

2020 SMPH Non-Executive Directors' Regular Meeting

In compliance with the Company's Revised Manual on Corporate Governance, SMPrime's non-executive directors have met with SGV & Co., the Company's External Auditor, Chief Audit Executive (CAE), Chief Compliance Officer (CCO) and Chief Risk Officer (CRO), to ensure that proper checks and balances are in place within the Company.

Mr. Jose L. Cuisia, Jr., being the Board's lead independent director, chaired the meeting last December 7, 2020.

1. Meeting with the Company's External Auditor, SyCip Gorres Velayo & Co. (SGV) and the following areas were discussed:

Audit Engagement - SGV confirmation that there are no issues with Management or Internal Audit which they would like to bring to the attention of the Non-Executive Directors. SGV confirmed that there are no issues as regards communication and cooperation. Further, SGV affirmed that it is able to meet its target deadline for completion of audit.

COVID – 19 impact – SGV, from the perspective of financial reporting, reviewed the revenue recognition criteria of the Group and if they are satisfied that the Company has set aside sufficient provisions for uncollectable receivables. SGV also confirmed that they have reviewed the revenue recognition criteria and found it to be reasonable. Further, SGV also reported that the Management has performed its expected credit loss assessment and that the provisions remain sufficient.

After discussions, SGV left the meeting to allow the meeting of non-executive directors with the management.

2. Meeting with Chief Audit Executive, Chief Compliance Officer, and Chief Risk Officer, and the following areas were discussed:

Cybersecurity update - IT team is looking into the audit findings and taking steps to address these issues. CAE further reported that the team is scheduled to do another round of testing to check the security measures adopted by the Company. Internal Audit is working closely with Management to strengthen the Company's security measures including monitoring of network traffic for all types of unusual activity of its employees. Management also conducts awareness programs to teach the employees how to avoid falling prey to phishing attacks.

In relation to China malls, it has sufficient controls in place and they have their own IT team that monitors their access and security controls, and that said team closely works with the local IT and risk management teams. Local IT team also performed a test under pandemic conditions last July and August 2020 and they confirmed that the security controls in place were sufficient to protect the Company's sensitive information.

Cashflow – Collection of receivables has improved. The Company will still maintain a buffer to cover for any expenses and capital expenditures that may be incurred on a month-to-month basis. The Company affirmed that it had no delayed projects due to the pandemic and ready credit lines are available if needed.