branding, technology and innovations of our Company also contribute to the business' reputation as an established yet progressive entity.

Design Focus

SM Prime aims to provide top performance and functionality in all of our properties while having minimum impact to the environment. The design of our properties are considered a highlight of

intellectual capital as good design allows the businesses to transcend economic value and contribute significantly in environmental as well as social aspects.

Good design would achieve this objective as research and innovation efforts can result to a positive impact right from the beginning. The role of design has widened in scope to include respect for the natural world aside from consideration for the end user.



Sustainable Design Strategies

SM Engineering and Design Development (SMEDD), the malls’ design and construction arm, combines corporate strategy and design thinking to develop creative and user-relevant solutions to achieve long-term objectives and goals. To this end, the employment of universal design principles to good design enables the utilization of the properties by a broad spectrum of people without need for specialized design.

	Material Issues	Risks/Challenges	Opportunities
Sustainable Design Strategies	Green infrastructure and sustainable designs	<ul style="list-style-type: none"> • Compliance to varied standards and changing needs of the public • Complex procedures and unclear requirements to obtain approval of local regulatory bodies • Lack of availability of green and sustainable materials in the local market 	Award-winning innovations
Trace Together	COVID-19 response and data privacy	<ul style="list-style-type: none"> • The supporting digital infrastructure must be flawless 	Sets the standard yet capable of being replicated and recalibrated to serve other purposes
Virtual Office	Business Continuity and employee welfare	<ul style="list-style-type: none"> • Possible loss or damage to equipment • Increasing physical investments 	Moving towards an agile working office for even better productivity



SM North EDSA's Sky Garden

Trace Together

SM Hotels and Conventions Corporation (SMCC) took the lead in developing SM Trace Together, a web-based, user-friendly contact tracing solution which is as easy to use as scanning a QR Code. Our Technical Services team took just five days to develop and roll it out.

With its efficient interface, Trace Together was rapidly deployed across SM establishments. Trace Together fully upholds the spirit of the Data Privacy Act. Indeed, this low-cost in-house innovation sets the standard for other companies and has been cited by the National Privacy Commission as a best practice for handling contact tracing data.

60,445

unique form submissions daily

More than 12 million

forms collected

Implemented in 15,629

locations across SM properties



Virtual Office

With the expanding reach and rapid development of its businesses, SM Prime was already evaluating the benefits of remote working well before the pandemic. In 2020, enabling our many employees to perform their jobs away from the office became essential.

Our solution was to rapidly deploy All-in-One PCs to ensure an agile workforce across our business units. The investment cost was offset by office cost savings and was a sustainable choice as we opted for units using 50% reduced packaging.

We increased our purchases of laptops and released our Remote Access Policy within days of the lockdown.



With strong firewalls in place, our technological infrastructure and facilities can support 7,000 to 8,000 employees accessing office facilities remotely.

When the national government mandated the Enhanced Community Quarantines (ECQ) due to COVID-19, our people were able to stay safe and continued to be productive due to our advanced planning and technology solutions as part of our business continuity plans.



Environmental Capital

As a responsible real estate owner, developer and manager, SM Prime is committed to sustainable operations and to protecting the environment by minimizing the carbon footprint among our properties. Our Company conducts resource management in engineering and operations by utilizing efficient building systems and equipment as well as instituting conservation programs for employees, tenants and customers. SM Prime assures that all our activities and operations comply with existing legal and regulatory requirements enforced by the national government. The following framework outlines our Company's directions on managing natural capital.

Material Issues

The efficient use of environmental resources such as energy and water contribute to the operational efficiency and long-term sustainability of the company, mitigates risks such as climate change, and presents new opportunities in differentiating the company in the markets where we are located.



Climate Change and Energy

- Greenhouse gas (GHG) emissions
- Rising demands for energy compounded by finite resources



Waste Management

- Waste generation and high cost of waste disposal
- Land scarcity for waste disposal



Water Management

- Water accessibility and security
- Water demand from general public



Biodiversity

- Ecosystem interrelationship with the well-being of the community

Policies

- Interruptible Load Program (ILP), Energy Efficiency Program, Solid Waste Management Program, Hazardous Waste Management, Waste Conservation Program
- Pollution Control Manual, Chemical Spill Control, Efficient Electrical Design Guidelines, Proper Disposal of Waste Water Sludge, Rectification Procedure for Environmental Complaints

Objectives

- Identify opportunities to deliver long-term benefits and respond to climate change risks and resilience
- Energy consumption from renewable energy sources
- Water conservation through the use of treated water
- Manage waste through recycling and segregation
- Manage biodiversity to preserve the environment
- Engage stakeholders to do their share

Method and Action Plan

- Environment Management System (EMS) ISO 14001
- Legal compliance of Occupational Safety and Health RA 11058
- Identify environment aspects and manage impact
- Sustainable Green Building code - including Environmental Impact Assessment (EIA) PD 1586 and stakeholder consultation
- Promote Green Sustainable Operations key performance indicators (KPI)
- Green rating target for new buildings and major refurbishment
- Identify existing green properties in the portfolio
- Eco-efficiency targets: Improve performance through tracking of energy and water usage, waste generation and carbon emissions
- Stakeholder engagement

Stakeholder Engagement

- Be updated and participate in policy making
- Collaborate with non-government organizations (NGOs)
- Share SM Prime policies with suppliers and service providers
- Share and encourage end users, including tenants, shoppers, residents and the general community to adopt environmentally sustainable habits
- Support public and private partnerships

Life Cycle

SM Prime believes that lowering the environmental footprint of our properties through innovation creates increasing value for our stakeholders.

We incorporate environmental sustainability in our life cycle management, in all stages of a project, from feasibility, planning, design, construction and procurement, operation and maintenance, and redevelopment. Monitoring environmental impact is integral to our business operations, as the efficient use of environmental resources such as energy and water contributes to the operational efficiency and long-term sustainability of our Company.

The Life Cycle Considerations was developed to ensure environmental aspects are factored in at all stages of the project, to reinforce a holistic approach towards sustainability.

LIFE CYCLE CONSIDERATIONS

Adopting an holistic approach, SM Prime actively works with our stakeholders through the life cycle of the properties.



Feasibility

- Conduct market research
- Assess the environmental impact
- Search for opportunities to innovate



Stakeholder Engagement

Communicate with our people, the government, and community partners



Re-development

- Plot rezoning and expansion
- Achieve top ratings and certifications
- Improve innovations in technology

Planning & Design



- Elevate design and engineering
- Detect potential climate and disaster risks
- Integrate resiliency

Construction

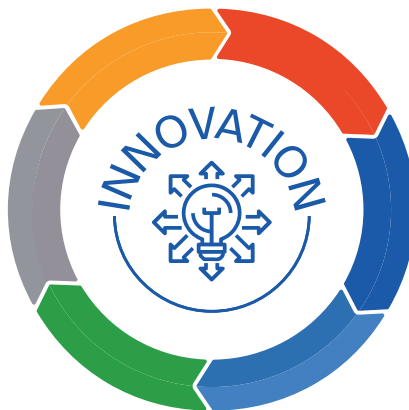


- Apply best practice to procurement
- Monitor environmental indicators
- Compliance to regulations

Operations & Maintenance



- Embed sustainable operations
- Track and evaluate performance






Committed to Environmental Stewardship

Greenhouse Gas Emissions (GHGs) (103-1, 103-2, 103-3, 305-1, 305-2, 305-3)

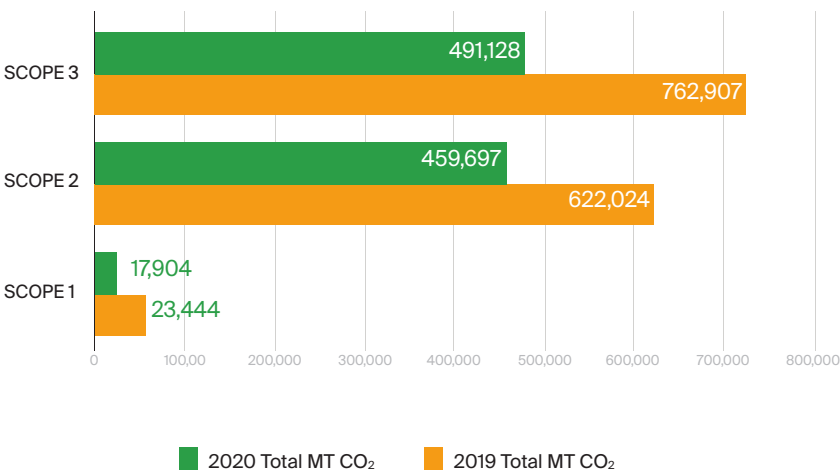
SM Prime is aware that emissions contribute to climate change, therefore the greenhouse gas (GHG) emissions' three classifications are included in this report.

Our Company ensures that there is no over-consumption of our energy and chemical resources to avoid unnecessary GHG emissions. Scopes 1, 2 and 3 are listed according to their respective sources and are based on the GHG Protocol developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD).

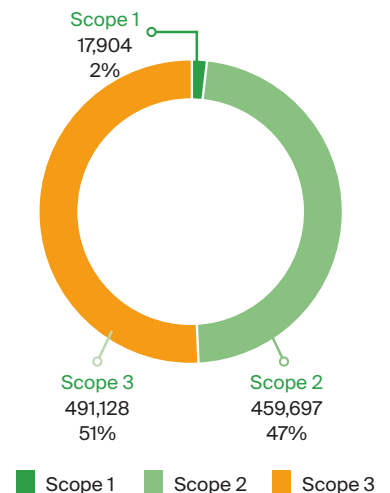
SM Prime's GHG emissions are derived from the following:

<p>SCOPE 1 (Direct) </p>	<p>SCOPE 2 (Indirect) </p>	<p>SCOPE 3 (Other Indirect) </p>
<p>Emissions from owned sources such as generators, vehicles, Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG), and Refrigerants</p>	<p>Emission from electricity purchased</p>	<p>Emissions from sources not owned by the Company (Tenants' electricity, LPG, third party vehicles)</p>

Summary of GHG Emissions (MT CO₂) (102-48)



Total 2020 MT CO₂



GHG Total Emissions

The decrease of total emissions by 31% is primarily due to the shortened operational hours and closure of malls and offices from March to May 2020 as mandated by the national government's Inter-Agency Task Force (IATF) on COVID-19.



Scope 3 had the largest percentage decrease at 36% due to the pandemic's operational restrictions on cinemas, amusement tenants and dine-in restaurants. The Scope 2 decrease was primarily due to compliance with the 26-degrees Celsius temperature guidelines set by the IATF in addition to our energy efficiency equipment and processes.

Design Focus Guidelines

Engineering and design guidelines are reviewed regularly to ensure the continuous improvement of our properties. The focus remains on the sustainable development of our Company - to minimize the carbon footprint and energy consumption, to enable water and waste management and to promote biodiversity in the life cycle considerations of our projects.

Risk Management of Environmental Aspects and Impacts

SM Prime strives to minimize environmental impacts such as resource depletion, waste generation and carbon emission to continuously improve its environmental performance. It is critical to identify and manage significant aspects of the business operations that can potentially have a negative impact on the environment, therefore the significant level of each environmental aspect is assessed during construction and operation of the property.

Risk assessment is based on factors comprising the likelihood of occurrence, the severity of the impact and the control measures to be implemented. Mitigation and prevention are included in the policy as referenced in the Environmental Framework table.

Environmental Stewardship (103-1, 103-2, 103-3)

SM Prime monitors environmental results through monthly in-house online systems to better track energy and water usage, waste generation and carbon emissions of our managed and owned operational properties. These systems exist in SM Prime office buildings, shopping malls and hotel and convention centers. The management team of each property submits monthly data and uploads supporting documentation online to the Sustainability Manager by business unit.

The consolidated data is analyzed against reduction targets. This facilitates a better understanding of consumption patterns and the identification of areas for eco-efficiency improvements. Regular audits are conducted to minimize data entry inaccuracies. SM Prime will soon migrate to a new cloud-based platform to further improve data analytics on consumption patterns, facilitate benchmarking and identify opportunities for further operational efficiency.

Energy Efficiency and Management (103-1, 103-2, 103-3, 302-1, 302-3, 302-4)

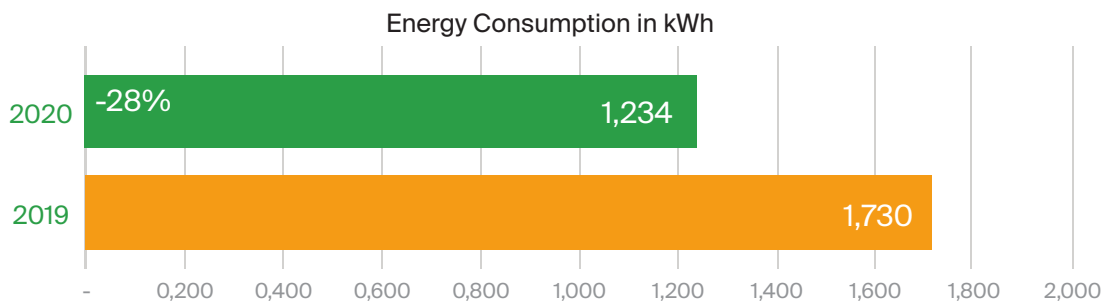
The core activities of SM Prime’s business, property development and asset management are energy intensive, with electricity constituting a significant proportion of our operating expenditure. SM Prime recognizes that improved energy performance can provide rapid benefits for an organization by maximizing its use of energy sources, hence reducing both consumption and cost.

As such, SM Prime places great emphasis on improving our energy performance through extensive energy reduction initiatives. The integration of energy efficiency considerations into the design and construction stages of our projects will pass on energy and cost savings to our customers, including our tenants and residents.

The enhancement of building management systems using the Focus EBAS provides monitoring and control capabilities to operate and optimize the components of the air conditioning system remotely.

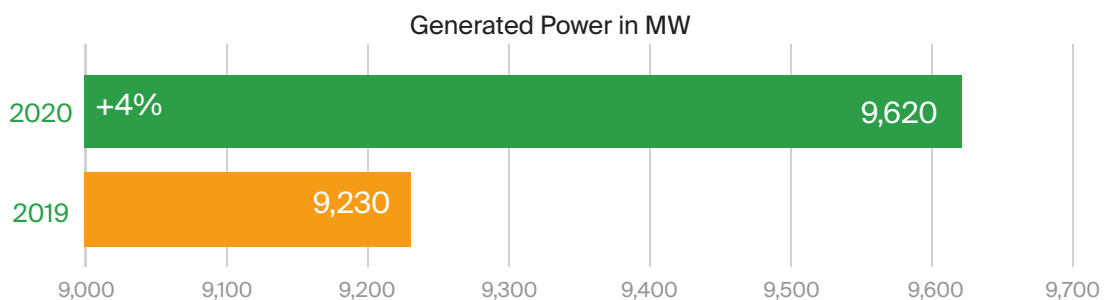
Energy Consumption within the Organization (302-1)

SM Prime consumes energy from electricity usage for both managed common and tenant areas. We use diesel for our stand-by generators and Company-owned vehicles while gasoline is used for landscaping equipment and any maritime vessels. China-based malls, on the other hand, uses compressed natural gas (CNG) for Company-owned vehicles.



Renewable Energy (302-4)

Apart from our energy efficiency measures, SM Prime promotes renewable energy sources to reduce carbon emissions. 7 SM Supermalls in the Philippines and 3 in China have solar panels installed on their roof decks to service operations and lower electric expenses. In 2020, these solar panels generated 9,620 megawatts of power which helped mitigate an estimated 2,2424 tons of carbon emissions.




9,620
 Mega watt hour
 Generated Power

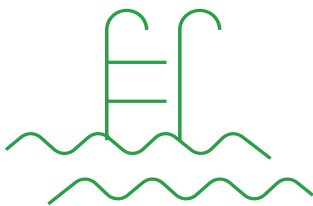
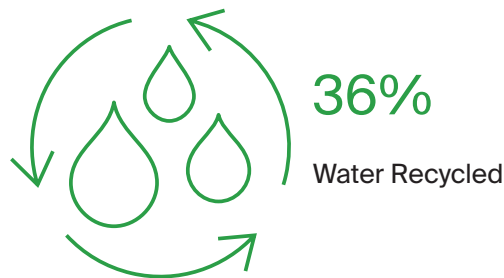
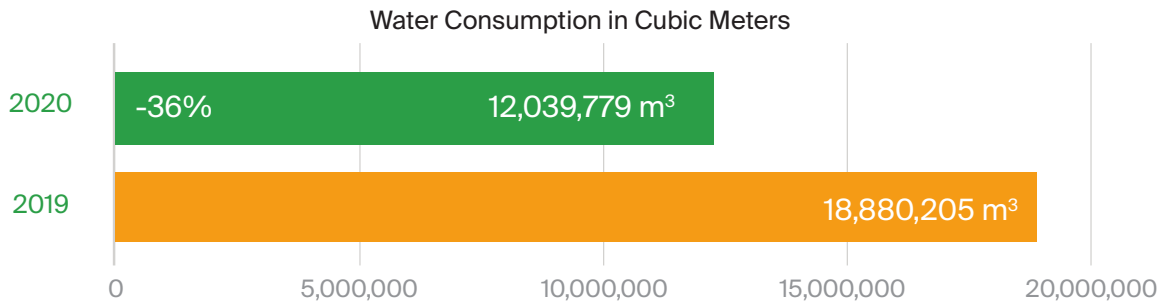
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3,200+
 Homes Monthly

Water (103-1, 103-2, 103-3, 303-1, 303-3, 303-4, 303-5)

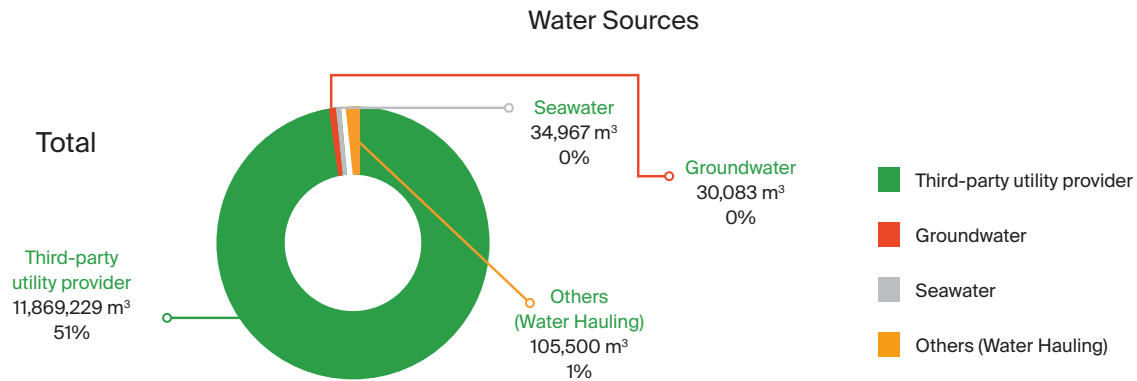
SM Prime acknowledges that our business operations' dependencies on water resources have great impact. A strategic approach to water management and quality enhances the efficiency, resilience and long-term value of our Company's portfolio which is why SM Prime is committed to reducing water consumption, reusing water and preventing water pollution.

In 2020, our Company's operating properties' total water consumption was an estimated 12 million m³. The decrease in water consumption can be attributed to the limited operations of the properties during the lockdowns.



3,418,749 m³ water recycled
equivalent to **1,368** olympic-sized swimming pools

11,869,229 m ³ Third-party Utility Provider	30,083 m ³ Groundwater	34,967 m ³ Seawater	105,500 m ³ Others (water hauling)
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Water Management (303-2, 303-1)

Across our properties, SM Prime has installed water regulators such as low flow sensor and metering faucets, waterless or low flow urinals and water closets to manage consumption. Water audits are regularly conducted by the building management as part of monitoring procedures to track early leak detection.

Effluents and Water (103-1,103-2,103-3, 303-2,303-4)

Our Company's properties are equipped with sewage treatment plants (STPs) that recycle water from our operations and that of the tenants. The STPs are designed as sequential batch reactors which consume low energy in the treatment of wastewater or effluents.

We managed to recycle 3.4 million m³ or about 36% of our treated water through the operations of our air conditioning cooling towers and comfort room flushing.

We recognize the importance of effective water management and make sure that the quality of the 5.2 million cu-m treated water we discharge into the watercourse complies with the Implementing Rules and Regulation of Republic Act No. 9275 otherwise known as "The Philippine Clean Water Act." Further, our Company ensures that the water discharge is within the effluent quality parameters set by the Department of Environment and Natural Resources (DENR).

Solid Waste (103-1, 103-2, 103-3)

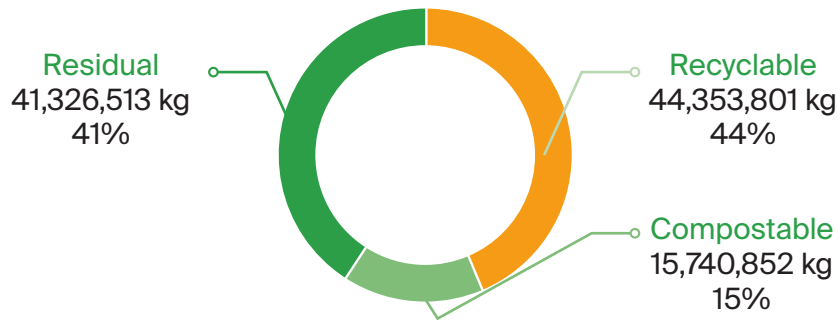
SM Prime has intensified our campaign on solid waste management in compliance with existing DENR Administrative Orders No. 2001-34 (Implementing Rules and Regulations of Republic Act No. 9003) and the revised DENR Administrative Order No. 2013-22 (Revised Procedures and Standards for the Management of Hazardous Wastes, DAO 2002-36).

Furthermore, we require all our contractors to implement proper waste management procedures during construction. Any waste generated must be responsibly disposed in strict accordance with environmental laws. All contractors must follow resource management procedures in our development projects.

Generated Solid Waste (306-2)

Classification of the solid waste gathered in our properties

	Compostables	Recyclables	Residual	Total
2020	44,353,801 kg	15,740,852 kg	41,326,513 kg	101,421,166 kg
2019	48,248,248 kg	17,699,079 kg	66,211,388 kg	132,158,715 kg



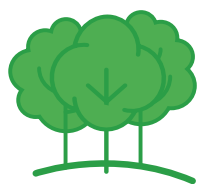
Solid Waste Management Programs

The manner of handling of the solid waste by our properties

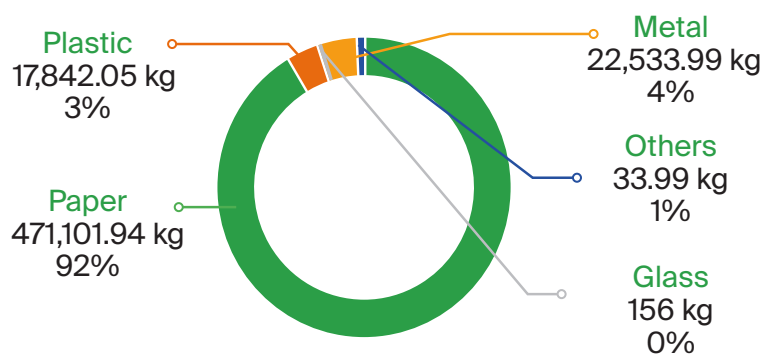
Composted	Reused	Recycled	Collected by accredited waste hauler
210,821 kg	639 kg	133,056 kg	3,914,207 kg

Trash to Cash Recycling Market

A long-running program through SM Cares, the monthly Trash to Cash (TTC) provides an avenue for the community, including our properties' tenants, to participate in solid waste management. This initiative ran for nine months in 74 malls and 5 SMDC properties in 2020, saving 134,067 seven-year-old trees to date.



Saved **134,067**
Seven-year-old trees to date



Paper Recycling Initiative

The partnership with Trust International Paper Corporation (TIPCO) continued in 2020 resulting in the collection, transport and recycling of 50,970 kilograms of wastepaper. The wastepaper collected from various offices are documents that satisfied legal and fiscal use in accordance with SM Prime's Records Information Management System.

Hazardous Waste (306-4)

SM Prime further commits to the continuous monitoring of accredited service providers in the safe and responsible transport, treatment, storage and disposal or processing of the properties' generated hazardous waste, compliant to DENR's implementing rules and regulations.

In 2020, we were able to responsibly dispose of 525,626 liters of used cooking oil from our mall tenants, 279,267 pieces of damaged light bulbs and 1,101 units of used lead acid batteries from mall operations.

Pollution Control Officer (PCO) Training

PCO training is essential in addressing any pollution-related matters resulting from our Company's business operations. The government mandates that each property assign a trained PCO to submit regular monitoring reports to their respective DENR agency handling the area.

From 2018 to 2020, 739 SM employees and 1,811 mall tenants attended PCO training. 100% of our properties are PCO compliant.

Air Quality

In line with the Bike-Friendly SM Program, 522 bicycle racks were produced for the 76 SM Supermalls which can accommodate an estimated 5,000 bicycles nationwide.

Automated Parking Indicators are installed in selected parking buildings to minimize carbon emissions.

Green Transport

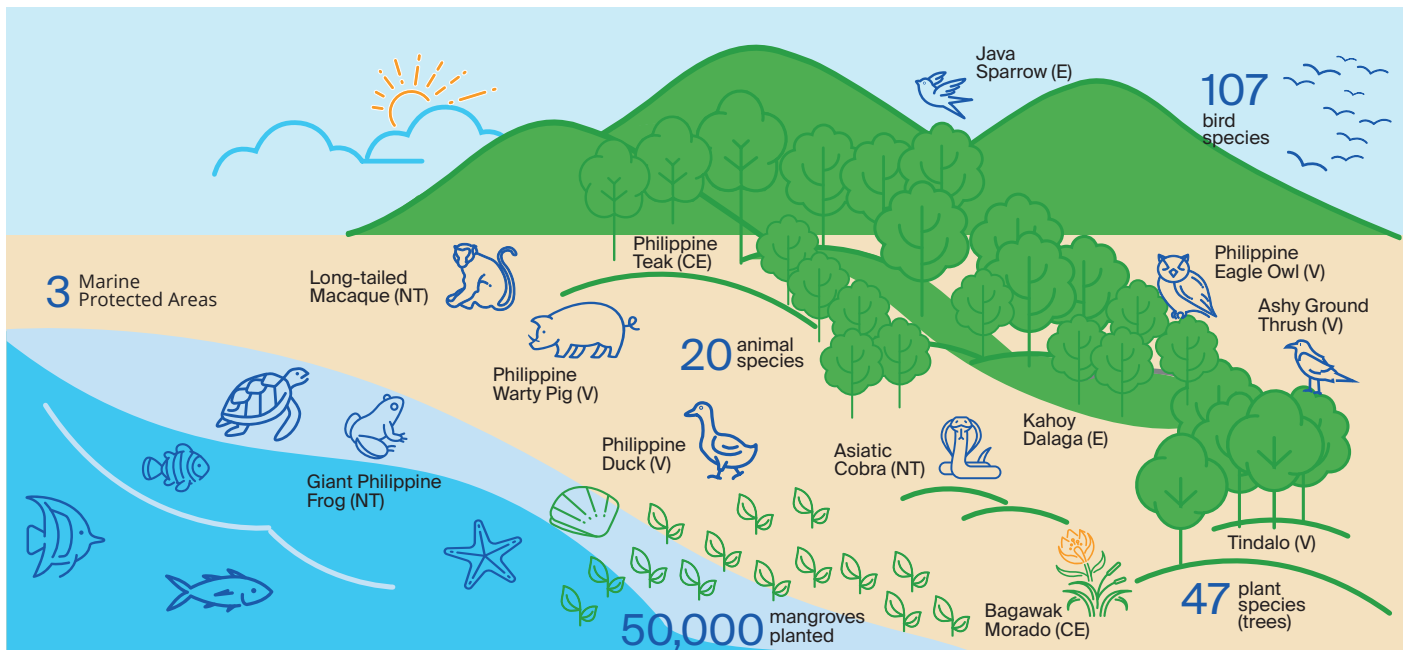
Public transportation is available in all properties while free shuttle service buses are available in selected malls. This allows easy access to our properties without the use of privately-owned vehicles. Electronic or E-Bus partnerships are encouraged to ply our routes while the bicycle parking facilities promote green transport and help reduce carbon emission.

Biodiversity (103-1, 103-2, 103-3, 304-4)

SM Prime is committed to preserving the biodiversity around the sites, taking into consideration nature reserves and the protection of plant and animal species. There are no sites located within protected areas and no material biodiversity risk identified.

SM Leisure Resorts' Hamilo Coast located in Nasugbu, Batangas ensures the monitoring and protection of species in their area of operations. Biodiversity conservation measures are observed for the International Union for Conservation of Nature (IUCN)'s Red List of flora and fauna within this sprawling seaside sanctuary, that includes a total of 10 hectares of mangroves.

(304-4)



LEGEND: CE: Critically Endangered E: Endangered V: Vulnerable NT: Near Threatened

	Material Issues	Risks/Challenges	Opportunities
Energy Efficiency and Renewable Energy	Climate Change	<p>High cost of facilities installation</p> <p>Scarce availability of risk management resources including expertise, industry data and insurance coverage</p>	<p>Reduction in operational and maintenance costs relative to business as usual</p> <p>Reduction of GHG and contribution against climate change</p> <p>Benefits in aligning operations with corporate goals</p> <p>Government incentives such as tax reduction and feed-in tariffs</p>
Water Management	Resource Consumption	<p>Availability of technology and the high cost of implementation of the new STP effluent standards mandated by DENR</p> <p>Structural concerns in retrofitting existing STP facilities</p>	Adherence to the Clean Water Act program of the government
Solid Waste Management Programs	Waste Management and Environmental Compliance	<p>Stricter implementation of government policies and closure of several landfill sites</p> <p>Scarce or low budget is given to the community and is often considered a non-priority by LGUs</p>	<p>Proper waste management reduces garbage in landfills</p> <p>Waste segregation also reduces operating costs</p> <p>Creating information and educational campaigns for responsible resource management delivers good public reputation and trust for the company</p>
Hamilco Coast's Biodiversity Conservation Measures	Biodiversity	<p>Lack of appreciation and the responsible management of biodiversity conservation programs by communities</p> <p>Scarce or low budget is given to the community and is often considered a non-priority by LGUs</p>	<p>The development of areas of habitat for rare and threatened species create strong awareness for communities as well as guests</p> <p>Capacity building for communities enable better appreciation of stakeholders and help foster the relationship with communities</p> <p>Care and protection of biodiversities establish goodwill and positive public reputation equating to business value</p>

How Sustainability Changed our Customer Experience

In SM Hotels, we focused on how to make our customer experience more sustainable and found many opportunities, particularly in how we manage our dining, prioritize local ingredients and create a circular approach to food management.

Our team refocused our dining experience towards sustainable choices of well-curated menu options. Instead of traditional extravagant presentations, guests are provided with a rich dining experience that uses prime local ingredients in support of local farming communities and vegetables from local gardens that use our food waste for compost.



An evident change in the F&B operations is the management of food waste. This made us rethink the buffet experience and our kitchen operations. Instead of elaborate setups, quality is favored over quantity with well curated menu choices prepared in showcase kitchens instead of displayed pre-cooked chafing dishes. Guests are encouraged to partake only what they can finish.



The Sustainable Diner

We replaced plastic with bamboo and biodegradable straws, and our food takeout packages are now all eco-friendly. We also introduced QR Codes for menus, reducing paper use and making them contactless and safer given the COVID-19 situation. In the front of house, we moved to online check-in and check-out, to lessen paper use.

Our guests are encouraged to keep room temperature at a comfortable 23°C degrees as an energy saving initiative. Meanwhile, we converted all single use bathroom amenities to refillable pumps to reduce plastics and waste.

Sustainability is an important part of everyone's lives. It is a priority of ours and our guests appreciate the fact that our hotels and resort reflect this choice.



Sustainable Bathroom Amenities

Human Capital (103-1, 103-2, 103-3)

Top Management Commitment and Staff Involvement

Together with SM Prime’s goal of creating lifestyle cities, our Company aims to develop the people who ultimately offer the end product.

The Human Resource division of SM Prime regards the workforce and the workplace as crucial assets to the delivery of our Company’s mission and vision. By innovating human capital strategies, we are able to adapt to the radical shifts in customer needs and the market landscape. The evolving businesses require intensively building the internal ecosystem with digital capabilities, a growth mindset and global practices.

Our Be PRIME (Performance Driven, Results Oriented, Intense, Mindful, Exceptional) core values guide our actions, from the way we value our employees, the quality of service we provide to our customers and community, to long term investments that we make to develop and prepare our people, personally and professionally. Further, these values enable our people to adapt to business and customer needs with agility, resilience and innovation with a heart for *malasakit*.

SM LIFE (Life Integration for Employees) is how we design the talent experience for our people. It underscores how SM cares for its people by anchoring on three pillars - Purpose, Passion, and Performance – to create an engaging work environment that allows people to look at the essence of one’s work and transcend to the heroic purpose of providing happy and fun family experiences, reasonable and affordable homes, and building a better quality of life for every Filipino.

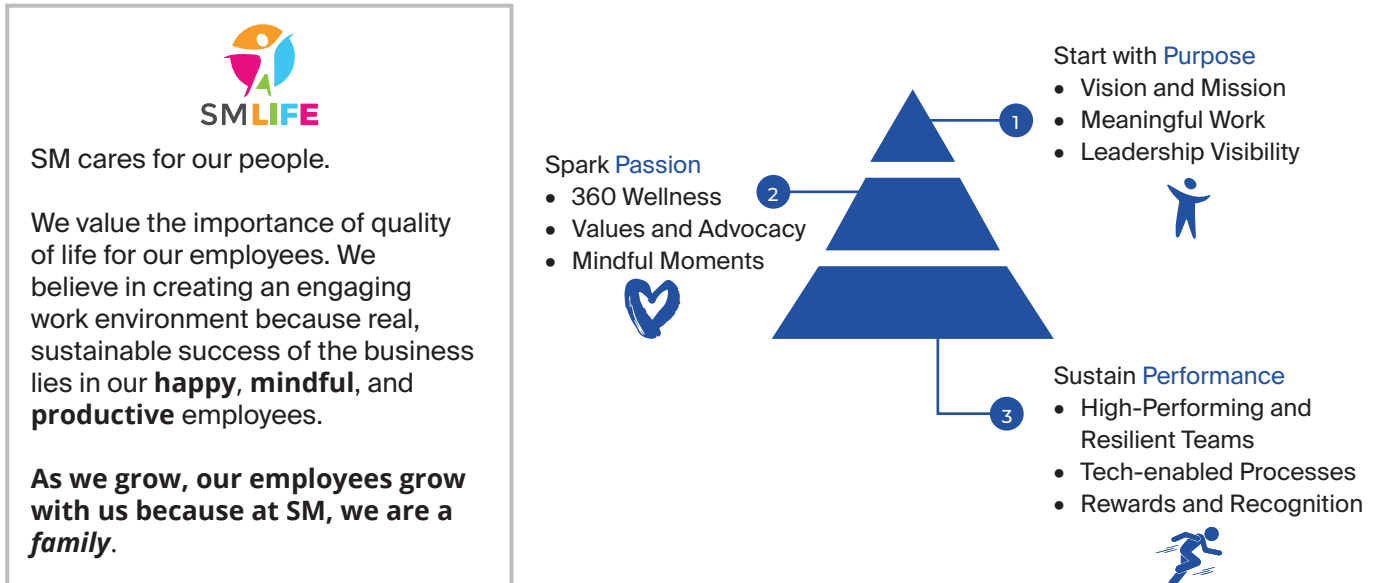
Transforming and Making Things Happen: The SM LIFE Signature Talent Management Experience

SM Prime’s Human Resources division created five HR Transformational Goals to enable change and action, with focus on building an agile, innovative and execution-focused organization. These goals capture the SM LIFE talent management experience with programs delivered across the various employee touchpoints through the five Centers of Excellence – Recruit Right, Perform Right, Develop Right, Reward Right, and Engage Right.

 <p>RECRUIT RIGHT</p> <p>Getting the right talents with the right attitude</p> <ul style="list-style-type: none"> • Supports SM Scholarship Foundation • Career website across all business units • Academic Partnership • E2E Programs (Education to Employment) 	 <p>PERFORM RIGHT</p> <p>Creating a culture of high performance, grit and Execution</p> <ul style="list-style-type: none"> • Shared KPIs across teams • Growing talents from within • Performance conversations & coaching 	 <p>DEVELOP RIGHT</p> <p>Superior Leadership, Talent Pipeline and A strong learning environment</p> <ul style="list-style-type: none"> • Blended learning initiatives • Leadership, Coaching & mentoring programs • Digi-U 	 <p>REWARD RIGHT</p> <p>Innovating Rewards and Recognizing Superior Performance</p> <ul style="list-style-type: none"> • MyHR (Digital Integrated HR Solution) • SM ID PRIDE • Project ACTS 	 <p>ENGAGE RIGHT</p> <p>Working together with a happy heart and choosing a life of purpose, passion and performance!</p> <ul style="list-style-type: none"> • Candid Coffee with the CEO • Celebrate You • Passion Clubs, PRIME Kids • Leaders’ CIRCLE • HR BEAT • Volunteerism • Wellness Seminars and Get Up & Move!
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Employee Value Proposition

SM LIFE means taking pride in our purpose, passionately working together with a happy heart, and performing at our “prime” to create an engaging work culture and environment. We believe that real and sustainable success lies in our happy, mindful, and productive employees.



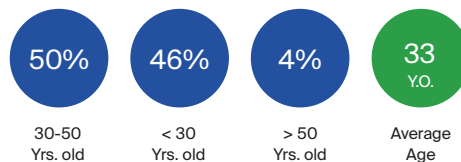
People Strategy (102-8)

SM Prime optimizes the value of human capital by building workforce strength through promoting diversity and inclusion, building capabilities to enable strategic workforce planning and adapting to health, safety and well-being needs.

Staff Strength



Generation



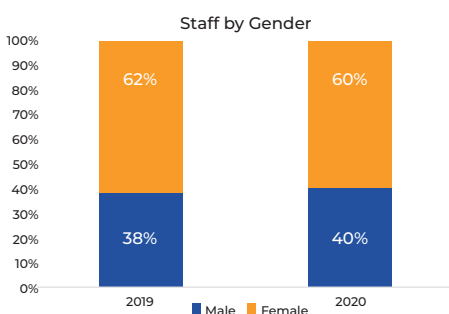
Average Tenure



1. Diverse and Inclusive Workplace (103-1, 103-2, 103-3, 405-1)

SM Prime promotes the Group Inclusion and Diversity Agenda (GIDA) across the organization which provides gender equality, women empowerment, prohibits discrimination and harassment and provides talent development opportunities based on meritocracy. The SM LIFE culture further embraces and nurtures the varying needs of our employees.

Establish, track, and create awareness on gender diversity



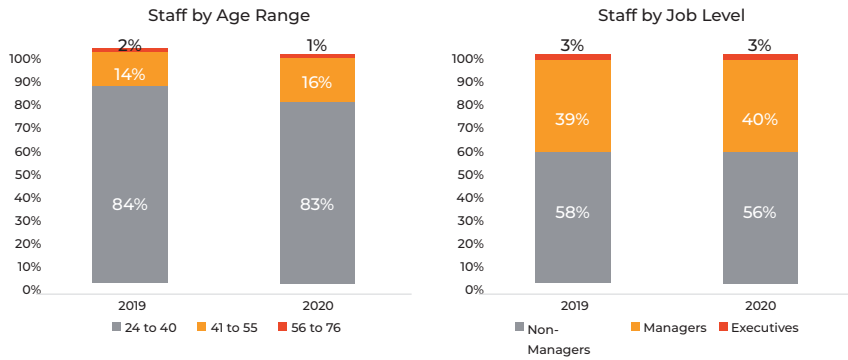
Gender Ratio for Executive Positions



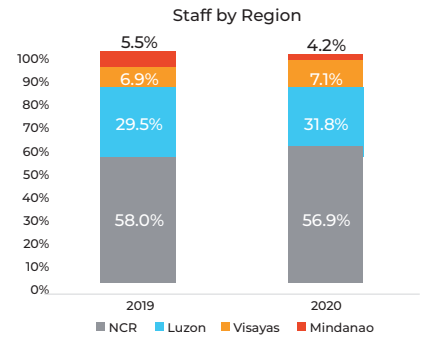
Gender Ratio for Top Management Positions



Ensure a healthy pipeline of next-generation leaders



Recruit Local Talents



Allow flexible work arrangement for immunocompromised and other qualified employees

Provide opportunities to serve the communities where SM is present

301

employees on Work from Home

Operation Tulong Express mobilized by employees during:

- Taal eruption
- Typhoon Rolly
- Typhoon Ulysses

2. Talent Building and Leadership Planning (103-1, 103-2, 103-3; 401-1; 404-1)

SM Prime is committed to build and accelerate talents to unleash their highest potential and be Future Ready (digitally and technologically savvy). The Human Capital is relentless in our mission to fortify superior leadership and talent pipeline through a strong learning culture.

Provide appropriate learning, growth and opportunity to excel

101,602 Total Learning Hours
5,934 Total Trainees
17 Average Learning Hours per trainee

Identify Mission Critical Positions and create succession plans

78 Total MCPs
63% MCP Cover Ratio
1:1 MCP Successor Ratio

Accelerate development overseas of high potential employees

4 Employees deployed in China

3. Safety, Health and Well-being

SM Prime cares for our employees and we advocate a healthy and safe work environment. Our Company achieved low workplace accidents and incidents, despite the pandemic, through a holistic health program that is also integrated with the SM LIFE mobile app. SM Prime's overall SM LIFE program further promotes 360° wellness and work-life integration.

Provide support for disease awareness, prevention and management

Awareness

- Release of health advisories onsite and online
- Roll-out webinars

Prevention

- Provision of disinfectants, face masks, face shields and vitamin supplements

Management

- Access to COVID-19 testing
- Medical Services & HR buddy
- HMO coverage for COVID-19

Launch SM LIFE App with health tracker and contact tracing functions

89% Download rate
81% Access rate
13 Average visits per user per month

Roll-out mental, physical, financial and spiritual wellness programs

82 Sessions conducted
42% Activated accounts vs. target for offline one-on-one mental health counseling

Adoption of solo parent leave and Expanded Maternity Leave (401-3)

526 Childcare leaves credited
259 Expanded maternity leaves credited

Occupational Safety and Healthy Environment (103-1, 2, 3; 403-1, 2, 3, 4, 5, 6, 7)

SM Prime, in compliance with the Department of Labor and Employment (DOLE), has implemented the Occupational Safety and Health (OSH) Standards to protect every worker against the dangers of injury, sickness, and death through safe and healthy working conditions. Safety is an integral part of property operations and we treat our employees, tenants, customers, contractors, suppliers and the communities with utmost importance to our Company.

Effective implementation of OSH assures the conservation of valuable manpower resources and the prevention of loss or damage to lives and properties, consistent with national development goals and with the country's commitment for the total development of every worker as a complete human being. With this, we have only one reported work-related accident resulting in lost time for the year and an average of three days of absenteeism per employee for the year.

Our OSH program is as follows:

1. Compliance

SM Prime ensures yearly compliance with the legal and regulatory requirements of the national government and the respective local government units to ensure continuity of business operations.

2. Risk Management of OSH Hazard

To ensure compliance with government regulations, we ensure that all employees are equipped with the required knowledge about OSH in the workplace.

3. Trainings and Awareness

We have organized webinars and fora throughout 2020. Virtual townhalls and information and education campaigns (IEC) cascaded physically and digitally are in place to ensure that our employees are updated with our current business position and management directions.

4. Measures to Mitigate Serious Diseases

To mitigate risks, we respond to the threat of health crises such as the COVID-19 pandemic in a timely manner with appropriate measures. HR disseminates medical and travel advisories to all our employees. Likewise, essential equipment and disinfectants were provided to our employees for their protection.

5. Staff Wellness

Our Company aims to provide a work environment that is safe and contributes to the general well-being of our staff. We provide employees with a health insurance plan, annual physical exam, drug-testing and medical services with teleconsulting. We provide mental health support through awareness campaigns and access to mental healthcare providers when needed. A virtual Wellness Learning series promotes holistic employee well-being through quick exercises, mindfulness tips and creative and spiritual outlets. SM Cares, the CSR arm of SM Prime, initiates community engagement programs across various advocacies where employees are given opportunities to support.

6. Tenants and Community

As part of our OSH program, the Business Continuity Management System, Environment Risk Management and other disaster resilience guidelines are in place to ensure the safety and welfare of the community and also other stakeholders.

Human Rights and Labor Practices (103-1, 103-2, 103-3, 406-1, 410-1)

In SM Prime, we believe that people is the most important asset of the organization. As we commit to be a workplace of choice for our more than 9,000 employees, we uphold and observe the ethical and labor standards that support human rights and dignity.

1. Anti-Workplace Discrimination

The Company adheres to United Nations Global Compact Principle 6 and ensures that there is no discrimination in respect of employment and occupation. Employees are selected on the basis of their ability to do the job and there is no distinction, exclusion or preference made in terms of age, gender, sexual orientation, religious affiliation, parental status. As such, there is no reported incidence of discrimination in 2020.

2. Diversity and Inclusion

Anchored on meritocracy, we continuously aim to accelerate talent development that supports professional development for women across the group, including increasing representation of women in top management.

3. Re-employment Opportunities

SM Prime in compliance with the Philippine labor laws implemented the mandatory retirement of our employees at the age of 65 and possible re-employment as Consultant thereafter. Meanwhile, those who resigned were given a chance of possible re-employment for any vacant position that may fit their qualifications.

4. Positive Work Environment

SM Prime provides working areas that are practical and ergonomically designed to promote performance and productivity. Services such as a breastfeeding area, a full cafeteria, filtered water dispensers and discounted access to gym-tenant partners promote a healthy work environment. Participative communication programs such as Town Halls, Candid Coffee with the CEO, HR TV and recognition programs such as Celebrate You and our Service Awards create synergy at work.

5. Fair Remuneration

We embrace a Total Rewards system, a well-rounded and holistic approach to drive positive outcomes and business performance. Meritocracy or Pay for Performance supports our direction to create a culture of high performance, agility and innovation. It is an integrated rewards strategy that focuses on: the right remuneration and total compensation, benefits and well-being preservation and skills and capabilities development to support our employees in achieving their personal and professional aspirations. Limitless opportunities are provided to employees to chart their careers across different businesses in the SM Group. To support all these, HR has embarked on an agile and digital transformation journey using an integrated HR system – one HR.

6. Job Security

SM Prime is committed to talent mobility where employees are given opportunities to rotate to different job functions and area assignments, subject to skills/competency requirements and business needs. Our Company is committed to providing meaningful jobs for our staff.

7. Security Practices

SM Prime takes responsibility for training its Customer Relations Services (CRS) and adjoining security personnel on human rights policies and procedures. Formal training is regularly arranged or included in the service providers' training.

8. Customer Privacy

Data privacy is highly valued by our Company and we abide by government regulations to ensure that any information given by customers or clients are safe and secure. No incidence of breach of customer privacy has occurred.

9. Supply Chain Management

The suppliers working with SM Prime undergo an accreditation process to ascertain whether they practice responsible operations in the areas of human rights, anti-corruption, health and safety as well as environmental management.

	Materiality	Risks/Challenges	Opportunities
SM LIFE Program	Employee welfare and engagement	Safe distancing protocols calls for changes in employee experience and a major adjustment versus face to face interaction	The evolution of SM LIFE philosophy adapts to the employee experience
Talent Attraction, Retention and Development	Employee career advancement	The outflow of talent in a highly- competitive market impacts operational efficiency and a sustained growth. Enhanced organization design and work environment is urgent and required	Continued community involvement and equipping our workforce with resilience, agility, digitalization and change management while strengthening work relationships through coaching, mentoring and mindfulness programs.

Social and Relationship Capital

(103-1, 103-2, 103-3, 102-12)

SM Prime looks to all our stakeholders as a source of inspiration and innovation. We build our investments over the years to strengthen engagement. By communicating effectively with customers, business associates, third-party suppliers and the local community, SM Prime is able to respond better.

As for regulators and key government agencies, non-governmental organizations and the media, our Company receives support and becomes a partner for enabling wider reach. Each business unit creates programs for regular community engagement and outreach, and with more than 50 global and national partners, we can effectively communicate our advocacies. SM Cares, the umbrella group for corporate social responsibility initiatives, has an active presence in the shopping malls' community.

Our Stakeholders

- **Company (Employees, Management and Principals)** – SM Prime actively engages our staff through communication sessions held by Senior Management for the effective flow of information, and alignment of business goals and objectives across all levels of the workforce.
- **Clients/Customers (Clients/Customers, Unit Owners and Tenants)** – Our Company conducts regular satisfaction surveys at its shopping malls, hotels, office buildings and residences. The feedback obtained is reviewed and follow-up actions are taken to improve the experience of our mall customers and guests at our residences and improve service levels to tenants.
- **Business Partners (Third-party Service Providers, Sellers/Brokers, Contractors, Ride Partners)** – Contractors are only appointed upon meeting the Company's stringent selection criteria. For building operations, SM Prime contractor management guidelines require all contractors to comply with local government and other legal requirements. Programs are rolled out to influence its supply chain to operate responsibly in the areas of anti-corruption, human rights, health and safety, and environmental management.
- **Investors and Media Partners** – Company news and announcements are punctually updated, updated on our website, and sent to the media. These include Investor Relations (IR) related announcements, policies and materials such as SM Prime financial results and annual reports. There is also a dedicated IR webpage and investors can reach our IR team through the "Contact Us" page. The Group Communications team works closely with the media to profile Senior Management and the latest developments through print, broadcast, digital and social media channels.
- **Local Government and Government Agencies** – Our Company reviews and reacts on proposed regulatory changes that may impact our Company's business. This allows SM Prime to plan ahead, in view of the cost of regulatory alignment. Engaging regulators and relevant industry bodies has also enabled our Company to be aware of challenges, placing the company in a better position to leverage existing and future opportunities for growth. Procedures are in place to ensure legal and regulatory compliance of activities and operations through regular monitoring, evaluation and auditing of the SM Prime management systems.
- **Community/NGO (Communities, Condominium Corporations and Sector Partners)** – Aside from local and regional memberships, SM Prime is a signatory to the United Nations Global Compact and member of the

United Nations Office for Disaster Risk Reduction ARISE Private Sector Alliance for Disaster Risk Reduction.

Social Integration

SM Prime is committed to building safe, accessible, vibrant and quality developments to enhance the lives of our shoppers, tenants, serviced residence guests, homeowners and members of the community.

Social and Relationship Capital Framework

Policies

Promote social inclusion and care for the environment through collaboration and multi-stakeholder partnerships. Through our CSR Programs, SM Cares aims to make each and every SM Mall a mall for all, where no one gets left behind, and to make use of our malls as community tools to promote sustainable living.

Corporate Governance

Program Directors manage the CSR Programs:

- Persons with Disabilities
- Environment
- Women & Breastfeeding Mothers
- Senior Citizens
- Children and Youth

Part of Employees Volunteerism Program

Program Directors and employee volunteers form part of the pillars that make SM Cares, an effective tool that promotes social inclusion, CSR innovation and care for the environment. All programs are conceptualized and implemented by our Program heads and employees using their volunteer time.

Strategic Goals

- Invest in fundamental needs: i.e. education, healthcare and shelter of underprivileged children
- Improve quality of life for the vulnerable elderly in deeper social integration and better living conditions
- Focus on communities where SM Prime operates as the long-term success
- Go beyond donation and be actively involved in projects that will have positive impact on both the community and its business

Action Plan

Programs

Align community investment with business and interests of stakeholders

Employee Volunteerism

- Advocate volunteerism to embody the true spirit of community investment in SM Prime
- Employee involvement can lead to improved team building, better working relationships and enhanced internal brand

Progress Management

- Set meaningful targets and key performance indicators when planning community investment initiatives in addition to measuring input
- Collaborate with credible, experienced and established organizations to build programs that will have long-term sustainable impact on the beneficiaries.

Brand Building

Building brand, reputation and trust among its stakeholders will help garner wide support which is crucial in maintaining sustainable operations.

Impact

- Improved academic results, health behavioral performance of beneficiaries
 - New volunteers feel proud and enjoy working in SM Prime with a positive and vibrant corporate culture
 - Support private and public partnership
-

Raising Public Awareness

Our Company organizes activities that are aligned with our focus on community investment, raising awareness and stakeholder engagement in the areas of philanthropy, environment, health and safety. The social capital generated in these focus areas supports SM Prime's business and sustained growth.

Advocating Volunteerism

Through our various programs, SM Prime encourages all employees to participate in yearly activities aimed at community service. Volunteerism among the staff exists via participation in events such as tree-planting, coastal clean up, visits to homes for the aged and the annual *Brigada Eskwela* cleaning activities before the school year begins.

Community Development and Value

Partnership and Community development are key to SM Prime's sustainability strategy. This has built strong social capital and goodwill with communities where we operate. We support stakeholder activities which include environmental sustainability, health and safety, social integration as well as helping underprivileged children and the elderly in the community.

Committees	Key Programs/Initiatives	Impact
Persons with Disabilities	<ul style="list-style-type: none"> Sensitivity Training and Regular Orientation for Mall Front Liners Angels Walk for Autism Happy Walk for Down Syndrome Emergency Preparedness for PWDs and Senior Citizens 	<ul style="list-style-type: none"> The events advocate awareness, acceptance and inclusion for all persons with autism and down syndrome. Trainings would better prepare our frontliners in handling people with special needs.
Environment	<ul style="list-style-type: none"> Trash To Cash Green Film Festival Regular Bay Clean-up and International Coastal Clean-up Earth Day 	<ul style="list-style-type: none"> The Trash To Cash Recycling Market aims to educate the community responsible solid waste management. The Green Film Festival is an information and education program that aims to educate the youth about environmental issues such as climate change, biodiversity and recycling solid waste.
Women and Breastfeeding Mothers	<ul style="list-style-type: none"> Breastfeeding Station in all SM Malls nationwide Hakab Na! (Latch On) Pink Ribbon Day for Breast Cancer 	<ul style="list-style-type: none"> Promotes awareness on the importance of breastfeeding Promotes breast cancer awareness
Senior Citizens	<ul style="list-style-type: none"> Community Service Programs for Senior Citizens Emergency Preparedness for PWDs and Senior Citizens Walk For Life 	<ul style="list-style-type: none"> Engaging elderly by providing them opportunities to be productive in the mall Walk For Life aims to promote healthy and productive aging
Children and Youth	<ul style="list-style-type: none"> Adoption Consciousness Month Support for UNICEF Philippines' Project WASH Global Youth Summit 	<ul style="list-style-type: none"> Provides a channel for the youth to play an active role in community and nation building Promotes the Department of Social Welfare and Development's programs on adoption Promotes water, sanitation and hygiene among children



Bicycle enthusiasts try out the SM Mall of Asia Complex bike lanes

Bike-Friendly SM Project

The pandemic has pushed us to explore alternative means of mobility, and we have witnessed the growth of a new band of commuters – the bike riders. We saw that they were challenged, and we knew that we had to help. We started by putting up bike parking facilities in our malls.

This was our inspiration behind the Bike-Friendly SM Project, which was launched at the SM Mall of Asia last September 2020.

We began by putting a total of 18 kilometers of shared and dedicated bike lanes at the SM Mall of Asia, along with hundreds of bike racks, vending machines, and service repair stations at the MOA complex.

The Bike-Friendly SM project was rolled out in stages nationwide. Highlights include SM Seaside Cebu's 1.6km of shared and dedicated bike lanes; a 2.1-hectare bike trail at SM Center Pulilan; SM City Marikina's bike lanes and free vehicle parking for customers with bikes, to name a few. Across all

SM Supermalls, there are now more than 522 bike racks and more than 80 repair stations nationwide.

“We have designed our bike facilities to be enjoyed by all members of the community across all ages and biking abilities, whether it be for utilitarian or recreational purposes,” said Hans Sy, Jr, President of SM Engineering Design and Development, and the brains behind the bike-friendly initiative. “SM hopes that this will encourage more people to take up biking as a healthy and environment-friendly mode of transportation.”

Aside from these, we wanted our Bike-Friendly SM Program to be consultative, inclusive and collaborative. Hence was born our partnerships with the Department of Transportation, Metro Manila Development Authority, several European embassies whose countries have expertise in this area, and various cycling advocacy groups.

SM Cares under the New Normal

SM Cares, a division of SM Foundation, is the corporate social responsibility arm of SM Supermalls. It was launched in 2004 to organize sustainability and community support efforts into a comprehensive program that tackles a wide range of initiatives.

Persons with Disabilities

SM Cares goes beyond compliance, and has instituted programs to make our malls and business environment PWD-friendly

Environment

The program promotes responsible solid waste management, information and education campaigns and community partnerships that promote care for the environment

Children and Youth

The program focuses on platforms that promote the welfare of children and youth

Senior Citizens

The program promotes the wellbeing and active lifestyle of senior citizens

Women and Breastfeeding Mothers

The program advocates for women empowerment, health, resilience and wellness of nursing mothers

Bike-Friendly SM

This advocacy promotes and supports sustainable urban mobility and has transformed our SM Malls to become bike-friendly



We partner with advocates, communities, and private and public sector organizations, in order to further advance the best interests of our advocacies. Our CSR initiatives support the 17 United Nations Sustainable Development Goals. As a responsible mall developer, SM ensures that our CSR programs serve as catalysts for positive change in the community it serves.

	Material Issues	Risks/Challenges	Opportunities
SM Cares Programs	Corporate Social Responsibility and Employee Engagement	Increased expectations of partners and demand for more programs require increase in budget	The public-private partnerships are mutually beneficial and strengthen our Company in many aspects



Sharing the Bears of Joy with medical frontliners

The SM Bears of Joy 2020

A Christmas charity project by SM Cares, SM Supermalls and Toy Kingdom, we made the SM Bears of Joy more special in 2020 by honoring the courage, commitment and dedication of our frontliners with Kit the Doctor, Heart the Nurse, Ace the Soldier and Max the Police. We were able to sell and donate more than 20,000 bears nationwide.

20,000

Bears of Joy donated

Virtual Green Film Festival

The Green Film Festival is one of the projects of the SM Cares Program on Environment, aimed at educating students on various environmental issues. Shifting to the digital platform, we conducted our first virtual Green Film Festival held in partnership with the US Embassy and the College of St. Benilde. With 500 attendees, the film "Alon" dealt with marine pollution and streamed on the Facebook pages of SM Supermalls and SM Cares.

Virtual Global Youth Summit

The Global Youth Summit is a joint project of the SM Cares Program on Children and Youth and the Global Peace Foundation. In 2020, we had more than 6,000 young leaders from across 35 countries, connected via Zoom and Facebook, listening to discussions about mental health, environmental protection, health amid the COVID-19 pandemic, educational system reform and the impact of digital and new technologies.

Angels Walk for Autism 2020

Angels Walk for Autism is an annual celebration in observance of the National Autism Consciousness Week, led by the Autism Society Philippines and SM Cares. In 2020, more than 25,000 attendees from 8 different SM venues and malls joined to celebrate the abilities of persons with autism.

25,000+

Angels Walk Attendees



Angels Walk for Autism, Jan. 26, 2020

Rising from the Ashes: Taal Vista Hotel's Enduring Resilience

Taal Vista Hotel has stood the test of time, overlooking scenic Taal Lake in the tourist destination of Tagaytay City for the past 80 years. It was a witness to the Taal Volcano eruption on January 12, 2020 that created severe ash fall across the region. The property itself was not severely affected by the calamity, but it did experience lost business from temporary closure in order to protect the general public and our employees' health and safety.

We soon recovered and the landmark hotel is back in business, resilient as ever. As another chapter in its history unfolds, the safety and welfare of its employees and neighboring communities remain top priorities.



Then and now, Taal Vista Hotel persists – an iconic property that sits amidst the beauty of the Taal Lake and continues to serve its community in the heart of Tagaytay City.

Norlyn Ilagan, a housekeeping staff member of Taal Vista Hotel, was among those affected by the Taal Volcano eruption and was temporarily displaced with her family from their home in Taal, Batangas.

SM Prime gave her immediate aid, offering accommodation in the hotel, cash assistance and daily supplies for her family's needs. During those difficult times, Taal Vista Hotel was a second home to her and her family, providing a safe haven and helping rebuild her life.



NRC: Strengthening Collaboration for National Resilience

(102-13)



3 cities adopted by SM Prime: Cagayan de Oro, Naga, and Iriga

The National Resilience Council (NRC) is a science and technology-based public-private partnership that brings together government, communities, academe and the private sector in advancing disaster resilience. It supports the Sendai Framework for Disaster Risk Reduction, United Nations Sustainable Development Goals, the Paris Climate Agreement, and the New Urban Agenda through transdisciplinary approaches and whole-of-society actions.

Its flagship Adopt-a-City Program is a multi-sector partnership that aims to transform local climate and disaster risk efforts through knowledge development and capacity building. Anticipating the impact of COVID-19 on its local government partners, the NRC responded by engaging technical experts and public health practitioners to design and mount its COVID-19 Knowledge Series.

The Council also trained, coached and mentored seven of its LGU partners to develop a Web-based Geospatial Risk Database System (Web-GRiD) for COVID-19 response and recovery.

SM Prime is active in the NRC through the advocacy of Mr. Hans T. Sy, who acts as its Co-Chair. In recent years SM Prime has spearheaded private sector action to go beyond disaster donor response and relief efforts to promote the planning and implementation of forward-thinking resilience programs. Our own investments in risk reduction have served as leading practices. These efforts have been recognized by the United Nations Office for Disaster Risk Reduction.

The NRC continues to expand and innovate its partnerships, pursuing risk-informed investments in climate and disaster resilient communities.



ARISE PHL: Re-energizing the Private Sector and Transforming Communities (102-13, 203-1)

With Mr. Hans Sy at the helm, SM Prime initiated the re-energizing of ARISE PHL to intensify the aligning of its initiatives in support of the Sendai Framework, 2030 Agenda for Sustainable Development, the Paris Climate Agreement, the New Urban Agenda, and the Agenda for Humanity. In keeping with the mandate of the global alliance, members actively pursued high impact initiatives under the network's three work themes and four priority areas while also responding to the immediate needs of the communities.

The network recently elected its first Board of Directors (BOD) with Vadm. Alexander P. Pama, AFP (ret), SM Prime Consultant for Disaster Risk

Resilience, as Co-Chair. The Board is composed of representatives from SM Prime, PricewaterhouseCoopers, Asia Pacific College, Aboitiz Foundation Inc., Asian Institute of Management, NEO Property Management Inc., Philippine Disaster Resilience Foundation, Unilever Philippines, National Resilience Council and Philippine Institute of Civil Engineers.

ARISE PHL's members collectively and individually provided assistance to supplement the government's relief efforts during the COVID-19 pandemic. This includes the SM Group's PHP 2.8M donation to help fund the acquisition of testing equipment and facilities in Iloilo and Cagayan De Oro, respectively.

Four Priority Areas

Small and Medium Enterprises

(Re)-Insurance

Investors and Investment

Resilient Infrastructure

Work Themes

- Disaster Risk Management Strategies
- Education and Training
- Urban Risk Reduction and Resilience

The Practice of Good Governance

SM Prime affirms its deep commitment to a high standard of corporate governance practice, which is firmly anchored on the principles of accountability, fairness, integrity and transparency consistently applied in every aspect of our business and at all levels of our organization.

Corporate Governance

(102-10, 102-18)

SM Prime Holdings, Inc. continues to uphold a culture of good governance that underpins our core principles of fairness, accountability and transparency. These principles constitute the foundation of SM Prime's Corporate Governance Framework, and are embedded in every aspect of our Company's operations and its dealings with various stakeholders.

SM Prime's good corporate governance practices has helped establish SM as a strong brand which customers, investors, business partners and other stakeholders trust. Our Company continues to be recognized for practicing good corporate governance through the ASEAN Corporate Governance Scorecard. SM Prime's aims to create value at all times in all businesses we operate, is marked not just by product quality and service excellence but, more importantly, has a heart that cares for our customers, communities and the environment to ensure sustainable growth and progress.

Governance Structure

The Board of Directors

SM Prime's Board of Directors is at the helm of our governance structure. Our Company places the utmost importance on having a quality Board. The Board is composed of dedicated members who possess substantial experience and knowledge in various industries and have contributed actively to steering our Company's development in the right direction. It is the Board's responsibility to formulate and ensure the achievement of our Company's vision and mission in a manner that upholds SM Prime values.

SM Prime's Revised Manual on Corporate Governance specifies the duties and responsibilities of the Board of Directors, and delineates the roles of the Chairman of the Board and the President. This separation of roles ensures appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. To ensure a high standard of best practice for the Company, our stockholders and other stakeholders, the Board conducts itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- Formulates the long-term vision and mission;
- Lead in the establishment of the strategic framework, setting the overall strategic direction;
- Oversees the development of and approve the business objectives and overall strategic direction, and monitors their progress at least on an annual basis;
- Ensures and adopts an effective succession planning program for Directors, key officers and Management;
- Aligns the remuneration of key officers and Board members with the long-term interests of our Company;
- Discloses in the Corporate Governance Manual a formal and transparent Board nomination and election policy;
- Ensures that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions;
- Approves the selection and assessing the performance of the Management and control functions;
- Establishes an effective performance management framework that will ensure that the Management and personnel's performance is at par with the standards;
- Oversees that an appropriate internal control system and a sound enterprise risk management (ERM) framework is in place;
- Ensures a Board Charter is in place and is publicly available;
- Discloses within three business days any transactions related to their own SM Prime shares; and
- Performs other duties and responsibilities as may be assigned by the Securities and Exchange Commission (SEC).

Board Committees

The Board works in tandem with the Board committees and Management to effectively and efficiently implement best corporate governance practices, while simultaneously continue its goal of enhancing corporate values, maintain sustainable development and deliver greater returns for our shareholders.

The Board has established five committees to aid in the performance of its duties. Each committee has adopted a Charter, which defines its composition, roles and responsibilities based on the provisions found in the Revised Manual on Corporate Governance. Furthermore, the Charters include administrative provisions on the conduct of meetings and proceedings, reporting to the Board, structures and other relevant information.

Board Committees are set up to assist the Board in the performance of their functions particularly, with respect to audit, risk management, related party transactions and governance. The Board, through the work performed by its Committees, is of the opinion that the Group's systems of internal control and risk management are adequate and effective to address the financial, operational and compliance risks. The composition, duties and responsibilities of all committees are publicly available in the corporate website.

A. The Executive Committee (103-1, 103-2, 103-3, 207-1, 207-2, 207-3)

The Executive Committee functions when the Board of Directors is not in session. Generally, the committee is responsible for assisting the Board in overseeing the implementation of strategies and long-term goals, reviewing major issues facing the organization, monitoring the operating activities of each business group, and defining and monitoring our Company's performance improvement goals.

Regular committee meetings are scheduled at least once a month. In accordance with the Revised Manual on Corporate Governance, actions of the Executive Committee are reported to the Board of Directors at the Board meeting immediately following such action, and are subject to revision or alteration by the Board, as necessary.

Executive Committee

Members	Designation	Directorship
Hans T. Sy	Chairman	Non-Executive
Henry T. Sy, Jr.	Member	Non-Executive
Jeffrey C. Lim	Member	Executive
Herbert T. Sy	Member	Non-Executive
Elizabeth T. Sy	Member	Non-Director
John Nai Peng C. Ong	Member	Non-Director

Our Company's Board, through the Executive Committee, with the assistance of Chief Finance Officer, reviews and approves SM Prime's tax strategy. This is regularly reviewed when new tax regulations are issued or current tax regulations are amended. Our Company also has processes in place to monitor compliance to all government requirements and keeps abreast of the latest developments in regulations concerning the real estate industry. The payment of taxes helps in the sustainable development and as such, is an indispensable component of the sustainable development strategy of our Company.

B. The Audit Committee

The Audit Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of our Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to overall corporate governance best practice. The Committee also oversees our Company's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. The committee met four times in 2020, with 100% attendance in all meetings.

Audit Committee

Members	Designation	Attendance			
		2/17	5/15	8/3	10/26
Jose L. Cuisia, Jr. (ID)	Chairman	✓	✓	✓	✓
Joselito H. Sibayan (ID)	Member	✓	✓	✓	✓
Gregorio U. Kilayko (ID)	Member	✓	✓	✓	✓
Jorge T. Mendiola (NED)	Member	✓	✓	✓	✓

C. The Risk Oversight Committee

The Risk Oversight Committee oversees our Company's Enterprise Risk Management system to ensure its functionality and effectiveness. This Committee assists the Board in ensuring that there is an effective and integrated risk management process in place. The Committee had four meetings in 2020, with 100% attendance in all meetings.

Risk Oversight Committee

Members	Designation	Attendance			
		2/17	5/15	8/3	10/26
Gregorio U. Kilayko (ID)	Chairman	✓	✓	✓	✓
Jose L. Cuisia, Jr. (ID)	Member	✓	✓	✓	✓
Jorge T. Mendiola (NED)	Member	✓	✓	✓	✓

D. The Corporate Governance Committee

The Corporate Governance Committee assists the Board in the performance of its corporate governance responsibilities, including functions that were formerly assigned to the Nomination and Compensation and Remuneration Committees. The Committee believes that prudent and effective corporate governance practices constitute the foundation of our Company's strength and long-term existence to enhance and maximize long-term shareholder's value. The Committee had three meetings in 2020 with 100% attendance in all meetings.

Corporate Governance Committee

Members	Designation	Attendance		
		2/17	5/15	8/3
Joselito H. Sibayan (ID)	Chairman	✓	✓	✓
Jose L. Cuisia, Jr. (ID)	Member	✓	✓	✓
Gregorio U. Kilayko (ID)	Member	✓	✓	✓

The Corporate Governance Committee also determines the number of directorships in publicly-listed companies which a member of the Board may hold simultaneous to their SM Prime board seat.

Directorship in other Reporting Companies

Director	Name of Reporting Company	Nature of Directorship
Henry T. Sy, Jr.	SM Investments Corporation	Vice Chairman
Jose L. Cuisia, Jr.	PHINMA Corporation Manila Water Company, Inc. Century Properties Group, Inc.	Director Independent Director Independent Director
Gregorio U. Kilayko	Belle Corporation East West Banking Corporation	Independent Director Independent Director
Joselito H. Sibayan	Apex Mining Corporation A Brown Company, Inc.	Independent Director Director
Hans T. Sy	China Banking Corporation SM Investments Corporation	Chairman Adviser to the Board
Herbert T. Sy	China Banking Corporation SM Investments Corporation	Director Adviser to the Board

E. The Related Party Transactions Committee

The Related Party Transactions Committee reviews all material related party transactions (RPTs) of our Company. The mandate for this Committee specifically includes the evaluation of the RPTs to ensure that these are undertaken upon terms not less favorable to our Company than those offered to any unaffiliated third party under the same or similar circumstances and overseeing the implementation and regular review of the related party policy. The Committee had one meeting in 2020, with 100% attendance.

The Related Party Transactions Committee

Members	Designation	Attendance
		2/17
Joselito H. Sibayan (ID)	Chairman	✓
Gregorio U. Kilayko (ID)	Member	✓
Jorge T. Mendiola (NED)	Member	✓

Board Remuneration

Members of the Board of Directors receive a per diem of PHP10,000 (PHP20,000 for the Chairman and Vice Chairman) for each regular or special Board meeting or Board Committee meeting attended. Total compensation paid to directors for their performance of duties and functions as members of the Board of Directors is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting. The total amount does not exceed 10% of the total income of our Company before tax during the preceding year in accordance with SM Prime's By-laws and relevant laws and regulations.

Board Support

Corporate Secretary

The Board is also assisted by a Corporate Secretary to ensure the effective discharge of its duties and responsibilities. The Corporate Secretary assists the Chairs of the Board and its Committees in the preparation of agenda for Board meetings, puts the Board on notice before every meeting and assists the Board in making business judgments in good faith. The Corporate Secretary gathers and analyzes documents, records and other information, including updates and changes to relevant rules, laws and regulations, and keeps the Board abreast on matters essential to the conduct of their duties and responsibilities.

Chief Compliance Officer

The Chief Compliance Officer (CCO) ensures the organization adheres to corporate principles and best practices. The CCO monitors, reviews, evaluates, and ensures the compliance of the corporation, its officers and directors with the relevant laws, the corporate governance manual, rules and regulations and all governance issuances of regulatory agencies. The Board, through the Chief Compliance Officer, reviews business units' strategies and targets and monitors their progress towards achieving our Company's strategic objectives.

Chief Audit Executive

The Chief Audit Executive (CAE) oversees and is responsible for the internal audit activity of the organization. The CAE Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals. The CAE periodically reports to the Audit Committee of the internal audit's performance.

Chief Risk Officer

The Chief Risk Officer (CRO) serves as the ultimate champion of the Enterprise Risk Management and spearheads its development, implementation, maintenance and continuous improvement of ERM processes and documentation. The CRO in collaboration with the President, updates and makes recommendation to the Risk Oversight Committee.

Board Diversity

The Board has adopted a board diversity policy which aims to create and maintain an atmosphere of constructive challenge and debate, requiring the right balance of skills, competence, experience, and perspectives among the Directors. Diversity at the Board level is an essential element of sound corporate governance, sustainable and balanced development, and effective business strategy. Diversity may refer to age, ethnicity, culture, skills, competence, knowledge, gender, among other things, in consideration of the selection of the Board's composition.

Board Composition

Director's Name	Directorship	Age	Date First Elected	No. of Years as Director	Expertise
Jose L. Cuisia, Jr.	Lead Independent	76	April 1994	27	Insurance, Finance, Accounting, Corporate Governance, Audit and Control
Gregorio U. Kilayko	Independent	66	April 2008	13	Banking, Finance, Risk Management
Joselito H. Sibayan	Independent	62	April 2011	10	Investment Banking, Finance, Treasury, Corporate Governance
Henry T. Sy, Jr.	Non-Executive	67	April 1994	27	Real Estate, Sales and Marketing
Hans T. Sy	Non-Executive	65	April 1994	27	Real Estate, Engineering
Herbert T. Sy	Non-Executive	64	April 1994	27	Real Estate, Retail
Jorge T. Mendiola	Non-Executive	61	December 2012	8	Real Estate, Retail
Jeffrey C. Lim	Executive	59	April 2016	5	Real Estate, Operations, Accounting

To monitor progress in achieving the Board's diversity objectives, SM Prime's Corporate Governance Committee uses a Board Matrix, which sets out the mix of attributes, skills, affiliations, competencies and experience the Board currently has and is looking for to complement its existing composition. Its structure reflects the areas relevant to our Company's strategic objectives, as well as other areas of general relevance to the composition of the Board. Our Company continues to endeavor to have at least one female Independent Director in our Board. For the term 2021-2022, the Corporate Governance Committee pre-qualified the Final List of Candidates/Nominees including a female Independent Director.

[Nomination and Election of Board of Directors \(102-24\)](#)

As provided in the Revised Manual on Corporate Governance, the complete process of the nomination and election of Board of Directors are found in Section I.1.2.3 on page 8 or as references in this weblink: www.smprime.com in the Corporate Governance Manual of the Corporate Governance tab or <https://www.smprime.com/corporate-governance-manual>.

[Board Independence](#)

The Board is composed of three Independent Directors that possess all the necessary qualifications and none of the disqualifications to hold the position. Mr. Jose L. Cuisia, Jr. serves as the Board's Lead Independent Director and is the Vice-Chairman of the Board, primarily to reinforce proper mechanisms for disclosure, protection of the rights of shareholders, equitable treatment of shareholders, and the accountability of the Board and Management are in place, in cases where Management has clear conflicts of interest. Directors with material interest in any transaction with our Company are also expected to abstain from deliberation of the same.

[Board Performance and Attendance \(102-28\)](#)

Regular board meetings are held quarterly and scheduled in advance during the previous year. The Board, to promote transparency, requires the presence of at least one Independent Director in all of its meetings.

As provided in the Revised Manual on Corporate Governance, the Chairman of the Board makes certain that the meeting agenda focuses on strategic matters in coordination with the Corporate Secretary, while taking into consideration the advice and suggestions of the Board and Management. Board papers are made available to all directors at least five business days before the regular/special board meeting to give ample time to all Board members to study items for discussion and decision-making.

The Board of Directors had thirteen board meetings in 2020 on the following dates: February 17, February 24, April 7, May 6, May 15, June 3, June 15, August 3, October 26, December 7 and December 11. All meetings registered 100% attendance of members of the Board of Directors. Apart from these meetings, non-executive and Independent Directors met separately with the External Auditor during the year without the presence of Management.

[Board Evaluation \(102-28\)](#)

Annually, the Corporate Governance Committee facilitates the evaluation of the performance of the Board as a whole, its respective Board Committees, the individual Directors and the President, based on duties and responsibilities provided in SM Prime's Revised Manual on Corporate Governance and By-Laws. The annual evaluation also serves as a venue for identifying areas for improvement in terms of trainings, continuing education programs, or any other forms of assistance that the Directors may need in the performance of their duties. The evaluation forms also include support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings, and their accessibility to Management, the Corporate Secretary and Board advisors, among others. Every three years, the board evaluation is supported by an external facilitator.

Board Training and Orientation

SM Prime ensures that Directors are able to perform their functions effectively in this rapidly changing environment to cope with heightened regulatory, foreign or local demands and growing complexity of business. Orientation programs are conducted for first-time Directors to ensure that new members are appropriately apprised of their duties and responsibilities. This includes overview of the Company's operations, Code of Conduct, Corporate Governance framework and other relevant topics essential in the performance of their functions.

As a matter of continuous professional education, the Corporate Governance Committee facilitates the training opportunities provided by accredited or duly recognized institutions to update and refresh the Board's knowledge and skills. Annual Corporate Governance Training Programs were conducted virtually by the Institute of Corporate Directors through Zoom. Each Director and key officer has attended at least one training session. For 2020, the annual CG trainings were conducted on October 23 and November 4 by the aforementioned provider covering the following topics:

- Risk Management in the Age of COVID-19
- Digital Transformation Journey towards Long Term Sustainability
- Building Business Resilience in the Corporate Strategy
- Sustainability in the Boardroom
- Culture of Innovation

Corporate Governance Related Policies

Manual on Corporate Governance (103-1, 103-2, 103-3)

SM Prime's Revised Manual on Corporate Governance, which was adopted on 20 February 2017, institutionalizes the principles of good corporate governance by clearly defining the roles and responsibilities of the Board of Directors and Management, promoting disclosure and transparency, strengthening the internal control system and risk management framework and cultivating a synergic relationship with various stakeholders.

All Directors, officers and employees are expected to comply with all the provisions of the Revised Manual on Corporate Governance. Our Company's Compliance Officer is tasked to monitor compliance with the Manual and impose corresponding penalties for noncompliance.

Code of Ethics (103-1, 103-2, 103-3)

The Code of Ethics states the principles that guide our Company's Directors, officers and employees in the performance of their duties and responsibilities, and in their transactions with investors, creditors, customers, contractors, suppliers, regulators and the general public. The Code requires full compliance with all applicable laws and regulations.

In line with SM Prime's mission, the Code of Ethics underscores our Company's commitment to promote and protect the welfare of our employees, customers and the communities where our businesses operate. The Code likewise emphasizes the need to protect, sustain and enhance the environmental, social and economic resources needed to deliver long-term growth.

Related Policies and Programs (103-1,103-2, 103-3)

To complement the principles provided by Revised Manual on Corporate Governance and Code of Ethics, our Company developed several policies and programs that deal with specific implementation areas:

Policy	Brief Description
Insider Trading Policy	Directors, officers and employees are prohibited from trading in SM Prime's shares, five trading days before and two trading days after the disclosure of any material, stock price-sensitive information. SM Prime issues reminders of the "trading ban", before the release of financial reports or the disclosure of other material information to ensure compliance with the policy. Trading done by Directors and officers are reported within three days of the transaction.
Related Party Transactions	Full disclosure of the details, nature, extent and all other material information on transactions with related parties in our Company's financial statements and quarterly and annual reports to the SEC and PSE shall be observed at all times. Details of transactions entered into by our Company with related parties are required to be reviewed by independent directors in accordance with the RPT Policy, to ensure these are conducted at arms' length. Related Party Transaction Policy adheres to the SEC Memorandum Circular on Rules on Material Related Party Transactions.
Conflict of Interest	All Directors and employees are prohibited from engaging in transactions that result in conflicts of interest and are mandated to promptly disclose actual or perceived conflicts of interest, such as acceptance of gifts and entertainment, interest in businesses of suppliers, competitors or customers, participation in other organization or activities and close personal relationships in our Company or its affiliates and subsidiaries. Conflicted Directors are required to inhibit themselves from participating in board meetings and are specifically identified in our Company's Definitive Information Statement submitted to the SEC.
Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy)	SM Prime prohibits the solicitation or acceptance of gifts and travel in any form from a business partner, directly or indirectly, by any Director, officer or employee of our Company. The policy is intended to ensure integrity in procurement practices and the selection of the most appropriate business partner in each instance.
Policy on Accountability, Integrity and Vigilance (Whistleblowing Policy)	Our Company aims to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Any Director, officer, employee, customers, shareholders, vendors, suppliers and other stakeholders may accomplish an incident report on suspected or actual violations of the Code of Ethics, our Company's Code of Conduct or any other applicable policy, law or regulation. The policy provides for a conduct of investigation of the incident report. The policy also includes provisions for non-retaliation against filer of the incident report. Upon receipt of the incident report, Management conducts an investigation on its merit, subject to due process, and impose applicable penalties and sanctions thereafter.

Creditors' Rights	SM Prime shall respect agreements with creditors, manage loans according to lending objectives, ensure timely repayment of loans and interests, thoroughly honor loan conditions as agreed, and competently operate the business to assure creditors about our Company's healthy financial standing and loan repayment capabilities.
Supplier Selection (103-1, 103-2, 103-3, 308-1)	Our Company adheres to the principles of healthy competition, equal opportunity and fair treatment of business partners. As such, selection of suppliers follows an open, competitive and non-discriminatory process. SM Prime implements a vendor enrolment process that screens qualifications of vendors/suppliers our Company will deal with. Such qualifications include legality of entity or business, adequacy of financial strength, compliance with SM Prime policies such as conflict of interest disclosure requirements and ethical standards, and support to SM Prime's environmental missions, health and safety culture.
Guidelines on Placement of Advertisements	Our Company prohibits the placement of advertisements in publications that solicit for such ad placement prior to the release of the official results of an awarding process conducted by the publication and where SM Prime or any of its subsidiaries, Director, officer or employee is one of the nominees vying for the award. Our Company may consider placing advertisements in such publications as part of its over-all marketing strategy, but only after the release of the results of the awarding process and where it will not create reasonable doubt that such ad placement influenced in any way an award given to our Company or to any of its subsidiaries, director, officer or employee.
Alternative Dispute Resolution System	Our Company establishes an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues between our Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as our Company and the circumstances sees fit.
Privacy Policy (102-11)	Our Company collects, uses, protects or otherwise handles our data subjects' personal data in accordance with Republic Act No. 10173, or the Data Privacy Act of 2012, and its Implementing Rules and Regulations and other issuances (collectively, the "Data Privacy Act").

Communication and Compliance (103-1, 103-2, 103-3)

SM Prime understands that the continuous growth and development of our corporate governance culture rests on the promotion and awareness of the principles of good governance. As such, our Company continues to strengthen its training and orientation programs. Through the Human Resource Department's (HRD) orientation program, new employees are given an overview of the various components of SM Prime's Corporate Governance Framework, the Code of Ethics and related policies which are also contained in an internal portal for employees' easy access and reference. It also covers the importance of ethics in the business, informs employees of their rights and obligations, as well as the principles and best practices in the promotion of good work ethics. Relative to this, the HRD, on an annual basis, requires all employees to re-take the 3-part Corporate Governance program. This specifically includes the following:

- Confirmation – to confirm that employees have read and understood and agrees to comply with our Company's Code of Ethics, Code of Discipline, Insider Trading Policy, Conflict of Interest Policy, Code of Discipline and Guidelines on Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy), among others.
- Disclosure Survey - to disclose each employees' affiliations, interests, relationships, and/or transactions which are relevant for full disclosure of all actual, apparent or possible conflicts of interest.
- e-Learning Courses (self-paced learning) - to be familiarized with the provisions of the Code of Ethics and other specific policies in upholding corporate governance in the workplace.

Enterprise Risk Management (102-30)

SM Prime follows an 8-step Risk Management Approach, which starts from the identification and prioritization of risks, to the assessment of risk interrelationship and analysis of the sources of risks, then to the development of risk management strategies and action plans, and ultimately, to the monitoring and continuous improvement of the risk management process.

The Board, through its Risk Oversight Committee (ROC), is responsible for the oversight of our Company's Enterprise Risk Management system to ensure its functionality and effectiveness. On a quarterly basis, the ROC is updated on the status of risk management and risk mitigation plans of our Company. Action plans to mitigate risks include investment in technology, provision of continuous trainings to employees, performance of regular audits, establishment and implementation of policies for a strong IT governance, and constant partnerships with various stakeholders.

The Board puts emphasis on prudent IT risk management. It ensures adequate control measures are in place to protect the confidentiality, integrity, and availability of all physical and electronic information assets of our Company to make certain that regulatory, operational, and contractual requirements are satisfied. In terms of cyber security management, our Company has adopted globally accepted standards to employ similar approach of cyber security strategies within the organization.

Disclosure and Transparency (102-33)

SM Prime is committed to providing our stockholders and the public, timely and accurate information about our Company and its business. In accordance with this, SM Prime regularly updates our website and practices full and prompt disclosure of all material information. The website has a separate Corporate Governance section that features, among others, the Revised Manual on Corporate Governance, Annual Corporate Governance Report and Scorecard, Code of Ethics and other relevant policies, programs and important information.

Moreover, the Investor Relations Department is tasked with a program of proactive, uniform and appropriate communication through full disclosure in compliance with the regulatory bodies and serves as the main avenue of communication between our Company and its various stakeholders. Likewise, our Company conducts regular briefings and meetings with investors, analysts and the press to keep them updated on our Company's various projects, as well as its financial and operational results. The presentation materials used in these briefings, as well as our Company's SEC and PSE reports and annual reports, may be viewed and downloaded from its website.

The Annual Stockholders' Meeting

The Annual Stockholders' Meeting (ASM) provides stockholders with the opportunity to raise concerns, give suggestions, and vote on relevant issues. Voting methods are clearly defined and explained to stockholders before the ASM to ensure the observance of their voting rights and continued participation in the voting process. Stockholders are entitled to cumulative voting in the election of the Board of Directors, as provided under Section 23 of the Revised Corporation Code.

In 2020, in light of the community quarantine imposed over various areas of the country and to ensure the safety and welfare of stockholders and everyone involved, the Annual Stockholders' Meeting on June 15, 2020 was conducted virtually and broadcasted via livestreaming accessible to registered stockholders. The Board of Directors adopted resolutions allowing stockholders to participate in the Annual Stockholders' Meeting via remote communication, and to exercise their right to vote *in absentia*.

The notice of meeting was published in the newspapers of general circulation, both in print and online formats on May 17-18, 2020 with sufficient and relevant information to encourage active stockholder participation.

The minutes of the annual stockholders' meeting held on June 15, 2020 were posted on our Company's website within 24 hours from adjournment of the meeting. It contains the matters discussed and resolutions reached, along with shareholder questions and the corresponding responses. To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board of Directors, the President, Board Committee Chairpersons and Members, Management, the Corporate Secretary, Compliance Officer, Internal Auditor and the External Auditors are always present during the ASM.

Rights, Roles and Protection of Stakeholders

The Revised Manual on Corporate Governance asserts the rights of stockholders and protection of minority interests. It is the duty of Directors to promote stockholder rights, remove impediments to the exercise of these rights and allow possibilities for stockholders to seek redress for violation of their rights.

Rights of Shareholders

Voting Right - All stockholders are entitled to vote following the one-share-one-vote system. Stockholders, whether individual or institutional, through their representative, are encouraged to personally attend the Annual Stockholders' Meeting to exercise their voting right, thereby allowing them to individually elect candidates to the Board of Directors and vote on matters requiring stockholder approval. Nevertheless, proxy voting is permitted and is facilitated through proxy forms available in our Company's website and distributed to stockholders along with the Notice of Meeting.

Inspection Right and Access to Information - All stockholders are given the right to inspect corporate books and records at reasonable hours on business days in accordance with Revised Corporation Code of the Philippines and be furnished with copies of our Company's Annual Report and financial statements. Stockholders may also request our Company to provide periodic reports about its Directors and officers, as well as matters for which Management is accountable. Moreover, minority shareholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.

Right to Dividend - The Board determines the dividend payout taking into consideration our Company's operating results, cash flows, capital investment needs and debt servicing requirements. Our Company's dividend policy is to declare annual cash dividends equivalent to 30%-35% of prior year earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within 30 days from the date of declaration.

Appraisal Right - Stockholders may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares pursuant to Section 80 of the Revised Corporation Code of the Philippines. Procedures for the exercise of this right are provided in the Definitive Information Statement.

Employee Welfare

All officers and employees are to be selected, engaged, and compensated based on qualification and performance. Employees are treated fairly and accorded with respect and dignity. SM Prime ensures that individual and collective rights are not violated. Our Company also maintains a safe, productive and conducive workplace and comply with all applicable health, safety and environmental laws. In this regard, employees are covered by rules against the use of prohibited drugs and working under the influence of liquor. Opportunities for career advancement are provided based on clear performance and qualifications criteria.

Business Continuity

Our Company ensures that risk management and control structures and procedures are in place to safeguard its workforce, operations and customers against emergencies and natural and manmade disasters which includes the implementation of Business Continuity Management System (BCMS). The BCMS aims to maintain the reputation, meet the commitments, and ensure the continued operation of the organization especially the critical business functions with even greater speed, skill and confidence by effectively providing a framework in identifying the potential business threats, their impacts to the organization and implementing appropriate controls.

Training and Employee Development

Our Company provides learning and development opportunities regularly for professional growth, covering topics such as Supervisory Development Skills, Coaching for Performance, Code of Ethics, and other values and leadership related programs.

For governance related issues or concerns, stakeholders may refer to:

Marvin Perrin L. Pe
Vice President – Enterprise Risk Management and Corporate Governance
10th Floor, Mall of Asia Arena Annex Building, Coral Way,
Mall of Asia Complex, Pasay City, Philippines

E: corp-governance@smprime.com

Global Guidance

A glossary of the international standards that guide SM Prime's business and the creation of this Integrated Report.

Internationally Recognized Frameworks Topics and Boundary



Material Topics	Stakeholders	Capital/Management Approach Reference (GRI 103)
Economic		
Resilient Infrastructure	Company, Customers, Community	Financial p.39 Manufactured p.72
Infrastructure Investment	Company, Customers, Shareholders	Financial p.29
Economic Performance	Company, Shareholders, Government	Financial p. 61
Environment		
Environmental Performance	Company, Shareholders	Environment p.79
Environmental Compliance	Company, Government	Environment p. 88
Waste Management	Company, Customers, Community	Environment p. 85
Energy and Water Management	Company, Customers, Community	Environment p. 83
Biodiversity	Company, Community	Environment p. 87
Social		
Property Management	Company	Human p. 94
Occupational Health and Safety	Company, Government	Human p. 94
Employee Welfare	Company	Human p. 92, 118
Diversity and Inclusion	Company	Human p. 92, 95, 111
Social Integration	Company, Community	Social and Relationship p. 98
Governance		
Risk Assessment	Company, Community	Intellectual p. 42 Environment p. 82
BCMS	Company, Customers	Intellectual p. 40
Corporate Governance	Company, Shareholders	Intellectual p. 107



Principles	Disclosure	Page number(s)
1	Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence	p. 95-96
2	Business should make sure that they are complicit in human rights abuses	p. 95-96
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	p. 118
4	Businesses should uphold the elimination of all forms of forced and compulsory labor	p. 95
5	Businesses should uphold the abolition of child labor	p. 95
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	p. 95
7	Businesses should support a precautionary approach to environmental challenges	p. 42
8	Businesses should undertake initiatives to promote greater environmental responsibility	p. 42-44
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	p. 71-72
10	Businesses should work against corruption in all its forms, including extortion and bribery	p. 114-116



Global Target	Disclosure
A	Substantially reduce global disaster mortality by 2030, aiming to lower average per 100,000 global mortality from 2020 to 2030
B	Substantially reduce the number of affected people globally by 2030, aiming to lower the average global figure per 100,000 in the decade 2020-2030 compared with 2005-2015
C	Reduce direct disaster economic loss in relation to global gross domestic product (GDP) by 2030
D	Substantially reduce disaster damage to critical infrastructure and disruption of basic services, among them health and educational facilities, including through developing their resilience by 2030
E	Substantially increase the number of countries with national and local disaster risk reduction strategies by 2020
F	Substantially enhance international cooperation to developing countries through adequate and sustainable support to complement their national actions for implementation of this framework by 2030
G	Substantially increase the availability of and access to multi-hazard early warning systems and disaster risk information and assessments to the people by 2030

GRI Content Index

(102-55)



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
GRI 101: Foundation 2016			
General Disclosures			
	Organizational Profile		
	102-1 Name of the organization	p. 3	
	102-2 Activities, brands, products, and services	p. 3	
	102-3 Location of headquarters	10th Floor, Mall of Asia Arena Annex Building Coral Way cor. J.W. Diokno Boulevard, Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A Pasay City 1300 Philippines	
	102-4 Location of operations	Philippines and China	
	102-5 Ownership and legal form	IBC	
	102-6 Markets served	p. 37	
	102-7 Scale of the organization	p. 3; pp. 65-68	
	102-8 Information on employees and other workers	p. 92	
GRI 102: General Disclosures 2016	102-9 Supply chain	p. 3, p. 37	
	102-10 Significant changes to the organization and its supply chain	pp. 107-115	
	102-11 Precautionary Principle or approach	p. 115	
	102-12 External initiatives	pp. 97-105	
	102-13 Membership of associations	p. 48, pp. 104-105	
	Strategy		
	102-14 Statement from senior decision-maker	pp. 18-26	
	Ethics and Integrity		
	102-16 Values, principles, standards, and norms of behavior	p. 37	
	Governance		
	102-18 Governance structure	pp. 107-111	
	102-24 Nominating and selecting the highest governance body	p. 112	
	102-28 Evaluating the highest governance body's performance	p. 112	
	102-30 Effectiveness of risk management processes	p. 116	
	Stakeholder Engagement		
	102-40 List of stakeholder groups	p. 37	
	102-41 Collective bargaining agreements	SM Prime does not have collective bargaining agreements but provides avenues for employees to raise their concern on company policies and other relevant matters.	
	102-42 Identifying and selecting stakeholders	p. 37	
	102-43 Approach to stakeholder engagement	p. 37	
	102-44 Key topics and concerns raised	p. 38	
	Reporting Practice		
	102-45 Entities included in the consolidated financial statements	SM Prime Holdings Inc.	
	102-46 Defining report content and topic Boundaries	Inside Front Cover; p. 38	
	102-47 List of material topics	p. 38	
	102-48 Restatements of information	There are no restatements of information in this report.	
	102-49 Changes in reporting	Inside Front Cover	
	102-50 Reporting period	Inside Front Cover	
	102-51 Date of most recent report	Inside Front Cover	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	Inside Back Cover	
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core Option	
	102-55 GRI Content Index	pp. 121-122	
	102-56 External Assurance	This report is not externally assured	
Material Topics			
GRI Standard	Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
Economic Performance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 61
	103-2	The management approach and its components	p. 61
	103-3	Evaluation of the management approach	p. 61
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distribute	p. 61
	201-2	Financial implications and other risks due to climate change	pp. 42-44
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 69
	103-2	The management approach and its components	p. 69
	103-3	Evaluation of the management approach	p. 69
	203-1	Infrastructure investments and services supported	p. 53; p. 105
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	pp. 69-70
Anti-Corruption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 114
	103-2	The management approach and its components	p. 114
	103-3	Evaluation of the management approach	p. 114
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	SM Prime has assessed all operations for risks related to corruption.
Anti-competitive Behavior			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 114
	103-2	The management approach and its components	p. 114
	103-3	Evaluation of the management approach	p. 114
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There are no legal actions involving this matter in 2020.

Tax			
Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 108
	103-2	The management approach and its components	p. 108
	103-3	Evaluation of the management approach	p. 108
Management Approach 2016	207-1	Approach to tax	p. 108
	207-2	Tax governance, control and risk management	p. 108
	207-3	Stakeholder engagement and management of concerns related to tax	p. 108
Environmental Category			
Energy			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 82
	103-2	The management approach and its components	p. 82
	103-3	Evaluation of the management approach	p. 82
GRI 302: Energy 2016	302-1	Energy consumption with the organization	p. 83
	302-3	Energy intensity	p. 83
	302-4	Reduction of energy consumption	pp. 83
Water			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 84
	103-2	The management approach and its components	p. 84
	103-3	Evaluation of the management approach	p. 84
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	p. 85
	303-2	Management of water discharge-related impacts	p. 85
	303-3	Water withdrawal	p. 84
	303-5	Water consumption	p. 84
Biodiversity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 87
	103-2	The management approach and its components	p. 87
	103-3	Evaluation of the management approach	p. 87
GRI 304: Biodiversity 2016	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	p. 88
Emissions			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 81
	103-2	The management approach and its components	p. 81
	103-3	Evaluation of the management approach	p. 81
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	pp. 81-82
	305-2	Energy indirect (Scope 2) GHG emissions	pp. 81-82
	305-3	Other indirect energy (Scope 3) GHG emissions	pp. 81-82
Waste			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 85
	103-2	The management approach and its components	p. 85
	103-3	Evaluation of the management approach	p. 85
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	p. 86
	306-4	Transport of hazardous waste	p. 87
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 113
	103-2	The management approach and its components	p. 113
	103-3	Evaluation of the management approach	p. 113
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations.	There are no significant fines and non-monetary sanction on the environmental area.
Social Category			
Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 91
	103-2	The management approach and its components	p. 91
	103-3	Evaluation of the management approach	p. 91
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	p. 93
	401-3	Parental leave	p. 93
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 94
	103-2	The management approach and its components	p. 94
	103-3	Evaluation of the management approach	p. 94
	403-1	Occupational health and safety management system	p. 94
	403-2	Hazard identification, risk assessment, and incident investigation	p. 94
GRI 403: Occupational Health and Safety 2018	403-3	Occupational health services	p. 94
	403-4	Worker participation, consultation, and communication on occupational health and safety	p. 94
	403-5	Worker training on occupational health and safety	p. 94
	403-6	Promotion of worker health	p. 94
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 94
Training and Education			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 93
	103-2	The management approach and its components	p. 93
	103-3	Evaluation of the management approach	p. 93
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	p. 93
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 92
	103-2	The management approach and its components	p. 92
	103-3	Evaluation of the management approach	p. 92
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	p. 92
Non-Discrimination			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 98
	103-2	The management approach and its components	p. 98
	103-3	Evaluation of the management approach	p. 98
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	There are no reported cases of incidents of discrimination in 2020.
Security Practices			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 95
	103-2	The management approach and its components	p. 95
	103-3	Evaluation of the management approach	p. 95
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	All of our security personnel have received formal training in our human rights policies or procedures.
Human Rights Assessment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 95
	103-2	The management approach and its components	p. 95
	103-3	Evaluation of the management approach	p. 95
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	p. 95
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Our investment agreements and contracts have undergone human rights screening.
Local Communities			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 97
	103-2	The management approach and its components	p. 97
	103-3	Evaluation of the management approach	p. 97
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	All of our operations have implemented local community engagement and development programs.
Socio-economic Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 113
	103-2	The management approach and its components	p. 113
	103-3	Evaluation of the management approach	p. 113
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	There are no significant fines and non-monetary sanction on the social and economic area.

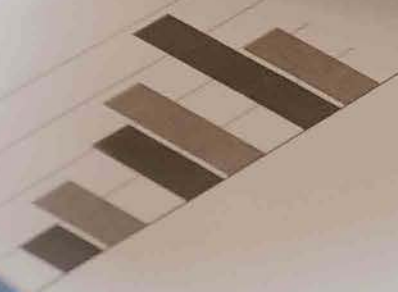
Financial Reports

Financial Report Table of Contents

125	Management's Discussion and Analysis
131	Statement of Management's Responsibility for Financial Statements
132	Report of the Audit Committee
135	Independent Auditor's Report
139	Financial Statements



Category	Value 1	Value 2	Value 3
MANAGEMENT	1,000,000	97,203,091	1,501,000
EXPENSES	1,000,000	242,825,000	8,992,000
SIGNATURE	1,000,000		
OTHER	1,000,000		
TOTAL	1,000,000		



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**SM Prime Net Income is ₱18.0 billion
as it waives rental to tenants of ₱23.3 billion throughout quarantine**

Financial and Operational Highlights
(In Million Pesos, except for financial ratios and percentages)

	Twelve Months Ended December 31				
	2020	% to Revenues	2019	% to Revenues	% Change
Profit and Loss Data					
Revenues	81,899	100%	118,311	100%	-31%
Costs and Expenses	52,825	65%	61,619	52%	-14%
Operating Income	29,074	35%	56,692	48%	-49%
Net Income	18,007	22%	38,086	32%	-53%
EBITDA	39,283	48%	66,814	56%	-41%
	Dec 31, 2020	% to Total Assets	Dec 31, 2019	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	722,359	100%	667,280	100%	8%
Investment Properties	436,159	60%	410,640	62%	6%
Total Debt	272,469	38%	237,954	36%	15%
Net Debt	241,807	33%	203,354	30%	19%
Total Equity	309,284	43%	300,916	45%	3%
Financial Ratios					
	Dec 31, 2020	Dec 31, 2019			
Debt to Equity	0.47 : 0.53	0.44 : 0.56			
Net Debt to Equity	0.44 : 0.56	0.40 : 0.60			
Return on Equity	0.06	0.13			
Debt to EBITDA	6.94	3.56			
Interest Coverage Ratio	4.57	7.56			
Operating Income to Revenues	0.35	0.48			
EBITDA Margin	0.48	0.56			
Net Income to Revenues	0.22	0.32			

Revenue

SM Prime recorded consolidated revenues of ₱81.90 billion in 2020, a decrease of 31% from ₱118.31 billion in 2019, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱32.01 billion in 2020, a decrease of 48% from ₱61.76 billion in 2019. The decrease in rental revenue was due to the temporary closure of malls as well as other businesses not deemed essential to daily life during the implementation of the community quarantine. The malls have gradually reopened since the lifting of the enhanced community quarantine (ECQ) on May 16, subject to safety and protocol standards of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF). SM Prime waived a total of ₱23.30 billion in rentals and other charges throughout the government-imposed community quarantine. Out of the total rental revenues, 82% is contributed by the malls and the rest from offices and hotels and convention centers.

Real Estate Sales

SM Prime recorded 6% increase in real estate sales in 2020 from ₱44.47 billion to ₱46.97 billion primarily due to sales take-up and construction accomplishments during the period of ongoing projects including Shore 3, Bloom, Vine, Fame and Lane and fast take-up of various Ready-For-Occupancy (RFO) projects particularly those located in Mandaluyong and Pasay. Even with the imposition of the community quarantine, SM Residences was immediately able to adjust its market reach by maximizing various digital sales platforms and offering flexible payment terms to buyers. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales and Other Revenues

SM Prime cinema and event ticket sales and other revenues decreased by 76% to ₱2.91 billion in 2020 from ₱12.09 billion in 2019 due to the effect of COVID-19 in the sector. With strict safety measures and compliance with IATF regulations, the cinema business slowly reopened its doors to patrons starting October 2020. Other revenues is composed of sponsorships and advertising revenues, bowling and ice skating operations, merchandise sales from cinema snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱52.83 billion in 2020, a decrease of 14% from ₱61.62 billion in the same period in 2019, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate slightly decreased to ₱20.58 billion in 2020 from ₱20.79 billion in 2019 primarily due to improving cost efficiencies as a result of economies of scale, tighter monitoring and control of construction costs, net of costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved in 2020 partly due to improving cost efficiencies.

Operating Expenses

SM Prime's consolidated operating expenses decreased by 21% to ₱32.25 billion in 2020 compared to last year's ₱40.82 billion. Out of the total operating expenses, 69% is contributed by the malls. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense decreased by 3% to ₱8.60 billion in 2020 compared to ₱8.83 billion in 2019 mainly due to higher capitalized interest on proceeds spent for construction and development of investment properties, net of the retail bonds issued in May 2019 and March 2020 amounting to ₱10.0 billion and ₱15.0 billion, respectively, and new bank loans availed for working capital and capital expenditure requirements.

Interest, Dividend and Others - net

Interest, dividend and others - net increased to ₱1.99 billion in 2020 from ₱1.30 billion in 2019. This account is mainly composed of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses. This account also includes the financial assistance provided by SM Prime to its agency personnel and various local government units (LGUs) amounting to ₱0.33 billion during the implementation of ECQ.

Provision for income tax

SM Prime's consolidated provision for income tax decreased by 58% to ₱4.32 billion in 2020 from ₱10.37 billion in 2019.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent decreased by 53% to ₱18.01 billion in 2020 as compared to ₱38.09 billion in 2019.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱722.36 billion as of December 31, 2020, an increase of 8% from ₱667.28 billion as of December 31, 2019.

Cash and cash equivalents decreased by 11% from ₱34.60 billion to ₱30.66 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 10% from ₱53.64 billion to ₱58.94 billion as of December 31, 2019 and December 31, 2020, respectively, due to increase in real estate sales and due to the Bayanihan to Recover as One Act (Bayanihan Act) mandating an extended grace period for the payment of loan amortizations due on or before December 31, 2020.

Prepaid expenses and other current assets increased by 19% from ₱19.49 billion to ₱23.21 billion as of December 31, 2019 and December 31, 2020, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Equity instruments at fair value through other comprehensive income decreased by 21% from ₱21.08 billion to ₱16.70 billion as of December 31, 2019 and December 31, 2020, respectively, due to changes in fair values under this portfolio.

Investment properties increased by 6% from ₱410.64 billion to ₱436.16 billion as of December 31, 2019 and December 31, 2020, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls and commercial building construction, net of depreciation expense for the period.

Deferred tax assets decreased by 8% from ₱0.90 billion to ₱0.83 billion as of December 31, 2019 and December 31, 2020, respectively. Deferred tax liabilities increased by 62% from ₱4.18 billion to ₱6.79 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Derivative liabilities – net decreased to ₱2.80 billion as of December 31, 2020 as a result of foreign exchange and net fair value changes on principal only swap transactions, interest rate swap transactions and cross currency swap transactions entered into to hedge the Company's foreign exchange currency exposure on dollar denominated long-term debts.

Other noncurrent assets increased by 55% from ₱53.56 billion to ₱83.10 billion as of December 31, 2019 and December 31, 2020, respectively, due to additional bonds and deposits for real estate acquisitions and high take-up of ongoing residential projects.

Loans payable increased from ₱0.10 billion to ₱10.90 billion as of December 31, 2019 and December 31, 2020, respectively, due to availments.

Accounts payable and other current liabilities increased by 16% from ₱70.13 billion to ₱81.03 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits.

Long-term debt increased by 10% from ₱237.85 billion to ₱261.57 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to the issuance of ₱15.00 billion retail bonds in March 2020 and new loan availments to fund capital expenditure requirements, net of payment of maturing loans.

Liability for purchased land – net of current portion decreased by 70% from ₱4.21 billion to ₱1.25 billion as of December 31, 2019 and December 31, 2020, respectively, due to subsequent payments.

The Company's key performance indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents to equity; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of total interest-bearing liabilities to EBITDA; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to equity increased to 0.47:0.53 as of December 31, 2020 from 0.44:0.56 as of December 31, 2019. Net interest-bearing debt to equity also increased to 44:56 as of December 31, 2020 from 40:60 as of December 31, 2019.

ROE decreased to 6% as of December 31, 2020 from 13% as of December 31, 2019 as a result of lower net income for the period.

Debt to EBITDA increased to 6.94:1 as of December 31, 2020 from 3.56:1 as of December 31, 2019 due to lower EBITDA for the period. Interest coverage ratio and EBITDA margin decreased to 4.57:1 and 48%, respectively, as of December 31, 2020 from 7.56:1 and 56%, respectively, as of December 31, 2019.

Consolidated operating income to revenues decreased to 35% as of December 31, 2020 from 48% as of December 31, 2019. Consolidated net income to revenues likewise decreased to 22% as of December 31, 2020 from 32% as of December 31, 2019.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic prompting the declaration of nationwide state of calamity and implementation of ECQ measures in most areas of the Philippines from March 16 to May 15 have caused disruptions in the Company's business activities.

As at December 31, 2020 and December 31, 2019, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

SM Prime's malls business unit has seventy-six shopping malls in the Philippines with 8.6 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area.

SM Prime currently has fifty-three residential projects, forty-two of which are in Metro Manila and eleven are outside Metro Manila.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of approximately 0.7 million square meters.

SM Prime's hotels and convention centers business unit currently has a portfolio of five convention centers, three trade halls and eight hotels with over 1,900 rooms. As a result of stringent LGU guidelines and IATF restrictions, some of the convention centers and hotels have remained non-operational. Taal Vista and Radisson Blu Hotel Cebu reopened last September 2020 while Conrad Manila, Park Inn Clark, and Park Inn North EDSA remained open throughout the community quarantine period, strictly catering only to BPO employees and returning overseas Filipino workers/seafarers.

Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Henry T. Sy, Jr.
Chairman



Jeffrey C. Lim
President



John Nai Peng C. Ong
Chief Finance Officer

Signed this 15th of February, 2021

Report of the Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to ensure the integrity and adequacy of the financial reporting process, the internal control system, the audit process, and compliance with pertinent laws, rules and regulations. The Committee likewise oversees special investigations as may be necessary and review its respective Charter annually.

In compliance with the Audit Charter, the Manual on Corporate Governance and pertinent laws, rules and regulations, we confirm that:

- The Audit Committee is composed of four (4) members, namely, independent directors Mr. Joselito H. Sibayan and Mr. Gregorio U. Kilayko, and non-executive director Mr. Jorge T. Mendiola, and Committee Chairman, Mr. Jose L. Cuisia, Jr., who is also an independent director.
- We met four (4) times in 2020 on the following dates: February 17, May 15, August 3 and October 26. All meetings registered 100% attendance of all members.
- Each member of the committee possesses adequate knowledge and competence in Finance and Accounting processes.

Profile/Qualifications of the Members of Audit Committee:

MR. JOSE L. CUISIA, JR. (Chairman, Lead Independent Director) - Mr. Jose L. Cuisia, Jr. has served as Vice Chairman and Independent Director of the Board of Directors of SM Prime since 1994. He was first appointed Lead Independent Director of the Company in February 2017 and has been reappointed in the positions for succeeding years. He served as the Ambassador of the Republic of the Philippines to the United States of America from April 2, 2011 until June 2016. Mr. Cuisia was also the Vice Chairman of Philam Life after having served the company as its President and Chief Executive Officer for 16 years. He was also Chairman of the Board for BPI-Philam Life Assurance Co., the Philam Foundation and Tower Club, Inc. Mr. Cuisia was also the Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of its Monetary Board from 1990-1993. He was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to joining the BSP, he was Administrator and CEO of the Philippine Social Security System from 1986-1990. Mr. Cuisia is also a Director of Bacnotan Consolidated Industries (now PHINMA Corporation), Independent Director of Century Properties Group & Manila Water Company, Inc. (all of which are publicly-listed companies). Likewise, he is also Chairman of the Board of The Covenant Car Company, Inc., FWD Life Insurance Company and Starr International Insurance (Philippine Branch). Ambassador Cuisia also served as Chairman of the Board of Trustees of educational institutions, Asian Institute of Management and De La Salle University. He is also a Convenor-Trustee of the Philippine Business for Education (PBEd) and the Chairman of the Board of Trustees of the University of Asia & the Pacific. He is also elected to the Board of Trustees of the Makati Business Club, De La Salle Medical & Health Sciences Institute, De La Salle University –Dasmariñas, and Treasurer of the Ramon Magsaysay Awards Foundation. He also holds directorates in Adlemi Properties Inc., Five J's Diversified Inc, JVC Corporation and Asian Breast Center, Inc. Mr. Cuisia is an alumnus of De La Salle University, where he graduated in 1967 with degrees in Bachelor of Arts in Social Science and Bachelor of Science in Commerce (magna cum laude). He finished his Masters degree in Business Administration-Finance at The Wharton School, University of Pennsylvania in 1970 as a University Scholar.

Mr. Cuisia is a recipient of numerous awards and accolades including 2017 Signum Meriti for exemplary public service from De La Salle University; 2006 Distinguished La Sallian Award; Ten Outstanding Filipino (TOFIL) awardee on December 2016 by the JCI Senate and ANZA Foundation; the Order of the Sikatuna with the rank of Grand Cross by President Benigno Aquino III in 2016; Lifetime Contributor Award (public sector) by the Asia CEO Forum in 2015; “Joseph Wharton Award for Lifetime Achievement” by the prestigious Wharton Club of Washington, DC in May 2011; Management Association of the Philippines’ Management Man of the Year for 2007; Manuel L. Quezon Award for Exemplary Governance in 2006; Raul Locsin CEO of the Year Award in 2004; and Ten Outstanding Young Men (TOYM) Award for Domestic Banking in 1982.

MR. JOSELITO H. SIBAYAN (Member, Independent Director) - Mr. Joselito H. Sibayan has been an Independent Director of SM Prime since 2011. He has spent the past 34 years of his career in investment banking. From 1987 to 1994, after taking his Master’s degree of Business Administration from University of California in Los Angeles, he served as Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operations. He then moved to London in 1995 to run Natwest Market’s International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB’s Manila representative office in 1998, and later oversaw the transition of the office to branch status.

MR. GREGORIO U. KILAYKO – (Member, Independent Director) - Mr. Gregorio U. Kilayko has been an Independent Director of SM Prime since 2008. He is the former Chairman of ABN Amro’s banking operations in the Philippines. He was the founding head of ING Baring’s stockbrokerage and investment banking business in the Philippines and served as a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. He is also currently an Independent Director in Belle Corporation, Philequity Fund and East West Banking Corporation. He took his Master’s degree in Business Administration at the Wharton School of the University of Pennsylvania.

MR. JORGE T. MENDIOLA (Member, Non-Executive Director) – Mr. Jorge T. Mendiola has been a director of SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master’s degree in Business Management from the Asian Institute of Management. He holds an A.B. Economics degree from Ateneo de Manila University.

- We have reviewed and approved the following with regard to our independent auditor, SGV & Co., and our Internal Auditor:
 - Their respective audit plans, scope, risk-based methods and timetables;
 - Their assessment of internal controls, including controls over financial reporting; and
 - The results of their examinations and Management’s action plans to address pending audit issues;

- We have received and reviewed the report of SGV & Co. on significant accounting issues, changes in accounting principles and relevant pending tax legislations, which could impact SM Prime;
- We have reviewed and approved the results of all audit services provided by SGV & Co. and related audit fees;
- We have met independently with SGV & Co. to ensure that proper checks and balances are in place within the corporation;
- We have reviewed the internal control system of the Company based on the assessments completed and reported by internal and external auditors and found that the system is adequate and effective;
- We have discussed with SGV & Co. matters required to be discussed by prevailing applicable Philippine Auditing Standards, received written disclosures and the management letter from SGV & Co., as required by prevailing applicable Independence Standards, and discussed with SGV & Co. its independence;
- We have reviewed the financial statements of SM Prime Holdings, Inc. for the first quarter ended March 31, 2020, second quarter ended June 30, 2020, and third quarter ended September 30, 2020;
- After thorough review and discussion, and subject to the limitations on the Committee's roles and responsibilities, we recommended for Board approval, and the Board approved, the audited financial statements of SM Prime Holdings, Inc. for the year ended December 31, 2020; and
- We have reviewed and discussed the performance, independence and qualifications of the independent auditor, SGV & Co., in the conduct of its audit of the financial statements of SM Prime Holdings, Inc. for the year 2020. Based on the review of their performance and qualifications, the Committee also recommends the re-appointment of SGV & Co. as external auditors for 2021.



Jose L. Cuisia, Jr.
Chairman



Joselito H. Sibayan
Member



Gregorio U. Kilayko
Member



Jorge T. Mendiola
Member

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
10th Floor, Mall of Asia Arena Annex Building
Coral Way cor. J.W. Diokno Blvd.
Mall of Asia Complex
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

Opinion

We have audited the consolidated financial statements of SM Prime Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Lease Concession

In 2020, the Company granted various lease concessions such as lease payment holidays or lease payment reduction to the lessees of its commercial spaces as a response to the laws and regulations issued by the government mandating the granting of certain lease concession during the coronavirus pandemic. The Company evaluated that the lease concessions do not qualify as a lease modification and accounted for these in the form of negative variable rent which the Company recorded when the concession is given regardless of the period to which the concession pertains. The Company's accounting of lease concession under PFRS 16 is significant to our audit because the Company has high volume of lease concessions granted during the period, the recorded amounts are material to the consolidated financial statements, and accounting for lease concession involves application of significant judgment and estimation in determining whether the lease concession will be accounted for as lease modification.

The disclosures related to the lease concession granted by the Company are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the type, extent and periods covered of the various lease concessions granted by the Company, including the determination of the population of the lease contracts covered by the lease concession granted by the Company during the period.

We tested the population of lease agreements by comparing the number of locations per operations report against the lease contract database.

On a test basis, we inspected the communications of the Company in connection with the lease concessions granted to the lessees and traced these contractual terms and conditions to the calculation of the financial impact of lease concession prepared by the management. We test computed the lease concession impact prepared by management on a sample basis.

We obtained management assessment and a legal opinion from the Company's internal counsel supporting the assessment that the lease concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.

Real Estate Revenue Recognition

The Company's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In determining the transaction price, the Company considers the selling price of the real estate property and other fees collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Company uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Company's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Company estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Company identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the Company capitalizes the total sales commissions due to sales agent as cost to obtain a contract and recognizes the related commissions payable. The Company uses percentage of completion (POC) method in amortizing sales commissions consistent with the Company's revenue recognition policy.

The disclosures related to the Company's revenue recognition are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's real estate revenue recognition process.

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the output method, in determining revenue from sale of real estate, we obtained an understanding of the Company's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the third-party project managers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate sold, we obtained an understanding of the Company's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts, among others.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commissions capitalized and portion recognized in profit or loss, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

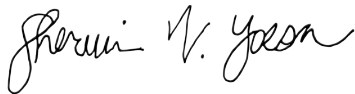
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sherwin V. Yason.

SYCIP GORRES VELAYO & CO.



Sherwin V. Yason
Partner

CPA Certificate No. 104921
SEC Accreditation No. 1514-AR-1 (Group A),
August 6, 2018, valid until August 5, 2021
Tax Identification No. 217-740-478
BIR Accreditation No. 08-001998-112-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**
(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20, 27 and 28)	₱30,661,614	₱34,599,959
Receivables and contract assets (Notes 8, 15, 20, 27 and 28)	58,944,930	53,636,921
Real estate inventories (Note 9)	43,691,877	43,946,109
Equity instruments at fair value through other comprehensive income (Notes 10, 20, 27 and 28)	568,146	659,077
Derivative assets (Notes 27 and 28)	2,747	-
Prepaid expenses and other current assets (Notes 11, 20, 27 and 28)	23,205,662	19,485,542
Total Current Assets	157,074,976	152,327,608
Noncurrent Assets		
Equity instruments at fair value through other comprehensive income - net of current portion (Notes 10, 20, 27 and 28)	16,131,568	20,420,959
Investment properties (Notes 13, 18 and 26)	436,159,081	410,639,578
Investments in associates and joint ventures (Note 14)	27,735,239	27,214,398
Property and equipment - net (Notes 12 and 26)	1,311,208	1,383,320
Deferred tax assets - net (Note 25)	831,546	903,845
Derivative assets - net of current portion (Notes 27 and 28)	-	826,315
Other noncurrent assets (Notes 15, 20, 24, 27 and 28)	83,115,307	53,563,651
Total Noncurrent Assets	565,283,949	514,952,066
	₱722,358,925	₱667,279,674
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20, 27 and 28)	₱10,900,000	₱100,000
Accounts payable and other current liabilities (Notes 17, 20, 27 and 28)	81,033,985	70,125,750
Current portion of long-term debt (Notes 18, 20, 27 and 28)	42,738,350	23,521,373
Derivative liabilities (Notes 27 and 28)	357,662	-
Income tax payable	957,906	1,509,657
Total Current Liabilities	135,987,903	95,256,780

	December 31	
	2020	2019
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 27 and 28)	₱218,830,647	₱214,333,050
Tenants' and customers' deposits - net of current portion (Notes 17, 26, 27 and 28)	21,331,869	21,646,217
Liability for purchased land - net of current portion (Notes 17, 27 and 28)	1,251,227	4,214,234
Deferred tax liabilities - net (Note 25)	6,786,018	4,179,154
Derivative liabilities - net of current portion (Notes 27 and 28)	2,445,735	711,617
Other noncurrent liabilities (Notes 15, 17, 24, 27 and 28)	25,007,898	24,422,348
Total Noncurrent Liabilities	275,653,394	269,506,620
Total Liabilities	411,641,297	364,763,400
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 29)	33,166,300	33,166,300
Additional paid-in capital - net (Notes 5 and 19)	38,022,913	38,007,668
Cumulative translation adjustment	1,524,439	1,344,274
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	13,460,669	17,840,990
Net fair value changes on cash flow hedges (Note 28)	(1,769,030)	(1,328,167)
Remeasurement loss on defined benefit obligation (Note 24)	(587,796)	(913,390)
Retained earnings (Note 19):		
Appropriated	42,200,000	42,200,000
Unappropriated	186,251,267	173,583,191
Treasury stock (Notes 19 and 29)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	309,284,067	300,916,171
Noncontrolling Interests (Note 19)	1,433,561	1,600,103
Total Equity	310,717,628	302,516,274
	₱722,358,925	₱667,279,674

See accompanying notes to consolidated financial statements on page 89 of SEC Form 17-A (Annual Report).

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands)

	Equity Attributable to				
	Capital Stock	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income	Net Fair Value Changes on Cash Flow Hedges
	(Notes 19 and 29)	(Notes 5 and 19)		(Note 10)	(Note 28)
At January 1, 2020	P33,166,300	P38,007,668	P1,344,274	P17,840,990	(P1,328,167)
Net income for the year	-	-	-	-	-
Other comprehensive income (loss)	-	-	180,165	(4,380,321)	(440,863)
Total comprehensive income (loss) for the year	-	-	180,165	(4,380,321)	(440,863)
Cash dividends (Note 19)	-	-	-	-	-
Cash dividends received by a subsidiary	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Acquisition of non-controlling interest - net (Notes 2 and 5)	-	15,245	-	-	-
At December 31, 2020	P33,166,300	P38,022,913	P1,524,439	P13,460,669	(P1,769,030)
At January 1, 2019	P33,166,300	P39,953,218	P1,955,999	P19,084,597	(P842,098)
Net income for the year	-	-	-	-	-
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	(2,879,181)	-
Other comprehensive income (loss)	-	-	(611,725)	1,635,574	(486,069)
Total comprehensive income (loss) for the year	-	-	(611,725)	(1,243,607)	(486,069)
Cash dividends (Note 19)	-	-	-	-	-
Cash dividends received by a subsidiary	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Acquisition of non-controlling interest - net (Notes 2 and 5)	-	(1,945,550)	-	-	-
At December 31, 2019	P33,166,300	P38,007,668	P1,344,274	P17,840,990	(P1,328,167)

Equity Holders of the Parent

Remeasurement Loss on Defined Benefit Obligation	Retained Earnings (Note 19)		Treasury Stock	Total	Noncontrolling Interests	Total Equity
	(Note 24)	Appropriated				
(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P300,916,171	P1,600,103	P302,516,274
-	-	18,006,512	-	18,006,512	133,225	18,139,737
322,903	-	-	-	(4,318,116)	6,269	(4,311,847)
322,903	-	18,006,512	-	13,688,396	139,494	13,827,890
-	-	(5,342,658)	-	(5,342,658)	-	(5,342,658)
-	-	4,222	-	4,222	-	4,222
-	-	-	-	-	(288,100)	(288,100)
2,691	-	-	-	17,936	(17,936)	-
(P587,796)	P42,200,000	P186,251,267	(P2,984,695)	P309,284,067	P1,433,561	P310,717,628
(P348,480)	P42,200,000	P143,118,153	(P2,984,695)	P275,302,994	P3,774,968	P279,077,962
-	-	38,085,601	-	38,085,601	703,072	38,788,673
-	-	2,879,181	-	-	-	-
(564,910)	-	-	-	(27,130)	(2,958)	(30,088)
(564,910)	-	40,964,782	-	38,058,471	700,114	38,758,585
-	-	(10,507,731)	-	(10,507,731)	-	(10,507,731)
-	-	7,987	-	7,987	-	7,987
-	-	-	-	-	(633,700)	(633,700)
-	-	-	-	(1,945,550)	(2,241,279)	(4,186,829)
(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P300,916,171	P1,600,103	P302,516,274

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands)

	Equity Attributable to				
	Capital Stock	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income	Net Fair Value Changes on Cash Flow Hedges
	(Notes 19 and 29)	(Notes 5 and 19)		(Note 10)	(Note 28)
At January 1, 2018	P33,166,300	P39,662,168	P2,110,745	P25,489,705	(P311,429)
Net income for the year	-	-	-	-	-
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	(1,117,899)	-
Other comprehensive income (loss)	-	-	(154,746)	(5,287,209)	(530,669)
Total comprehensive income (loss) for the year	-	-	(154,746)	(6,405,108)	(530,669)
Cash dividends (Note 19)	-	-	-	-	-
Cash dividends received by a subsidiary	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Sale of treasury shares held by subsidiary	-	282,816	-	-	-
Sale (acquisition) of non-controlling interests (Notes 2 and 5)	-	8,234	-	-	-
At December 31, 2018	P33,166,300	P39,953,218	P1,955,999	P19,084,597	(P842,098)

See accompanying notes to consolidated financial statements on page 89 of SEC Form 17-A (Annual Report).

Equity Holders of the Parent

Remeasurement Gain (Loss) on Defined Benefit Obligation	Retained Earnings (Note 19)		Treasury Stock	Total	Noncontrolling Interests	Total Equity
	(Note 24)	Appropriated				
(P199,126)	P42,200,000	P120,125,945	(P3,287,087)	P258,957,221	P3,916,693	P262,873,914
-	-	32,172,886	-	32,172,886	738,243	32,911,129
-	-	1,117,899	-	-	-	-
(149,354)	-	-	-	(6,121,978)	(3,051)	(6,125,029)
(149,354)	-	33,290,785	-	26,050,908	735,192	26,786,100
-	-	(10,307,731)	-	(10,307,731)	-	(10,307,731)
-	-	9,154	-	9,154	-	9,154
-	-	-	-	-	(576,200)	(576,200)
-	-	-	302,392	585,208	-	585,208
-	-	-	-	8,234	(300,717)	(292,483)
(P348,480)	P42,200,000	P143,118,153	(P2,984,695)	P275,302,994	P3,774,968	P279,077,962

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱22,463,741	₱49,161,994	₱41,966,175
Adjustments for:			
Depreciation and amortization (Notes 22 and 26)	10,341,611	10,825,078	9,655,426
Interest expense (Note 23)	8,596,750	8,832,770	7,540,045
Interest and dividend income (Notes 6, 7, 8, 10, 11, 15, 20 and 23)	(1,207,227)	(1,746,406)	(1,828,776)
Equity in net earnings of associates and joint ventures (Note 14)	(694,473)	(1,492,093)	(1,297,528)
Loss (gain) on unrealized foreign exchange and fair value changes on derivatives - net	(45,610)	209,624	557,067
Operating income before working capital changes	39,454,792	65,790,967	56,592,409
Decrease (increase) in:			
Receivables and contract assets	(27,104,505)	(17,302,352)	(11,618,774)
Real estate inventories	2,409,763	(1,514,160)	(2,124,966)
Prepaid expenses and other current assets	(3,702,091)	(4,368,606)	(557,890)
Increase (decrease) in:			
Accounts payable and other liabilities	8,783,131	15,222,583	9,552,450
Tenants' and customers' deposits	(334,662)	3,045,680	2,306,209
Cash generated from operations	19,506,428	60,874,112	54,149,438
Income tax paid	(2,316,144)	(9,146,530)	(8,185,024)
Net cash provided by operating activities	17,190,284	51,727,582	45,964,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,009,478	1,438,318	1,417,478
Dividends received	385,916	615,349	577,014
Additions to:			
Investment properties (Note 13)	(37,559,444)	(51,267,038)	(40,351,989)
Property and equipment - net (Note 12)	(113,073)	(136,560)	(126,355)
Equity instruments at FVOCI (Note 10)	-	(4)	(5,826)
Proceeds from sale of equity instruments and financial assets at FVOCI	-	4,100,955	3,023,585
Investments in associates and joint ventures and acquisition of a subsidiary - net of cash acquired (Note 14)	-	15,867	(509,282)
Increase in bonds and deposits and other noncurrent assets (Note 15)	(7,666,858)	(3,382,131)	(28,102,681)
Net cash used in investing activities	(43,943,981)	(48,615,244)	(64,078,056)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans and long-term debt (Notes 16 and 18)	₱91,403,912	₱42,393,638	₱54,115,835
Payments of:			
Long-term debt (Note 18)	(28,993,349)	(25,466,777)	(26,737,233)
Bank loans (Note 16)	(25,700,000)	(519,400)	(475,000)
Interest	(8,469,609)	(8,712,493)	(7,193,222)
Dividends (Note 19)	(5,338,436)	(11,133,444)	(10,874,777)
Lease liabilities (Notes 17 and 26)	(85,013)	(80,437)	-
Acquisition of non-controlling interest - net (Note 5)	-	(4,186,829)	-
Proceeds from:			
Maturity of derivatives	-	395,722	3,212,542
Reissuance of treasury shares	-	-	585,207
Net cash provided by (used in) financing activities	22,817,505	(7,310,020)	12,633,352
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,153)	31,174	(124,777)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,938,345)	(4,166,508)	(5,605,067)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,599,959	38,766,467	44,371,534
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱30,661,614	₱34,599,959	₱38,766,467

See accompanying notes to consolidated financial statements on page 89 of SEC Form 17-A (Annual Report).

Corporate Information

COMPANY HEADQUARTERS

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INVESTOR RELATIONS

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E: info@smprime.com
www.smprime.com

STOCKHOLDER INQUIRIES

SM Prime Holdings' common stock is listed and traded in the Philippine Stock Exchange under the symbol "SMPH." Inquiries regarding dividend payments, account status, address changes, stock certificates, and other pertinent matters may be addressed to our Company's transfer agent:

BDO TRUST AND INVESTMENTS GROUP

15th to 17th Floors, South Tower,
BDO Corporate Center
7899 Makati Avenue,
Makati City 1227
Philippines
Tel. Nos.: (632) 8878-4265; 8878-4244

Our complete report can be viewed or downloaded at
<https://smprime.com/annual-reports>

