



PRIME

ADVANCING SUSTAINABILITY FOR A BETTER TOMORROW

2016 SUSTAINABILITY REPORT



Pico de Loro Residential Developments

Advancing Sustainability for a Better Tomorrow

This is SM Prime Holdings, Inc. (SM Prime) 9th annual Sustainability Report and 5th time following the Global Reporting Initiative (GRI) Guidelines. The 2016 report will be the baseline year of SM Prime.

The company adhered to the GRI G3.1 Guidelines with an Application Level C+ in 2012, B+ in 2013, and it completed GRI's Materiality Disclosures Services aligned with the GRI G4 Guidelines in 2014 and 2015. The 2016 report has been prepared in accordance with the GRI Sustainability Reporting Standards.

This report covers the environmental, social, economic and governance information of SM Prime in the Philippines and in China for the year 2016. Starting this year, SM Prime has included the performance of all of its business units including Malls, Residential, Commercial, Hotels and Convention Centers.

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About SM Prime Holdings, Inc.

SM Prime Holdings, Inc. (SM Prime) is one of the largest integrated property developers in Southeast Asia that offers innovative and sustainable lifestyle cities with the development of malls, residences, offices, hotels and convention centers. SM Prime is also the largest, in terms of asset and income base, in the Philippines.

SM Prime was incorporated in the Philippines in 1994. SM Prime started as a mall developer and operator and grew to be the biggest retail shopping center developer and operator in the Philippines. Currently, SM Prime has 60 malls in the Philippines and 7 shopping malls in China, totaling 9.0 million square meters of Gross Floor Area (GFA).

SM Prime goes beyond mall development and management through its units and subsidiaries.

SM Development Corporation (SMDC) is the residential business component that sells affordable condominium units. SM Prime's commercial business units, the Commercial Property Group (CPG) is engaged in the development and leasing of office buildings in Metro Manila, as well as the operations and management of buildings and other land holdings like Mall of Asia Arena (MOA Arena). Hotel and Convention Centers (HCC) business unit develops and manages various hotels and convention centers across the country.



Mall of Asia (MOA) Complex

Vision

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.

SM Prime at a Glance

Fast Facts



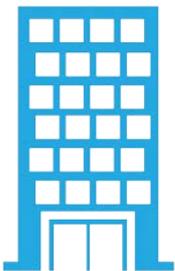
Malls

- 60 Malls in the Philippines
- 7 Malls in China
- 9.0 million sqm total
Gross Floor Area
- 23,938 total solar panels installed



Residences

- 43 Residential Projects
- 102,424 Residential Units
(since 2003)
- 84% solid waste averted to landfill
- 58% biodegradable wastes
converted to vermi-compost



Offices

- 6 Office Buildings
- 383,084 sqm total
Gross Floor Area
- 100% Sustainable Design
- 80% Bulbs converted to LED



Hotels & Convention Centers

- 6 Hotels
- 1,510 Hotel Rooms
- 4 Convention Centers and
3 Trade Halls
- 80% Bulbs converted to LED



President's Message

As one of the largest property developers in Southeast Asia and with a presence extending across the many regions of the Philippines, SM Prime is aware of the environmental and social impact of its operations. Our long term success depends on having a positive impact in these areas and our goal is to be a catalyst for development in the communities we serve. To this end we have reported our sustainability practices, goals, and impact since 2007.

SM Prime's sustainability journey begins another chapter in 2016. In recent years the scope of this report has mainly been the direct operations and activities of our malls, due to their prominence in the company's overall footprint. Starting this year, SM Prime will report the sustainability performance of all its business units, covering our malls, residences, commercial buildings, hotels and convention centers.

Accelerating Performance

SM Prime delivered a 14% growth in earnings in 2016 while generating an economic value of PHP81.4 Billions. Critical to the sustainable success of SM Prime is

the creation of shared long term value for all our stakeholders. To that end, the company aims to engage with more Filipinos to achieve rapid positive economic impact as we expand our properties across the country and drive development in underserved areas.

Creating Shared Value

SM Prime integrates environmental sustainability into its business operations in order to support the global goal of sustainable development. Recognizing our role in environmental stewardship, SM Prime has taken measures to optimize operations and also to include disaster resilience and green features in the design of our buildings.

We have addressed key issues that contribute to the environmental footprint of the company, namely energy efficiency, water consumption, air quality, biodiversity, waste management and greenhouse gas emissions.

In 2016, SM Prime generated 5,800 Megawatts of renewable energy across our installations in the Philippines and in China - equivalent to powering over 5.8 million homes. SM Prime also reused 33% of the water it

Starting this year, SM Prime will report the sustainability performance of all its business units, covering our malls, residences, commercial buildings, hotels and convention centers.

consumes, with 4.7 million cubic meters of water recycled into coolings towers and comfort rooms, equivalent to 1,882 Olympic-sized swimming pools.

The special features of this report includes details of the sustainable operations of Hamilo Coast. This premier leisure development south of Metro Manila celebrates coastal living anchored firmly on its rich natural biodiversity and SM's sustainability principles. Hamilo uses various energy efficient technological advancements to increase its operational efficiency while protecting the environment.

Engaging the Community

As part of our commitment to the Philippines, the company strives to incorporate sustainable designs in all its projects to ensure significant positive impact in the communities it serves. By advocating disaster risk resilient strategies, we go beyond the walls of our business in a concerted effort to achieve the global targets set forth by the Sendai Framework for Disaster Risk Reduction.

2016 marked the first full year of the Philippine chapter of the Alliance for Disaster Resilient Societies (ARISE) project of the United Nations Office for Disaster Risk Reduction (UNISDR). As a sign of its strong support for this initiative, SM Prime Executive Committee Chairman Hans T. Sy is a member of the international board of ARISE and SM Prime provides the country secretariat of the Philippines chapter. Today ARISE has over 50 member organizations in the country and has taken strides to build resiliency by promoting business continuity planning, resilient investments and education and training about disaster risk management.

Taking the initiative to embrace our communities, SM Prime has completed its commitment in "Building Back Better" the areas affected by Supertyphoon Yolanda

(Haiyan). Immediately after the onslaught of the typhoon in 2013, SM saw the need to go beyond relief efforts and to embark on providing long-term rebuilding. We pledged our support to build a quality housing program in the affected areas. I am glad to share that this commitment, executed through the SM Cares Housing Project, to build 1,000 disaster resilient houses in four villages has now been completed. With the overwhelming support of our business partners, SM Prime has received additional donations to develop a fifth village by 2017, increasing the total contribution to 1,200 houses.

Advancing Sustainability for a Better Tomorrow

SM Prime continues to take the road towards creating shared value for the organization and all its stakeholders. Recently all our business units have been adopting the innovative green practices that the company first implemented in its mall operations. Over the next few years, SM Prime will further seek to implement green and resilient designs in all its properties. We will also pursue sustainable innovations to lower our carbon footprint and to positively impact the communities in which we operate. By doing its share for development, SM Prime commits to continue to advance sustainability for a better tomorrow.



Jeffrey C. Lim
President

Creating Shared Value



07 Sustainability Framework

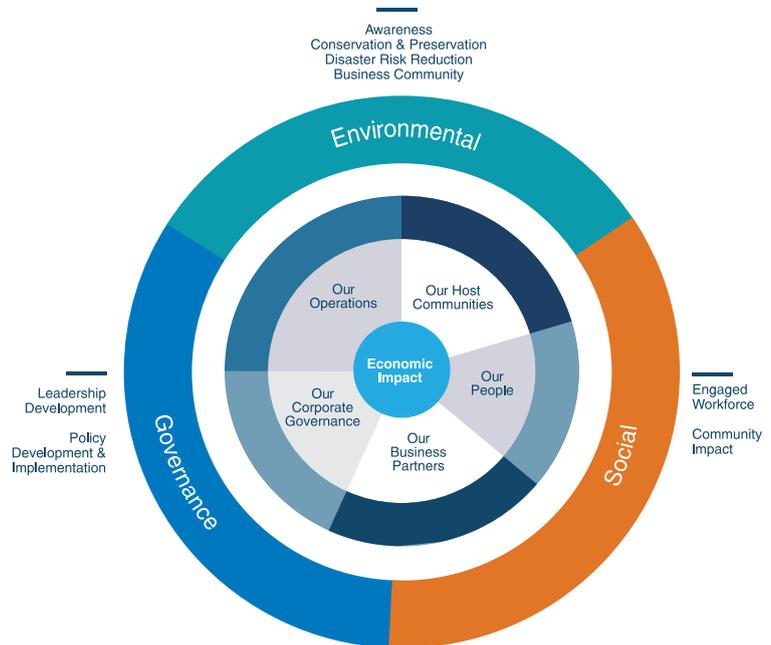
08 Engaging Stakeholders

09 Key Matters

Sustainability Framework

The company's Sustainability Framework highlights its economic impact while adhering to environmental, social and governance (ESG) global standards.

A group-wide steering committee has been formed and is tasked for the group's sustainability road map and progress, while a technical working group is tasked to implement, monitor and report impact of the company's initiatives. As the company's footprint grows, SM shall revisit its current framework to meet the evolving needs of its stakeholders and to effect positive impact in greater scale.



The SM's Board of Directors approved guiding principles that embrace global standards. The company supports:

- ▶▶▶
- 1 Corporate Governance
- 2 Climate-friendly solutions and opportunities for business
- 3 Access to clean, renewable and reliable energy sources and services
- 4 The adoption of instruments that help quantify, manage and report on the carbon footprints of its businesses
- 5 The responsibility to protect the dignity of every person and uphold human rights
- 6 The recognition of the role of women in achieving economic growth and poverty reduction
- 7 The elimination of all forms of forced and compulsory labor and child labor

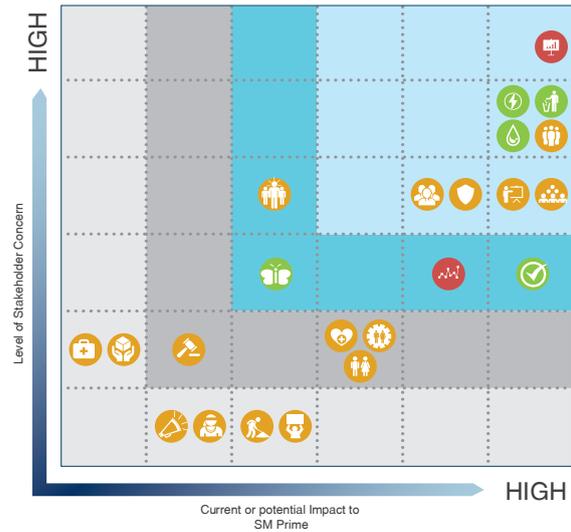
Engaging Stakeholders

STAKEHOLDER GROUP	ISSUE	METHOD AND FREQUENCY	OUTCOME
<p>Employees</p> 	<ul style="list-style-type: none"> a. Retention b. Employee training and development c. Diversity and equal opportunity 	<p>Dialogue through focus group discussions, monthly operations meeting, and annual forums</p> <p>Performance appraisal review allows communication between employee and manager</p>	<p>Employees from focus group discussions were incorporated into human resource strategies for retention and attraction</p> <p>Feedback from performance appraisal review were incorporated into training and development</p>
<p>Business Partners</p> 	<ul style="list-style-type: none"> a. Economic Performance b. Labor Practices 	<p>All business partners are screened on an annual basis based on quality of service, cost efficiency, moral standing and compliance with related laws</p>	<p>Improved screening of business partners and increased dialogue between business partners and organization</p>
<p>Shareholders and Investors</p> 	<ul style="list-style-type: none"> a. Financial implications b. Risk reduction initiatives 	<p>Annual stockholders meeting, ongoing meetings, road shows, and conference calls</p>	<p>Incorporated sustainability into our investor relations communications strategy</p>
<p>Non-governmental Organizations</p> 	<ul style="list-style-type: none"> a. Biodiversity loss b. Climate change and disasters c. Environmental protection and rehabilitation d. Renewable energy 	<p>Constant partnerships through multi-stakeholder forums and joint projects</p> <p>SM Prime is a member of the Philippine Business for the Environment and a partner of Weather Philippines Foundation</p>	<p>Increased communications and dialogue through the SM Green Retail Agenda and the Top Leaders Forum</p>
<p>Customers</p> 	<ul style="list-style-type: none"> a. Disaster risk reduction efforts b. Water consumption allocation 	<p>Customer satisfaction surveys and social media communications</p>	<p>Feedback from surveys and social media communications are incorporated in the organization for better customer service and retail offerings</p>

Key Matters

The materiality matrix of SM Prime is formed with the utmost urgency to address and determine the internal and external context issues such as employee development, profitability and concern for the community. In determining the material aspects of this report, SM Prime conducted the aforementioned stakeholder engagement to properly map out the level of concern of the stakeholders and the company.

The Company has determined the high level material aspects to be in relation to economic and environmental performance. The least material such as product and service labelling and freedom of association/collective bargaining are not applicable to the company.



-  Economic Performance

-  Market Presence

-  Energy

-  Water

-  Biodiversity

-  Emissions, Effluents and Waste

-  Compliance

-  Employee

-  Labor and Management Relations

-  Occupational Health and Safety

-  Training and Education

-  Diversity and Equal Opportunity

-  Equal Remuneration for Men and Women

-  Non-Discrimination

-  Freedom of Association and Collective Bargaining

-  Child Labor

-  Forced and Compulsary Labor

-  Security Practices

-  Indigenous Rights

-  Local Communities

-  Public Policy

-  Customer Health and Safety

-  Product and Service Labelling

Accelerating Performance

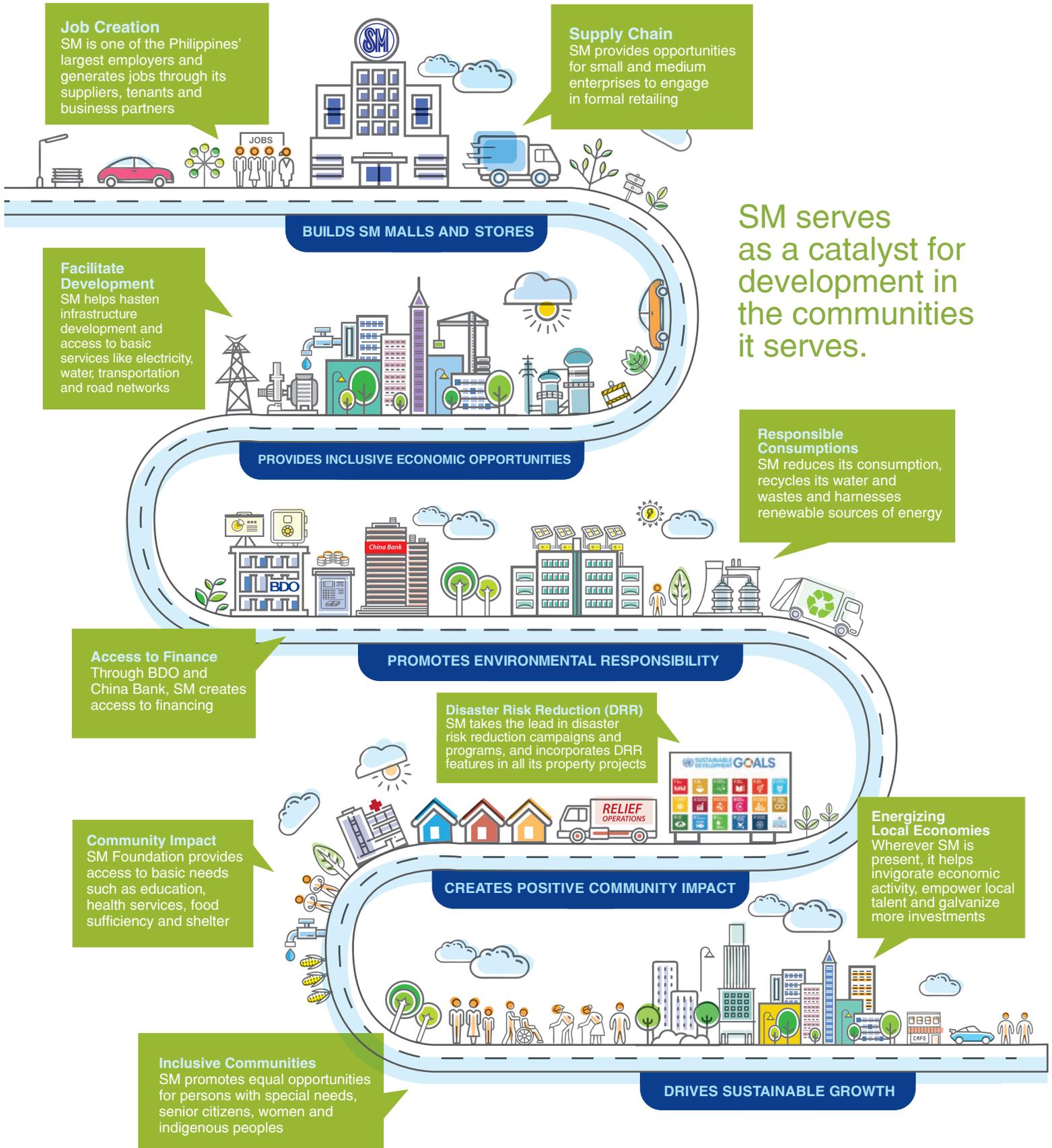


Mall of Asia (MOA) Complex

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SM's Path to Sustainable Growth

Energizing Local Economies



Economic Growth

SM Prime places economic value in the heart of the sustainability framework of the company. As indicated in the ESG framework, sustainability at SM Prime is only realized with the positive economic impact the company generates. Only with sustained economic progress will environmental and social impacts be generated.

SM Prime has a total of 118 properties across malls, residences, office spaces, hotels and convention centers.

In 2016, SM Prime generated economic value of almost PHP 81.4 billion and distributed about PHP 63.4 billion.

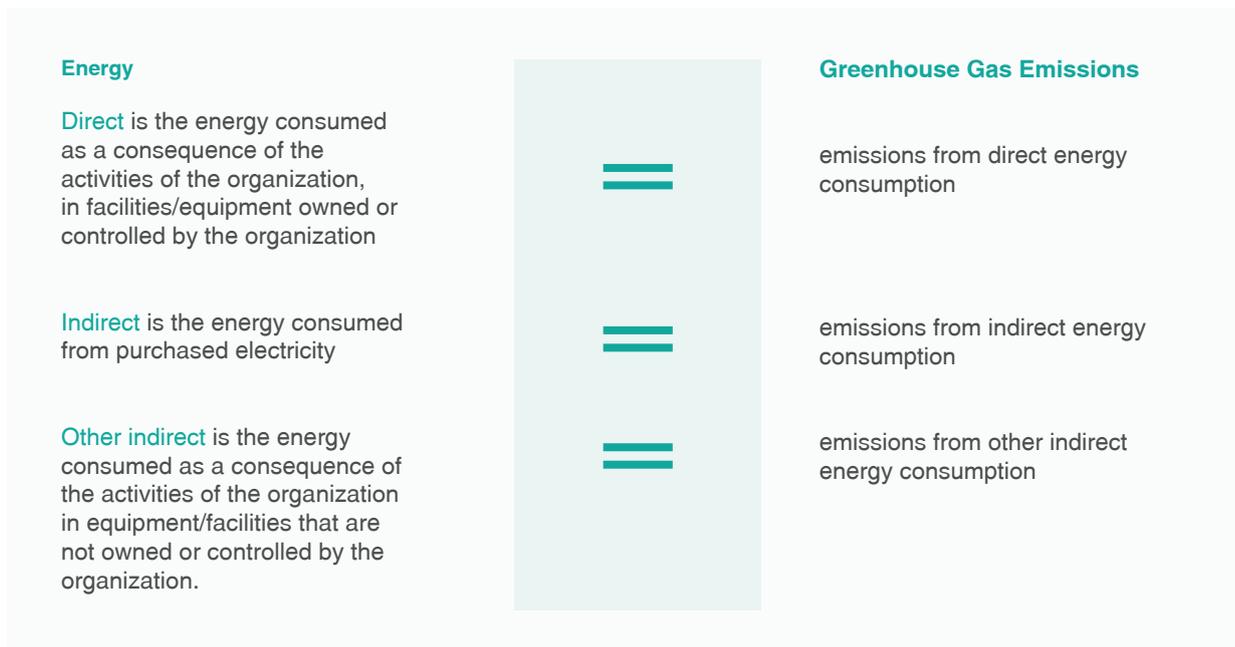
Of the economic value distributed, about PHP 5.9 billion were given out as employee wages and benefits and almost PHP 10 billion were paid to the governments of Philippines and China, attributable to taxes and licenses. As a result, SM Prime was able to retain PHP 18 billion of economic value.

Economic Value Generated, Distributed, and Retained	Value in Millions of Pesos		
	Total	Philippines	China
Direct Economic Value Generated	81,402	76,877	4,525
Revenues	81,402	76,877	4,525
Economic Value Distributed	63,391	58,510	4,881
Operating Costs	36,122	34,339	1,783
Employee Wages And Benefits	5,965	5,233	732
Payments to Providers of Capital	11,052	10,036	1,016
Payments to Government (PH)	8,788	8,788	0
Payments to Government (CN)	1,350	0	1,350
Economic Value Retained	18,011	18,367	(356)
Community Investments	114	114	0

Sustainable Operations

This year's Sustainability Report integrates voluminous data to present the total consumption in energy and water, and its corresponding Greenhouse Gas Emissions (GHGs) as defined.

SM Prime guarantees its commitment to protecting the environment by implementing effective and efficient resource utilization measures in its daily operations.



Energy Efficiency

SM Prime optimizes operational efficiency by investing in new technologies and strategies as well as creating partnerships with government agencies, local and international institutions.

Designs have also embraced the energy principle as seen in skylighting, installation of parking finders, and integration of vestibules and glass panes in the mall entrances.

SM Prime's energy saving initiatives include the conversion from Compact Fluorescent Lamp (CFL) to Light Emitting Diode (LED) while installing alternating lighting fixtures in hallways.

In addition, SM Prime has continued its partnership with Tropical Focus Philippines Inc. (TFPI) specifically in its real-time monitoring and control of air-conditioning management systems of SM Supermalls.

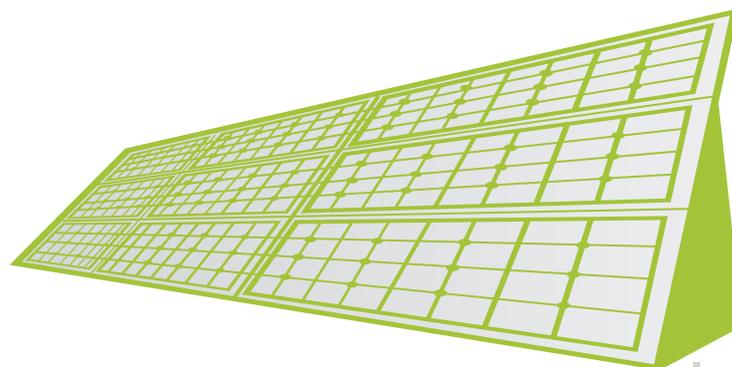
Direct Energy Consumption

SM Supermalls pioneered a partnership with Solar Philippines to generate renewable energy with the installation of 16,186 solar panels, 5,760 in SM North EDSA and 10,426 in SM Mall of Asia. In addition, SM malls in China also has a total of 7,752 solar panels.

Costa del Hamilo Inc. of Residences also installed 8 solar panels to light up its lamp posts.

These installations comprise 1% of the total direct energy consumed in 2016 of SM Prime with a total GJ generated at 21,010.48.

Total Direct Energy Consumption



The Solar Panel rooftop generates **6.5 megawatts of electricity** that can power:

powers **649,500** 10-watt lightbulbs

fully charges **927,854** cellphones



offsets **5,200 tons of CO₂** or equivalent to planting **26,000 trees per year**

Total Indirect Energy Consumption



Indirect Energy Consumption

Indirect energy, on the other hand, accounts for 99% mainly due to the high demand of purchased electricity with the addition of new malls. Electricity is followed by diesel, refrigerant, Compressed Natural Gas

(CNG), Liquefied Petroleum Gas (LPG), and Gasoline with 3.24%, 1%, 0.6%, 0.28% and 0.07% energy consumed respectively.

Greenhouse Gas Emissions

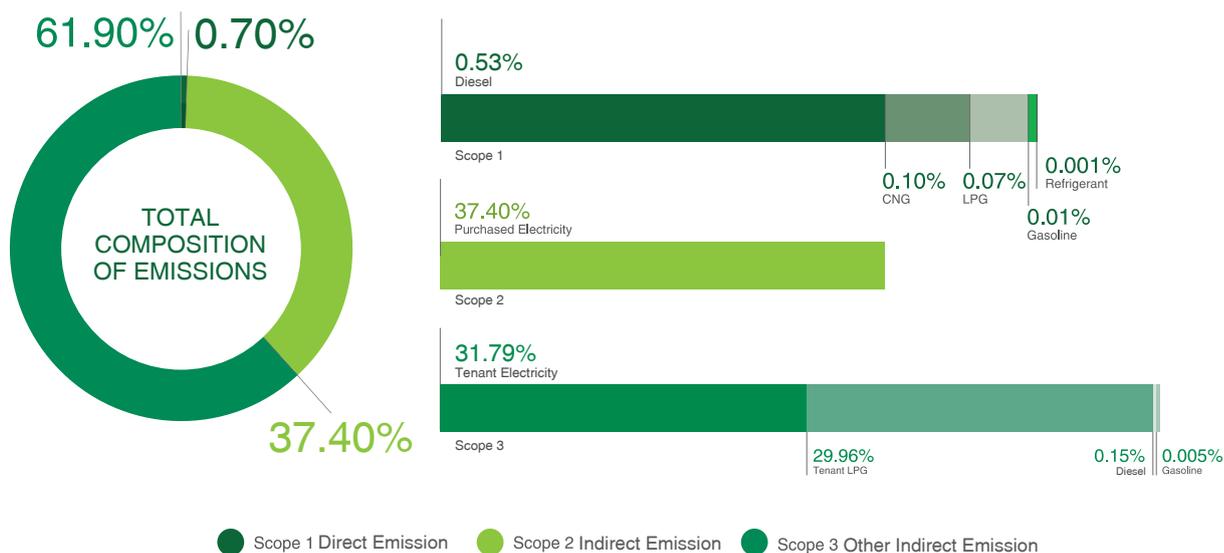
The Scope 1 emission corresponds to only 0.70% of the total emission. The diesel consumption of generator sets and vehicles of each business unit is the main emission contributor at 0.53% followed by CNG consumption at 0.10%.

Scope 3 emission is the largest with total emissions of 61.90%.

Scope 2 emission is the second largest with a total of 37.40% or 509,708 metric tons of CO₂. 87.97% of the emission comes from the mall's consumption that catered to an average of 3.7 M daily foot traffic last year.

Tenants' electricity and LPG consumption are the biggest contributors at 31.79% and 29.96% respectively. SM Supermalls represents the highest electricity with 92.49%. The least contributor is SM Residences with only 0.86%.

Greenhouse Gas Emissions

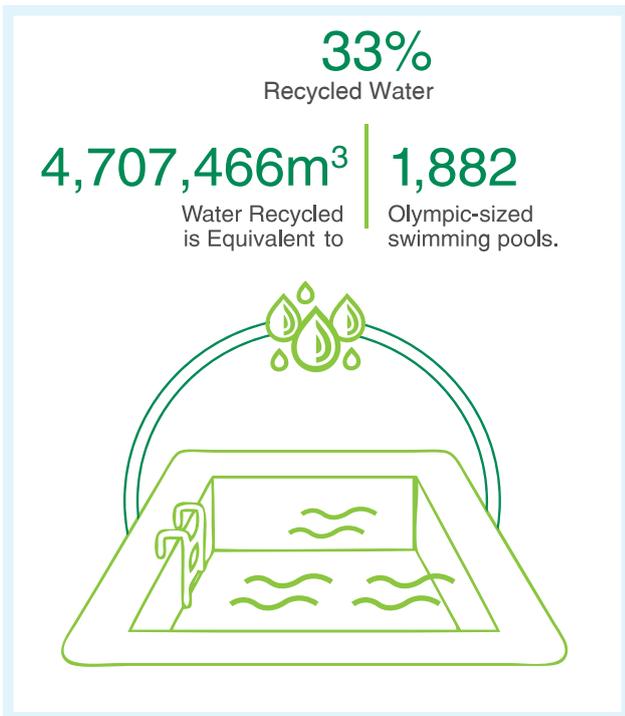


Water Management

SM Prime implements daily water recycling through the Sewage Treatment Plants (STPs). The system recycles used potable water to become non-potable source of water for the business units cooling towers, comfort room flushing, grounds keeping and even irrigation.

Unrecycled water is then discharged to bodies of water within the allowed standards set by the DENR's existing laws and regulations.

In 2016, the potable water consumption of SM Prime totaled to 18,933,847 m³ of which 33% or 4,707,466 m³ was recycled.

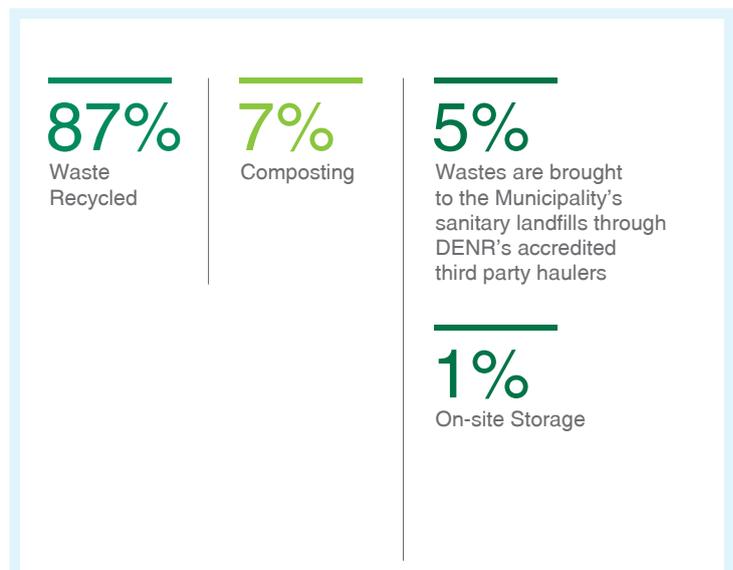


Solid Waste Management

SM Prime highlights waste management in its operations by continuous monitoring of waste generated and implementation of policies on proper waste disposal.

There are various programs being implemented by the business units such as tenant solid waste management programs and the Trash to Cash. The Trash to Cash is a monthly recycling market in SM Supermalls held every first Friday and Saturday participated in by customers and the rest of the community.

SM Prime strictly encourages the 3Rs in waste management, as 87% of the total waste generated were recycled, followed by 7% composting. The 5% of the wastes are brought to the Municipality's sanitary landfills through DENR's accredited third party haulers.



Special Feature

Hamilo Coast: Sustainability at Work



Hamilo Coast

Hamilo Coast is the premier example of SM Prime's initiatives towards decreasing greenhouse gas emission with its own energy and water conservation measures by integrating the use of renewable energy (solar and saltwater) in its operations.

Energy Consumption

To date, Hamilo Coast has already installed 18 solar panels generating a total of 288 kWh enough to supply the lamp post lighting along Hamilo Drive.

Hamilo Coast also adopted the solar absorption cooling system at the St. Therese Chapel. The system absorbs heat from solar energy, hence, decreasing the energy required for cooling units to maintain temperature.

Since its installation, Hamilo Coast experienced 30% decrease in electricity cost.

These sustainability initiatives have been recognized by EarthCheck, the world's leading scientific bench-marking, certification and advisory group for the travel and tourism industry.

Solid Waste Management

Hamilo Coast strictly adheres to RA 9003 (Solid Waste Management Act) by ensuring that the entire Estate practices the 3Rs in waste management: Reduce, Reuse and Recycle.

One of the activities is the waste segregation at source, wherein different materials found in wastes are separated at the point of origin. This has resulted to the 84% averted waste to the Municipal landfill.

Hamilo Coast does not only implement waste reduction but has engaged the entire community to participate in its solid waste management.



Vermicomposting Beds

Vermicomposting

To efficiently manage its green wastes including horse manure, kakawate (*Gliresia Sepium*), and coffee press leftovers, Hamilo Coast implemented vermicomposting. Vermicomposting is the product of African Night Crawler (ANC) earthworms (*Eudrilus eugeniae*) composting organic wastes into high quality compost.

Vermicompost, by-product of vermicomposting, mainly consists of vermicast (worm feces) and decayed organic matter. Production of vermicompost usually takes 1¹/₂ - 2 months. Hamilo Coast then uses these organic fertilizers for its grounds landscaping.



Nanofiltration Plant

Nanofiltration

The main sources of water for Hamilo Coast are saltwater and water derived from the ground.

Nanofiltration is a technique used to soften hard water by removing divalent ions as well as most organic molecules, natural organic matter, range of salts, and other harmful chemicals and viral contaminant from water.

This method optimizes efficiency with lower energy costs and increased productivity.



Desalination Plant

Desalination

Desalination is the process in which salt water is processed for human consumption.

This method is a costly-investment but is a sustainable water source even in times of drought.

Special Feature

Hamilo Coast: Biodiversity



Olive Ridley Turtle in Pico de Loro Beach

Biodiversity Conservation and Management

In support of the mangrove ecosystem, Hamilo Coast has adopted the “ridge to reef” management approach, focusing not only in the uplands areas but also coastal areas to conserve its existing natural resources.

Hamilo Coast has also identified opportunities and trade-offs in the sustainable use of the existing ecosystems for the benefit of the surrounding communities.

Through a municipal ordinance on sustainable coastal resource management, three (3) coves were declared Marine Protected Areas:

- Santelmo Cove as Marine Sanctuary (no-take zone/ fishing activities are prohibited /serves as nesting ground for endangered sea turtles/pawikans)
- Pico de Loro and Etayo Coves as marine reserves (Fishing is allowed but with the use of hook and lines, limit of only two fishing boats per 10 hectares)

Mangrove Ecosystem

Since 2006, Hamilo Coast has successfully managed its 10-hectare mangrove forests as carbon offsets. In general, mangrove plants can sequester up to five (5) times as much carbon dioxide in tropical forests.

Moreover, Hamilo adopted the science-based approach on soil-species suitability during its replanting by subdividing the forest into five (5) zones to ensure 100% survival rate and high growth rate.

Mangrove Forests

Increased greenhouse gases have resulted in sea level rise, intensified typhoons, increased storm surges, making the coastal communities more vulnerable to storm surges.

Mangrove forests can provide immediate protection to these communities. A mangrove, with its dense forest canopies and aerial roots, has the capability to obstruct the flow of water, thus, minimizing the destructive impacts of storm surge.

Empowering Employee Engagement



Employee Volunteerism Program

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Employee Breakdown



11242

Total No. Of Employees

Employee Profile

Although economic performance is at the heart of the company, employee well-being takes equal importance in ensuring long-term sustainability.

The growth of the company translates in the increase of jobs especially for local communities where these new projects are located.

The total employee headcount of SM Prime Holdings, Inc. is at 11,242. The bulk of the workforce is employed by the Malls at 71% or 7,962 employees. Hotels come second with 15% or 1,690 employees.

Though SM Prime does not tolerate preference in genders, there are more female employees than male employees for all companies except for the Hotels.

Further ensuring non-discriminatory policies, the ratio of the basic salary of women to men is approximately 1:1. The salary entry rates and all salary adjustment applications are equally applicable to all, regardless of gender, employee category and location. There were no incidents of discrimination including incidents against indigenous people's rights during the reporting period.

SM Prime, in lieu of not having collective bargaining agreements, provides countless avenues for employees to raise their concerns and freedom of speech through timely forums on company policies and other relevant matters. All significant operational changes that affect employment require at least 25 to 30 days notice.



Holistic Development



In 2016, **35.91** hours of training per employee for the consolidated SM Prime.

Holistic Development

Continued professional growth is a fundamental directive for all SM Prime employees.

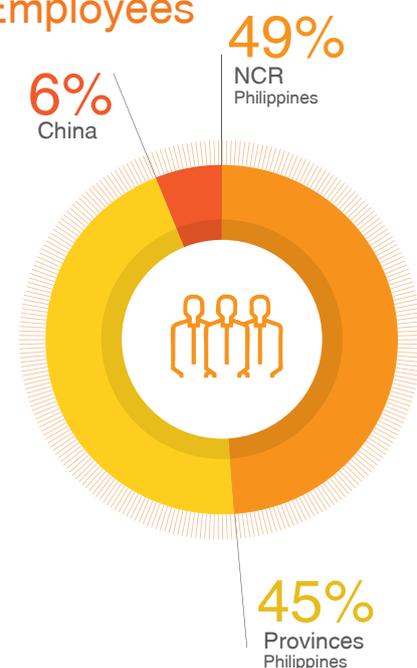
All regular employees receive semi-annual performance reviews wherein their performance is duly evaluated while also providing areas for improvement. A checklist is used to guide supervisors during the rating process and the appraisal is discussed by supervisors to their respective staff to ensure fairness and accountability.

SM Prime understands the importance of programs that support each employee's holistic development. All employees are enlisted to a curriculum based training program, which offers various training modules per level of employment. The Human Resource Department engages and invests in the services of international trainers as well to provide knowledge and training as well. The programs focus on management and personal skills as well as introducing new and innovative techniques that serve as foundations for career advancement.

Investments in the employees is also exercised by providing benefits and substantive employment packages. Benefits provided to regular employees include vacation, sick, and parental leave benefits, health and group life insurance, plan, gratuity pay, merit increases, and bereavement assistance, among others.

In addition, the SM Corporate and Management Companies Employee Retirement Plan is a tool for the company to ensure employees are well taken care of after their years of service. The plan is a funded, non-contributory defined benefit administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using a projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Deployment of Employees



Managing Impact



To support local enterprises

98%

of SM Prime's business partners are based within the country.

Managing Impact on the Community and the Environment

Before implementation, all SM Prime projects secure permits and comply with other requirements and laws of the different government agencies including the Department of Environment and Natural Resources. For some municipalities, a Multi-Partite Monitoring Team is also required, which is comprised of mall administration representatives, members of the local government, the community, and other stakeholders.

While majority of our projects are located in highly urbanized areas, some expansion projects reach out with their own developing initiatives to nearby towns and communities. Prevention and mitigation measures implemented in processes of operations with significant potential or actual negative impacts on local communities include engaging local businesses to become tenants of the mall and preference for hiring locally.

The company is committed to providing quality real estate and services. All business partners (suppliers, contractors, service providers, etc.) are screened based on a criteria that emphasizes quality of service, cost efficiency, moral standing and compliance with related laws. SM Prime prefers to engage the services of local suppliers for each mall in both the Philippines and China.

SM Prime is an apolitical and non-partisan organization. Partnerships with government agencies and associations are in a representative capacity for the private sector in endeavors related to stakeholder and industry consultation, capacity-building, and the promotion of shared advocacies.

SM Prime also supports the government's information dissemination efforts by providing maximum exposure as a venue for caravans or mobile exhibits for government projects and services.

SM Prime takes it upon itself to subject its operations to regular assessments for constant improvement of product and services. These include regular security audits, solid and hazardous waste management audits, drills and trainings for the emergency response teams, as well as continuous dialogue and review of the company's business continuity and risk management plan.

The company aims to go beyond the standards provided by government ordinances to secure the longevity of our operations and with great consideration of the community at large.

Special Feature

SM Employees Clean Up Public Schools in Adopt-A-School Volunteerism Program



Employee Volunteers in Adopt-A-School Program

Just in time for the school opening, more than 1,000 employees of SM Supermalls took part in SM's Adopt-A-School program that is geared towards the rehabilitation and refurbishment of public elementary schools all over the country.

Last June 2016 hundreds of SM employees from the different companies under SM Prime Inc. through the Employee Volunteerism Program (EVP) cleaned up a total of 57 public elementary schools where the malls operate.

The Adopt-A-School project was done in partnership with SM Cares, the Corporate Social Responsibility arm of SM Prime Holdings, Inc., in 24 public elementary schools in Metro Manila and 33 in the provinces.

Tree-planting activities were also done in selected schools to highlight the importance of greening of open spaces specially school grounds. Bookshelves were also be set up to accommodate the many books that were donated by the employees and other donors.

While the Adopt-A-School program is implemented during the summer months to enable the employee volunteers to clean up the schools, other services will be carried out all throughout the year for the schools and their students to help them during times of emergencies.

Achieving Global Goals



Yolanda Housing Project

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- 32 SM Cares Event

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY



11,242

employed by SM Prime in 2016

6 CLEAN WATER AND SANITATION



1,882

equivalent olympic size swimming pools recycled

2 ZERO HUNGER



Park Inn by Radisson Davao hosted a feeding program for the students of Anawim elementary school

7 AFFORDABLE AND CLEAN ENERGY



6.5MW

total solar power capacity of SM Malls

80%

CFL to LED lighting conversion

3 GOOD HEALTH AND WELL-BEING



7,962

employees taught proper nutrition

8 DECENT WORK AND ECONOMIC GROWTH



4,000

Filipino seafarers and families attended both National and International Seafarers Day

4 QUALITY EDUCATION



8,000

students attendees during 2016 Global Youth Summit

57

public elementary schools rehabilitated

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13,000

business partners joined the 2016 Green Retail Agenda

5 GENDER EQUALITY



550,000

mothers served by 59 Breastfeeding stations

10 REDUCED INEQUALITIES

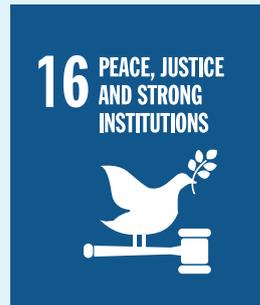


17,000

participants raised awareness for autism, Down syndrome and people with disabilities



1,000
 disaster resilient new
 homes for victims of
 typhoon Yolanda (Haiyan)



Corporate
 Governance
 Awards



61,205
 7 year old trees saved since
 Trash to Cash began



SM is committed to do
 its share in creating a
 sustainable future



57
 members of UN ARISE PH
 for Disaster Resilience

87%
 waste recycled



3
 Marine Protected
 Areas (MPAs)

10
 hectares of
 mangroves



85
 bird species found in
 Costa del Hamillo

UNISDR Partnership



ARISE Philippines Forum

The Sendai Framework for Disaster Risk Reduction

The Sendai Framework is a 15-year, voluntary, non-binding agreement which recognizes that the State has the primary role to reduce disaster risk but that responsibility should be shared with other stakeholders including local government, the private sector and other stakeholders.

The Sendai Framework aims for the following outcome:

The substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries.

Alliance for Disaster Resilient Societies - Philippines (ARISE PH)

In 2015, the United Nations Office for Disaster Risk Reduction (UNISDR) launched the Alliance for Disaster Resilient Societies in response to the call of the Sendai Framework for Action to engage the private sector in resiliency. In the Philippines, the UNISDR tapped SM Prime to be the country secretariat as the company has invested heavily in disaster resiliency.

ARISE Philippines focuses on 3 work themes, mainly Disaster Risk Management Strategies headed by partner organizations Philippine Disaster Resilience Foundation, Education and Training headed by Manila Observatory and Urban Risk Reduction & Resilience headed by Build Change.

In addition, SMIC and SM Prime's business units — SM Development Corporation (SMDC) and SM Hotels and Conventions Corp. (SMHCC) — are among the 100 companies around the world that support United Nations Office for Disaster Risk Reduction's (UNISDR) Private Sector Alliance for Disaster Resilient Societies (ARISE).

Currently ARISE Philippines has more than 50 members, which includes corporations across different industries and sectors with the common advocacy of disaster resiliency. This initiative is supported by government agencies such as the National Disaster Risk Reduction and Management Council, Climate Change Commission, Department of Education, Department of Health, and Metro Manila Development Authority, among others.

SM Cares Special Feature

Senior Citizen Employment



Productive Senior Citizens

Now 65 years old, Teresita Bojo can look back in fondness at the gamut of jobs he had gone through—paralegal, data encoder, clerk, secretary, human resource manager—to raise a brood of three children, each one now gainfully employed. One of them even took her to the United States to tend to a grandchild whose company she enjoyed immensely. But she still felt homesick. Neither cadging nor pleading could crumble her resolve to return to the home whose tugging she cannot ignore.

Thus, she was back at home—and even felt more at home finding a job at SM that allowed her to mingle with people from all walks of life, ply her interpersonal skills to the utmost from 11 a.m. to 3 p.m. for three days a week.

Pensioner Zenaida Montano, 65, of Tandang Sora in Quezon City is thankful for the 3-7 p.m. job for the country's 58-strong chain of malls that helps her shoo away boredom, regain a measure of self-worth. After an eight-year stint as a domestic helper in Singapore and direct selling of cosmetic products for years, she confessed coming to her senses as she turned senior citizen. She took stock of her options—and went ahead applying for a job at the retail giant that still values the work that seniors can do.

“Now I can enjoy the cool environs, be of help to the community, meet people, and at the

same time earn some money. “Ay, I’m a believer of what SM Cares does, its employment program for seniors had been running for a time, and it has helped a lot of seniors already”, she enthuses.

To set the employment for seniors program—trotted out in 2013, two seniors hired-- in full course, SM Cares partnered with the Office of the Senior Citizens Affairs (OSCA) of local government units in each of the 58 SM malls nationwide, for program guidelines and endorsement of applicants for each batch. SM malls now employ 10 senior citizens each at any given time.

“I felt bad, even sad when I retired from work, so I had aged and who would still get me for work that I can still do? That’s how it was. And that’s why I am all for SM Cares that still opens opportunities for seniors. I hope that other foundations would follow that SM example, really appreciate what we seniors can do.

“Because we still can,” muses Bojo who knows her onions on valuing people—she had been a human resource manager, after all.

“Look at us, we’re still blooming now.”

And seniors like her that will find their way into the SM senior work force will likely feel the same way too.

SM Cares Special Feature

A Commitment to Nation-Building



Yolanda Housing Project

Upon the wreck of fragile huts and shanties, amidst the devastation wrought on modest belongings that super typhoon Haiyan (Yolanda) left in her wake, hopes were rebuilt and made to rise anew. That ought to be because, as the wise would aver, “the strength of a nation derives from the integrity of the home”.

In about an hour before his horrified, tear-wrenched eyes, Cecil Catindihan of Bogu City, Cebu saw how the howler tore to bits all her possessions that took her decades to build. It was a nightmare that she and her family fought through to survive with just the clothes on their backs. The date would forever be etched in grim memory: November 8, 2013, super typhoon Yolanda (Haiyan) ravaged through Cebu and the rest of Visayas.

“The wind was very, very strong. When the wind came, the roof was swept away. I didn’t think I would survive,” Catindihan said as she remained thankful for being alive. For over two years, her family and other families rendered homeless had to eke a living in a cramped temporary settlement site for Yolanda victims.

After winds and waves swept away their humble house and all their belongings on the same fateful day in Iloilo City, Rhene Basa, his wife Rhea and their two sons sought cover from falling palms under a table, with just a desperate prayer, *bahala kami mamatay basta magkasama kami ng asawa ko at mga anak ko* (we don’t care about dying, as long as we, my wife and our sons are together).

They knew that life would go on, perhaps, turn for the better after grieving for all that had been lost. But help was on the way, for in far Manila, blueprints were being drawn in a bid to provide sturdier, disaster-resilient homes to Yolanda survivors in the Visayas region. Helping hands have turned busier, eyeing to reach out and mend the tattered lives of the typhoon survivors.

After Yolanda struck, SM Cares, a division of SM Foundation and the corporate social responsibility arm of SM Prime Holdings, plunged ahead for pledges and funds among its tenants, business partners, service providers, employees, and local communities. The efforts paid off— funds were raised to build 1,000 houses as donations poured for the envisioned SM Cares Village in Tacloban including donations from Zonta Club, Duty Free Philippines, Forever 21, ANCOP, New Golden City Builders & Development and Philippine Daily Inquirer while Global Port and Sultan 900 earmarked funds for the village basketball court.

The new structures have been built with tough specifications to withstand super typhoons and storm surges, with roofs of concrete slabs. Too, vetiver grass—with roots that reach up to three meters depth-- whose leaves can be woven into baskets, slippers, and such handicrafts were planted in strategic locations to curb soil erosion and for better slope protection.

The Consalida couple, the Basas, and hundreds of other survivor families openly wept in thankful gladness as they were given the keys to their new homes.

In Tacloban City, SM Prime officials headed by its then President Hans T. Sy led the turnover rites accompanied by city officials led by Mayor Alfred Romualdez for the “Pope Francis-CFC ANCOP Canada Community — SM Cares Village” with its spread of 400 housing units for chosen beneficiaries. It is the biggest of all the four SM Cares housing project; other villages in the project only have 200 houses each.

Bogo town in Cebu provided the site for the first batch of 200 homes turned over to family beneficiaries in November 2014; the second village in Iloilo City was opened in October 2015. The SM Cares Village built in New Kawayan, Tacloban is the third in the batch of 1,000-house SM Cares Village housing project, given away for free in early 2016. The fourth in Ormoc City was turned over in July 2016.



Disaster-Resilient Homes



Yolanda Housing Homepartner

Aside from the housing units, each SM Cares Village has been fitted with amenities-- basketball court, street lamps, sewage treatment plant, materials recovery facility, rain-catchment system and provisions for water and electricity.

To ensure sustainability of the project, community development programs have been put in place to make the change work for all beneficiaries.

For the Tacloban housing project, the Roman Catholic Archdiocese of Palo (RCAP) and Couples For Christ-ANCOP (CFC-ANCOP) were the partners in charge of selecting the beneficiaries, training, livelihood and values formation to enable the new residents start a new life in their community.

All told, SM Cares Housing Village became a testament to the solidarity that Filipinos and people all over the world have shown to make a difference in the lives of survivors of super typhoon Yolanda. It also exemplifies a commitment to nation-building.

SM Cares Events

Global Youth Summit

The Global Youth Summit is an event by the Global Peace Foundation, SM Cares and AIESEC. It brings together youth leaders from the Philippines and abroad, showcasing their leadership potentials. Inspirational speakers provide motivation during the summit.



National Seafarer's and International Day of the Seafarer

SM Global Pinoy, together with MARINA, the Apostleship of the Sea and the Philippine Ports Authority celebrated 2 big events for the OFW and the Filipino Seafarer: **The International Day of the Seafarers** held in June and the **National Day of the Seafarer** held in September to advocate OFW welfare, encourage more seafarers and provide better opportunities.



Disaster Conference for PWDs and Senior Citizens

SM Cares, MMDA and PHIVOLCS held the 2nd Disaster Conference, providing information about potential earthquake scenarios, making PWDs and Senior Citizens better prepared for calamities.



Special Movie Screening for the Blind and Deaf

This Special screening gives the deaf and blind the chance to watch movies. An audio-descriptive movie allows descriptions to narrate what is happening. This makes it easy for the blind to understand the scenes. For the deaf, subtitles are placed so they can read the dialogue and musical score in scenes.



SM Cares Housing Project for Yolanda Survivors

The SM Cares Housing project completed the construction of 1,000 disaster-resilient homes. The villages completed in 2016 are located in Tacloban City with 400 units and Ormoc City with 200 units. The houses are given for free.



Thanksgiving Dinner for the Donors of the SM Cares Housing Project

Donors of the SM Cares Housing Project for Yolanda survivors were given a Thanksgiving Dinner at the Conrad Manila. This was SM's way of showing appreciation for their support to the project.



1M Pencils Campaign

In celebration of the National Children's Month, the Council for the Welfare of Children, SM Cares and AMSPEC targeted to raise 1 million pencils. The project, fully supported by DepEd and DSWD, raised 3,357,521 pencils for distribution to various provinces across the country.



Breastfeeding Month Celebration

Nursing mothers gathered for a simultaneous breastfeeding called "The Big Latch On," in celebration of the National Breastfeeding Month. The event reiterated SM's policy to allow mothers to feed anywhere in the mall.



Walk For Life for Senior Citizens

The SM Cares Program on Senior Citizens, together with the Department of Health and the Department of Social Welfare and Development celebrated the annual **Elderly Filipino Week** with the "Walk for Life" event, held across 11 SM Supermalls. The activity aimed to increase public awareness on various issues that affect the elderly sector.



The SM Bears of Joy Buy 1, Give 1 Charity Project

The annual SM Bears of Joy project allows our customers to buy a bear and share another. The project was able to raise 28,000 bears and shared with children in different communities.



Corporate Governance

SM Prime Holdings, Inc. believes that good governance is essential to the continued success of its business, and is dedicated to foster a culture of fairness, accountability and transparency at all levels within the organization. These principles constitute the foundation of SM Prime's Corporate Governance Framework, and are embedded in every aspect of the Company's operations and its dealings with various stakeholders.

On February 20, 2017, the Board approved the revision of its Manual on Corporate Governance to align with the SEC issued circular promulgating the Revised Code of Corporate Governance for Publicly Listed Companies effective 01 January 2017. The new Code aims to increase the responsibilities of the Board, strengthen the protection of minority shareholders, and increase transparency in both financial and non-financial reporting.

The Board of Directors

SM Prime's Board of Directors is at the helm of its governance structure. It is the Board's responsibility to formulate and ensure the achievement of the Company's vision and mission in a manner that upholds the values of focus, hard work, innovation, integrity, teamwork and sustainability.

Board Committees are set up to assist the Board in the performance of its 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 Company'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.

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.

The Board is assisted by a Corporate Secretary to ensure the effective discharge of its duties and responsibilities. The Corporate Secretary assists the Chairpersons 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 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.

Board Composition

Director's Name	Directorship	Age	Date First Elected	Elected When (Annual/Special Meeting)	No. of Years as Director
Henry Sy, Sr.	Chairman Emeritus	92	April 1994	Annual	23
Jose L. Cuisia, Jr.	Lead Independent	72	April 1994	Annual	23
Gregorio U. Kilayko	Independent	61	April 2008	Annual	9
Joselito H. Sibayan	Independent	58	April 2011	Annual	6
Henry T. Sy, Jr.	Non-Executive	63	April 1994	Annual	23
Hans T. Sy	Non-Executive	61	April 1994	Annual	23
Herbert T. Sy	Non-Executive	60	April 1994	Annual	23
Jorge T. Mendiola	Non-Executive	57	December 2012	Annual	4
Jeffrey C. Lim*	Executive	55	April 2016	Annual	0

*On August 1, 2016, the Board has approved the appointment of Mr. Jeffrey C. Lim as President effective October 1, 2016, replacing Mr. Hans T. Sy. Mr Hans T. Sy continues to be involved in the Company's overall strategic direction as Director and Chairman of the Executive Committee.

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. In February 2017, the Board also appointed Mr. Jose L. Cuisia, Jr. as the lead independent director 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, in cases where Management has clear conflicts of interest. Directors with material interest in any transaction with the Company are also expected to abstain from deliberation of the same.

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 Performance and Attendance

Regular Board meetings are held quarterly and scheduled in advance during the previous year. Special meetings may also be called by the Chairman, the President or Corporate Secretary at the request of any two (2) Directors.

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 seven (7) calendar days before the regular/special Board meeting to give ample time to all Directors to study items for discussion and decision-making.

The Board of Directors had six (6) regular meetings in 2016 on the following dates: February 22, April 12, May 2, August 1, November 7 and December 5. All six meetings registered 100% attendance of the Board of Directors. Apart from these meetings, non-executive and independent directors met separately during the year without the presence of Management.

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 requirements, foreign or local demands and growing complexity of business. Orientation programs are conducted for first-time Directors to ensure that they 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. On August 3 and November 2, 2016, all Directors, including the Corporate Secretary and key officers, have attended the Annual Corporate Governance Training Program organized by the Institute of Corporate Directors (ICD). The program covers such topics as strategic IT governance; fraud, whistleblowing, anti-bribery and anti-corruption; and financial reporting.

Board Committees

The Board has established five (5) 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					
EXECUTIVE COMMITTEE					
MEMBERS Hans T. Sy Henry T. Sy, Jr. Herbert T. Sy Elizabeth T. Sy Jeffrey C. Lim John Nai Peng C. Ong		DESIGNATION Chairman Member Member Member Member Member		DIRECTORSHIP Non-Executive Non-Executive Non-Executive Non-Director Executive Non-Director	
AUDIT COMMITTEE			RISK OVERSIGHT COMMITTEE		
MEMBERS Jose L. Cuisia, Jr. Joselito H. Sibayan Jorge T. Mendiola	DESIGNATION Chairman Member Member	DIRECTORSHIP Independent Independent Non-Executive	MEMBERS Gregorio U. Kilayko Jose L. Cuisia, Jr. Jorge T. Mendiola	DESIGNATION Chairman Member Member	DIRECTORSHIP Independent Independent Non-Executive
CORPORATE GOVERNANCE*			RELATED PARTY TRANSACTIONS COMMITTEE		
MEMBERS Joselito H. Sibayan Gregorio U. Kilayko Jose L. Cuisia, Jr.	DESIGNATION Chairman Member Member	DIRECTORSHIP Independent Independent Independent	MEMBERS Joselito H. Sibayan Gregorio U. Kilayko Jorge T. Mendiola	DESIGNATION Chairman Member Member	DIRECTORSHIP Independent Independent Non-Executive

*The Board of Directors approved on February 20, 2017 the creation of Corporate Governance Committee. This Committee assumed the functions of the Nomination Committee and Compensation and Remuneration Committee.

A. The Executive Committee

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 the Company's performance improvement goals. Regular Committee meetings are scheduled twice 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.

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 the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the 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 (4) times in 2016, with 100% attendance in all meetings.

C. The Risk Oversight Committee

The Risk Oversight Committee oversees the 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 (4) meetings in 2016, with 100% attendance in all meetings.

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 the Company's strength and long-term existence to enhance and maximize long-term shareholder's value. The Committee met twice in 2016, with 100% attendance in both meetings.

E. The Related Party Transactions Committee

The Related Party Transactions Committee reviews all material related party transactions (RPTs) of the Company. The mandate for this Committee specifically includes the evaluation of the RPTs to ensure

that these are undertaken upon terms not less favourable to the 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 met twice in 2016, with 100% attendance in both meetings.

Board Remuneration

The Company 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. The amount of the per diem is openly discussed during the Annual Stockholders' Meeting and approved by SM Prime's stockholders. Total compensation paid to Directors is disclosed regularly in the annual report filed with the Securities and Exchange Commission.

Board Evaluation

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. Specifically, the evaluation focuses on the following:

Board Composition	<ul style="list-style-type: none"> Diversity of competencies Adequate knowledge of different risks 	<ul style="list-style-type: none"> Industrial background Academic qualifications
Board Activities	<ul style="list-style-type: none"> Work in general Decision making Discussions on short/long term development Discussion on business strategies and plans Discussion on risks and regulations Follow-up of business plans, strategies, objectives and budget 	<ul style="list-style-type: none"> Setting the tone in promoting good governance principles and policies Promotion of continuing education or director's training Board committee performance
Board and Board Committee Meetings	<ul style="list-style-type: none"> Frequency and length of meetings sufficient to accomplish goals Full and positive participation during meetings 	<ul style="list-style-type: none"> Quality of materials and sufficient time to study such Easy and timely access to information and inputs
Individual Directors	<ul style="list-style-type: none"> Independence Participation 	<ul style="list-style-type: none"> Expertise
President	<ul style="list-style-type: none"> Leadership Integrity Diligence 	<ul style="list-style-type: none"> Adherence to Corporate Governance

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. Every three years, the Board evaluation is supported by an external facilitator.

The Board reviews and evaluates the results of the evaluation, and discusses possible changes that will enhance the performance of the individual Directors and the Board as a collective body. The results are then considered by the Corporate Governance Committee in the assessment of potential candidates for the next election of the Board of Directors.

Corporate Governance Related Policies

Manual on Corporate Governance

SM Prime has complied with the SEC Code of Corporate Governance as embodied in its Revised Manual on Corporate Governance adopted on 20 February 2017. It 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. The Company's Compliance Officer is tasked to monitor compliance with the Manual and impose corresponding penalties for non-compliance.

Code of Ethics

The Code of Ethics states the principles that guide the 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 the Company's commitment to promote and protect the welfare of its employees, customers and the communities where its 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

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

Insider Trading Policy

Directors and concerned employees are restricted from disclosing privileged information and participating in trading activities five (5) trading days before and two (2) trading days after the release of quarterly and annual financial results or any other material information. All directors and beneficial owners of the Company are also required to report to the SEC and the PSE any changes in the stock ownership within three (3) business days.

Related Party Transactions

Full disclosure of the details, nature, extent and all other material information on transactions with related parties in the 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 the 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.

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, interest in businesses of competitors, participation in other organization or activities and close personal relationships in the Company or its affiliates and subsidiaries. Conflicted Directors are required to inhibit themselves from participating in Board meetings and are specifically identified in the Company's Definitive Information Statement submitted to the SEC.

Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy)

The Company 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 the 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)

The Company aims to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Any Director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the 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 the 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

The Company 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 the Company's healthy financial standing and loan repayment capabilities.

Supplier Selection

The 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 or suppliers the 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.

Communication and Compliance

SM Prime understands that the continuous growth and development of its corporate governance culture rests on the promotion and awareness of the principles of good governance. As such, the Company continues to strengthen its training and orientation programs. Through the Human Resource Department's 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. Copies of these policies, as well as several e-learning modules on corporate governance, are likewise made available to all employees via an internal portal for easy access and reference.

Disclosure and Transparency

SM Prime is committed to providing its stockholders and the public, timely and accurate information about the Company and its business. In accordance with this, SM Prime regularly updates its 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, Code of Ethics and other relevant policies, programs and important information. SM Prime also publishes a separate Environmental, Social and Corporate Governance Report, which highlights its policies and programs on corporate governance, social responsibility and environmental sustainability, among others.

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 the Company and its various stakeholders. Likewise, the Company conducts regular briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects, as well as its financial and operational results. The presentation materials used in these briefings, as well as the Company's SEC and PSE reports and annual reports, may be viewed and downloaded from its website.

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, 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 the 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 in accordance with the Corporation Code of the Philippines and be furnished with copies of the Company's Annual Report and financial statements. Stockholders may also request the 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 the Company's operating results, cash flows, capital investment needs and debt servicing requirements. The 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 thirty (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 81 of Corporation Code of the Philippines. Procedures for the exercise of this right are provided in Notice of Meeting.

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. The Company ensures that individual and collective rights are not violated. The Company also maintains a safe, productive and conducive workplace and complies with all applicable health, safety and environmental laws. In this regard, company 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

The 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 man-made 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

The 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:

Teresa Cecilia H. Reyes

Vice President - Enterprise Risk Management
and Corporate Governance

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Mall of Asia Complex, Pasay City, Philippines
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Awards and Accolades



Institutional Investors' Governance Awardee, 2016 Investors' Forum

Asia's Icon on Corporate Governance, Corporate Governance Asia Annual Recognition Awards 2016

Best in Sector - Real Estate, IR Magazine Awards - South East Asia 2016

Best Investor Relations Company, 6th Asian Excellence Awards 2016

Platinum Awardee - Excellence in Governance, The Asset Corporate Awards Corporate Social Responsibility and Investor Relations

Asia's Best Chief Executive Officer (Investor Relations), 6th Asian Excellence Awards 2016
Hans T. Sy

Asia's Best Chief Finance Officer (Investor Relations), 6th Asian Excellence Awards 2016
Jeffrey C. Lim



Best Venue Experience — Silver Award, Marketing Magazine



Gold Award - Marketing Excellence for Emerging Digital Technology, ICSC - Asia Pacific Shopping Center Awards
SM Supermalls -
Download & Win Mobile App

Silver Award - Marketing Excellence for Sales Promotion, ICSC - Asia Pacific Shopping Center Awards
SM Supermalls -
Feb 30th Anniversary Sale

Silver Award - Marketing Excellence for Business to Business, ICSC - Asia Pacific Shopping Center Awards
SM Supermalls -
"Bricks Click" Partners Summit

Silver Award - Marketing Excellence for Public Relations and Events, ICSC - Asia Pacific Shopping Center Awards
SM Supermalls - "Floral Tiles Christmas@SM Lifestyle Center" project

Brand of the Year Award, World Branding Awards
SM Supermalls

Gold Award, International Council of Shopping Centers
SM Supermalls

Certificate of Merit - "Green Vision: The SM Mission" campaign, ICSC Foundation
SM City Baliwag
SM City Marilao

Most Popular Shopping Center, 2016 Xiamen New Business Landmark Awards
SM City Xiamen

Most Stylish High-class Shopping Center, 2016 Xiamen New Business Landmark Awards
Xiamen Lifestyle Center

Special Commendation (Commercial — Retail), Healthy Places Awards 2016 - ULI Philippines
SM Seaside City Cebu

Best Commercial Development (Philippines), Highly Commended, Southeast Asia Property Awards 2016
SM Seaside City Cebu

Best Retail Architectural Design (Philippines), Highly Commended, Southeast Asia Property Awards 2016
SM Seaside City Cebu

Best Retail Architectural Design, Winner, Philippines Property Awards 2016
SM Seaside City Cebu

Best Retail Development, Winner, Philippines Property Awards 2016
SM Seaside City Cebu

Best Landscape Architectural Design, Highly Commended, Philippines Property Awards 2016
SM Seaside City Cebu

Award of Recognition, 2016 Don Emilio Abello Energy Efficiency Awards
SM City Baguio
SM City General Santos
SM City North EDSA
SM Corporate Offices — Building C

ISO 22301:2012 (Business Continuity Management System) Certification
SM Mall of Asia
SM Megamall
SM City North EDSA
MOA Arena Annex Building



**Special Recognition in CSR, Winner,
Philippines Property Awards 2016**
SM Development Corporation

**Best Affordable Condo Development
(Metro Manila), Highly Commended,
Philippine Property Awards 2016**
Trees Residences

**Best Affordable Condo Development
(Metro Manila), Highly Commended,
Philippine Property Awards 2016**
Grace Residences

**Best Residential Landscape
Architecture Philippines, Asia Pacific
Property Awards 2016**
Shell Residences

**Best Interior Design Show Home
Philippines, Asia Pacific Property
Awards 2016**
Fame Residences

**Highly Commended Residential
High-rise Development and
Residential Landscape Architecture
Philippines, Asia Pacific Property
Awards 2016**
Shore Residences

**Highly Commended Residential
High-rise Development Philippines,
Asia Pacific Property Awards 2016**
Breeze Residences

**Highly Commended Residential
Landscape Architecture Philippines,
Asia Pacific Property Awards 2016**
Jazz Residences

**Highly Commended Retail
Development Philippines, Asia Pacific
Property Awards 2016**
SMDC Light Mall



**Best Office Development, Highly
Commended, Philippine Property
Awards 2016**
FiveE-ComCenter

**Best Office Architectural Design,
Highly Commended, Philippine
Property Awards 2016**
FiveE-ComCenter

**Hall of Fame, 2016 Don Emilio Abello
Energy Efficiency Awards**
Cyber Makati 1

**Outstanding Building,
2016 Don Emilio Abello
Energy Efficiency Awards**
Cyber Makati 1
Mall of Asia
SM City Iloilo
SM North EDSA — Annex Building
The Podium

**Special Award, 2016 Don Emilio
Abello Energy Efficiency Awards**
Cyber Makati 2
SM Corporate Offices



Gold Anvil, Anvil Awards
Casual Employment Program
for Senior Citizens

Gold Anvil, Anvil Awards
Special Movie Screening
for the Blind and Deaf

Silver Anvil, Anvil Awards
SM Cares Housing Project
for Yolanda Survivors

**Tanging Bayani ng Kalikasan Award,
PMAP HR Foundation**



**Best Hotel Architectural Design
(Southeast Asia), Winner, Southeast
Asia Property Awards 2016**
Conrad Manila

**Best Hotel Interior Design
(Philippines), Highly Commended,
Southeast Asia Property Awards 2016**
Conrad Manila

**Best Hotel Architectural Design,
Winner, Philippines Property
Awards 2016**
Conrad Manila

**Best Hotel Development, Winner,
Philippines Property Awards 2016**
Conrad Manila

**Best Hotel Interior Design, Winner,
Philippines Property Awards 2016**
Conrad Manila

**Outstanding Marketing Campaign of
the Year, Hotel Sales and Marketing
Association Virtus Awards**
Radisson Blu Cebu

**PWD-Friendly Accommodation Award,
Department of Tourism**
Taal Vista Hotel

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Corporate Information

Company Headquarters

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Stockholder Inquiries

SM Prime Holdings, Inc.'s 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 the company's transfer agent:

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