

SM PRIME



Together, We Rise

2021 Integrated Report



Together, We Rise.

We are pleased to report that SM Prime Holdings, Inc. (SM Prime) continued to stay the course towards heightened sustainability, social inclusivity, and property resiliency.

In response to periodic surges in COVID-19 cases, our management, employees, and business partners once again lived up to ensure the safety of every single person in our properties. In the aftermath of Typhoon Rai, we witnessed the ability of our investments in disaster resilience to protect our communities against climate-related calamities.

Throughout the year, we strived to maximize our properties' potential not only for economic growth but also as platforms for the greater public good. The spirit of unity and recovery resonates brightly in all SM properties during these challenging times. In this same spirit of camaraderie and renewal, we present to you, our stakeholders, our Integrated Report for 2021.

ABOUT THE REPORT

(102-1, 102-50, 102-51, 102-52, 102-53, 102-54)

Welcome to *Together, We Rise*, SM Prime's Integrated Report for 2021. This report covers our business strategy, performance, and impact, and details how SM Prime creates value for our investors and stakeholders over the short, medium, and long-term through our various operating units.

The report provides an overview of our value creation model – how we seek to create value for our shareholders by contributing to national progress through investments and interventions critical to the country's socio-economic growth.

This report has been prepared in accordance with the GRI Standards: Core option. It follows the guiding principles and requirements of the International Integrated Reporting <IR> Framework, as well as the requirements set by the Philippine Securities and Exchange Commission (SEC).

It is also guided by relevant standards of the Sustainability Accounting Standards Board (SASB), and the UN Global Compact's principles on Human Rights, Labor, Environment, and Anti-Corruption.

As a champion of disaster resilience in the Philippines, SM Prime voluntarily reports climate-related financial risk disclosures in support of the global Task Force on Climate-related Financial Disclosures (TCFD) and the Sendai Framework for Disaster Risk Reduction 2015-2030.

The online version of this report is available at the SM Prime website www.smpriime.com.

Contact Information

Your comments and insights are important. You may send feedback on this report and matters on SM Prime's sustainability performance to info@smpriime.com.



About SM Prime

Vision, Mission, What We Stand For	2
Sustainability Framework	3
Joint Message of the Chairperson and President	6
Leadership by Example	10
Overview of Our Business	14
Sustainability Maturity Path	20
Stakeholder Engagement	22

How We Create Value

Value Creation at SM Prime	28
Financial Capital	30
Manufactured Capital	35
Intellectual Capital	40



Natural Capital	43
Human Capital	52
Social and Relationship Capital	61

Corporate Governance

Corporate Governance	70
Risk and Opportunities	81
Board of Directors	88
Corporate Executives	92

Financial Report

Management's Discussion and Analysis	96
Statement of Management's Responsibility for Financial Statements	100
Report of the Audit Committee	101
Independent Auditor's Report	103
Financial Statements	106

Appendix	116
----------	-----

About SM Prime

(102-1, 102-5, 102-16)

SM Prime Holdings (SM Prime) is the largest Philippine real estate developer by market capitalization and customer reach. It is one of the largest subsidiaries of SM Investments Corporation (SMIC) and is recognized as the most successful mall operator and property developer in the Philippines.

SM Prime builds legacy communities based on its four core sustainable pillars: Economy, People, Environment, and Community. It is dedicated to generating value sustainably through its diverse portfolio of companies and business segments: malls, residences, offices, and hotels and convention centers.

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.

What We Stand For

Integrity

Hard Work

Innovation

Teamwork

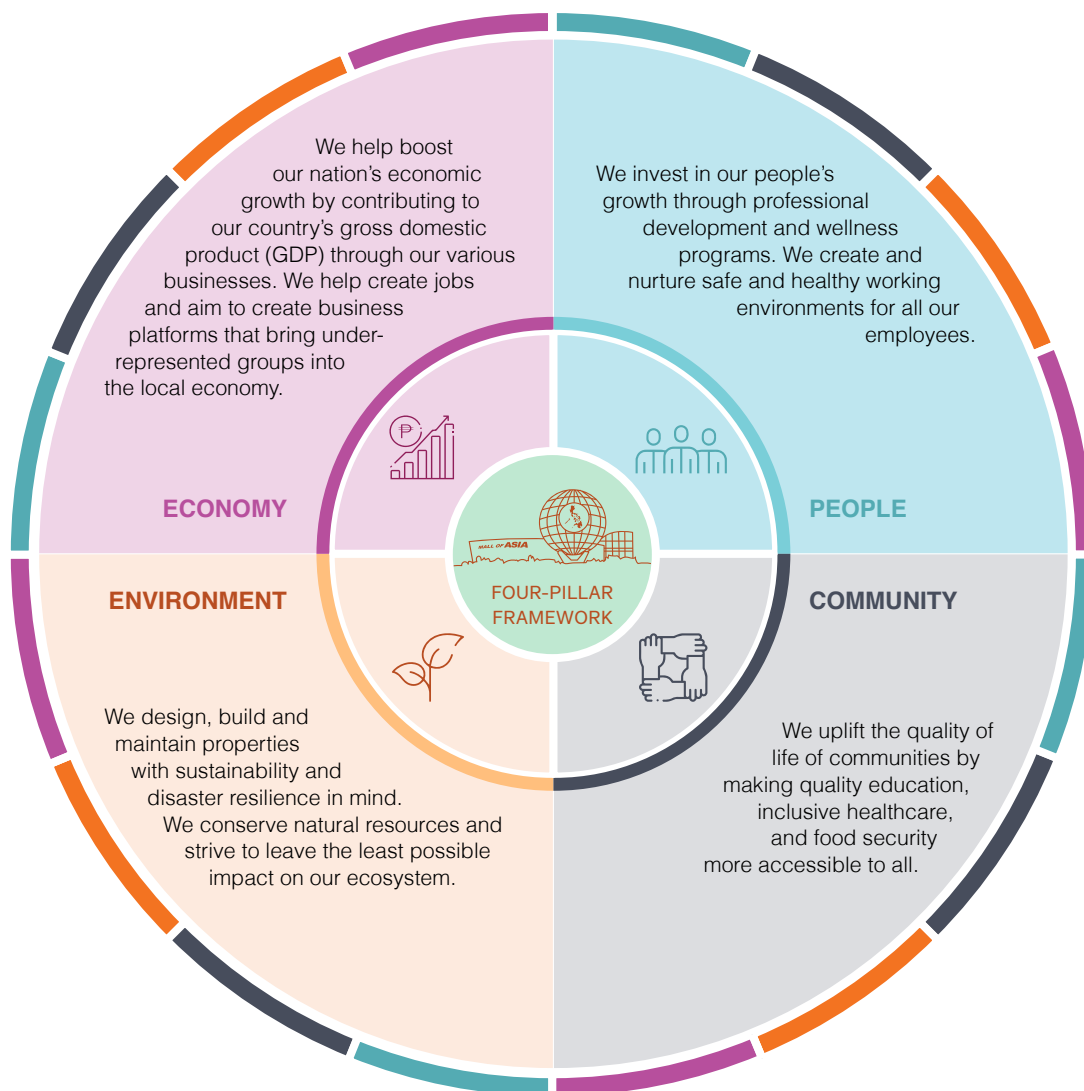
Sustainability

Sustainability Framework

SM Prime drives change by building and managing properties that spur commercial activity and local economic growth. However, given the scale of our operations and leading position in what remains a developing nation, we also recognize our broader responsibility to operate in a way that simultaneously preserves our natural resources while uplifting the quality of life in the communities we serve.

Our founding leader, Henry Sy, believed that “business growth and social development must go hand in hand.” This guiding principle is now embedded in our Sustainability Framework, which addresses SM Prime’s biggest challenge today – how to achieve a positive environmental footprint, improve the well-being of our communities, and ensure profitable growth simultaneously.

As a result, our sustainability programs and strategies align with our four-pillar framework of Economy, People, Environment, and Community.



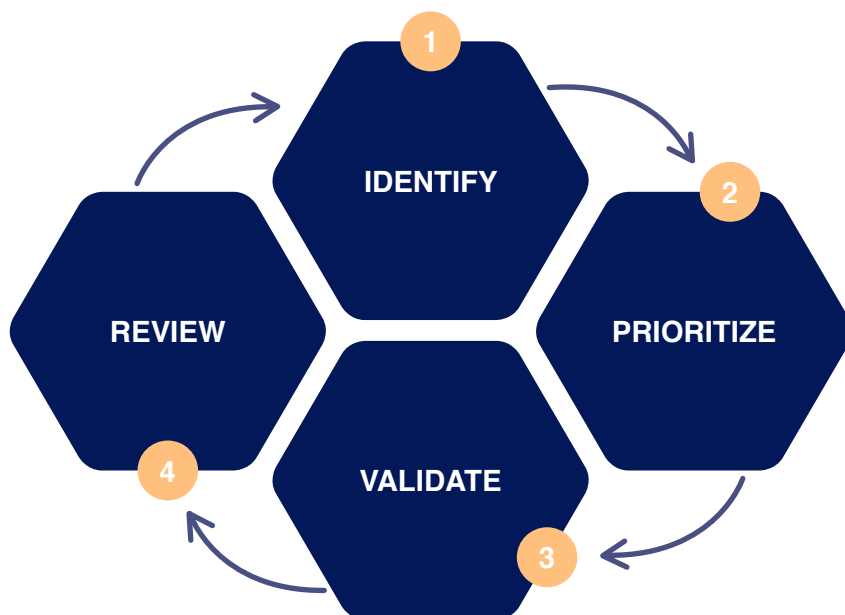
We have aligned our sustainability pillars with the principles governing the United Nations Sustainable Development Goals, the Task Force on Climate-related Financial Disclosures (TCFD), and the 2015-2030 Sendai Framework for Disaster Reduction.

Our Materiality Process

Defining Sustainability as a Catalyst for Change

(102-46, 102-47)

At SM Prime, we adopt an integrated approach in determining how we could provide the most value for our stakeholders over the short, medium, and long term. First, we identify our actual impacts on our communities based on the needs of our stakeholders and the extent of our abilities and resources. We then prioritize, integrate, and concretize the positive impacts we are able to generate. This process may be further described by the four steps below.



Identify

We assess how our programs, services, and practices affect our communities. We then identify the key impact areas that are materially relevant for SM Prime to achieve sustainable operations. This process involves generating insights from our stakeholders to better contextualize our operations relative to our society and physical environment.

It also enables us to understand more clearly and identify the capitals we use (i.e., financial, manufactured, intellectual, human, social and relationship, and natural) and how they help us either achieve our intended outcomes or prevent us from realizing our goals. Through this assessment, we can better understand our part in the country's socio-economic advancement.

Prioritize

We use the materiality assessment process results to prioritize which impact areas will most likely enable us to provide sustained and meaningful value to our communities. Our prioritization process involves ranking the impacts based on the scale or extent that they affect our company and stakeholders. Focusing on our priority impact areas, we then conduct quantitative and qualitative assessments prescribed by the Sustainability Accounting Standards Board (SASB) to determine the risks and opportunities that come with our priority issues.

Validate

We integrate these priority impacts into our operating sustainability pillars as provided in the materiality matrix below. To ensure proper monitoring and validation of our delivery of these impacts, we set clearly defined key

performance areas (KPA's) and Key Performance Indicators (KPIs) that are embedded in our short, medium and long term strategies. The validation process ensures our commitment to deliver concrete and measurable positive impacts for our communities.

Review

In the spirit of kaizen or continuous improvement, we conduct annual assessments to detect limitations in our current process and adopt solutions that improve our delivery of results based on these prioritized impacts. To ensure transparency and feedback, we publish annual integrated reports that disclose information relevant to the results of our materiality process.

Economic	People	Environment	Community
Business Model Resilience	Occupational Health and Safety	GHG Emissions	Human Rights and Community Relations
Materials Sourcing and Efficiency	Employee Welfare	Air Quality	Data Security
Resilient Infrastructure	Employee Compensation	Energy Management	Customer Privacy
Product Design and Lifecycle Management	Labor Practices	Waste and Wastewater Management	Access and Affordability
Supply Chain Management	Employee Engagement, Diversity and Inclusion	Waste and Hazardous Waste Management	Product Quality and Safety
Infrastructure Investment		Ecological Impacts	Customer Welfare
Economic Growth and Performance		Environmental Compliance	Selling Practices and Product Labeling
Assistance to the Government			Property Management
Disaster Response			

Joint Message of the Chairperson and President

To Our Fellow Shareholders,

We address this message to you wishing that you are all well and safe with your loved ones. We continue to hope that we shall soon see the end of this pandemic, when we can freely move about without worry or fear for our health.

The COVID-19 crisis had indeed brought us a lot of challenges, but along with it are also important learnings that drive fresh set of strategies that we applied to our business operations. With this, we are pleased to report that we have surpassed our 2020 earnings significantly despite more periods with stricter restrictions and the surge of the COVID-19 Delta variant in 2021.

Recovery in the Horizon

SM Prime recorded a 21% increase in consolidated net income in 2021 at PHP21.8 billion from PHP18.0 billion in 2020. This is on the back of PHP82.3 billion consolidated revenues, which is of the same level in the previous year. Consolidated operating income increased by 11% to PHP32.4 billion from PHP29.1 billion.

SM Prime's residential business unit led by SM Development Corp. (SMDC) reported PHP45.9 billion in revenue, with SMDC recording PHP98.9 billion of sales take-up in 2021. SMDC expanded its lead in the Philippines as a premier residential developer with the launch of

Sands Residences in Manila City, Ice Tower in Pasay City, Gold Residences in Parañaque, Twin Residences in Las Piñas, Joy Residences in Baliuag, Bulacan, Cheerful Homes 2 in Mabalacat, Pampanga, Calm Residences in Sta. Rosa, Laguna, and Glade Residences in Jaro, Iloilo in 2021.

Meanwhile, SM Prime's Philippine mall business reported PHP24.1 billion revenues in 2021, slightly higher than PHP23.6 billion in 2020. Local malls' rent income improved by 6% to PHP23.0 billion from PHP21.8 billion. With the easing of mobility restrictions in most key areas in the Philippines, including Metro Manila, your Company officially opened SM City Daet, its first mall in Camarines Norte, followed by the most awaited opening of the expanded wing of SM Mall of Asia, the MOA Square, in November, which houses the first IKEA store in the Philippines and the biggest IKEA store in the world. We capped off the year with the opening of SM City Grand Central in Caloocan City, Metro Manila.

In China, SM Prime's international mall business reported a 20% increase in revenues at RMB0.8 billion in 2021 from RMB0.7 billion in 2020. SM Prime's China malls' net income grew by 154% to RMB0.2 billion from RMB0.1 billion over the same period. The increase was due to a quick return to normalcy in China after the initial spread of COVID-19 in early 2020.



Nurturing to
create greater
digital capabilities



Support the
thousands of
partners and SMEs
we work with



Together for
A Sustainable
Future

SM Prime's other businesses, including its offices, hotels, and convention centers, remained resilient in 2021 as they reported PHP6.6B consolidated revenues, 4% higher from the previous year. The commercial properties business segment recorded PHP5.0B revenues, 5% higher than the prior year, while the hotels and convention centers business segment generated PHP1.6B revenues. SM Hotels and Convention Centers (SMHCC) officially opened Park Inn by Radisson – Bacolod as we continue our integrated development plan in the City of Smiles.

Your Company maintains a positive outlook for the future and is more than prepared to catch up with its expansion plans and explore new opportunities that will further drive growth. SM Prime will continue to grow the mall business as driven by the market demand and growth of our overall economy. The residential business, on the other hand, maintains the target for new launches at 15,000 to 20,000 residential units yearly in order meet the housing backlog, particularly in the social and economic segments. On top of these, offices, hotels, arenas and convention centers will be built on our complex developments as we see fit, in order to complete our world-class lifestyle offering in these properties.

Working Towards a Sustainable Future

The year 2021 has also been a banner year for our sustainability program, highlighted by our shift to more renewable energy sources. Your Company committed to increase the share of renewable energy in its electricity consumption by up to 50% across its various business segments by the end of 2022, in support of the Department of



HENRY T. SY, JR.
Chairperson



JEFFREY C. LIM
President



**photo courtesy of IKEA Philippines*

Together, we can!

Energy (DOE)'s program to move up the renewable energy supply component of the country to 35% by 2030. In this initiative, SM Prime will have more than 50 facilities under the DOE's Retail Competition and Open Access (RCOA) scheme utilizing renewable energy and providing affordable and clean power to its tenant-partners, minimizing carbon footprint emission in our operations.

Furthermore, we solidified our commitment and accountability to protecting the environment by signing up and supporting the Task Force on Climate-related Financial Disclosures (TCFD) in its goal of creating a more resilient financial system through better climate risk disclosures. It is noteworthy also that SM Prime has constantly been included in the FTSE4Good Index Series* for demonstrating strong environmental, social, and governance practices vis-à-vis globally recognized standards.

SM Prime pledges to embark on a four-year group-wide sustainability campaign leading to 2025, with primary focus on UN SDG 13 or Climate Action, particularly on the use of water, waste, and energy. In the next two years, the campaign will employ an integrative approach that will lead to scalable results.

Since the onset of the pandemic in March 2020, SM Prime has been actively helping various local government units (LGUs) to rise above this unprecedented crisis.

SM Supermalls opened its facilities for free as vaccination centers in the first half of 2021 in support of the government's nationwide vaccination program. By the end of 2021, your Company's 66 vaccination sites have served almost eight million vaccines across the country, along with the continuous service of SM MOA Arena as a Mega Swabbing Facility through the first half of 2021.

We also continued to extend rental concessions to our mall tenants throughout 2021 in order to keep serving the needs of the communities where we operate. Safety and security remained the priority in all our establishments, especially as we welcome masses of people who came to receive COVID-19 shots.

Internally, we took the time to evaluate our processes and operations to improve efficiencies. This resulted in cost savings that allowed us to allocate resources to efforts that contribute to the country's fight against the effects of COVID-19.

*The Financial Times Stock Exchange (FTSE) is a financial organization currently owned by the London Stock Exchange (LSE) Group that specializes in the management of asset exchanges and creating index offerings for the global financial markets.

“Let us all continue rising together as we embark on a new era marked with great learnings and partnerships as we move towards a safer and brighter future.”

With the encouraging result of all these efforts, in partnership with the government and the private sector, we look forward to being able to serve our various stakeholders better.

This is All for You!

With so much happening around us, our commitment to being a catalyst for economic growth and steward of nature is unwavering. We will continue providing world-class amenities within our sustainable lifestyle cities that have been beneficial and inspirational to millions of Filipinos.

Since 2021, we are truly grateful that we are guided by three new board members who have been providing us with additional strength, wisdom, and hope. To Mr. Amando M. Tetangco, Jr., Atty. Darlene Marie B. Berberabe, and Mr. J. Carlos G. Cruz, welcome again to the SM Prime Family. Thank you for your positive contributions that ensured the Company's sustainable growth over the past year.

To our dear stakeholders who continue to put their faith in our Board of Directors and Management, your trust and support in everything we do will remain an inspiration as we continuously innovate and develop new ways to uplift our businesses and communities.

To our public and private partners who inspire us to push our boundaries to achieve more, and to our management who remained steadfast in upholding the core values that our founder Henry Sy has taught us, may our combined efforts of sustainable development flourish further in the coming

years. Lastly, to the dedicated women and men of SM Prime Holdings, Inc. – our employees and workforce service partners – we thank you and cherish your heroic acts that provided comfort and safety to our lives.

Let us all continue rising together as we embark on a new era marked with great learnings and partnerships that we could take along as we move towards a safer and brighter future.

Thank you, and may the goodness of life bring peace and comfort to everyone.



HENRY T. SY, JR.
Chairperson



JEFFREY C. LIM
President



“Let us all aspire for
a sustainable lifestyle
that protects our
communities and
physical environment,
and promotes good
business.”

Hans T. Sy

Chairperson of the
Executive Committee

Leadership by Example

Inclusion and Resiliency in SM Prime

SM started with a simple pair of shoes. But for our founder, Henry Sy, a pair of shoes meant so much more. He saw in every humble pair an opportunity for Filipinos, especially those who had less in life, to wear something of practical but immense value — something that could give them dignity and purpose as they stepped out into the world.

Mr. Henry Sy made sure that each pair of shoes he sold was affordable but of excellent quality, durability, and value. From this straightforward but insightful sales proposition grew the SM network of stores. And as the stores turned into department stores and then multi-level malls, the hard work, passion, and perseverance of the Sy family transformed the SM brand into the masterful integrated property developer that is SM Prime.

In today's SM malls, one can do much more than shop for shoes. Aside from a wide array of retail choices, the SM Supermalls offer government and banking services, personal care and leisure destinations, as well as learning and entertainment activities, to name a few. This transformation happened because Mr. Henry Sy wanted to offer high-standard products and services at prices most Filipinos could afford. This defined the SM brand: without sacrificing quality, every item and service that SM offered brought value and comfort to the homes of families who previously had little access to such services.

“These very challenging projects taught me that disaster preparedness and infrastructure resiliency had to be two of our biggest priorities across the SM Group.”



From social inclusion to environmental resilience

Today the SM brand stands for the same passion and purpose that enabled Mr. Henry Sy to turn his shoe store into a retail giant. Among other companies within the SM Group, SM Development Corporation, for example, has taken the lead in residential developments that democratize home-ownership for a larger number of Filipinos. Similarly, SM's Commercial Property Group constantly finds ways to make commercial leasing within reach of more local start-ups and mid-sized Filipino enterprises, not only top global brands.

This spirit of goodwill and inclusivity is why one of Mr. Henry Sy's sons, Hans Sy, has become very passionate about disaster preparedness and infrastructure resiliency. Given his pivotal role, as former head of SM's Engineering Design and Development, Hans Sy speaks and acts from experience.

“I started to learn these lessons early when, in the 1980s, I was thrust into a rehabilitation project after one of our department stores was gutted by fire at a time when structures were barely equipped to cope with such disasters,” he revealed. “In the 1990s, a flood from a strong typhoon affected one of our older malls, which had a basement for parking and some stores. These very challenging projects taught me that disaster

preparedness and infrastructure resiliency had to be two of our biggest priorities” he added.

Therefore, starting in the early 2010s, he voluntarily took it upon himself to advocate disaster resiliency across the SM Group. Beyond his role in SM, he also passionately promotes institutional alliances that help fortify other Philippine companies and organizations against the many natural calamities our country faces each year.

“When I started as a mechanical engineer, I never thought how useful and meaningful a profession it could be. That was several decades ago. But my commitment to finding solutions to adapt to climate change is firmer than ever. As one of the leading forces in a large organization that has within its means the ability to make a difference and set an example, I see it as my duty to do everything in my power to create secure and resilient communities, especially for those living on the frontlines of climate change and destructive weather patterns,” he said.

In the frontlines of change

Hans Sy continues to spread the word on environmental resiliency and disaster preparedness. After being the first representative of the Philippines to the United Nations International Strategy for Disaster Reduction (UNISDR) Private Sector Advisory Group, he moved on to other volunteer leadership roles.



Recently, serving the UN ARISE in the Philippines as co-chair, he uses his influence to develop multi-sectoral partnerships in the country to help strengthen the ability of the private sector to prepare and respond to natural disasters caused by climate change.

Believing that going green is good business, Hans Sy enhances the safety and security of SM Supermalls as the next natural step towards corporate responsibility. By investing heavily in resilient infrastructure and retrofitting existing designs, the malls became protected and even serve as refuge areas for the community during storms.

At least ten percent of each property's capital expenditure is allocated to sustainable and resilient design. This includes science-based solutions to combat the effects of natural disasters on the property, thereby saving lives and livelihoods. Mall tenants, patrons, and SM employees already consider every SM mall a haven knowing they are safer staying within the mall premises during super typhoons.

SM Prime developments have subterranean rainwater catchment basins to collect floodwater. In addition, one property with a distinct geographical challenge, SM City Marikina, has been constructed on stilts to adapt

to the flood history of the river nearby. Meanwhile, the SM Mall of Asia Complex was built above the regular building code's standard, with a wave return and a drainage channel to protect it from storm surges. The reclamation methodology highlighted the installation of subterranean wick drains to protect the property from erosion. Meanwhile, other SM malls have built in plates to prevent the effects of strong earthquakes.

Helping Pave the Way to Recovery

According to Hans Sy, "sustainability as a business strategy is no longer an option, but an imperative business decision."

He is responsible for mandating the installation of sewage treatment plants that process dirty water for reuse in non-potable-water operations. He also leads energy efficiency programs across the SM Prime group. As a result, SM pioneered several sustainable operations, innovations, and adapted to efficient technology, including LED lighting and renewable energy via the solar panels installed on mall roof decks. These and other multi-disciplinary practices enabled SM to gain LEED status and achieve ISO 22301 certification.



With the advent of the COVID-19 pandemic, the times called for extraordinary action. SM immediately extended assistance to various stakeholders through monetary and equipment donations in the past year. SM also supported its tenants, especially smaller enterprises, to ensure they remain in operation. The Mall of Asia Arena and the malls transformed into testing facilities and vaccination venues. Hans Sy's eldest son, Hans Sy, Jr., President of SM Engineering Design and Development, shared his department's time and expertise in creating Emergency Quarantine Facilities. Amid the pandemic, the young leader pushed for a bike-friendly environment in the malls to respond to the evolving needs of the people.

As the country slowly eases its way back to normalcy, Hans Sy reminds us to move forward with sustainability as a way to recover. "Let us all aspire for a sustainable lifestyle that protects our communities and physical environment, and promotes good business."

Overview of Our Business and Our Business Model (102-2, 102-4, 102-6, 102-7)

SM Prime: Profit and Purpose

SM Prime aims to be a purpose-driven business. Our main goal is to realize our corporate vision of a better life for all Filipinos by enacting our corporate mission in tangible and measurable ways.

SM Prime seeks to implement sustainable and responsible business practices. Our company constructs and develops real estate properties while minimizing environmental impact and preserving natural resources. SM Prime measures and manages resource consumption patterns in consideration of the communities where it builds and operates. These core sustainability efforts center on energy efficiency, water resource management, air quality, and solid waste management.

Furthermore, we partner with various enterprises, civil society and non-government organizations, and local and national government units to facilitate interventions that address our communities' urgent needs. In addition, SM Prime conducts activities and programs to spread awareness on various socio-environmental concerns and celebrate numerous cultural celebrations around the country.

SM Prime seeks to operate beyond the levels of regulatory compliance. We aim to meet all governmental, environmental, health and safety requirements by aligning our shared value initiatives and efficiency efforts with international standards.





Malls

Since its first mall opened in North EDSA, Quezon City in 1985, SM Supermalls has redefined the role of shopping centers in the Philippines, transforming them from traditional marketplaces into safe and dynamic public spaces that address communal needs.

SM Supermalls has always viewed its malls as community centers and not simply centers for commerce and retail.

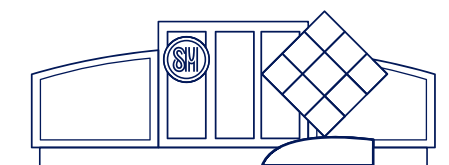
“Today, as e-commerce and other digital platforms become part of everyday life, we at SM Supermalls are putting more effort into creating mall experiences worth stepping out for – experiences that cannot be replicated online,” said SM Supermalls President Mr. Steven Tan.

SM Supermalls provides services to around 1.7 million customers per day. These include health and wellness, banking and finance, satellite government services, pet parks, meeting places and working spaces. SM Malls also serve as shared spaces for relaxation, socializing, and appreciating green architecture – similar to the function of parks, museums, and other civic areas.

As of December 2021, SM Supermalls provides an entrepreneurial platform for growth to around 19,676 local enterprises in the Philippines and China. It currently operates 78 malls in the Philippines and seven malls in China worth PHP430.0B, generating over PHP30.0B in revenue.

The challenge SM Supermalls faces today is to further minimize its use of natural resources, such as energy, water, and various raw materials, in its malls' construction and maintenance. SM Supermalls already have numerous programs to conserve our natural wealth and minimize waste. A comprehensive place for its green movement is in place for today and the future.

As a socially responsible mall operator, SM Supermalls will continue to find ways to use some of its spaces for social enterprises that can further empower MSMEs to make economic growth more inclusive and sustainable in the coming years.



78 malls
in the Philippines

7 malls
in China

Primary Residences (SMDC)

SMDC leads SM Prime's thrust to make home-ownership affordable for more Filipinos. "Building a nation of homeowners has always been our vision at SMDC," said Mr. Jose Mari Banzon, President of SMDC. "This vision has guided us in creating developments that enable more Filipinos to realize their dreams of owning homes, making them key parts of supportive and inclusive communities, and allowing them to thrive in spaces that minimize their impact on the environment."

SMDC's developments are located in prime locations in various cities and municipalities across the country. Aside from its prime addresses, SMDC's properties have resort-style amenities and green civic spaces such as parks and rooftop and pocket gardens. The retail and commercial spaces integrated into the developments of SMDC also serve as civic spaces, and are planned efficiently to ensure ease of mobility for both pedestrians and motorists. Furthermore, SMDC's property manager,

Greenmist Property Management Corporation, ensures that each property's upkeep and day-to-day concerns are professionally managed.

As of December 2021, SMDC makes up SM Prime's lion share (56%) or PHP45.9B worth of consolidated revenue. SMDC has over 61 integrated residential and commercial properties strategically located in key locations throughout Metro Manila and growth centers across the country.



167,519
Residential Units





Leisure Residences

In the area of leisure homes, SM Prime has also established SM Resort Residences (Leisure) to solidify its growing presence in the luxury and leisure estates segment. SM Resort Residences (Leisure) is composed of Hamilo Coast and Tagaytay Highlands. Hamilo Coast is a seaside sanctuary located in Nasugbu in Batangas. The property encompasses three major mountain peaks and 13 coves, three of which are Marine Protected Areas (MPAs). In contrast, Tagaytay Highlands is a 1,200-hectare high-end property located in Tagaytay, Batangas, with panoramic views of the Taal Lake and Volcano.





Commercial Properties

SM Prime's Commercial Property Group (CPG) oversees the development, leasing, and management of 12 office buildings with a combined gross floor area of approximately 0.7 million square meters. The group has PHP69.7B in total assets and generated over PHP5.0B of total revenue for 2021.

CPG's flagship property – the 67-hectare Mall of Asia Complex – is one of Southeast Asia's fastest-growing commercial business districts, which serves as a base for a host of global brands and locators.

The Mall of Asia Complex has become one of the major destinations in the country – a prime commercial, residential, retail, lifestyle, and entertainment hub. Its disaster-resilient and sustainable design provides its locators, visitors, and residents safety and comfort. Moreover, it is strategically connected to transport hubs and a network of safe and secure pedestrian pathways and bike lanes. This urban planning element – meant to reduce our carbon footprint – is integrated into the development's design, thereby ensuring that tenants and visitors enjoy a pedestrian-first environment that fully protects them from the elements, resulting in a pleasant customer experience.

SM's Prime's Commercial Property Group is renowned for balancing green design features with operational and practical considerations, enabling more companies and locators to enjoy environmentally and economically sound commercial developments.

All five E-com Centers located in the Mall of Asia Complex are the premium office properties of CPG. All are PEZA-accredited buildings catering to technological, business process outsourcing, knowledge process outsourcing, and Fortune 500 companies. Each building has green open spaces and communal plazas, which provide employees with inspiring working environments that contribute to productivity and overall well-being.

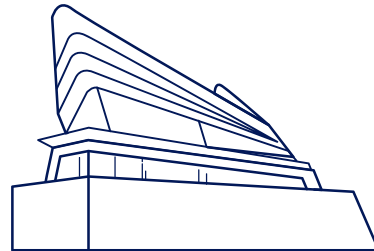
CPG's office buildings are strategically located near major road networks and transport hubs for accessibility – particularly for the commuting public. This interconnectivity, alongside each property's green and safety features, are marquee elements of the CPG's assets.

Hotels and Convention Centers

SM Prime's hotel and convention centers business unit develops and operates various hotels, convention centers, and trade halls. Notably, the company owns and operates the largest privately run convention centers and trade halls in the country. As of December 2021, it has total assets amounting to PHP14.9B, generating revenue of PHP1.6B from nine hotels, five convention centers, and two trade rooms.

SM Hotels and Conventions Corp. (SMHCC) promotes a back-to-nature approach to leisure and tourism. The company upholds sustainable practices that promote local sourcing and a closed-loop economy, making it a leader of sound sustainability practices in the country's hotel and restaurant industry.

According to Ms. Peggy E. Angeles, SMHCC Business Unit Head, the hospitality industry is one of the biggest contributors to solid waste, with an estimate of one kilo of trash per guest. As such, the company aims to mirror the green environment of its properties in all its accommodations and dining services. "We have numerous programs to



9 Hotels

5 Convention Centers

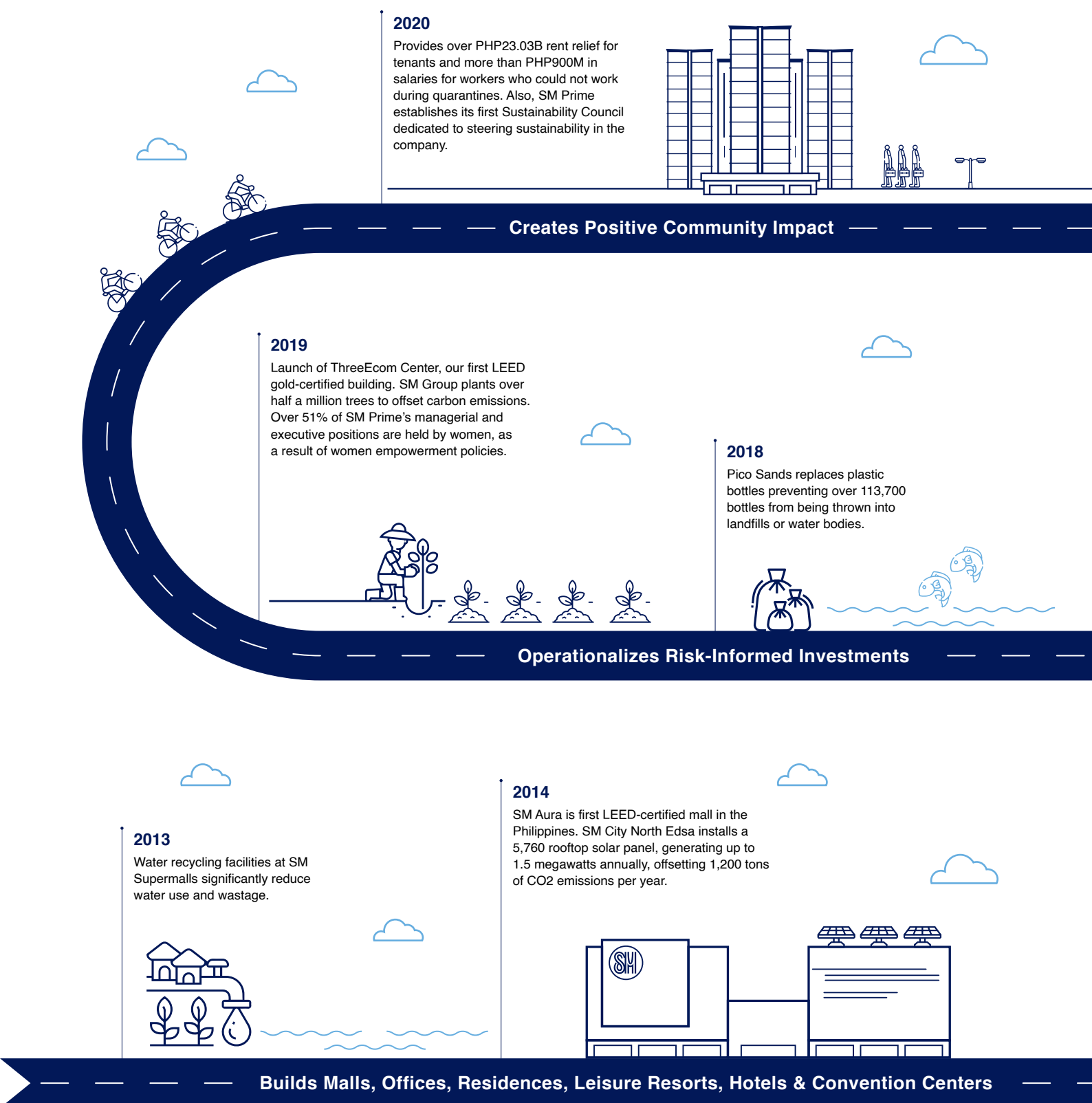
2 Trade Halls

lessen waste. We aim to significantly reduce single-use plastics both for our guests and back of the house operations. Moreover, we have energy and water conservation programs to minimize excessive consumption. Recently, we are surprising and delighting diners with inventive and delicious preparations using healthier fresh ingredients straight from our own vegetable garden."



Sustainability Maturity Path

Disaster resilience, social inclusion, and the prudent use of natural resources. All these advocacies have been integral to SM Prime's core business strategy since 2013. The diagram below presents some of the significant milestones of our Company's ongoing journey toward sustainability, starting from our earliest programs to our forward-looking strategies today.



2021

Joins more than 2,500 organizations to align its reporting with the Task Force on Climate-related Financial Disclosures (TCFD). Also, the Company remains a constituent of the FTSE4Good Index Series for demonstrating strong environmental, social, and governance practices. As further proof of commitment, SM Prime boosts renewable energy consumption by 50%. SMHCC phases out Singel-Use Plastics (SUPs).

Beyond

SM Prime pledges to embark on a four-year Group-wide Sustainability Campaign leading to 2025. The campaign will focus on Climate Action for years one and two, particularly on the use of water, waste, and energy. The program will hit the ground running by creating solutions with an integrative approach leading to scalable results — two key drivers to successfully achieve SM Prime's goal of being a climate leader among Philippine real estate companies.

Drives Sustainable Development

2017

SM Supermalls establishes over ten solar-powered malls generating about 9.7 megawatts per year.

Promotes Environmental Responsibility

2016

Conrad Hotel, a LEED gold-certified hotel, opens to the public. SM Prime and World Wide Fund for Nature Philippines continue to promote sustainable practices in Hamilo Coast.

2015

SM Supermalls' Trash to Cash program delivers over PHP47M of recycled goods from the public since its launch in 2007

Provides Inclusive Economic Opportunities

Stakeholder Engagement

(102-20, 102-21, 102-40, 102-42, 102-43, 102-44)

Stakeholder engagement is a cornerstone of SM Prime's business – it is vital to managing business risks and discovering opportunities for collaboration between our companies and the public. We define stakeholders as organizations or groups that are reasonably expected to be affected by our operations, or whose actions can affect our ability to implement our business strategies.

We internalize stakeholder engagement through an annual stakeholder study and survey. This process includes identifying our top stakeholders; defining our platforms of engagement; and detailing how the engagement process influences not only our report content but also our actual operations. Ultimately, our goal is to consider all significant stakeholder concerns in our management's decision-making processes.

The 2021 Stakeholder Engagement process revealed that SM Prime's top stakeholders across its group of companies are its: Customers, Employees, Communities, Investors & Shareholders, Suppliers & Contractors, Government Regulators, and Media Partners.

Customers

Customers remain our top stakeholder group from the parent company to every business unit. This finding proves that we continue to be a customer-centric business. As a result, we are heavily invested in our customer engagement processes to find the best ways of serving them and meeting their needs.

We have a highly inclusive customer base, spanning all demographic groups in all major geographic regions in the country. In addition, our commercial properties cater to multinational and local companies in various industries, such as Financial Services, Information Technology, Telecommunications, Logistics, Business Process Outsourcing, and Retail.

We regularly engage with our customers through social media, digital marketing apps, e-newsletters, and digital marketing materials. We also conduct virtual briefings, tours, meetings, and webinars to keep our customers abreast of all the latest developments in the Company.





Employees

(102-8, 102-17)

The well-being of our employees is essential to everything that we do as a company. We seek to understand their views and interests through meaningful consultation to craft policies and programs that guarantee their health, safety, and professional development. Consistent engagement with our employees is vital in improving productivity and reducing turnover, both crucial to our long-term success.

Our workforce is composed of regular, probationary, and project-based employees. A regular employee who passed the probationary period for a permanently established position is entitled to all company benefits extended to employees of the same rank, level, or category. A probationary employee, a new employee considered for a permanent and regular position, undergoes a probationary period of employment assignment of not more than six months. Meanwhile, a project-based employee is hired for a specific purpose for a definite term for a particular project.

Our employee engagement begins on the first day of work. We have onboarding programs and activities for all new hires, including an orientation and training plan, among various other activities. In addition, we implement a regular, year-round performance management process to boost employee morale and promote continuous professional development. We also ensure that key performance indicators or KPIs, evaluation guidelines, and succession guidelines are established and communicated to all employees.

Based on assessment results and feedback, all employees are provided professional development programs relevant to their roles. Our employees' learning and development programs include e-Learning through web portals, Multi-skilling/Cross Training Program, Management Development Program (LEAD), Training Needs Analysis, Pre-opening Training and Simulation Exercises, Compliance to Corporate Governance, and Certified Service Culture Trainer/s on Property.

Our other employee engagement activities include year-round health and wellness programs, employee volunteerism programs, leadership-driven dialogues, and town hall meetings. We regularly communicate company updates and engagement activities to employees using various platforms like notice boards in offices, social media platforms, messenger apps, email blasts, and e-newsletters.

As we value a culture of transparency and openness, we encourage all employees to share their concerns with immediate supervisors and human resource (HR) personnel. The concerns raised by employees during our engagements in the past years were related to payroll, compensation and benefits, career path, health, well-being, safety, security, and career growth. Our HR departments immediately address all these concerns.

Communities

At SM Prime, the term communities refer to our residents, organizations, sector partners, and civil society organizations that affect and are affected by our business operations. We continuously build and strengthen our relationships with this significant and broad stakeholder base.

We don't just build properties. We help communities thrive. Our community involvement comes in many forms, including financially contributing to local charity programs, sponsoring local events, organizing community clean-up activities, and participating in school or community projects.

We view community engagement as an excellent opportunity to gather and address urgent communal concerns. For 2021, these include property restrictions and safety concerns during the pandemic, property maintenance, and dues for property residents. Based on the feedback we receive, we create and implement action plans that respond to every community issue.



Investors and Shareholders

Attracting and maintaining the confidence of our investors is crucial in meeting our business goals. As such, we put a premium on good corporate governance and optimizing shareholder returns.

SM Prime regularly communicates with institutional and individual investors, media partners, and equity and credit analysts through one-on-one meetings, conference calls, and electronic mails as part of our investor and shareholder engagement. SM Prime's President, Chief Finance Officer, and Vice President for Investor Relations attend local and international conferences, non-deal roadshows, and corporate days to meet institutional investors and fund managers.

SM Prime also hosts an Annual Stockholders' Meeting (ASM) to report our yearly performance and plans. As a result of the pandemic, the Company has held its ASM virtually since 2020. Nevertheless, the virtual ASMs still provide thorough updates and the same quality of information to shareholders, including an action plan to mitigate the impacts of COVID-19 on SM Prime's businesses.

From 2015 to 2019, SM Prime's Investor Relations team had an average of 600 meetings a year with investors and analysts or almost two sessions per day. From 2020 to 2021, there had been almost 800 meetings a year or an average of three meetings per day. The team became more active in engaging investors by joining more virtual conferences hosted by local and international institutions.

During investor relations events, investors gain first-hand information on the key strategies and developments of SM Prime. These are also appropriate venues for investors and shareholders to raise concerns about financial performances and strategies and mid- and long-term expansion plans in various business units. In recent years, queries on the Company's sustainable performance have also increased due to the data disclosed in our sustainability and integrated reports.

SM Prime also provides adequate and timely information through press releases, financial reports, and disclosures at the Philippine Stocks Exchange and Securities and Exchange Commission.

Suppliers and Contractors

(102-8, 102-17)

We define suppliers as accredited companies that provide the necessary materials or products to complete a project under a signed and negotiated contract or purchase order. Meanwhile, contractors are accredited companies, organizations, or corporations that undertake or execute a project or process following an agreed contract.

Our close and constant engagement with our suppliers and contractors ensures our value chain's sustainability. We foster productive professional relationships with like-minded business partners that share our values and business goals.

We also ensure that our suppliers follow our policies and standards on environmental conservation, worksite safety, and workers' health and well-being.

We follow a vendor-enrollment process to make sure that we only include qualified suppliers and contractors in our supplier database. We then provide training, workshops, and forums on our procurement and bidding processes, sustainability initiatives, and company policies, including food safety and hygiene and hotel food standards for our hotels and resorts segment. Moreover, our retail segment conducts market surveys to check the competitiveness of prices and presence of alternative supplies available in the market. We conduct supplier audits and visits as part of our annual supplier evaluation.

In addition, we maintain good communication with our suppliers and contractors through email, messaging apps, virtual meeting apps, and official memos. Through open communication, suppliers and contractors can quickly raise inquiries or concerns. Common concerns are related to modes of payment, standards and specification requirements, delivery sites, payment processing, stock availability, pricing, billing, delayed collections, and pandemic logistics issues. SM Prime addresses all their concerns by making process improvements and negotiating resolutions beneficial for both parties.





Government Regulators

SM Prime works closely with the government, not only by complying with government regulations but also through public-private partnerships that upgrade our quality of services for the general public. We work with numerous local government units, government agencies, and financial institutions. Moreover, we communicate through face-to-face and virtual meetings, emails, letters, and other forms of digital communication.

Once a public-private partnership is finalized, we execute a Memorandum of Agreement (MOA), either through a ceremonial event or document signing. Long-term partnerships are guided by management-approved parameters for agency partnership, which include a waiver of security or advance deposits and specific mall charges. Meanwhile, SM Prime seeks management approval for short-term engagements for agencies like the Philippine Statistics Authority (PSA), the Commission on Elections (COMELEC), and the Department of Health (DOH).

Throughout the pandemic, we continued to comply with the government's health protocols and helped its public health and safety awareness programs. Some of our malls

provide government agencies free space for satellite offices, including fit-outs. Other ways by which we engage with the government are speaking engagements, sponsoring activities, collaborating in fire safety and protection programs, and offering our malls as venues for partnership activities that serve the public good.

Media Partners

Reputable print, broadcast, and digital media members are essential in disseminating pertinent information about our country and companies. In addition, media partners help us communicate our mission, programs, and policies in a consistent, credible and positive manner. Our media partners refer to (but are not limited to) print and broadcast journalists, advertising and PR agencies, and bloggers and social media influencers. Our media activities include press conferences, media events, interviews, media tours, and corporate sponsorships.

A nighttime photograph of a city skyline, likely Singapore. In the foreground, the Esplanade - Theatres on the Bay is illuminated with blue and white lights, featuring its iconic spiky, durian-like roof. To its right, the Singapore Flyer, a large observation wheel, is visible. The background shows a dense urban landscape with various buildings and lights under a twilight sky with soft pink and blue hues.

How We Create Value

To create greater value for our stakeholders, we at SM Prime aim to nurture a culture of collaboration among our companies leading to an integrated approach in our use of resources and relationships. At the same time, we seek to apply a multi-capital lens in reviewing our business strategies to create more value-adding initiatives that address the complex challenges facing our businesses today.

Value Creation at SM Prime

At SM Prime, we create value through investments in real estate that are essential to the country's socio-economic growth. We raise various forms of capital, deploy various forms of resources, and strengthen our relationships to develop communities and estates that bring world-class standards of living to more Filipinos. Through our investments and prudent use of resources, we maintain the credibility of the SM brand and its leading position as the country's top integrated property developer. We constantly improve our operational efficiency and service delivery, while increasing customer coverage and expanding access to our services.

OUR INPUTS

Financial

- CAPEX PHP65B
- PHP332.92B Total Equity
- PHP10B Retail Bond Offering

Manufactured

- Sustainable and Resilient Designs
- Properties in Strategic Locations Nationwide

Intellectual

- Innovation, Digitization, and Technology

Natural

- Energy Efficiency and Reduction
- Renewable Energy Sourcing
- Carbon Emissions Reduction
- Water Conservation, Recycling and Reduction
- Waste Management

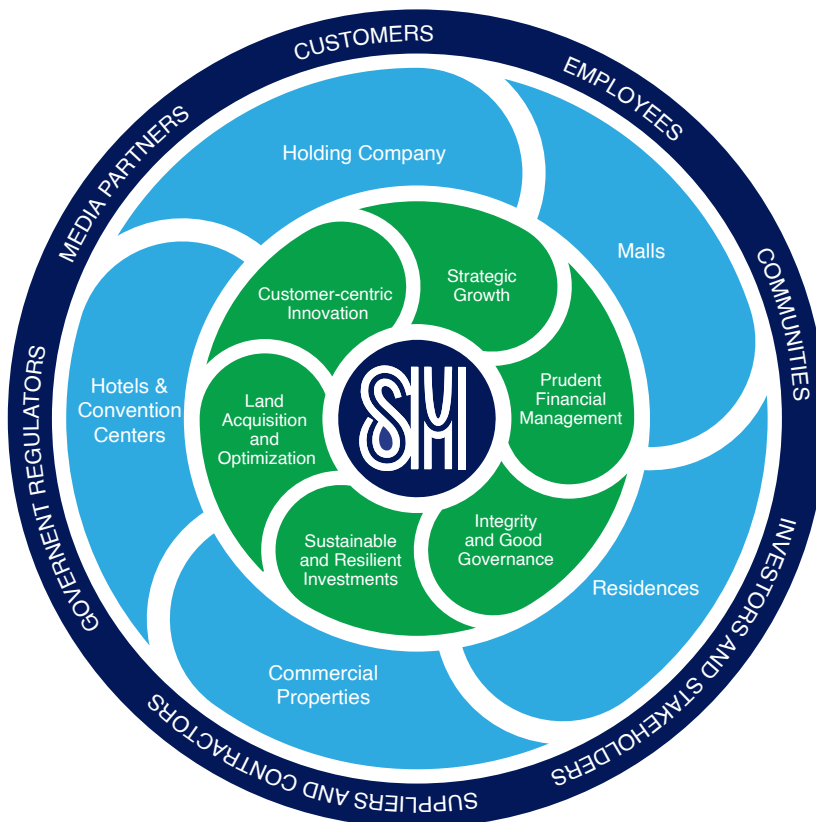
Human

- SM LIFE Talent Management Experience
 - Recruit Right
 - Perform Right
 - Develop Right
 - Reward Right
 - Engage Right

Social & Relationship

- SM Cares Advocacies and Partnerships
- Corporate Social Responsibility Programs

OUR BUSINESS ACTIVITIES



What we do

We build and maintain large shopping centers that serve as marketplaces, civic spaces, and community hubs. We develop residential enclaves that make home-ownership accessible to more Filipinos. We also develop commercial properties that inspire economic growth and invest in hotels and convention centers that reaffirm the country's position as one of Southeast Asia's prime commercial and tourist destinations.

We work closely and partner with the government to uphold our commitments to service quality, customer safety, and environmental stewardship, among various other parameters that guide the conduct of our operations. At every step, we strive to ensure that any adverse impact from our operations are within prescribed lawful limits and standards, if not altogether eliminated.

OUTPUTS

Financial

- PHP804.40B in Total Assets
- PHP82.32B in Revenues
- PHP32.41B Operating Income

Manufactured

- 78 Malls
- 12 Office Buildings
- 80 Residential Condominiums
- 15 House & Lot Developments
- Nine Hotels
- Five Convention Centers and two Trade Halls
- Three LEED Gold Certified Buildings

Intellectual

- In-house Development and Design of SM Malls Online and SM StartUp Package

Natural

- 50% Renewable Energy Sourcing by the End of 2022
- 10.6 MW Solar Panel Capacity Installed in SM Supermalls
- 8.8 billion Liters of Water Saved
- 24-hectares of Protected Mangroves
- Three Marine Protected Areas

Human

- 56% of Women in SM Prime's Workforce, 47% in Senior Management
- 99.90% vaccinated Employees, 85% Boosted
- 20.3 hours of Training per Employee

Social & Relationship

- 20,001 Socialized Housing Units given
- 7,258,303 Filipinos vaccinated in 72 SM Supermall Sites
- Three Cities supported by Adopt-a-City Program
- PHP49.6M for Private and Public Partnerships

OUTCOMES

Financial

- Business Viability Ensuring Future Investments
- Funds for New Projects and Business Expansion



Manufactured

- Safe and Sustainable Properties Providing Employment, Creating Customer Satisfaction and Promoting Green Practices
- Urbanization and Increased Economic Activity in the Countryside



Intellectual

- Efficient and Innovative Policies and Systems Supporting Business Continuity
- Universally-designed Properties that are Pioneering, Accessible, Resource-efficient and Profitable



Natural

- Reduced Carbon Footprint and Cost-savings
- Safe Communities Around our Properties
- Marine Diversity Conservation and Management



Human

- Accelerated Employee Growth Assuring Business Continuity
- Nurtured and Happy Employees
- Improved Employee Quality of Life, Health and Safety



Social & Relationship

- Livelihood Preservation
- Strong Multi-sector Relationships



Our Prudent Use of Resources

Managing our Financial Capital

(103-1, 103-2, 103-3, 2021-1, 201-2, 201-3, 203-1, 203-2)



Financial Capital refers to the pool of funds directly available for use in all of SM Prime's business activities. How we manage and deploy our financial capital determines our ability to create or preserve value for our customers, investors, and other key stakeholders.

Access to cost-effective financial capital — including equity funding, debt, retained earnings, reinvestments, and other financial instruments — is a prerequisite to everything that we do as a business house.

Our robust capital base — which comes from diversified credit sources and funding from investors, shareholders, and business partners — supports our expansion activities. This solid financial position has enabled SM Prime to develop new properties, diversify our portfolio of assets, and complete our PHP400B five-year expansion plan from 2014 to 2019.

Contribution to the UN Sustainable Development Goals (SDGs)

- Generated PHP84.5B in economic value, 73% of which was distributed to shareholders, suppliers, employees, the government, and communities

Profitable Stakeholder Distribution

Because we are primarily a business entity, SM Prime considers our financial and economic performance the foremost metric of our ability to create and share value.

We put great emphasis on managing our financial metrics for the long-term, which requires constantly delivering outstanding products and services. As a result, we forego short-term gains at the expense of our intellectual and social capitals, particularly our credibility and brand.

While we make large and bold investments, we remain prudent in our use of financial capital, lest market conditions fail to meet our financial targets and market assumptions. We meticulously address immediate or short-term financial threats without losing sight of our long-term goal to uplift the lives of Philippine communities through properties that last for generations.

Recognizing the volatility of today's business cycle due to the pandemic and climate threat, we have also established risk management systems that protect our financial base from unpredictable market outcomes.

Our Financial Strategy

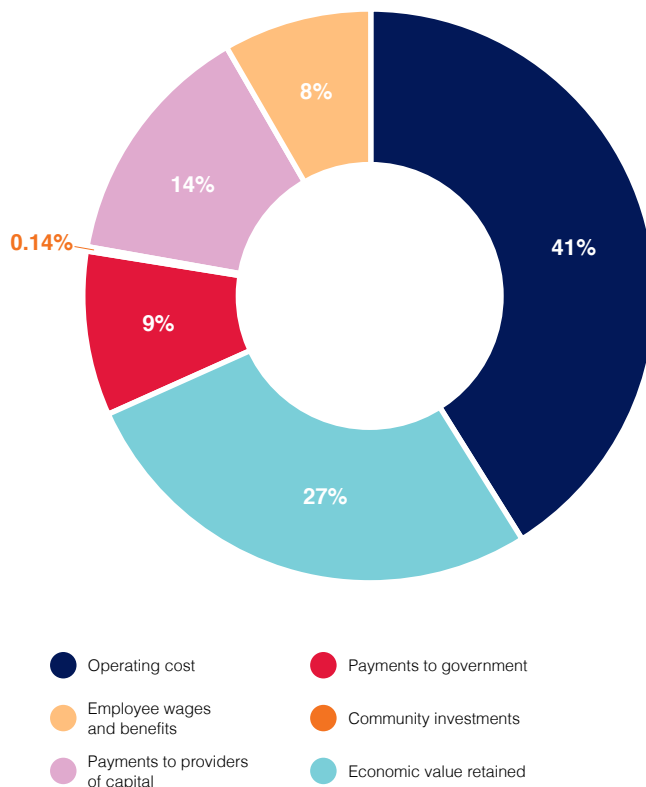
Today's unprecedented market conditions make managing business highly complex. For example, the ongoing pandemic and its accompanying mobility restrictions have significantly affected our supply chains and customer volume and traffic, thereby delimiting our ability to widen our profit margins from various fronts.

Moreover, there is even greater stakeholder demand for large companies like SM Prime to contribute to solving social and environmental issues. As such, both our short-term and long-term financial strategies are now underpinned by two financial positions.

First, the longevity of SM Prime as a trusted and profitable business house is inextricably linked with the stability and pace of progress of the markets that we serve. Because of this, we continuously invest in our country and distribute our full financial measure to our major stakeholders in supplier payments, investor dividends, employee wages and benefits, payments to government and community investments.

Second, the stronger our financial position, the faster will SM Prime realize its ultimate goal of elevating Philippine communities and enriching our environment. This belief

Economic Value Generated and Distributed



has inspired the Company to achieve remarkable growth in 27 years since SM Prime's incorporation. As a result, our operating companies have achieved leadership positions in their respective market segments with a direct impact on the lives of millions.

We have invested a total of PHP64.9B in new projects and developments, generated over PHP84.5B in economic value for our suppliers; and spent PHP62.0B in taxes, employee compensation, and shareholder dividends for this reporting cycle. SM Prime also rechanneled PHP0.12B in community investments.

Beyond our contributions to the national government in the form of taxes and other fees, we recognize that we need to do even more to address problems and challenges that traditionally fall outside the realm of business. Today, we are redefining our key business imperatives so that they embrace social, environmental, and broader economic goals as part of SM Prime's long-term business plan.

Raising Additional Capital for SM Prime's Expansion Drive

In January 2021, SM Prime set the interest rates for its Peso-denominated Series M, 2.5-year retail bond at 2.4565 percent due on 2023, and Series N, 5-year retail bond at 3.8547 percent due on 2026.

SM Prime issued an aggregate principal amount of PHP5.0B of the Series M and N bonds, with up to PHP5.0B oversubscription option. The retail bonds were offered to investors through underwriters from January 25 to 29, following the receipt of the Permit to Sell from the Securities and Exchange Commission. These retail bonds were issued on February 5, 2021.

In November, the Company offered another bond, its PHP10.0B Peso-denominated Series O, 7-year retail bond with an interest rate set at 5.0994 percent. The Company issued an aggregate principal amount of PHP5.0B of the Series O Bond, due in 2028, with an oversubscription option of up to PHP5.0B.

"The proceeds of these retail bonds will allow SM Prime to continue its expansions plans in its core business, which will further drive the company's growth," SM Prime Chief Finance Officer John Nai Peng C. Ong said.

Similar to its previous bond issues, the SM Prime Series M, N, and O bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings). A rating of PRS Aaa is the highest rating assigned by PhilRatings. This rating is given to long-term debt securities with the slightest investment risk. This also indicates SM Prime's strong capability to meet its financial commitment.

"The proceeds of these retail bonds will allow SM Prime to continue its expansions plans in its core business, which will further drive the Company's growth."

The SM Prime Series M and N bonds' joint issue managers are BDO Capital & Investment Corporation and China Bank Capital Corporation, acting as joint lead underwriters together with BPI Capital Corporation, First Metro Investment Corporation, and SB Capital Investment Corporation.

Meanwhile, the SM Prime Series O bond's joint issue managers are BDO Capital & Investment Corporation and China Bank Capital Corporation. They also act as joint lead underwriters with BPI Capital Corporation, East West Banking Corporation, First Metro Investment Corporation, SB Capital Investment Corporation, and RCBC Capital Investment Corporation.

SM Prime remains committed to its role as a catalyst for economic growth, delivering innovative and sustainable lifestyle cities that enrich the quality of life of millions of people.

Financial Highlights

Balance Sheet Highlights (in PHP billions)	2021	2020	2019
Total Assets	804.40	722.36	667.28
Investment Properties	467.39	436.16	410.64
Total Debt	313.72	272.47	237.95
Net Debt	273.94	241.81	203.35
Total Stockholders' Equity	332.92	309.28	300.92
Income Statement Highlights (in PHP billions)			
Revenues	82.32	81.90	118.31
Cost and Expenses	49.90	52.83	61.62
Operating Income	32.41	29.07	56.69
Net Income attribute to Equity holders of the Parent	21.79	18.01	38.09
EBITDA	43.11	39.28	66.81
Financial Ratios			
Debt to Equity	49:51	47:53	44:56
Net Debt to Equity	45:55	44:56	40:60
Return on Equity	7%	6%	13%
Debt to EBITDA	7.28	6.94	3.56
EBITDA to Interest Expense	4.61	4.57	7.56
Operating Income to Revenues	0.39	0.35	0.48
EBITDA Margin	0.52	0.48	0.56
Net Income to Revenues	0.26	0.22	0.32
Revenue Profile			
Malls	36%	34%	54%
Residences	56%	58%	38%
Offices	6%	6%	4%
Hotels and Conventions	2%	2%	4%
Asset Profile			
Malls	53%	53%	57%
Residences	36%	35%	32%
Offices	9%	10%	9%
Hotels and Conventions	2%	2%	2%
Market Capitalization	979.01	1,111.85	1,215.82
Dividends Paid	2.37	5.34	10.51

PHP 804.40B
Total Assets

PHP 43.11B
EBITDA

PHP 979.01B
Market Capitalization

Amounts as of December 31, 2021

Performance Overview

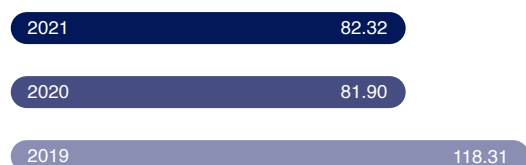
Asset Growth

in PHP billions



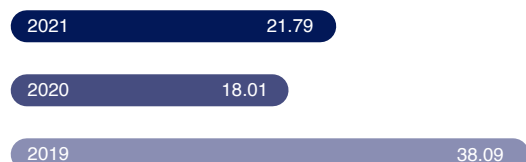
Revenue Growth

in PHP billions



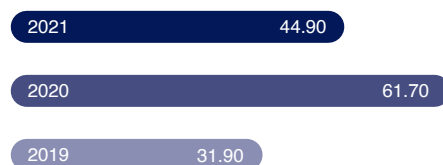
Net Income Growth

in PHP billions



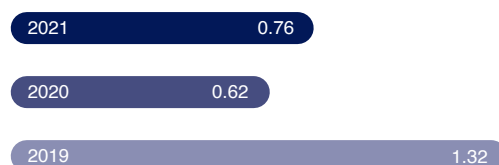
Price/ Earnings Ratio

in PHP



Earnings Per Share

in PHP



Dividends

in PHP billions



Core Businesses

FY2021 Performance

in PHP billions

	Total Revenue	Total Assets
Malls	30.1	430.0
Residences	45.9	291.8
Offices	5.0	69.7
Hotels & Convention Centers	1.6	14.9
Eliminations	(0.3)	(2.0)

Transforming Communities for the Better Creating Shared Values through Our Manufactured Capital



Our Manufactured Capital covers all the physical objects that we construct in pursuit of our goal to create greater shareholder value and contribute to national progress through sustainable property development.

SM Prime started mainly as a mall developer, but we later diversified our manufactured asset portfolio to create more significant stakeholder values, address more customer needs, and mitigate financial risks that come from a concentrated asset base.

Today, SM Prime has 78 malls with a gross leasable area of 10.16 million sq.m. and 12 office buildings with a gross leasable area of 772,539 sq.m. In addition, we have 80 residential condominiums, 15 house-and-lot developments, nine hotels, five convention centers, and two trade halls.

Beyond the material value of our manufactured assets, SM Prime goes the extra mile by constantly discovering ways to use our physical spaces for the public good. We diversify our offerings and branch out into various property segments and geographic areas to reach more underserved communities. We maximize the use of our physical spaces by transforming them into disaster-resilient structures that can serve as refuge areas during calamities. We also use our commercial spaces as civic areas for our communities.

SM Prime's significant investments in malls, residences, offices, hotels, and convention centers make preserving our financial and natural capitals integral to our business model. We work toward our vision of integrated sustainable development by stimulating the economy through job creation and improving community life wherever we build. By transforming communities for the better, we can also strengthen our brand equity and grow an inclusive customer base.

Contribution to the UN Sustainable Development Goals (SDGs)

- Malls and offices offer breastfeeding stations for customers and employees
- All malls and offices have clinics with doctors and nurses. Mental health services are available to employees
- All administration offices and foodcourt areas offer clean drinking water for free to employees and customers
- 11 malls (eight in the Philippines and three in China) have roof-deck solar panels
- All SM Supermalls provide venues for community festivals and government tourism drives
- Bike-friendly features – 18 km lane in SM Mall of Asia, 1.6 km in SM Seaside, and 2.1 ha bike trail in SM Pulilan
- All SM Supermalls are PWD accessible with ramps and comfort rooms for special needs
- Opened new malls: SM Daet and SM Grand Central
- Free Wifi access in all SM Supermalls

Pushing the Boundaries of Retail through New Experiences

For SM Supermalls, the continuing pandemic crisis in 2021 was an opportunity for innovation and growth. Despite the pandemic's strict mobility limitations, SM Supermalls still managed to see these social-distancing restrictions as enablers for new ideas in retail.

As a result, several of SM's Supermalls introduced a good number of outdoor mall experiences in 2021 that pushed the boundaries of retail for the better.

SM Aura Premier's Skypark is a good example of outdoor mall innovation. Located on the 5th floor of SM Aura Premier in Bonifacio Global City, Taguig, the Skypark is a rooftop civic space with a sprawling open-air garden, lush greenery, and public art installations. In addition, the park features a church for the community, an herb garden, and other family-friendly destinations.

To support its food retailers during the pandemic, SM Aura transformed sections of its Skypark into safe outdoor dining areas, where customers could once again enjoy the food brands that they missed without having to worry about indoor dining risks. Beyond the garden and al fresco dining pods,

SM Aura's Skypark also designed an open-air mini-golf course and even a pet Paw Park to offer new experiences for families seeking to reconnect with loved ones in a safe outdoor setup.

To bring joy to families already weary of the lockdowns, SM Aura also commissioned a group of visual artists to create mural paintings at the Skypark featuring colorful and inspiring messages of hope. The Skypark even created outdoor pop-up salons and barbershops in response to client demand for more non-traditional, open-air services.

Notably, SM Megamall opened a creative co-working space, called The Work Space, to offer customers a break from their work-from-home routine. Other SM Supermalls, such as SM City Sta. Mesa, transformed their front-door patio into mini-gardens with al fresco dining options. SM Southmall likewise repurposed unused spaces by partnering with food retailers to convert the Food Street canopy and part of the mall's parking area into an outdoor dining space.





SMDC: Investing in Sustainable Communities

For SMDC, a genuinely sustainable community must have resilient infrastructure, provide safe and affordable housing, create career and business opportunities, and offer amenities for green living. These four parameters are integral to the construction and upkeep of every SMDC property.

The company believes that building a nation of homeowners means providing practical homes that are efficient in size and generous in services and facilities. This is why all of SMDC's developments aim for inclusivity and affordability while delivering exceptional amenities so Filipino families can thrive and maximize their investments.

SMDC's developments provide access to opportunities for efficient living and socio-economic growth. In every SMDC property, all of life's essentials are within walking distance.

Environmental sustainability is also at the heart of SMDC's developments. In every offering, SMDC creates homes with ample open spaces and lots of greenery. Energy efficiency is a vital aspect of every design. Units are built to bring in natural light and ventilation, LED fixtures are used, and a waste management system is in place.

Notably, disaster resiliency and future-readiness are built into the entire development process – from site selection to construction and property management. SMDC's property managers are trained to respond quickly to emergencies of all kinds. These training programs are made available to residents through regular workshops.



A Building to Behold



The name alone is full of promise
— but that promise is not just a
story of grandeur but a vision of
a sustainable future as imagined
by SM Prime.

SM Prime Holding's Mega Tower is not just an architectural beauty — it is a reality that upholds a sustainable future of comfort and convenience.

A vision of sustainability and resilience

In 2021, SM Prime launched its tallest building to date, the Mega Tower.

The name alone is full of promise — but that promise is not just a story of grandeur but a vision of a sustainable future as imagined by SM Prime. The unique 50-story, S-shaped building is registered for LEED certification and is aiming for gold. The very design of the building has also been infused with sustainability in action, as all of the waste the building generates will be recycled, reused, and salvaged. Meanwhile, the parking level has a 5% portion made especially for energy-conserving vehicles.

But the building promises more than sustainability. Resilience is, after all, a must for every SM Prime development.

Despite the building's remarkable S-shaped figure, safety has not been sacrificed for beauty. Much thought — not to mention careful planning — went into making sure that Mega Tower's structure would also be resilient. In a country always rocked by earthquakes and powerful typhoons, SM Prime worked with Aurecon to ensure that Mega Tower is capable of withstanding strong seismic activity.

But a building that cares for the safety of its tenants must also envision their comfort and convenience.

Taking it easy in the city

Mega Tower's prime location is a dream-come-true for city dwellers who wish to make the most of their time, rather than spending hours and hours in transit. Conveniently located along Mandaluyong and the Ortigas Central Business District, Mega Tower is a stone's throw away from the Shaw and Ortigas MRT stations. The SM Megamall terminals are also within walking distance.



Life as we know it, of course, is about more than just the daily grind.

At the end of a long day, leisure should be within reach of all hardworking individuals. This is something that Mega Tower seeks to fulfill through its direct access to SM Megamall's Mega Fashion Hall. Tenants will find themselves surrounded by fitness and wellness centers so that they can look after their health. If they wish, they can also reward themselves with gastronomic wonders in the surrounding Michelin-star restaurants, or shop their worries away with some retail therapy. And when the errand list runs long, nearby banks and supermarkets will provide a much-needed sigh of relief.

Of course, city life would not be complete with different businesses functioning day in and day out.

Even in these unprecedented times, SM Prime, through Mega Tower, continues to be forward facing. With spaces that are perfect for any industry, the structure hopes to be part of the ever-changing nature of work. With three basement and six podium parking floors and 26 high speed elevators at 90 meters per minute, working at Mega Tower gives employees the opportunity to focus on honing their skills, focusing on their training, and enjoying the fruits of an efficient workday instead of worrying about the little things. Mega Tower also has a 100% backup power system to give all its tenants additional peace of mind.

An urban wonderland

But no matter which way one looks at it, an aesthetic environment soothes the soul and brings a feeling of joy that's hard to describe. Sometimes, life in the city can seem dull and dry. Despite the promises of a thriving city life, our eyes are used to gray concrete and even a tangle of wires. Even the idea of making our way in narrow spaces with poor air quality can seem like the norm as life in the city trudges on.

And yet a different sight welcomes everyone who visits Mega Tower. Anyone who enters the building can breathe easily — literally — thanks to the high ceiling that allows for better air quality and ventilation. A sense of reprieve from the bustling urban world is achieved through the travertine stone walls and the stunning Statuario quartz on the floor, making anyone feel welcome and comfortable no matter the time of day. More importantly, such a delightful sight is also a timely reminder that aesthetics and design have a concrete impact on the way we feel and live on a day-to-day basis.

A fulfilled ideal

In this light, SM Prime Holding's Mega Tower is not just another building in the metro. It's also a timely reminder that comfort, convenience, and care for our surroundings can flourish altogether in the midst of a thriving city life.

Innovation and Digitization

Expanding our Intellectual Capital



At SM prime, we define Intellectual Capital as the knowledge-based inputs and strategies that we pursue to maintain our strong financial position and competitive advantage. We view intellectual capital as the set of intangible assets, including our collective knowledge and expertise, that define our way of doing business.

A sharp and perceptive intellectual capital base sets us apart and keeps our brand relevant. These intangibles include our company reputation, brand equity and credibility, internal systems, procedures and protocols, technical expertise, and research and development capabilities.

The passion to innovate is a constant driving force behind SM Prime. We aim to derive the highest value from new systems and extract the most efficient use of knowledge-based platforms and digital technologies to enrich our products and services.

We believe our real economic value does not rely solely on manufactured assets. How we manage and strategize their use matters more because they determine our ability to maintain our leading position as one of the Philippines' most trusted brands.

Contribution to the UN Sustainable Development Goals (SDGs)

- 66% of mall tenants are small enterprises or startups
- SMHCC Green Procurement of assets and other inventory
- Recycled 72 tonnes of office documents through the Paper Recycling Program as a result of automation of manual processes
- Received awards in strong governance

The SMO App: Digital Innovation in Retail

For decades, consumers have shopped in front of actual store shelves, where they could touch and inspect an item before making a purchase decision. However, with the rise of e-commerce and mobile shopping platforms in the 2000s, online marketplaces started to take a considerable portion of the retail market. Nevertheless, most customers still relied on brick-and-mortar stores for their shopping needs.

In the Philippines, it was not until the pandemic in 2020 that online stores overtook physical stores in sales. So given the significant shift in shopping habits during the pandemic, SM Supermalls decided to expand its digital reach by launching the SM Malls Online app (SMO) in 2021.

“Since inventory was already available in SM’s Supermalls, why not just develop a digital platform to sell it to millions of consumers wired daily to their phones and tablets?” explained Mr. Steven Tan, President of SM Supermalls.

The SMO app has just about everything Filipino shoppers need. And it is built in-house by SM’s own team of technical and digital experts.

Through this retail innovation, customers can safely and conveniently buy items, not only from one merchant but from hundreds of stores that are under the SM Supermalls network. As of 2021, SMO hosts international and local retail and dining establishments from key malls in the National Capital Region, namely SM Mall of Asia, SM Megamall, SM City North EDSA, SM City Fairview, SM Southmall and SM Aura Premier, all in one app.

According to Mr. Tan, SMO is the best online one-stop-shop in the country today. “When you shop on the SM Malls Online app, you don’t need to worry about the hassle of multiple online checkouts or multiple costly delivery fees that add up. You can buy all the products you need from your favorite brands all in one online checkout and pay only one delivery fee,” he said.

True to the SM brand, the SMO app guarantees easy access to a wide array of trusted brands from supermarket essentials and various food establishments to gadgets,



appliances, health and beauty items, and much more. For food items, shoppers can order meals from multiple restaurants and have them all delivered at the same time with only one delivery fee.

“SM Malls Online (SMO) is about delivering a world-class e-commerce experience using SM Supermalls’ existing infrastructure. Unlike other digital shopping channels, SM’s physical stores obviate the need for a dedicated e-commerce warehouse, which is less efficient and CAPEX heavy. And unlike other large e-commerce markets, SM Malls Online can also offer non-food and food items and convenient pickup options,” explained Mr. Tan.

For tenants, this program means greater access to shoppers beyond the four walls of the mall. For customers, the app translates to enhanced customer service during the pandemic.

The SM StartUp Package Developing New Ways to Support Small Businesses



The pandemic may have been punishing to the bottom line of most businesses. But this has not stopped SM Prime from rallying behind small business owners who show sparks of innovative ideas.

To inspire young talent to contribute to the country's post-pandemic economic recovery, SM Supermalls launched the SM StartUp Package, a new program for micro, small and medium-sized enterprises (MSMEs) that mirror the spirit of the SM brand.

Launched in October to coincide with SM founder Mr. Henry Sy's birthday, the StartUp Package invited 100 small business owners to set up shop in high-traffic SM Supermalls. The invitation was open to the first 100 digital-based small enterprises that do not have a physical store yet in any retail outlet.

"Mr. Henry Sy started the first SM store as a small business, so it is only fitting for SM Supermalls to support budding entrepreneurs who show great potential. If Mr. Henry Sy managed to grow a small shoe store into a retail empire, surely there's another young woman or man out there like him, just waiting for the right start," said Mr. Steven Tan, President of SM Supermalls.

Because it can be tough for small businesses to gain a foothold in the market, SM provides access to financial assistance from BDO and start-up friendly rental rates, plus

provides access to the free use of kiosks or carts. The program also extends marketing assistance to help new businesses gain brand exposure using SM's online assets and advertising spaces inside the malls.

To reach emerging entrepreneurial talent across the country, SM Supermalls launched the first batch of MSME shops or StartUp Markets in 13 regional and premier malls in major cities: SM North Edsa, SM Megamall, SM Mall of Asia, SM Southmall, SM Pampanga, SM Clark, SM Grand Central, SM Sta. Rosa, SM City Cebu, SM Iloilo, SM Bacolod, SM CDO Downtown Premier, and SM Lanang Premier.

"We created The SM StartUp Package because we saw how Filipinos persevered in the past years. Very much true to the spirit of Mr. Henry Sy, who always said he worked harder during bad times, many MSMEs did not let the pandemic stop them from providing good service and products — even from their own homes. We want to give them a chance to further grow their businesses and brands and enable them to start their own SM shops, which they can one day grow into business empires, just like our founder once did," said Mr. Tan.



Connecting Business with Nature

Maximizing our Natural Capital

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



Natural Capital refers to all renewable and non-renewable environmental resources and processes that support SM Prime's construction and operational activities. These include the raw materials we extract to develop and manage our properties and our use of energy and water resources through third-party suppliers.

As a real estate developer, our business model inevitably relies on the continuous use of construction materials and the everyday use of energy and water sources. We also produce a significant amount of municipal waste, especially in our mall, residential and hotel segments, which may affect the surrounding environment if not properly handled.

Clearly, our operations have adverse environmental impacts that should be mitigated and managed. This is why we have not stopped finding environmental solutions and integrating them into our daily operations.

Because of our leading position in the local real estate industry, we view environmental stewardship not only as a moral obligation but also as a business imperative. Over the years, we have substantially reduced our energy consumption by designing energy-efficiency projects using solar sources. Meanwhile, our water recycling facilities allow us to redistribute millions of cubic meters of water for cooling towers, restrooms, irrigation, and grounds keeping. For their part, our employees have planted a million trees all over the country and pursued various green initiatives.

We know that preserving our natural resources is a vital business strategy that will define our success for years to come. While working to limit our negative environmental impacts, we also ensure that our businesses remain resilient against climate change and biodiversity loss, the two biggest natural challenges facing today's society and economy.

Contribution to the UN Sustainable Development Goals (SDGs)

- 20 malls with water catchment facilities
- 8.8 billion liters of water saved
- 50% renewable energy sourcing by the end of 2022
- 10.6 MW capacity of solar panels installed in SM Supermalls
- Framework of Task Force on Climate-Related Financial Disclosures (TCFD) incorporated into reporting
- 24-hectares of mangroves protected
- Three marine protected areas
- Plastic Waste Collection Program diverted 7,945 kg of post-consumer plastics, equivalent to 14,622,759 kg of CO₂ and 242 tree seedlings grown for ten years
- Gathered 2,000 kg of electronic waste through the Supermalls' e-waste bin for the responsible disposal of hazardous waste

Managing our Carbon Footprint

(305-1, 305-2, 305-3, 305-4, 305-5)

The COVID-19 lockdowns during the start of the pandemic had an extraordinary impact on our GHG emissions. As most of our buildings were not fully operational, demand for electricity, water, and waste management services was significantly reduced in 2020. This is why our overall carbon footprint for 2021 increased significantly by 14%. While still below pre-pandemic levels, the gradual resumption of economic activity in 2021 was still considerably higher than the unusually low GHG outcomes in 2020.

GHG Emissions

Notwithstanding these erratic figures, we still continuously seek opportunities to reduce GHG emissions across the three GHG Protocol classifications – Scope 1, 2 and 3. These classifications are a global standard for measuring and monitoring GHG emissions by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Scope 1 GHG Emissions

Scope 1 – refers to emissions that occur from sources directly owned or controlled by the SM Prime Group. These include emissions from generators, company-owned vehicles, Liquefied Petroleum Gas (LPG), and refrigerants.

Our Scope 1 emissions amounted to 22,708.56 MT CO₂ in 2021, increasing by 45% from 2020. The bulk of Scope 1 increase is due to increased refrigerant use, from 10,811.92 MT CO₂ in 2020 to 16,161.62 MT CO₂ in 2021.

Our Supermalls, meanwhile, posted an increase in fuel consumption for this reporting year. Our commercial properties also increased fuel consumption in 2021 due to preventive maintenance activities.

Scope 2 GHG Emissions

(302-1, 302-4)

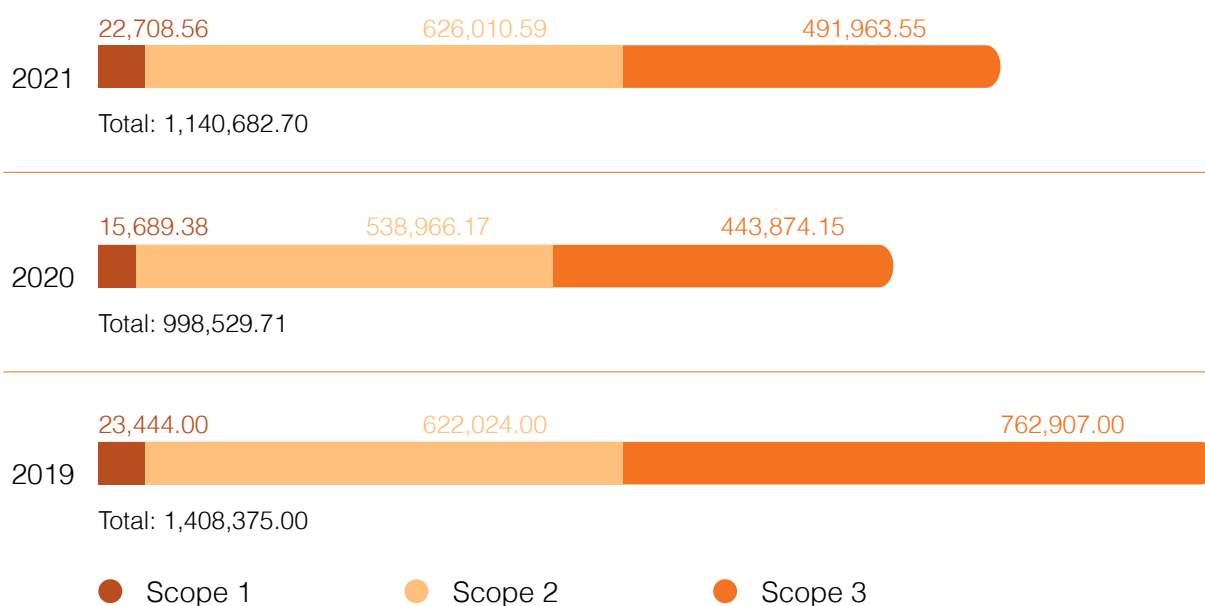
Scope 2 – refers to emissions from the generation of purchased electricity consumed by a company and physically occur at the facility where power is generated, i.e., purchased electricity.

Our Scope 2 emissions went up to 626,010.59 MT CO₂ in 2021, a 16% increase compared to 2020 results. Due to loosened lockdown restrictions, the general increase in electricity consumption contributed to this spike in figures across all our business segments.

SM Prime aims to take the lead in implementing energy-conservation programs that refine our overall carbon management effort. For example, we have set up energy-efficient lighting retrofits and ensure proper monitoring of electricity consumption.

These innovations do not only apply to our malls and offices; we also enforce the use of fewer but more energy-efficient lighting and cooling fixtures in our residential developments, leisure estates, and hotels and convention centers.

Summary of GHG Emissions (in MT CO₂)



Our subsidiaries continue to enhance their energy-efficiency programs. For example, Costa Del Hamilo Incorporated (CDHI), focuses on boosting energy measures for our Hamilo Coast property. CDHI continues to partner with WWF to monitor Hamilo Coast's energy use and the design of energy-efficiency initiatives. One such program is the use of alternative sources of energy, including solar lamp posts and solar absorption air-conditioning units. Likewise, some of Hamilo Coast's residential areas were developed with careful consideration of green building strategies, such as natural lighting and ventilation and solar energy for common areas.

To manage our Scope 2 emissions even further, we will be increasing our use of renewable energy sources to more than 50% across all SM Prime business segments by the end of 2022. This target is ahead of the national goal of 35% renewable use by 2030. Through our diversification of energy suppliers' program, we will expand our use of solar roof decks in our operations across all our business lines — from the malls and residences to our commercial spaces and hotels.

Scope 3 GHG Emissions (302-2, 302-5)

Scope 3 pertains to an optional reporting category that allows for accounting for all other indirect emissions. These emissions result from SM Prime's activities but occur from sources not owned or controlled by us.

Our Scope 3 emissions largely comprise our tenant's electricity, LPG consumption, and third-party vehicles. For 2021, it reached 491,963.55 MT CO₂ compared with 443,874.15 MT CO₂ in 2020, representing an 11% increase. The rise in emissions results from an increase in the electricity consumption of tenants and new facilities. There was a rise in total tenant LPG consumption for our residential segment compared to 2020.

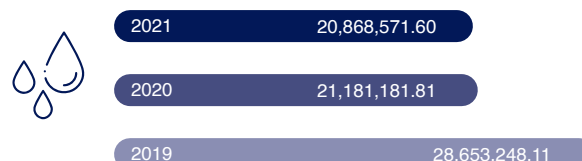
To manage our Scope 3 emissions, SM Prime properties encourage the mindful use of energy and the use of energy-efficient technology among tenants, including the use of LED lighting for store design. The malls likewise participate in various environmental drives, such as the annual Earth Hour switch off.

Water

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

We are well aware that the proper management of water resources is crucial to our businesses' growth and stability. Our group is committed to the responsible management of this vital resource, not only in our operations but also in the commercial and residential enclaves that we manage.

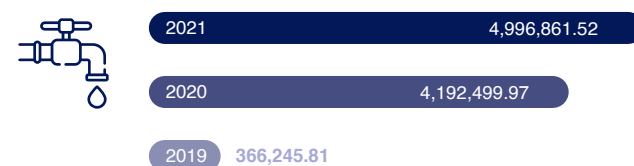
Water Consumption (in cu. m)



SM Prime reported a decrease of 1% in water consumption, from 21.18 million cubic meters in 2020 compared to 20.87 million cubic meters in 2021. The majority of the reporting facilities are malls.



Water Discharge (in cu. m) (306-1, 306-5)



**The water discharge data collection only started this 2022. Data collected are for 2019, 2020, and 2021.*

Water Recycled (in cu. m)



2021 8,729,004.48

2020 7,515,430.66

2019 5,077,641.06

Water is a scarce natural resource in the Philippines. An estimated five million Filipinos still lack access to clean water. To act more responsibly towards conserving this vital resource, SM Prime has established water management strategies to regulate our consumption. In 2021, SMPH recycled 8.7 million cu.m of water and collected 79 thousand cu.m of rainwater from our 20 malls with rainwater catchment facilities, which is equivalent to 8.8 billion liters of water saved.

We have saved



8.8 billion liters

of water that is enough to fill more than 3,520 Olympic sized swimming pool

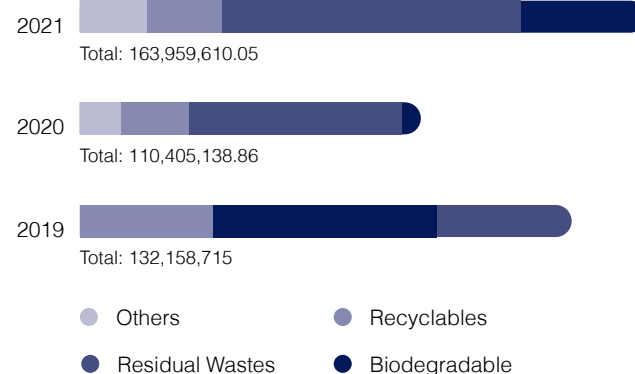
Similarly, many of our subsidiaries are at the forefront of water conservation efforts. For instance, Highlands Prime, Inc. (HPI) uses Zoysia Grass for some of the greens and fairways of Tagaytay Highlands International Golf Course. For Tagaytay Midlands Golf Course, Tifdwarf Grass is used. These species of grass require reduced water consumption. Moreover, HPI prevents depletion in Tagaytay Highlands' water resources by strictly observing compliance with environmental regulations in terms of water system management. It also takes advantage of opportunities for water recycling through rainwater harvesting systems. Additionally, the company practices routine monitoring of water levels to optimize water use within Tagaytay Highlands.

Waste

(306-2, 306-4)

Solid Waste Generated by Type (in kg)

Waste	2021	2020	2019
Biodegradable	76,561,442.73	45,948,916.62	48,248,247.75
Recyclables	18,914,192.84	14,391,410.48	17,699,079.00
Residual Wastes	59,441,093.34	44,858,469.26	66,211,388.00
Others	9,042,881.14	5,206,342.50	
Total	163,959,610.05	110,405,138.86	132,158,715



SM Prime reported an increase of 49% in solid waste, from 110 million kgs in 2020 compared to 163 million kgs in 2021. The reason behind this significant jump in our waste-related data is the improved system of accounting among our business units.

Of the solid waste we generated in 2021, SM Prime was able to divert 14% away from landfills by reusing, recycling, and composting a total of 16 million kgs of waste, while a total of 62 million kgs of waste was collected correctly and disposed of by our accredited hauler.

To further reduce our solid wastes, we continue to partner with Trust International Paper Corporation (TIPCO) for our paper recycling program. This initiative was able to recycle an additional 21,100kg of paper, including 300 boxes of paper from SMDC.



Waste segregation is being practiced in SM Supermalls, supported by policies (Operations Planning and Control memos). For example, segregated trash bins are present in the mall premises for customer use. In addition, mall tenants are routinely reminded to practice proper waste segregation via circulars and meetings with the mall administration.

Our many business-to-consumer initiatives, including Trash to Cash, Plastic Waste Collection, and E-Waste Collection, have contributed to reducing our total solid waste. The pioneering Trash to Cash recycling market has diverted 907,643.48kg of plastics, paper, metals, and others from polluting our environment. We have saved 10,489 of trees from the 617,017.99kg of paper recycled. Meanwhile, our Plastic Waste Collection program, in partnership with the Plastic Credit Exchange, was launched in February 2021 and has accumulated more than 11,600kg of plastic waste from 10 mall sites. Also present in all our malls is the E-Waste Collection program for the responsible disposal of WEEE (Waste from Electrical and Electronic Equipment). This drive has helped process close to 2,000kg of e-waste.

saved a total of

144,556



trees to date from paper recycled from the Trash to Cash program

At Hamilo Coast, we strictly implement a solid waste management plan that includes practicing waste segregation and using a materials recovery facility. Hamilo Coast also benefits from vermicomposting, where green wastes are composted and turned into charcoal briquettes. Meanwhile, wastewater from the different Hamilo locators goes to the sewage treatment plants (STPs) and is used as irrigation water for the surrounding landscape.

In support of the United Nations Environment Program's campaign to phase out Single-Use Plastics in the tourism sector, Hamilo Coasts' Pico de Loro Beach and Country Club and Pico Sands Hotel implement a food waste management system. These properties use paper straws and cups, good-grade stirrers, takeaway packs, and refillable glass containers in hotel rooms.

For its part, HPI manages the carbon footprint of Tagaytay Highlands by regularly monitoring its resource consumption and waste generation. Likewise, HPI implements a proper waste management system in Tagaytay Highlands to ensure residual waste is appropriately segregated and handled by an accredited third-party collector. It also ensures that waste undergoes composting and recycling whenever possible.

Hazardous Waste

All SM Prime companies adequately handled and treated 100% of all their hazardous waste for this reporting cycle.



FOLLOWING THE GREEN BRICK ROAD

Guest Speakers



Green Procurement in SM's Hotels and Convention Centers

The hospitality industry is one of the most significant contributors of solid waste among our commercial properties, with an estimated one kilo of trash per hotel guest. Therefore, SMHCC has been pursuing several measures to minimize its carbon footprint across all its properties in the Philippines.

In 2021, SMHCC paid greater attention to improving the sustainability performance of its supply chain by inviting green procurement experts to talk about some of the leading solutions to the problem of waste pollution in our hotels.

This digital seminar, which featured some of the top environmental speakers in the country, focused on how a green supply chain can reduce waste volumes and production costs, create a competitive advantage in greater customer satisfaction, and enhance a property's positive image and reputation. The seminar also focused on how to make plastic-neutral operations a reality.

SMHCC has also pledged to minimize if not entirely eliminate plastic waste in its operations in the next five years in partnership with the United Nations Environment Program (UNEP) and the Philippine Center for Environmental Protection and Sustainable Development, Inc. (PCEPSDI).

According to UNEP, around one million plastic drinking bottles are being purchased every minute globally, while

five trillion single-use plastic bags are used every year. Consequently, up to eight million tons of plastic are being swept to the world's oceans annually, adversely affecting marine biodiversity, communities, and wildlife.

In direct response, Pico Sands Hotel and Taal Vista Hotel replaced their single-use amenities (shampoo and body wash) with refillable bottles and have likewise shifted to using biodegradable take-out packaging instead of microwavable plastic containers. Both properties have also stopped using individual water bottles in guest rooms. As a substitute, glass pitchers, which can be refilled outside the room, are available. Meanwhile, Conrad Manila employs eco bags for guests' laundry and slipper bags, coupled with rice straws and wooden stirrers in their restaurants.

Moreover, as part of the property's commitment to constantly engage in Responsible Business, Radisson Blu Cebu advocates using paper straws, which are only served upon request. Similarly, the packaging of the hotel's pastry products has shifted to biodegradable paper boxes. All Park Inn by Radisson properties in Clark, North Edsa, Iloilo, and Davao match the previous efforts with their 'Refuse the Straw' or 'Skip the Straw' campaigns and their strict adherence to using brown bags and environment-friendly packaging for their takeaway food. Notably, SMX Convention Center likewise diverts its SMX water bottles to a sustainability partner for upcycling.

Nature Takes the Spotlight (304-1, 304-2, 304-3, 304-4)



SM Prime's Hamilo Coast and Tagaytay Highlands do not only exemplify the good life – they train the spotlight on the best nature has to offer

In today's harried life, nothing is more rewarding than a pristine blue seascape, lush greenery, and a picturesque mountain backdrop. So whether you're yearning for a rejuvenating getaway or a life based in harmony with nature, Hamilo Coast and Tagaytay Highlands have something in store for you.

Living with Nature's Wonders

Hamilo Coast, a premier coastal development in Nasugbu, Batangas, is part of the Verde Island Passage and the Coral Triangle, two of the world's richest areas for marine life. Meanwhile, Tagaytay Highlands — a world-class residential mountain resort community — sits amid a sanctuary of flora and fauna. Banking on the immaculate beauty of nature, SM Prime has grown these properties as among the most environment-friendly and sustainable leisure estates in the Philippines.

SM Prime has always been one with nature. Its environmental efforts for Hamilo Coast have been recognized by international tourism advisory group Earthcheck, granting it a Bronze Benchmark status for achieving sustainable operations based on global standards. Likewise, Tagaytay Highlands also earned the "Friend of Biodiversity" recognition from the ASEAN Centre for Biodiversity for its environmental conservation programs

Loving our Aquatic Forests

Through its subsidiary Costa del Hamilo Inc. (CDHI), SM Prime ensures the monitoring and protection of all species in its area. The company also pursues biodiversity conservation measures for the flora and fauna that thrive in this seaside sanctuary, including 24-hectares of mangroves.

The heart of Hamilo Coast is its mangrove forest, one of the largest in Nasugbu, Batangas. One of the most vital ecosystems on Earth, a mangrove forest provides food and habitat for a variety of land and marine species and stability for the coastline and livelihood for the coastal community.



SM Prime upholds its commitment to environmental stewardship through mangrove protection initiatives. In 2007, CDHI partnered with the World Wildlife Fund for Nature Philippines (WWF-Philippines) to preserve mangrove trees in Hamilo Coast. To date, the company planted 50,000 mangrove trees, covering 240,000 square meters of the coast.

Aside from mangrove conservation, CDHI observes many other conservation practices, including coastal clean-up activities, planting of local plants, clam seeding, and the release of turtle hatchlings.

Nursing Our Oceans Back to Vivid Life

In 2021, CDHI completed a marine protected area (MPA) assessment. This is a globally applicable framework to categorize MPA zones based on the impact of uses and expected conservation outcomes. As a result, three of the 13 coves in the Hamilo Coast were established as MPAs for CDHI's sustainable development project.

An MPA safeguards an area's biological diversity, preserves natural habitats, keeps fish and other resources available for those who need them, and encourages low-impact tourism. The presence of a protected area also guarantees the aesthetics of its immediate surroundings, with the absence of pollution and intrusive human activities highlighting nature's beauty.

To maintain the quality and integrity of the area's waters and protect the marine ecosystem, CDHI continues to carry out tourist management and responsible water activities. Moreover, it continues to assign a coast watch known in coastal barangays as *Bantay Dagat* to control overfishing and prohibit destructive fishing methods using cyanide, dynamite, and large nets.

Hamilo Coast Monitoring with WWF

The MPA assessment of Hamilo Coast was carried out by the WWF-Philippines, which has been working with CDHI since 2007.

WWF conducts a regular inventory of flora and fauna at Hamilo Coast's Pico de Loro. The international wildlife conservation organization also performs a year-round fish-catch monitoring program, which aims to increase the biological capacity of fisheries and establish sustainable local food sources in the area.

Aside from monitoring the three MPAs of Hamilo Coast, WWF conducts oceanography and hydrology studies in the coast's 13 coves.





Luxurious Sustainable Lifestyle

SM Prime subsidiary, Highlands Prime, Inc. (HPI), the leading upscale property developer of Tagaytay Highlands, has been holding its One Tree At A Time activity for a decade now. This program aims to plant one million trees within its premises by 2044. As of 2021, HPI has planted approximately half a million trees, achieving 50% of its target.

HPI's unwavering focus on environmental stewardship traces its roots to the vision of Filipino-Chinese businessman Willy Ocier who developed the property under the tutelage of SM founder Mr. Henry Sy.

"Henry Sy Sr. or Tatang is undoubtedly one of my greatest influences and dear mentor," revealed Mr. Ocier in an interview with *Philippine Daily Inquirer*

back in 2012. "He led by example and showed me the essence of smart frugality. He had a simple way of looking at things and he saw greatness in minute details which others might easily deem unnecessary or insignificant."

With Tatang as his mentor, Mr. Ocier successfully developed Tagaytay Highlands as the first integrated property resort in the country with a strong focus on environmental conservation. This spirit of green luxury lives on in today's Tagaytay Highlands under the stewardship of HPI.

Nurturing Our Shared Future

Optimizing Human Capital

(102-8, 103-1, 103-2, 103-3)



Our Human Capital is inextricably linked to our Social and Relationship Capital, particularly our relationship with our customers. We consider our workforce to be equally important with our clients, which is why our signature talent management experience is as vital as customer relations.

Each of our more than 9,000 employees plays a crucial role in enabling our companies to develop the best possible properties for our customers. To adapt to evolving customer needs, we also innovate our strategies for optimizing our human capital. We invest time and resources in nurturing a hardworking workforce with digital capabilities and a future-growth mindset through our people rebuilding strategy anchored on agility, innovation, and execution.

With a vision to be the workplace of choice in the country, SM Prime continues to uphold and observe the ethical and labor standards that support human rights and dignity. Our company is committed to meeting its responsibility to respect human rights as defined by the UN Guiding Principles on Business and Human Rights.

Providing our talents with an *aweSM* employee experience is our way of optimizing our human resources and relationships within our companies. We value the importance of quality of life for our employees. We believe in creating a well-balanced work environment because real, sustainable success of the business lies in our happy, mindful, and productive employees. As we grow, our employees grow with us because at SM, we are family.

During this pandemic, we recognize the invaluable dedication of our teams on the ground, who risked their very health and well-being every day to meet the needs of our customers. So, to nurture the very people who nurture SM Prime, we implemented programs that promote employee well-being, guided by our Be PRIME (Performance Driven, Results-Oriented, Intense, Mindful, Exceptional) core values throughout 2021.

Contribution to the UN Sustainable Development Goals (SDGs)

- Women comprised 56% of SM Prime's workforce, with women holding 47% of senior management positions
- SM Prime is a signatory of UN Women's Empowerment Principles (WEPs)
- 99.9% of our employees were vaccinated against COVID-19, and 79% were boosted
- Preserved jobs by prioritizing internal hiring through talent repurposing specifically for our businesses hardest hit by the pandemic
- Increased learning capabilities as a result of increased learning platforms with 20.3 hours of training per employee – 99% higher than the training hours recorded in 2020

Employee Profile

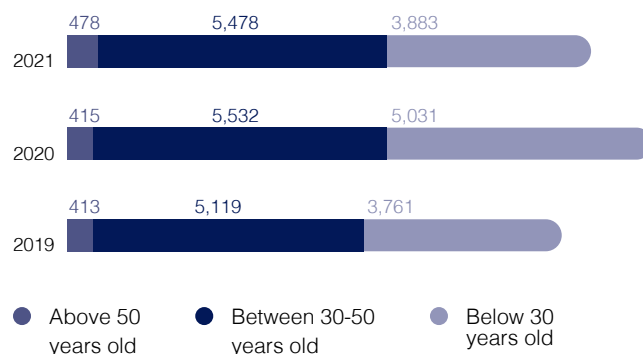
Total Headcount

2021
9,839

2020
10,978

2019
13,614

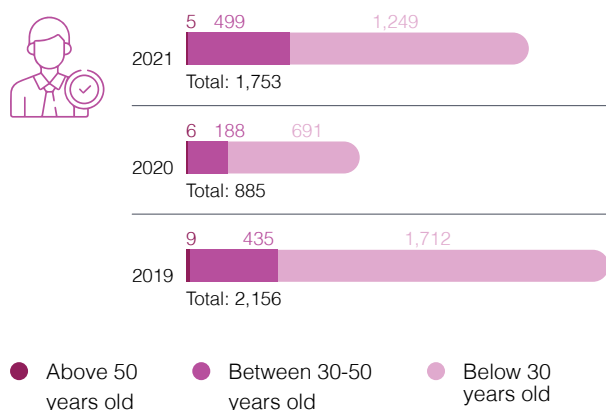
Employee Breakdown by Age



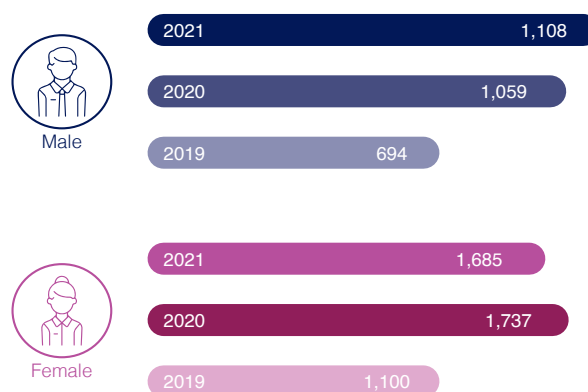
Attracting and Retaining Talent (401-1)

At SM Prime, we build and reinforce a competent and future-ready workforce by getting the right talents with right attitude aligned with our Company's values and culture. In 2021, our Human Resources Group hired 1,753 new employees, a 98% increase compared to 2020 new hires. With an employee attrition rate of 28%, there were a total of 9,839 employees in 2021.

New Hires by Age



Separations by Gender



In 2021 we continued to pivot by leveraging on our digital platforms such as SM Prime's career website smprimecareers.com, LinkedIn page: [linkedin.com/company/smphi](https://www.linkedin.com/company/smphi), and through our digital open house ensuring a safe and seamless virtual recruitment experience.

Newly hired employees all go through START PRIME with an aim of providing an exceptional Onboarding Experience. The program orients new employees on various aspects of the organization — from SM's history, SM Prime's vision, mission, and values to its current businesses and initiatives. It also integrates new employees with our Company's systems and culture and provides information on how to be productive members of their respective teams.

SM LIFE and Our Signature Talent Management Experience

(401-2)

As we value the importance of our employees' quality of life, we believe in creating an engaging work environment that will allow our employees to grow as the Company grows.

SM LIFE (Life Integration for Employees) means Working Together with a Happy Heart. This is our Employee Value proposition. We care for our employees. We value the importance of the employees' quality of life. We believe that real, sustainable success lies in our Happy, Mindful & productive employees.

As we grow, we want our employees to grow with us, because at SM, we are a FAMILY!

SM LIFE creates an engaging and fulfilling work environment which allows employees to transcend to their heroic purpose of touching the lives of our customers by providing happy

and fun family experiences, secure and affordable homes, and uplifting the quality of life for Filipino families.

Our signature Talent Management experience creates meaningful "spark moments" that matter to every employee. HR Transformational Goals focus on building an agile, innovative and execution-focused organization. The programs are delivered through the various employee touchpoints through the 5 Centers of Excellence of Recruit Right, perform Right, develop Riight, Reward Right and Engage Right.

At the heart of SM LIFE are the 3Ps: Purpose, Performance and Passion which aims to unleash the highest potential of employees in creating an SM brand that is Selfless and Magical.





SPEEDD

Specialized Program for Excellence in EDD



Professional Development

(404-1, 404-2, 404-3)

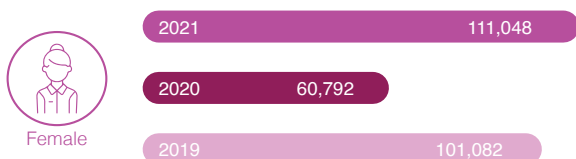
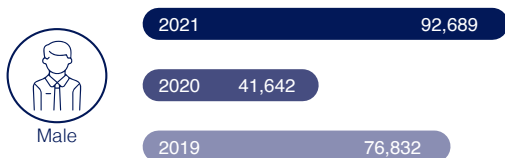
We ensure that all our employees have professional growth opportunities. We help our people find ways to unlock their maximum potential and become digitally and technologically savvy individuals. Through a strong learning culture, we maximize our human capital to fortify our talent pipeline and ensure excellent management leadership and skills for years to come.

In 2021, the employees of the SM Prime Group received an average of 20.3 hours of training per employee, amounting to 203,737 training hours in total, which is 99% higher than

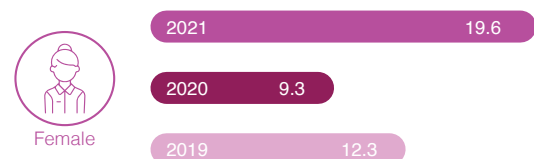
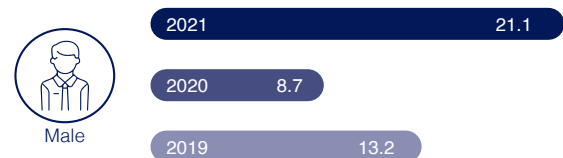
the training hours recorded in 2020. This significant increase resulted from the 93% live virtual format for all the training conducted for the year.

The Company provided more than 700 training sessions for employees for this reporting year, facilitated by SM subject-matter experts. As a result, almost 8,000 employees attended training courses on leadership, the future of work, workplace mindfulness, productivity, functional programs, continuous improvement, and sustainability and resilience.

Training Hours by Gender



Average Training Hours by Gender



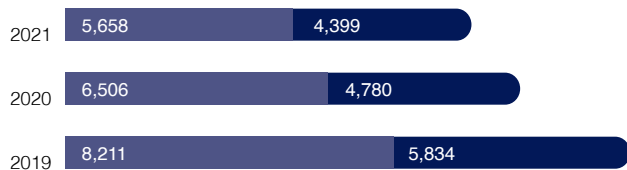
Creating Value through Diversity and Inclusion

(405-1, 405-2, 406-1)

According to the latest report from global management consulting firm McKinsey & Company, the most diverse companies are more likely to outperform less diverse peers on profitability. Various other studies similarly find that diverse companies — companies that actively recruit and promote women and underrepresented groups — produce more revenue because of their improved ability to innovate.

These insights are not lost on SM Prime as we uphold our commitment to diversity and inclusion (D&I). Through SM Prime's Group Inclusion and Diversity Agenda (GIDA), we ensure gender equality and women empowerment in the workplace, turning these advocacies into critical components of our Company's organizational culture and ability to create more value.

Employee By Gender



Senior Management



Working parallel with our SM LIFE program, GIDA encourages meritocracy-based talent development opportunities. It prohibits discrimination and harassment at work. As a result, women represent 56% of SM Prime's workforce, while women hold 47% of senior management positions in 2021.

The HR division conducted various women empowerment initiatives and events to boost our women employees' drive to excel. These include the signing of the United Nations Women Empowerment Principles, Women at Work mural and e-cards, Women at Work Webinar for Women Entrepreneurs, Fun Day at the Mall, Women's View special learning session, AweSM Moms event, webinar for breastfeeding moms, and webinar on mental wellness for women.

SM Prime also conducted other D&I programs, including the Cultural Diversity campaign, AweSM Dads and Super Men event, and Gender & Neuro-Diversity activities.

Empowering Women, Nurturing Sustainable Communities



SM Prime celebrates the extraordinary strength and power of women by signing the UN WEPs.

At the heart of every SM Prime development are communities nurtured by women. From taking care of the family to being productive workforce members, women play a crucial role in promoting sustainable and resilient communities.

SM Prime is a staunch advocate of a just and equitable society for women and girls. This is why the Company has proudly joined the ranks of over 3,000 other business leaders by signing the Women's Empowerment Principles (WEPs) of the United Nations (UN) last March 2021 as part of International Women's Day.

“Women’s empowerment should go beyond the workplace and marketplace — it should be part of everyday life.”

Established by UN Global Compact and UN Women, the WEPs aim to guide businesses in promoting the gender equality dimensions of the 2030 Agenda for Sustainable Development and the UN SDGs. As a signatory to the WEPs, SM Prime will help ensure that the UN continues to grow and serve the progress of gender equality and women's empowerment at a global scale.

“High-level corporate leadership is integral in prioritizing gender equality and women's empowerment in the workplace. For the WEPs to be ingrained in the company's sustainability strategy and organizational culture, firm high-level support and direct top-level policies for gender equality and human rights must be in place,” explained Ms. Fides Tanay, Group Chief HR Officer of SM Prime.

Women's empowerment should go beyond the workplace and marketplace — it should be part of everyday life. By adopting the seven principles of Women's Empowerment, SM Prime reinforces its strategies in promoting a gender-inclusive workforce and fosters business practices that empower women to reach their fullest potential.

How to Curb COVID in the Workplace

October 11, 2021 | 3 - 4 PM | MS Teams



DR. ANTHONY C. LEACHON

Independent Health Reform Advocate
Former President, Philippine College of Physicians
Chairman, KilKoVid

KILKOVID
kilkoovid.ph

Safety, Health, and Well-being

(403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7)

Ensuring the health and safety of our team members is essential in sustaining an empowered workforce. We consistently provide healthy and safe working conditions for our people. Our health and safety programs became even more important during the most challenging periods of the pandemic when we implemented strict COVID-19 safety measures, workplace safety procedures, and a holistic physical and mental health program.

Protection against COVID-19

SM Prime religiously complied with the COVID-19 guidelines of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) and the Department of Health (DOH). To help employees better understand the compliance protocols, we provided webinars on pandemic-related topics with medical experts as resource persons.

Likewise, SM Prime made vaccination more accessible to employees nationwide. As a result, our employees were 99.90% vaccinated against COVID-19 and 85% boosted. We also extended contact tracing and patient care assistance to all our staff.

Keeping our people informed is also crucial during this crisis, which is why SM Prime through our COVID-19 Internal Advisory communication platform actively engaged our employees. They are provided with internal communications on health advisories and corresponding workplace measures and policies. We also made sure that we keep our people energized through health and wellness tips, with a focus on mental health support.

Disaster Response

Aside from the pandemic challenges, communities in the Visayas and Mindanao had to bear the brunt of Typhoon Odette (Rai) in 2021. Immediately after the typhoon, SM Prime gathered resources to support employees affected by the natural disaster. We provided PHP5.5M worth of relief and financial support to 659 employees. Apart from the PHP15-25,000 aid from the company, 222 employees with severe property damage benefitted from donations worth PHP517,000.



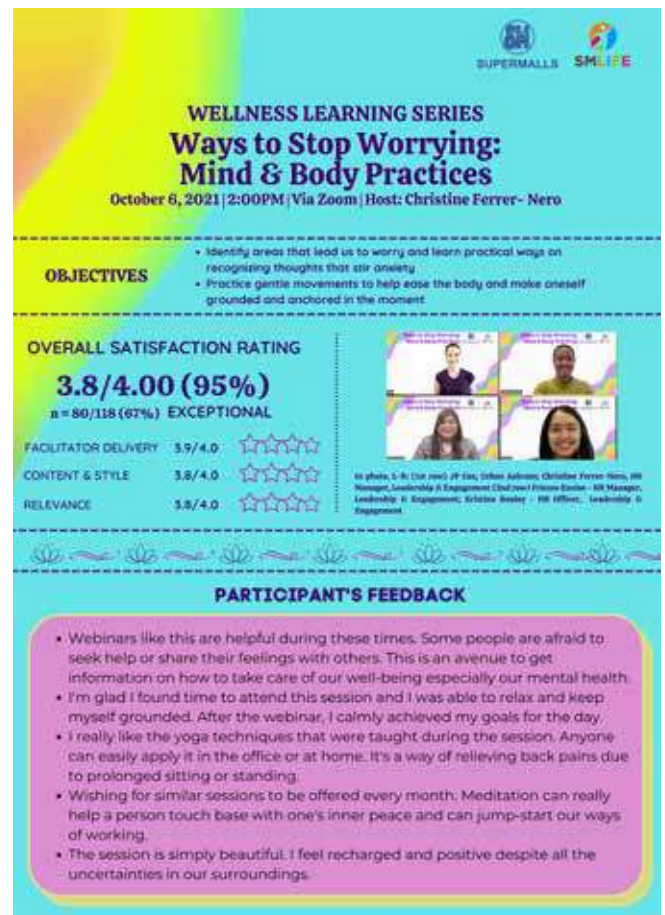
PHP5.5M

worth of relief and financial support to employees

SM Prime also reached out to employees and agency personnel with limited and no access to electricity, water, and other essentials, especially those based in Cebu. We sent 2,072 boxes of SM bottled water, 1,754 Kalinga packs from SM Foundation, 1,244 five-gallon water containers for Cebu, and 254 rechargeable solar lights for Cebu.

Other Typhoon Odette response initiatives were psychological debriefing, on-time crediting and access to payroll, calamity leaves, and extended Savings and Loan Association (SLA) calamity loans.

Additionally, SM Prime conducted disaster resilience training covering topics such as disaster drills, Teams A & B Set-up, COVID-19 awareness and management, and disaster resilience and risk management.



Mental Wellness

Aside from its effect on physical health, the pandemic has significantly impacted mental health. According to the DOH, at least 3.6 million Filipinos developed mental health issues due to COVID-19 anxieties and restrictions. The social isolation during lockdowns and the deep stress caused by the pandemic contributed to various mental health concerns, including depression, substance use disorders, and mood disorders.

To help employees cope with pandemic stress, SM Prime invested in a mental health service app called Mind You. SM Prime employees have quick access to unlimited professional psychological counseling via phone or video call through this mobile app. The app also provides employees with sustaining programs, including monthly webinars and mental wellness tips. By the end of 2021, 945 employees had activated their Mind You accounts. About 60% of booked sessions came from recurring users.

SM Prime also promoted the overall well-being of employees through various activities, including general well-being webinars, mental well-being counseling, physical exercise programs, First Friday Mass celebrations, and special masses for spiritual well-being.

SAFETY 101

Being Safe is Being Mindful



Occupational Health and Safety

(403-8, 403-9, 403-10)

Apart from protecting employees from COVID-19 and mental health concerns, SM Prime safeguards its people from accidents and ill-health. Integral to our property operations is the safety of our employees. In compliance with the Department of Labor and Employment (DOLE), SM Prime implements the Occupational Safety and Health (OSH) Standards to protect every worker against injury, sickness, and death through safe and healthy working conditions.

Our License to Operate

Enriching Our Social and Relationship Capital



Social and Relationship Capital refers to inputs and resources that connect our properties to our broader communities and social institutions. These cover our relationships with various stakeholder groups and organizations, including civic bodies and non-profit and government agencies. This capital both informs and grants our moral license to operate — it influences our credibility as a company and determines the public's perception of our brands, products, and services.

As a highly customer-focused company, SM Prime fully recognizes that an operating environment marked by socio-economic inequities, rising unemployment, and social instability hampers our businesses' long-term prospects and ambitions.

Therefore, we seek to uplift our operating environment and socio-economic milieu by creating strategic and meaningful corporate social responsibility (CSR) programs that elevate our communities. Through informed, targeted initiatives that create mutual benefits, we ensure the long-term resilience of our operations. All these go to the heart of our vision and purpose to make a difference in people's lives.

However, the past two years have been challenging for our various publics, given the difficulties caused by COVID-19 and climate disasters like Typhoon Rai. In response, SM Prime has deployed multiple capital bases — specifically financial, manufactured, and human — to address the most pressing issues of the past year.

Contribution to the UN Sustainable Development Goals (SDGs)

- 20,001 socialized housing units under Summer Hills Development Corporation
- 7,258,303 total number of Filipinos vaccinated in 72 mall sites
- Three Cities supported through Adopt-a-City Program
- PHP121.70M Community Investments



SM Cares: Partnership Building for the Greater Good

SM Cares is one of the Philippines' longest-running and most widely recognized corporate social responsibility (CSR) programs. As the Corporate Social Responsibility arm of SM Prime Holdings, SM Cares cultivates strong partnerships with various groups to implement interventions that matter most to our Company and its communities.

In the last ten years, SM Cares has allocated over PHP306M in program budget and contributions to strategic programs covering the Environment, Persons with Disabilities, Women & Breastfeeding Mothers, Children & Youth, Senior Citizens, and the Bike-Friendly SM Program. SM Cares has a direct staffing component of four employees and enjoys the support of hundreds of volunteers across the SM Prime group who actively participate in its advocacies.

In 2021, SM Cares highlighted the importance of building partnerships for its community support efforts. SM Cares' expertise in forging alliances is evident when it mounted the 2nd virtual Global Youth Summit in partnership with the Global Peace Foundation (GPF), the Consuelo Zobel Alger Foundation, CIE British School, Rotary Club of Makati Circle of Friends, Nestlé Philippines, Unilever, and Globe Telecom.

Held from August 13 to 14 and broadcast live on Facebook and YouTube, the second edition of the virtual Global Youth Summit (GYS) is part of the Global Peace Convention, which facilitated meaningful discussions among the youth on the unique challenges they face. The two-day summit revolved around achieving the 2030 United Nations Sustainable Development Goals through youth collaboration by addressing the most critical issues related to five goals — SDG 3: Good Health and Well-being; SDG 4: Quality Education; SDG 11: Sustainable Cities and Communities; SDG 2: Zero Hunger; and SDG 8: Decent Work and Economic Growth. The topics were selected through a poll that involved 1,996 youth respondents and presented through inspiring talks from industry leaders, change-makers, and social media influencers.

In its ninth year, the 2021 virtual GYS had a total of 6,481 attendees on Zoom and On24, with more than 14,000 views and 343,049 reach on Facebook. It also ranked 10th among the top trending topics on Twitter in the Philippines during its run. Of the attendees, 68 percent came from the Philippines, 12 percent from the rest of Asia, nine percent from North America, seven percent from Africa, and four percent from Europe.

Later in the year, SM Cares also completed its Christmas charity project called the SM Bears of Joy. Every year, this campaign brings smiles to children during Christmas, creating a platform for SM shoppers to share the joy of the holidays to families who need support.

For this program, SM Cares once again partnered with SM Supermalls, and the famous toy brand Toy Kingdom to encourage shoppers to include a pair of specially designed bear plushies in their holiday shopping — one for them to keep and the other for donation to children in various communities. The 2021 iteration of the campaign was a

huge success, with 26,115 pairs of bears sold across 62 on-ground and five online selling platforms, benefitting 67 partner groups, including NGOs, LGUs, orphanages, and foundations. Since 2012, the campaign has distributed 288,561 toy bears to disadvantaged children.

Aside from these, SM Cares also implemented other programs, including a series of digital campaigns on emergency preparedness for PWDs and seniors citizens; breastfeeding and breast cancer awareness webinars; and various initiatives supporting biking as a healthy transport alternative that reduces our community's carbon footprint.

A Closer Look

SM Prime Employees Give Away Christmas Party Fund



SM Prime employees proved that the real spirit of Christmas is in giving when they rechanneled PHP2.5M in employee funds to various charities.

"We always encourage our employees to look beyond our immediate concerns, count our blessings, and understand the bigger role we play as leader in our communities," says Group Chief HR Officer, Ms. Fides Tanay. "We are grateful and blessed to have a stable livelihood in SM Prime. To have a more meaningful Christmas, our employees with resilient and generous hearts are one in the spirit of paying it forward to bless our fellow Filipinos by foregoing the event & donating the allocated Christmas budget to selected beneficiaries. True to our heroic

purpose, we continue to uplift & touch the lives of the Filipino communities we serve which makes SM what we are today."

The PHP2.5M was originally allocated by SM Prime for the Christmas parties of SM Supermalls, including SM Cinema, and SM Lifestyle and Family Entertainment Company, Inc. (FECI).

"SM Prime's employees give as one family to underserved communities in these challenging times. It has been a difficult year and we hope to give what we can to as many charities so different sectors can all have a meaningful Christmas," said SM Prime President Jeffrey Lim.



Building a Nation of Homeowners

SMDC has been quietly but steadily building homes in disadvantaged areas across the country over the past years.

“Our goal as a residential development company is not only to provide homes for those who have the money. In line with socialized housing laws and our own voluntary programs, we also donate funds to construct durable and secure homes for the poorest members of our society. This way, we remain true to our commitment to building a nation of homeowners.” says SMDC President, Mr. Jose Mari Banzon.

SMDC’s partnerships for disadvantaged communities are many. Some examples include the Barangay Lasang housing project in Davao City, the Uswag Low-rise Residential Building in Jaro, Iloilo City; Salcedoville in Samar; and the GK SMDC Bayanihan Village in Dasmariñas, Cavite.

In Davao, SMDC has partnered with the Davao City government to construct a PHP322M socialized housing project on a 146,700-square meters government lot in

Barangay Lasang. SMDC will cover all the expenses for the design, engineering, and construction of the property, including roads, drainage, and open space facilities.

In Iloilo, SMDC, DHSUD, and the Local Government Unit of Iloilo City agreed to develop the Uswag Low-rise Residential Building in Brgy. San Isidro, Jaro, Iloilo City. The housing project will benefit low-income, local government regular employees.

In Salcedo, Eastern Samar, SMDC partnered with Couples for Christ (CFC), CFC ANCOP, and the Municipality of Salcedo to construct over 300 houses for marginalized families.



PHP322M
socialized housing project

Helping the Government Fight COVID-19

To help contain COVID-19 in the country, SM Supermalls devoted strategically located areas in 72 of its malls to provide ample space for local government units (LGUs) to safely and conveniently inoculate their constituents. SM Supermalls extended the use of these mall spaces for free to help the government reach its target of fully vaccinating at least 70% of the population.

By the end of 2021, SM's partnership with various LGUs helped the government vaccinate over seven million Filipinos. SM Supermalls also partnered with the Department of Health (DOH) and Inter-Agency Task Force for the Management of Emerging Diseases (IATF) to open 11 malls as pediatric vaccination sites, catering specifically to minors belonging to the 5-11 & 12-17 age groups. Notably, SM and the Pasay LGU, together with National University, partnered on the Vacc to the Future Program at SM MOA for one of the biggest vaccination centers in the country, accommodating around 2,000 persons per day.

To make saliva testing more accessible, SM Supermalls partnered with the Philippine Red Cross to open drive-thru saliva RT-PCR collection sites in 10 malls nationwide. This effort was part of SM's Safe Malling program to keep customers safe and healthy whenever they are in the malls.



SM Supermalls also became the first official VAXCertPH venue partner after signing a deal with the DOH and the Department of Interior and Local Government (DILG) at SM City Clark. During the initiative's launch, SM announced that they would provide specific areas in 76 SM malls for the VAXCertPH booths where Filipinos can verify their digital vaccination records from the LGU.

For all these programs and investments, the IATF and the DOH gave special recognition to SM for being the single biggest private sector frontliner of the government in its vaccination program.





Disaster Relief

SM Prime allocates 10% of its capital expenditure to integrate disaster-resilient features in its property designs. This investment strategy has successfully enabled our properties to operate safely during calamities and even serve as a haven for affected communities.

When Typhoon Odette (Rai) struck in December 2021, SM Supermalls in Cebu, Iloilo, Cagayan de Oro, Butuan, and Puerto Princesa provided temporary shelter to customers and nearby residents by offering free Wi-Fi, charging stations, drinking water, light snacks, overnight parking, and help desk services.

In times of disaster, our Company swiftly mobilizes the immediate distribution of relief goods using its foundation and broad footprint. It activates its banks and malls as collection points for donations. It also provides critical mobility for essential equipment and goods through logistics firms. Furthermore, it gives shelter and connectivity to those affected by the typhoon in its malls.

Despite logistical limitations, SM Prime continued to open essential stores, including banks, to immediately provide for the people's most pressing needs after the devastating typhoon.

Customer-Focused Services: SM Supermalls among the World's Best

SM Supermalls once again claimed top prize in the World Retail Awards for Customer Experience. For 2021, SM Supermalls' #AweSMLearning Phygital Campaign bested top retail stores from other countries in the Customer Experience Breakthrough category.

#AweSMLearning Phygital Campaign is a unique program that addresses the many challenges Filipino parents' faced with the unprecedented distance learning schooling environment during the pandemic. Many parents had a challenging time with adjusting their children to the new distance learning protocols and the unique requirements distance learning demanded both from pupils and their parents.

So in a school year unlike any other, the #AweSMLearning campaign helped kids and parents share more fun moments. SM treated them to various fun home-schooling tips and several interactive virtual activities like the #AweSMLearning Online Workshops and the #SMSuperKidsDay Virtual Party. As a result, the campaign received overwhelming support from parents who considered SM a partner, enabling them to assume a bigger role in supporting their children's transition to a new way of learning.

This is the second year that the World Retail Awards, the only global industry event that recognizes and honors retail excellence, has honored SM Supermalls for its breakthrough customer services.

Launched in 2007, the World Retail Awards attracts entries from hundreds of retailers from over 50 countries, allowing brands to display their innovation and excellence across various segments of the industry. Past winners of the World Retail Awards include the Alibaba Group, Walmart, Amazon, Starbucks, Nike, Tesco, L'Occitane, Tommy Hilfiger, and Marks & Spencer, among other global brands.

"Through #AweSMLearning, SM has found a new way to create a more meaningful customer experience for a new breed of shoppers — the home-schooling market," said Joaquin San Agustin, SM Supermalls Senior Vice President for Marketing. SM assured our shoppers that we were with them "phygitally" (physically and digitally) and ready to serve wherever they felt [it was] safest and most convenient."



National Resilience Council: Public-Private Partnerships at Work

Promoting a climate and disaster-resilient Philippines through public-private partnership is at the core of the existence of the National Resilience Council (NRC). Thus, its work highlights the crucial role of the private sector in reducing existing risk and preventing new risk from being generated using science and technology-based and evidence-informed risk governance. In the context of the pandemic as well as other emerging challenges, private corporations have been able to be more strategically engaged in building climate and disaster resilience of LGUs by investing in preparedness, prevention, pre-disaster recovery planning, and long-term resilience partnerships through the Disaster Risk Management Strategies (DRMS) Knowledge Series, Adopt-a-City Program, and Quick Risk Estimation Tool.

DRMS Knowledge Series (Source: ARISE Philippines)

This three-part webinar, held in July-August 2021, was designed by the NRC and ARISE Philippines to help participants gain an in-depth understanding of the back concepts of risk and resilience. Session 1: Unpacking Hazard, Exposure, Vulnerability, and Capacity (HEVC) centered on explaining HEVC and discussing them within the risk conceptual framework, while Session 2: DRM Strategies, Tools, and Methods focused on outlining the different resources (strategies, plans, and tools) that can help groups develop and implement programs that can enhance business resilience. Session 3: Integrating Risk and Resilience in Building Operations and Reporting presented how risk reduction and resilience can be integrated into the core business cycle and the critical need for including resilience in reports and disclosures.



Adopt-a-City Program

The program aims to strengthen the leadership and governance capacities of LGUs through a more robust private sector participation. Moving beyond the traditional role as donors during disaster response, it is an innovative pathway for corporations to collaborate directly with local governments, academic partners, and communities through investments that reduce exposure and vulnerability and transform climate and disaster risk landscapes. It facilitates investments in the climate and disaster resilience of the communities they serve as part of their core business value cycle. These investments ensure direct social impact and generate co-benefits by enhancing their own sustainability through environmental, social, and corporate governance.

To date, SM Prime has adopted three cities, namely, Cagayan de Oro, Naga, and Iriga.

Quick Risk Estimation Tool

The QRE Tool was launched by the United Nations Office for Disaster Risk Reduction (UNDRR) to help small and informal businesses better understand their exposure and vulnerability to disaster risks, especially in the context of the COVID-19 pandemic. The NRC, ARISE Philippines, and the University of the Philippines Institute for Small-Scale Industries have an ongoing partnership to do pilot testing among the MSMEs of UP ISSI.

The NRC is co-chaired by Mr. Hans Sy, representing the private sector, and Secretary Delfin Lorenzana of the Department of National Defense, representing government. It also has four vice-chairpersons representing government, the private sector, academia, and civil society. This structure facilitates the institutionalization of partnerships between various sectors and ensures the co-creation of strategic solutions to demand-driven resilience challenges.



ARISE-Philippines Partnerships for Disaster Risk Reduction and Resiliency



“We really have to take responsibility and continue to work hard together against the backdrop of this crisis and in the face of other challenges. Hopefully, with this forum we find more or new approaches and strengthen commitment and action all towards helping intensify our response to this ongoing pandemic and achieve effective disaster risk governance as a whole.” – Mr. Hans T. Sy (TLF 2021)

ARISE-Philippines is a local network of ARISE Global, the Private Sector Alliance for Disaster Resilient Societies. ARISE is a United Nations Office for Disaster Risk Reduction (UNDRR) - led network of private sector entities whose members voluntarily commit to support and implement the Sendai Framework for Disaster Risk Reduction (SFDRR). Organized through the initiatives of SM Prime Holdings Inc. and with support from UNDRR, the network was launched in the Top Leaders Forum (TLF) 2015 in Pasay City, Philippines.

On December 6, 2021, ARISE-Philippines in collaboration with SM Prime Holdings, Inc. and the National Resilience Council (NRC), held the 2021 Top Leaders Forum virtually

and was attended by over 300 top executives from the private sector as well as representatives from government units.

The forum centered on the theme — Ensuring Continuity of Private Sector Engagement for Effective Disaster Risk Governance Given New Risks Due to the Pandemic, Impact of Climate Change and the Economic Outlook, and included presentations from the Office of Civil Defense (OCD), the Department of Finance (DOF), and the Ateneo Eagle Watch of the Ateneo Center for Economic Research & Development.

Reactions to said presentations were done by representatives of Philippine Chamber of Commerce and Industry, Employers Confederation of the Philippines and Management Association of the Philippines.

This event is part of the initiatives undertaken by ARISE-Philippines in accordance with the target fulfillment of the Key Performance Indicators set on the four (4) priority areas.

4 PRIORITY AREAS	Resilient Infrastructure
	Insurance and Reinsurance
	Investors and Investments
	Small and Medium Businesses



Corporate Governance

Adhering to the highest levels of corporate governance enables companies to succeed in the long term. At SM Prime, we constantly aim to elevate our governance standards by embracing the broader concerns of society in our decision-making processes.

Corporate Governance

(102-18, 102-19, 102-22, 102-23, 102-24, 102-26, 102-27, 102-28)

SM Prime Holdings, Inc. is dedicated to sustaining its culture of good governance that underscores 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.

The pandemic brought multiple challenges not just to the Company but also to its stakeholders. Despite these challenges, SM Prime remained steadfast in its good corporate governance practices. The Company's commitment to these practices has helped establish SM as a strong brand that 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 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. In the Annual Stockholders' Meeting held last April 20, 2021, three new Independent Directors were elected with the benefit of their vast experiences and knowledge.

SM Prime's Revised Manual on Corporate Governance specifies the duties and responsibilities of the Board of Directors, and delineates the roles of the Chairperson of the Board and the President. This separation of roles ensures an 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;
- Leads in the establishment of the strategic framework, setting the overall strategic direction;
- Oversees the development of and approval of 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 continuing its goal of enhancing corporate values, maintaining sustainable development, and delivering 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

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	Chairperson	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 the 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 with all government requirements and keeps abreast of the latest developments in regulations concerning the real estate industry. The payment of taxes helps in 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 2021, with 100% attendance in all meetings.

Audit Committee					
Members	Designation	Attendance			
		2/15	5/3	8/2	11/8
Amando M. Tetangco, Jr. (ID)	Chairperson	-	✓	✓	✓
Darlene Marie B. Berberabe (ID)	Member	-	✓	✓	✓
J. Carlitos G. Cruz (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 2021, with 100% attendance in all meetings.

Risk Oversight Committee					
Members	Designation	Attendance			
		2/15	5/3	8/2	11/8
J. Carlitos G. Cruz (ID)	Chairperson	-	✓	✓	✓
Amando M. Tetangco, 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 2021 with 100% attendance in all meetings.

Corporate Governance Committee				
Members	Designation	Attendance		
		2/15	5/3	11/8
Darlene Marie B. Berberabe (ID)	Chairperson	-	✓	✓
J. Carlitos G. Cruz (ID)	Member	-	✓	✓
Amando M. Tetangco, Jr. (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 Chairperson
Amando M. Tetangco, Jr.	Belle Corporation	Lead Independent Director
	Converge ICT Solutions, Inc.	Independent Director
	Pilipinas Shell Petroleum Corporation	Independent Director
J. Carlitos G. Cruz	Solar Philippines Nueva Ecija Corporation	Lead Independent Director
	Vivant Corporation	Independent Director
Hans T. Sy	China Banking Corporation SM Investments Corporation	Chairperson Advisor to the Board
Herbert T. Sy	China Banking Corporation SM Investments Corporation	Director Advisor 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 2021 with 100% attendance.

Related Party Transactions Committee		
Director	Designation	Attendance
		2/15
Darlene Marie B. Berberabe (ID)	Chairperson	-
Amando M. Tetangco, Jr. (ID)	Member	-
Jorge T. Mendiola (NED)	Member	✓

Board Remuneration

(102-35, 102-36, 102-37, 102-38, 102-39)

Members of the Board of Directors receive a per diem of PHP10,000 (PHP20,000 for the Chairperson and Vice Chairperson) 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 on 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 recommendations 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
Amando M. Tetangco, Jr.	Lead Independent	69	April 2021	1	Accounting, Audit and Control, Banking, Corporate Governance, Economics, Finance, Healthcare, Transport and Logistics, Public Policy
J. Carlitos G. Cruz	Independent	61	April 2021	1	Accounting, Audit and Control, Banking, Finance, Risk Management, Tax
Darlene Marie B. Berberabe	Independent	53	April 2021	1	Corporate Governance, Finance, Investment Banking, Labor, Law, Treasury, Real Estate
Henry T. Sy, Jr.	Non-Executive	68	April 1994	28	Real Estate, Sales and Marketing
Hans T. Sy	Non-Executive	66	April 1994	28	Real Estate, Engineering
Herbert T. Sy	Non-Executive	65	April 1994	28	Real Estate, Retail
Jorge T. Mendiola	Non-Executive	62	December 2012	9	Real Estate, Retail
Jeffrey C. Lim	Executive	60	April 2016	6	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 on our Board. For the term 2021-2022, the Board onboarded a female Independent Director.

Nomination and Election of Board of Directors

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. Amando M. Tetangco, Jr. serves as the Board's Lead Independent Director and is the Vice-Chairperson 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

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 Chairperson 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 eleven board meetings in 2021 on the following dates: February 15, April 7, April 20, May 3, June 9, August 2, August 31, November 8, December 6 and December 17. 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 on December 6 without the presence of Management.

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. The annual evaluation also serves as a venue for identifying areas for improvement in terms of training, 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 an 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 and BDO Unibank separately through Zoom. Each Director and key officer have attended at least one training session. For 2021, the annual CG trainings were conducted on September 1 and 30 by the aforementioned providers covering the following topics:

- Digital Transformation
- Corporate Governance in a Nutshell: What Effective Boards Focus on Before Everything Else
- Anti-Money Laundering for Designated Non-Financial Businesses and Professions
- The World is Changing – and so is Leadership
- The Impact of Geopolitics on Digital Business
- Design and Delivery for Customer Facing Digital Products
- A Board Guide to Artificial Intelligence and Use Cases
- Digital Leadership: Ride the Waves of Disruption
- Sustainability in the Boardroom
- Update and Outlook of the Philippine Economy
- Geopolitics Between East and West / Dawn of the Asian Century
- Living and Investing with COVID-19
- AI and Digitalization / Robotics Friend or Foe
- How Companies and Conglomerates are Adapting to a Changing World

Corporate Governance Related Policies

Manual on Corporate Governance

SM Prime's Revised Manual on Corporate Governance 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

(102-17)

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.

Governance Policies and Practices

(102-5, 103-1, 103-2, 103-3, 205-1, 205-2, 205-3, 206-1)

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

Policy/Practices	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 Related Party Transactions (RPT) Policy, to ensure these are conducted at arm's length. RPT 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 organizations 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 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	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	Our Company adheres to the principles of healthy competition, equal opportunity and fair treatment of business partners. As such, the 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 overall 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 see fit.
Data Privacy Policy	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").
Non-Executive Directors' Meeting with External Auditor	Non-Executive directors shall have separate periodic meetings with the external auditor, and heads of internal audit, compliance, and risk management, without the presence of executive directors to ensure proper checks and balances are in place.
Notification of Directorship Prior Acceptance	SM Prime requires all directors to exercise due discretion in accepting and holding directorships outside of the Company. As such, directors are required to notify the Board, through the Corporate Secretary, immediately upon receipt of invitation or nomination from a publicly-listed company.
Third-Party Facilitated Board Evaluation	In line with the Company's efforts to improve Board performance and practice of good Corporate Governance principles, the Board is subject to an annual evaluation and facilitated by a third party every three years. The practice aims to address areas of improvement and monitoring of progress.
Sustainability Reporting	The Company espouses disclosure of material and reportable non-financial and sustainability matters, using a globally-recognized framework. The report emphasizes the management of economic, environmental, social, and governance issues of the business.

Communication and Compliance

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.

Disclosure and Transparency

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, may be viewed and downloaded from the 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 2021, 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 April 20, 2021 was conducted virtually and broadcasted via live-streaming 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 March 23-25, 2021 with sufficient and relevant information to encourage active stockholder participation.

The minutes of the annual stockholders' meeting held on April 20, 2021 were posted on the 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 Chairperson 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. 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 complies 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 include 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 for 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 compliance, functional, behavioral, 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: corpgovernance@smprime.com

Enterprise Risk Management

(102-11, 102-28, 102-29, 102-30, 102-31, 102-32, 102-33, 102-34)

The Board, through its Risk Oversight Committee (ROC), is responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. At the management level, the Enterprise Risk Management (ERM) is headed by the Chief Risk Officer (CRO). The CRO is responsible for leading the formulation of risk management policies, methodologies, and metrics in alignment with the overall business strategy of the Company, ensuring that risks are prudently and rationally assessed, managed and monitored. The CRO and the ERM team facilitate risk management learning programs and promote best practices on an enterprise-wide basis.

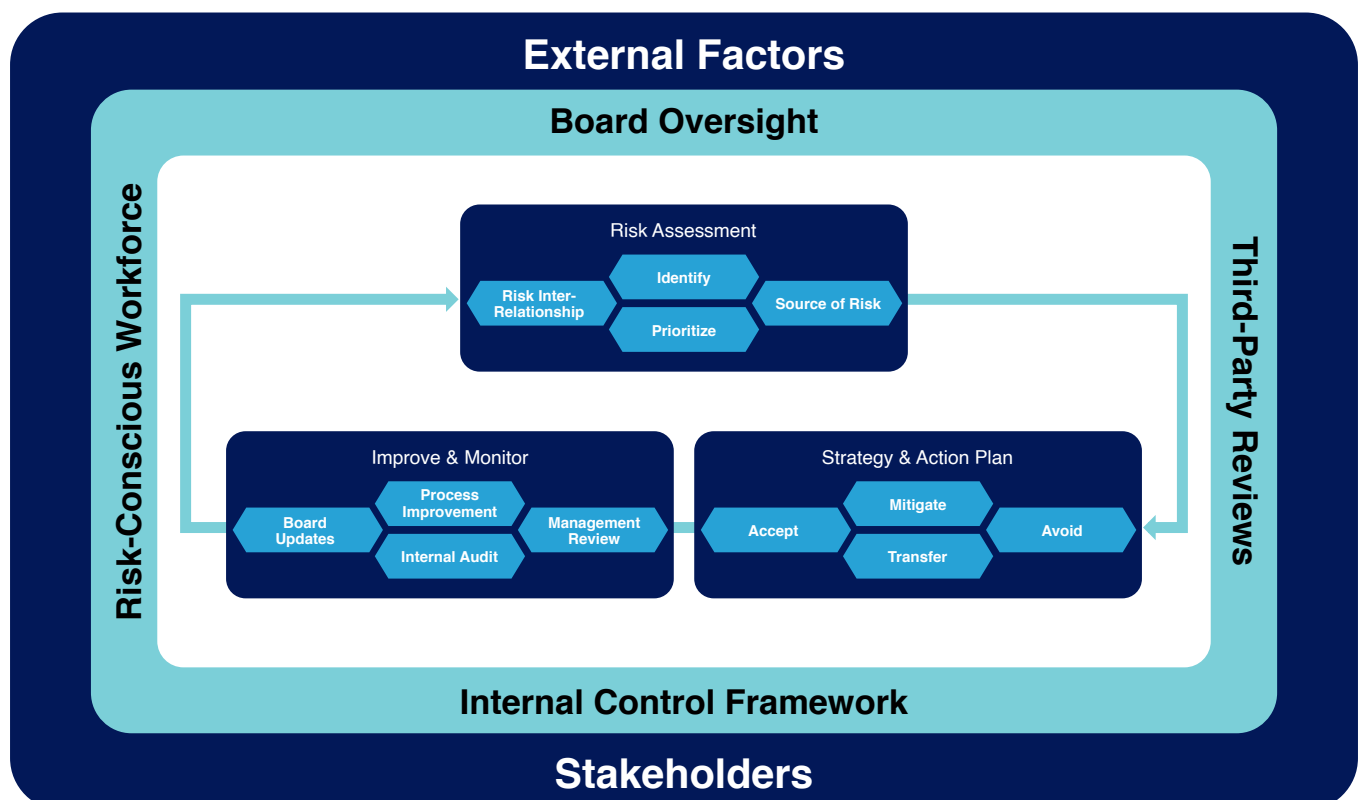
The Executive Committee provides further oversight on the assessment of the impact of risks on the strategic and long-term goals of the Company. The business unit heads are responsible for managing operational risks by implementing internal controls within their respective units. On a quarterly basis, the ROC is updated on the status of risk management and risk mitigation plans of the Company based on the presented general risks and business units' specific risks. Action plans to mitigate risks include investment in technology, provision of continuous training to employees,

management review and monitoring, performance of regular audits, establishment and implementation of policies, and constant partnerships with various stakeholders.

SM Prime follows an eight-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.

SM Prime prioritizes safety and security in all its properties and requires all its Business Units to have Emergency Response Procedures in place. The safety and security system implemented in its malls properties is audited annually by third parties. This gives the Company confidence that risks related thereto are adequately mitigated, and any area that needs improvement is identified and addressed.

To address Property Damage and Business Continuity Risk, the Company has implemented a Business Continuity Management System (BCMS). This system assures tenants,



The key risks of SM Prime include:



The Company ensures that adequate control measures are in place to prevent and mitigate each of the aforementioned risks.

suppliers, and other stakeholders of two things: a) that the Company has processes in place that aims to prevent property damage that may lead to business disruptions; and b) that should property damage still occur that may lead to business disruption, the Company's operations team is competent to handle, respond, and continue operations in the occurrence of a disruptive event. The Company has continued to cascade and implement BCMS to all its malls to ensure SM Prime continuously meets its commitments and provide continued operation especially in its critical business functions. Annually, SM Prime's malls undergo ISO 22301 (BCMS) Certification. The Company engages third party assessor, TÜV SÜD Philippines PSB, to achieve the organization's compliance with the ISO 22301 standards. As of 2021, a total of 71 malls are already BCMS-certified. The roll out of the BCMS is within the set target based on the Five-Year Roadmap with specific targets on the percentage of malls to be covered. By 2022 yearend, it is projected that 75 of SM Prime's existing malls are BCMS-certified.

The Board stresses the importance of prudent Information Technology (IT) risk management. The CRO reports to the Board the status of risk management and risk mitigation plans of the Company particularly on issues concerning availability of continuity plans, backup procedures, protection against damaging code and malicious activities, system and information access control, and incident management and reporting. Through periodic risk assessments, threats to assets are identified, vulnerability to and likelihood of occurrence are evaluated, and potential impact are estimated in the areas of network, operating system, application and database in production. Specifically, system vulnerability assessments, to proactively detect and address threats and vulnerabilities are performed regularly. In terms

of cyber security management, the Company has adopted globally accepted standards to employ a similar approach of cyber security strategies within the organization.

The Company's Board puts emphasis on mitigating Climate Risk and has instituted numerous programs to improve its disaster risk reduction and resiliency. The Company continues to invest in disaster-resilient buildings and spends 10% of its CAPEX on sustainable design and other disaster risk reduction-related investments. The Company also aims to reduce greenhouse gas emissions by shifting its demand for electricity sources to renewables. The Company is also instituting programs to reduce energy and water consumption in its properties and recycles an average of 43% or 7 million cubic meters of water annually.

In 2021, the Company also recognized the impact of COVID-19 on the Philippine Economy and the Filipinos and the continuing economic and social risk that it poses. As a response to the crisis, the Company supported the government's COVID-19 vaccination program by providing vaccination venues free of charge to local government units. The Company procured COVID-19 vaccines wherein 50% were donated to the national government. To date, 99% of SM Prime employees are fully vaccinated and 85% were boosted.



99%
fully vaccinated
employees

85%
boosted
employees

SM Prime takes a conservative approach to manage its Financial Risks specifically Foreign Exchange and Interest Rates. The Company engages in hedging to address Forex Risk. The majority of SM Prime loans are fixed interest rate loans, which shields the Company against the effects of fluctuating interest rates.

The Company also continuously strives to comply with all regulatory requirements. In 2021, as a Company engaged in the development of real property for sale or lease, SM Prime became a covered person under the Anti-Money Laundering Act (AMLA). As a covered person under the law, SM Prime dutifully completed the registration process and crafted a Money Laundering and Terrorist Financing Prevention Program (MTPP) that was duly approved by the SM Prime Board of Directors.

SM Prime has also established a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction. The Board appointed Data Protection Officer (DPO) who oversees data privacy compliance and manages data protection risks for the organization consistent with the Data Privacy Act rules and regulations, issuances by the National Privacy Commission and other applicable laws.

Moreover, the Company strengthened the compliance risk management in compliance with external regulations particularly on the local and national level to significantly reduce the adverse effect on the Company's business operations. The Corporate Compliance Group (CCG) promotes adherence and awareness to laws, rules and regulations by electronically posting information and documents, and maintains a monitoring database that is accessible to all employees. Regular meetings are also conducted to discuss the impact of new regulations and decide on the required compliance measures. Through continued liaison and dialogue with regulators, CCG ensures the prompt dissemination of new regulations and other developments affecting Company operations.

The consolidation of the SM Group's property companies and real estate assets under SM Prime in 2013 provided an opportunity for sharing best practices across different business units to improve processes and controls effectiveness and efficiency. In line with this, the Company continues to implement enterprise-wide alignment of key business processes and internal controls. Moreover, the Company strengthened the risk management in compliance to external regulations particularly on the local and national level to significantly reduce the adverse effect on the Company's business operations.

The Company's governance, risk management, and control systems are subject to the independent, objective, reasonable, systematic and disciplined evaluation by its Internal Audit group. To maintain its independence, Internal Audit reports functionally to the Board of Directors, through the Audit Committee, and administratively to the President. As such, the appointment and removal of the Internal Auditor requires the approval of the Audit Committee, as provided in the Committee's Charter.

The Company also engages the services of an external auditor to perform an independent audit and provide an objective assurance on the fairness and presentation of the Company's financial statements. The external audit partner is rotated every five (5) years or earlier, and any non-audit work should not be in conflict with the functions of the external auditor. Considering this and other relevant matters, the Audit Committee has the responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the external auditor.

Further, the Company's non-executive directors meet with the External Auditor at least once annually without the presence of any management personnel or executive to verify that the external auditor was provided sufficient access to records and information for their audit of the financial statements the Company and to discuss issues which the audit team would like to bring to the attention of the non-executive directors of the Company.

Risks and Opportunities

Financial Capital			
	Material Issues	Risks/Challenges	Opportunities
Financial performance	Economic growth and performance	Significantly impacts the interests of shareholders, employees, and suppliers	<p>Strengthening societal ties through donations for marginalized sectors and by supporting the national COVID-19 response</p> <p>Extending financial support to small business partners and the business recovery efforts of tenants</p>

Intellectual Capital			
	Material Issues	Risks/Challenges	Opportunities
Sustainable Design Strategies	Green infrastructure and sustainable designs	<p>Compliance with varying standards and changing needs of the public</p> <p>Complex procedures and unclear requirements to obtain approval from local regulatory bodies</p> <p>Lack of availability of green and sustainable materials in the local market</p>	Award-winning innovations
Trace Together	COVID-19 response and data privacy	Need for supporting digital infrastructure to be flawless	<p>Improves government relations and enhances the SM Prime brand</p> <p>Flexibility to be replicated and recalibrated to serve other future purposes</p>
Virtual Office	Business continuity and employee welfare	<p>Possible loss or damage to equipment</p> <p>Increasing physical investments</p>	Redefining office arrangements toward better productivity

Natural Capital			
	Material Issues	Risks/Challenges	Opportunities
Energy Efficiency and Renewable Energy	Climate Change	<p>High cost of facilities and installation</p> <p>Scarcity of risk management resources, including expertise, industry data, and insurance coverage</p> <p>Lack of availability of green and sustainable materials in the local market</p>	<p>Reduction in operational and maintenance costs relative to business as usual</p> <p>Reduction of GHG emissions as a contribution against climate change</p> <p>Benefits of aligning operations with corporate goals</p> <p>Government incentives such as tax reductions and feed-in tariffs</p>
Water Management	Resource Consumption	<p>Unpredictable availability of technology and high cost of implementing new STP effluent standards</p> <p>Structural concerns in retrofitting existing STP facilities</p>	Improved use of resources and adherence to the Clean Water Act
Solid Waste Management Programs	Waste Management and Environmental Compliance	Stricter implementation of government policies and closure of several landfill sites	<p>Proper waste management reduces garbage in landfills</p> <p>Waste segregation reduces operating costs</p> <p>Responsible resource management enhances company reputation and public trust</p>

Hamilo Coast's Biodiversity Conservation Measures	Biodiversity	Lack of appreciation and weak management of programs by communities	Development of areas for the habitats of rare and threatened species creates strong community awareness
		Scarce or low budget and low priority of local government units	Capacity building for communities enable better appreciation of stakeholders and help foster relationships with communities
			Care and protection of biodiversity establish goodwill and positive public response, equating to more excellent business value

Human Capital			
	Material Issues	Risks/Challenges	Opportunities
SM LIFE Program	Green infrastructure and sustainable designs	Safe distancing protocols call for changes in employee experience and significant adjustments in working habits	The program adapts to the changing employee experience and strengthens employee engagement
Talent Attraction, Retention, and Development	Employee career advancement	<p>The outflow of talent in a highly competitive market impacts operational efficiency and sustained growth</p> <p>Enhanced organization design and work environment is urgent and required</p>	Equipping our workforce with resilience, agility, digital know-how, and change management will strengthen employee morale and learning

Social and Relationship Capital			
	Material Issues	Risks/Challenges	Opportunities
SM Cares Program	Corporate Social Responsibility and Employee Engagement	Increased expectations of partners and demand for more programs require an increase in budget	The public-private partnerships are mutually beneficial and strengthen our company in many aspect
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 delays can be a huge difference	<p>Competitive advantage</p> <p>Core principles of green design are embedded in energy and water management</p> <p>The lower operation and maintenance cost is attractive to tenants, condominium owners, and other clients and improves the budget and asset value</p>

Task Force on Climate Change Disclosures



Climate change presents both serious risks and major opportunities for growth and innovation, especially for large companies like SM Prime. This is why on October 2021, our Company joined the ranks of over 2,500 companies around the globe in avowing our commitment to the goals of the Task Force on Climate-related Financial Disclosures (TCFD).

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that: a) “promote more informed investment, credit, and insurance underwriting decisions” and b) “enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.”

The Task Force’s recommendations are structured around four core elements of how organizations operate: governance, strategy, risk management, and metrics and targets. These four elements are supported by practical climate-related disclosures that enable investors and other interested stakeholders to better appreciate and assess how our Company addresses climate-related issues.

According to our President Jeffrey C. Lim, “Philippine investors currently have minimal information that equip them to appreciate and adequately respond to climate change risks and opportunities. We believe that new financial disclosures like TCFD is an important private sector-led

contribution to fighting climate change. Through these disclosures, both companies and their investors can now factor in the risks associated with climate change, equate these risks with corresponding costs, and reward programs that integrate climate strategies in core business operations.”

Governance

SM Prime’s Board of Directors (Board) oversees our management and overall strategy. In fulfilling this responsibility, the Board oversees our enterprise-level approach to major risks facing the Company and identifies strategic opportunities.

The Board’s oversight of risk

With the assistance of the Risk Oversight Committee, the Board oversees SM Prime’s policies for assessing and managing our exposure to risk. The Board periodically reviews these risks and SM Prime’s risk management processes. The Board’s responsibilities include reviewing our practices with respect to risk assessment and management and reviewing contingent liabilities and risks that may be material to the Company.

As part of its risk oversight, the Risk Oversight Committee reviews key risk factors. Such risk factors include the risk of a business continuity disruption due to climate-related

incidents. Risk factors also include exposure to reputational and credibility concerns, such as those that could stem from climate-related considerations.

The Corporate Governance Committee oversees sustainability matters, including significant issues of corporate social and environmental responsibility, as they pertain to SM Prime's business and long-term value creation for our stockholders. The Corporate Governance Committee reviews such matters and makes recommendations to the Board. In addition, the Audit Committee oversees financial, risk and other disclosures made in our annual and quarterly reports related to sustainability.

Strategy

While SM Prime has only recently joined the TCFD, a third-party consultant of the Company's alignment with TCFD disclosures already revealed that SM Prime's alignment with TCFD disclosures is set to improve as there is interest and enthusiasm in climate risk management right at the very top of the organizational ladder.

In addition, SM Prime has already established a Sustainability Council in 2020 which will be responsible for directly overseeing the Company's climate change programs. Starting 2021, the sustainability council has started collaborating with SM Prime's risk and finance units in establishing baseline areas where the Company can identify, assess, and manage climate risks and opportunities.

The results of these baseline studies will be reported in the succeeding editions of SM Prime's Integrated Report.

The TCFD third-party consultant also noted SM Prime's strong focus on disaster resilience and preparedness for acute physical risks, as a good entry point for adopting a more comprehensive climate risk and opportunity program that also covers chronic physical risks (e.g., sea level rise, rising temperatures) and transition risks (changes in business and asset values resulting from moving to a lower carbon economy). This will help SM Prime understand how climate risks and opportunities may impact its business over the medium- to long-term.

Risk management

At SM Prime, climate risks are integrated into a multi-disciplinary company-wide risk management process. While there are no documented comprehensive processes yet for specifically identifying, assessing, and managing climate risks, we will conduct a scenario analysis to have a more comprehensive assessment of our climate risks and opportunities and how it will affect our business in financial terms (e.g., changes in costs, revenues, asset values, insurance claims, etc.) under various plausible scenarios.

Metrics and targets

Please see GHG, water and waste disclosures under Natural Capital (page 44 to 47).

TCFD Roadmap

	Short Term	Medium Term	Long Term
Governance	SM Prime's Sustainability Council presents to the Board the results of its study on climate change impacts, risks and opportunities, and metrics and targets to ensure consistent and aligned understanding of SM Prime's climate strategy	The Board sets direction and approves the overall climate strategy	Through its oversight function, the Board reviews the effectiveness of the programs and monitors their progress
Strategy	Conduct data collection and assessment to determine climate change's impact on SM Prime's growth strategy and business model to ensure a more comprehensive review of climate risks and opportunities	Establish a Climate Change Working Group at the business unit level that will create programs that address climate impacts and attain targets	Expand programs to include external stakeholders (i.e., tenants, suppliers, LGUs, community, etc.) to create community-based solutions for addressing climate change
Risk Management	Identify and Assess climate-related risks, impacts, and opportunities	Create programs and projects that promote resiliency and contribute to achieving net-zero operations	Assess effectivity of the programs in achieving SM Prime's targets and mitigating the impacts of climate change
Metrics and Targets	Determine science-based metrics and targets	Incorporate ESG metrics into the management team's and employees' key performance indicators and annual performance evaluation	Measure and track SM Prime's impact on its external stakeholders



Board of Directors



Henry T. Sy, Jr.

Henry T. Sy, Jr. Chairperson

Henry T. Sy, Jr. has been a director of SM Prime since 1994. He was appointed as Chairperson 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 Chairperson of SMIC, Chairperson and Chief Executive Officer of SM Development Corporation, Chairperson of Pico de Loro Beach and Country Club Inc., and Vice Chairperson of The National Grid Corporation of the Philippines. He holds a Bachelor's Degree in Management from De La Salle University.

Amando M. Tetangco, Jr.

Vice Chairperson and Lead Independent Director

Amando M. Tetangco, Jr. was elected as Vice Chairperson and Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Belle Corporation, Converge ICT Solutions, Inc. and Pilipinas Shell Petroleum Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity.



Amando M. Tetangco, Jr.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairperson of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of BSP) on March 25, 1974. During his term as Governor, he held other government positions, such as the Chairperson of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973-74.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the



International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.



J. Carlitos G. Cruz Independent Director

J. Carlitos G. Cruz was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation, South Asialink Finance Corporation and Global Dominion Financing Incorporated and MarCoPay Inc. and its subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and MCP Innovation Inc. He is also an independent director of Solar Philippines Nueva Ecija Corporation and Vivant Corporation (both of which are listed companies). Mr. Cruz joined SGV (EY Philippines) in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairperson and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairperson and Managing Partner, he was also Chairperson and President of the SGV Foundation. He also became President of Association of Certified Public Accountants in Public Practice or ACPAPP in 2017, and in 2018, assumed the presidency of the ACPAPP Foundation. Mr. Cruz has also been active in supporting the Government's efforts to promote business and trade by participating in Presidential business delegations to various countries, including



Jeffrey C. Lim

Thailand during the terms of President Joseph Estrada, President Corazon Aquino and President Rodrigo Duterte; Europe and Japan during the term of President Benigno Aquino III; and Russia during the term of President Rodrigo Duterte. Mr. Cruz graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree. He completed the Advanced Management Program of the Harvard Business School in 2007. He has been conferred with numerous awards, the latest of which is the “Parangal San Mateo” from the Philippine Institute of Certified Public Accountants. The award is the highest honor given to a CPA in honor of his significant contributions to the accountancy profession.

Darlene Marie B. Berberabe

Independent Director

Darlene Marie B. Berberabe was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. She is a lawyer, management consultant, and currently holds directorates in Palm Concepcion Power Corporation, PA Alvarez and Katapult Digital Corp. She is also a senior lecturer at the University of the Philippines (UP) College of Law. She has also been elected to the Board of Trustees of The Outstanding Women in Nation Service, Philippine Heart Association and UP Law Alumni Foundation. She was an associate lawyer in Quisumbing Torres Law Firm with specialization on labor law. Post law firm, she joined Procter & Gamble Philippines where



Hans T. Sy

she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She was a recipient of a number of awards including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of The Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014. She graduated with a degree in Philosophy from UP, summa cum laude and class valedictorian of the College of Social Sciences and Philosophy in 1989. She was the first female Philosophy instructor in the same school where she taught for 10 years, and has a Masters in Philosophy. She was a working student and graduated salutatorian of her class in UP Law in 1999.

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 SMPH’s subsidiaries. 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 multi-national company and for SGV & Co.



Hans T. Sy
Non-Executive Director

Hans T. Sy is the Chairperson 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, Chairperson of China Banking Corporation, and Chairperson of National University. Mr. Sy holds a B.S. Mechanical Engineering degree from De La Salle University.

Herbert T. Sy
Non-Executive Director

Herbert T. Sy has been a director of the SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairperson 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.

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 in 1989 and rose to become its President in 2011. He is also currently the Vice Chairperson 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.

Corporate Executives

HENRY SY, SR. (†)

Chairperson Emeritus

STEVEN T. TAN

Head, Malls

HENRY T. SY, JR.

Chairperson

JOSE MARI H. BANZON

Head, Residential (Primary)

JEFFREY C. LIM

President

SHIRLEY C. ONG

Head, Residential (Leisure)

HANS T. SY

Chairperson of the Executive Committee

ANTONIO FELIX L. ORTIGA

Head, Commercial

JOHN NAI PENG C. ONG

Chief Finance Officer and Compliance Officer

MA. LUISA E. ANGELES

Head, Hotels and Convention Centers

CHRISTOPHER S. BAUTISTA

Chief Audit Executive

ELMER B. SERRANO

Corporate Secretary

MARVIN PERRIN L. PE

Chief Risk Officer

ARTHUR A. SY

Assistant Corporate Secretary



Henry T. Sy, Jr.



Hans T. Sy



Jeffrey C. Lim

We 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.



Financial Reports

In another challenging year for business, SM Prime designed new financial strategies and programs that enriched our multi-capital approach to future growth. As a result, we are well-positioned to benefit from the opportunities post-pandemic recovery is expected to bring through steadfast development and innovation in the coming years.

Financial Reports

102-45

Contents

96	Management's Discussion and Analysis
100	Statement of Management's Responsibility for Financial Statements
101	Report of the Audit Committee
103	Independent Auditor's Report
106	Financial Statements

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

SM Prime's Consolidated Net Income up by 21% in 2021 to ₱21.8 billion

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

		Twelve Months Ended December 31				
		2021	% to Revenues	2020	% to Revenues	% Change
Profit and Loss Data						
	Revenues	82,315	100%	81,899	100%	1%
	Costs and Expenses	49,901	61%	52,825	65%	-6%
	Operating Income	32,415	39%	29,074	35%	11%
	Net Income	21,787	26%	18,007	22%	21%
	EBITDA	43,107	52%	39,283	48%	10%
		Dec 31 2021	% to Total Assets	Dec 31 2020	% to Total Assets	% Change
Balance Sheet Data						
	Total Assets	804,403	100%	722,359	100%	11%
	Investment Properties	467,392	58%	436,159	60%	7%
	Total Debt	313,718	39%	272,469	38%	15%
	Net Debt	273,942	34%	241,807	33%	13%
	Total Equity	332,919	41%	309,284	43%	8%
		Dec 31 2021		Dec 31 2020		
Financial Ratios						
	Current Ratio	1.39		1.16		
	Acid test Ratio	0.81		0.66		
	Solvency Ratio	1.71		1.75		
	Debt to Equity	0.49 : 0.51		0.47 : 0.53		
	Net Debt to Equity	0.45 : 0.55		0.44 : 0.56		
	Asset to Equity	2.42		2.34		
	Return on Equity	0.07		0.06		
	Net Income Margin	0.26		0.22		
	Debt to EBITDA	7.28		6.94		
	Interest Coverage Ratio	4.61		4.57		
	Return on Investment Properties	0.06		0.05		

Revenues

SM Prime recorded consolidated revenues of ₱82.32 billion in 2021, an increase of 1% compared to ₱81.90 billion in the same period of 2020, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱34.69 billion in 2021, an 8% increase from ₱32.01 billion in the same period of 2020. Out of the total rental revenues, 83% is contributed by the malls and the rest from offices and hotels and convention centers. Rent revenues of ₱10.91 billion in the last quarter of 2021 increased by 46% from the ₱7.48 billion in the same period in 2020 as the InterAgency Task Force for the Management of Emerging Infectious Diseases (IATF) and local government unit (LGU) eased ECQ restrictions during the fourth quarter of 2021, relaxing age mobility restrictions and allowing more tenants to operate.

Real Estate Sales

SM Prime recorded real estate sales of ₱45.12 billion in 2021, slightly lower from ₱46.97 billion in 2020. Reservation sales in 2021 is flat at ₱98.9 billion. Revenues are recognized in the books based on percentage of completion.

Other Revenues

SM Prime's other revenues improved to ₱0.95 billion in the last quarter of 2021 compared to ₱0.63 billion in the same period in 2020. However, it decreased by 14% to ₱2.51 billion in 2021 from ₱2.91 billion in the same period in 2020 as pandemic condition started in March 2020. Other revenues in 2021 include cinema and event ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱49.90 billion in 2021, a decrease of 6% from ₱52.83 billion in the same period in 2020, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate decreased by 9% to ₱18.69 billion in 2021 from ₱20.58 billion in the same period in 2020 due to decrease in real estate sales, net of savings as a result of improving cost efficiencies. Gross profit margin on real estate sales improved to 59% in 2021 from 56% in 2020.

Operating Expenses

SM Prime's consolidated operating expenses decreased by 3% to ₱31.21 billion in 2021 compared to last year's ₱32.25 billion. Out of the total operating expenses, 64% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 9% to ₱9.36 billion in 2021 compared to ₱8.60 billion in the same period in 2020 mainly due to ₱20.00 billion retail bonds issued in 2021 and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest, Dividend and Others - net

Interest, dividend and others - net increased to ₱4.68 billion in 2021 from last year's ₱1.99 billion. This mainly consists 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.

Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱5.82 billion in 2021 compared to ₱4.32 billion in the same period in 2020. The Company recognized one-time impact of CREATE amounting to ₱0.29 billion.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 21% to ₱21.79 billion in 2021 as compared to ₱18.01 billion in the same period in 2020.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱804.40 billion and ₱722.36 billion as of December 31, 2021 and December 31, 2020, respectively.

Cash and cash equivalents increased by 30% from ₱30.66 billion to ₱39.78 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 24% from ₱58.94 billion to ₱73.02 billion as of December 31, 2020 and December 31, 2021, respectively, due to sale of residential units.

Real estate inventories increased by 29% from ₱43.69 billion to ₱56.58 billion as of December 31, 2020 and December 31, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Equity instruments at fair value through other comprehensive income increased by 7% from ₱16.70 billion to ₱17.95 billion as of December 31, 2020 and December 31, 2021, respectively, with equivalent increase of 9% in net fair value changes of equity instruments at FVOCI, from ₱13.46 billion to ₱14.71 billion as of December 31, 2020 and December 31, 2021, respectively, due to changes in fair values under this portfolio.

Prepaid expenses and other current assets increased by 8% from ₱23.21 billion to ₱24.99 billion as of December 31, 2020 and December 31, 2021, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Investment properties increased by 7% from ₱436.16 billion to ₱467.39 billion as of December 31, 2020 and December 31, 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% from ₱27.74 billion to ₱29.19 billion as of December 31, 2020 and December 31, 2021, respectively, due to equity in net earnings of associates and joint ventures.

Property and equipment increased by 5% from ₱1.31 billion to ₱1.37 billion as of December 31, 2020 and December 31, 2021, respectively, primarily due to acquisitions, net of depreciation during the period.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 10% from ₱83.12 billion to ₱91.61 billion as of December 31, 2020 and December 31, 2021, respectively.

Loans payable decreased by 40% from ₱10.90 billion to ₱6.49 billion as of December 31, 2020 and December 31, 2021, respectively, due to payments, net of availment for the period.

Accounts payable and other current liabilities increased by 13% from ₱81.03 billion to ₱91.38 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits.

Income tax payable decreased by 41% from ₱0.96 billion to ₱0.56 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to payments made during the year.

Long-term debt increased by 17% from ₱261.57 billion to ₱307.23 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to the issuance of ₱20.00 billion retail bonds in 2021 and new loan availments, net of payments of maturing loans.

Derivative liabilities - net decreased from ₱2.80 billion to ₱0.29 billion as of December 31, 2020 and December 31, 2021, respectively, as a result of foreign exchange and net fair value changes on swap transactions, as well as maturity in January 2021 of certain principal only swap and interest rate swap transactions entered into to hedge the Company's foreign exchange currency exposure on dollar denominated long-term debts. This also resulted to the 76% decrease in net fair value changes on cash flow hedges from ₱1.77 billion to ₱0.43 billion as of December 31, 2020 and December 31, 2021, respectively.

Liability for purchased land increased from ₱1.25 billion to ₱2.54 billion as of December 31, 2020 and December 31, 2021, respectively, due to acquisitions.

Deferred tax liabilities - net increased by 43% from ₱6.79 billion to ₱9.69 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net decreased by 12% from ₱0.83 billion to ₱0.73 billion as of December 31, 2020 and December 31, 2021.

Other noncurrent liabilities increased by 14% from ₱25.01 billion to ₱28.61 billion as of December 31, 2020 and December 31, 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 102%, from ₱1.52 billion to ₱3.08 billion as of December 31, 2020 and December 31, 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation decreased by 7% from ₱0.59 billion to ₱0.55 billion as of December 31, 2020 and December 31, 2021, respectively, due to actuarial gain for the year.

The Company's key performance indicators are measured in terms of the following: (1) current ratio which measures the ratio of total current assets to total current liabilities; (2) acid test ratio which measures total current assets less real estate inventories and prepaid expenses to total current liabilities; (3) solvency ratio which measures the ratio of total assets to total liabilities; (4) debt to equity which measures the ratio of interest bearing liabilities to equity; (5) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents to equity; (6) asset to equity which measures the ratio of total assets to total equity attributable to equity holders of the Parent; (7) return on equity which measures the ratio of net income to capital provided by stockholders; (8) net income margin which measures the ratio of net income to gross revenues; (9) debt to EBITDA which measures the ratio of total interest-bearing liabilities to earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (10) interest coverage ratio which measures the ratio of EBITDA to interest expense; and (11) Return on Investment Properties which measures the ratio of net income attributable to the equity holders of the Parent to total average investment properties (excluding construction in progress).

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.

As at December 31, 2021 and December 31, 2020, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. 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.

For the year 2022, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime currently has sixty-one residential projects, forty-six of which are in Metro Manila and fifteen are outside Metro Manila. The Company aims to launch 15,000 to 20,000 residential units in 2022.

SM Prime's malls business unit has seventy-eight shopping malls in the Philippines with 8.9 million square meters of gross floor area (GFA) and seven shopping malls in China with 1.3 million square meters of GFA. Subject to LGU's guidelines and prevailing quarantine classification, the Company intends to launch four new malls in the Philippines in 2022. These new malls, plus the expansion of the Company's existing malls, will provide an addition of almost 0.3 million square meters of GFA.

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, two trade halls and nine hotels with over 2,200 rooms.

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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, 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.

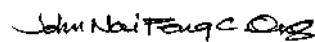
SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on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



Henry T. Sy, Jr.
Chairperson



Jeffrey C. Lim
President



John Nai Peng C. Ong
Chief Finance Officer

Signed this 21st of February, 2022

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. J. Carlitos G. Cruz and Ms. Darlene Marie B. Berberabe, and non-executive director Mr. Jorge T. Mendiola, and Committee Chairperson, Mr. Amando M. Tetangco, Jr., who is also an independent director.
- We met four (4) times in 2021 on the following dates: February 15, May 3, August 2 and November 8. 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. AMANDO M. TETANGCO, JR. (Chairperson, Lead Independent Director) – Mr. Amando M. Tetangco, Jr. was elected as Vice Chairperson and Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Belle Corporation, Converge ICT Solutions, Inc. and Pilipinas Shell Petroleum Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines, and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairperson of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of BSP) on March 25, 1974. During his term as Governor, he held other government positions, such as the Chairperson of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973-74.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

MR. J. CARLITOS G. CRUZ (Member, Independent Director) - Mr. J. Carlitos G. Cruz was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation, South Asialink Finance Corporation, Global Dominion Financing Incorporated and MarCoPay Inc. and its subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and MCP Innovation Inc. He is also an independent director of Solar Philippines Nueva Ecija Corporation and Vivant Corporation (both of which are listed companies). Mr. Cruz joined SGV (EY Philippines) in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairperson and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairperson and Managing Partner, he was also Chairperson and President of the SGV Foundation. He also became President of Association of Certified Public Accountants in Public Practice or ACPAPP in 2017, and in 2018, assumed the presidency of the ACPAPP Foundation. Mr. Cruz has also been active in supporting the Government's efforts to promote business and trade by participating in Presidential business delegations to various countries, including Thailand during the terms of President Joseph Estrada, President Cory Aquino and President Rodrigo Duterte; Europe and Japan during the term of President Benigno Aquino III; and Russia during the term of President Rodrigo Duterte. Mr. Cruz graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree. He completed the Advanced Management Program of the Harvard Business School in 2007. He has been conferred with numerous awards, the latest of which is the "Parangal San Mateo" from the Philippine Institute of Certified Public Accountants. The award is the highest honor given to a CPA in honor of his significant contributions to the accountancy profession.

MS. DARLENE MARIE B. BERBERABE – (Member, Independent Director) - Ms. Darlene Marie B. Berberabe was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. She is a lawyer, management consultant, and currently holds directorates in Palm Concepcion Power Corporation, PA Alvarez and Katapult Digital Corp. She is also a senior lecturer at the University of the Philippines (UP) College of Law. She is also elected to the Board of Trustees of The Outstanding Women in Nation Service, Philippine Heart Association and UP Law Alumni Foundation. She was an associate lawyer in Quisumbing Torres Law Firm with specialization on labor law. Post law firm, she joined Procter & Gamble Philippines where she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She was a recipient of a number of awards including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of the The Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014. She graduated with a degree in Philosophy from UP, summa cum laude and class valedictorian of the College of Social Sciences and Philosophy in 1989. She was the first female Philosophy instructor in the same school where she taught for 10 years, and has a Masters in Philosophy. She was a working student and graduated salutatorian of her class in UP Law in 1999.

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 Chairperson 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, 2021, second quarter ended June 30, 2021, and third quarter ended September 30, 2021;
- 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, 2021; 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 2021. Based on the review of their performance and qualifications, the Committee also recommends the re-appointment of SGV & Co. as external auditors for 2022.


AMANDO M. TETANGCO, JR.
 Chairperson


J. CARLITOS G. CRUZ
 Member


DARLENE MARIE B. BERBERABE
 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, 2021 and 2020, 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, 2021, 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 financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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.

Real Estate Revenue and Cost 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.

Effective January 1, 2021, the Company adopted PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04). In determining the transaction price, the Company considers whether the selling price of the real estate property includes significant financing component.

Effective January 1, 2021, the Company adopted PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02). In measuring the progress of its performance obligation over time, the Company uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, 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 cancellations 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. We traced the analysis to supporting documents such as notice of sales cancellation.

For the determination of the transaction price, we obtained an understanding of the Company's process in implementing PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04), including the determination of the population of contracts with customers related to real estate sale, the selection of the transition approach and election of available practical expedient. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Company's contract with customers is significant. For selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Company's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.

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, including implementation of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02), 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 and accomplishment reports, 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, 2021, 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, 2021 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.

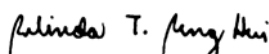
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.


Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023 PTR No. 8853472, January 3, 2022, Makati City

February 24, 2022

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 19, 26 and 27)	P39,775,852	P30,661,614
Receivables and contract assets (Notes 7, 14, 19, 26 and 27)	73,019,966	58,944,930
Real estate inventories (Note 8)	56,575,047	43,691,877
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 9, 19, 26 and 27)	547,041	568,146
Derivative assets (Notes 26 and 27)	753,506	2,747
Prepaid expenses and other current assets (Notes 10, 19, 26 and 27)	24,993,357	23,205,662
Total Current Assets	195,664,769	157,074,976
Noncurrent Assets		
Equity instruments at FVOCI - net of current portion (Notes 9, 19, 26 and 27)	17,400,372	16,131,568
Investment properties (Notes 12, 17 and 25)	467,391,988	436,159,081
Investments in associates and joint ventures (Note 13)	29,187,435	27,735,239
Property and equipment - net (Notes 11 and 25)	1,372,276	1,311,208
Deferred tax assets - net (Note 24)	734,975	831,546
Derivative assets - net of current portion (Notes 26 and 27)	1,043,670	—
Other noncurrent assets (Notes 14, 19, 23, 26 and 27)	91,607,795	83,115,307
Total Noncurrent Assets	608,738,511	565,283,949
	P804,403,280	P722,358,925
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 15, 19, 26 and 27)	P6,487,427	P10,900,000
Accounts payable and other current liabilities (Notes 16, 19, 26 and 27)	91,377,717	81,033,985
Current portion of long-term debt (Notes 17, 19, 26 and 27)	42,261,601	42,738,350
Derivative liabilities (Notes 26 and 27)	335,367	357,662
Income tax payable	563,387	957,906
Total Current Liabilities	141,025,499	135,987,903
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 26 and 27)	264,969,216	218,830,647
Tenants' and customers' deposits - net of current portion (Notes 16, 25, 26 and 27)	21,458,281	21,331,869
Liability for purchased land - net of current portion (Notes 16, 26 and 27)	2,540,050	1,251,227
Deferred tax liabilities - net (Note 24)	9,688,555	6,786,018
Derivative liabilities - net of current portion (Notes 26 and 27)	1,748,186	2,445,735
Other noncurrent liabilities (Notes 16, 23, 26 and 27)	28,612,720	25,007,898
Total Noncurrent Liabilities	329,017,008	275,653,394
Total Liabilities (Carried Forward)	470,042,507	411,641,297

	December 31	
	2021	2020
Total Liabilities (<i>Brought Forward</i>)	₱470,042,507	₱411,641,297
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 18 and 28)	33,166,300	33,166,300
Additional paid-in capital - net (Notes 5 and 18)	38,056,016	38,022,913
Cumulative translation adjustment	3,083,184	1,524,439
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	14,708,368	13,460,669
Net fair value changes on cash flow hedges (Note 27)	(432,883)	(1,769,030)
Remeasurement loss on defined benefit obligation (Note 23)	(548,643)	(587,796)
Retained earnings (Note 18):		
Appropriated	42,200,000	42,200,000
Unappropriated	205,671,557	186,251,267
Treasury stock (Notes 18 and 28)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	332,919,204	309,284,067
Non-controlling Interests (Note 18)	1,441,569	1,433,561
Total Equity	334,360,773	310,717,628
	₱804,403,280	₱722,358,925

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2021	2020	2019
REVENUE			
Real estate sales	₱45,116,120	₱46,973,399	₱44,465,454
Rent (Notes 12, 19 and 25)	34,694,185	32,013,024	61,759,921
Others (Notes 19 and 20)	2,505,179	2,912,875	12,086,115
	82,315,484	81,899,298	118,311,490
COSTS AND EXPENSES (Note 21)	49,900,933	52,825,112	61,619,162
INCOME FROM OPERATIONS	32,414,551	29,074,186	56,692,328
OTHER INCOME (CHARGES)			
Interest expense (Notes 15, 17, 19, 22, 26 and 27)	(9,357,616)	(8,596,750)	(8,832,770)
Interest and dividend income (Notes 6, 7, 9, 10, 14, 19 and 22)	1,025,066	1,207,227	1,746,406
Others - net (Notes 12, 13, 16, 17, 19 and 27)	3,651,524	779,078	(443,970)
	(4,681,026)	(6,610,445)	(7,530,334)
INCOME BEFORE INCOME TAX	27,733,525	22,463,741	49,161,994
PROVISION FOR INCOME TAX (Note 24)			
Current	2,816,720	1,761,051	9,282,069
Deferred	3,005,402	2,562,953	1,091,252
	5,822,122	4,324,004	10,373,321
NET INCOME	₱21,911,403	₱18,139,737	₱38,788,673
Attributable to:			
Equity holders of the Parent (Notes 18 and 28)	₱21,786,516	₱18,006,512	₱38,085,601
Non-controlling interests (Note 18)	124,887	133,225	703,072
	₱21,911,403	₱18,139,737	₱38,788,673
Basic/Diluted earnings per share (Note 28)	₱0.755	₱0.624	₱1.320
Dividend per share (Note 18)	₱0.082	₱0.185	₱0.350

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME	₱21,911,403	₱18,139,737	₱38,788,673
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	1,247,699	(4,380,321)	1,635,574
Remeasurement gain (loss) on defined benefit obligation (Note 23)	38,020	329,172	(567,868)
	1,285,719	(4,051,149)	1,067,706
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	1,558,745	180,165	(611,725)
Net fair value changes on cash flow hedges (Note 27)	1,336,147	(440,863)	(486,069)
	4,180,611	(4,311,847)	(30,088)
TOTAL COMPREHENSIVE INCOME	₱26,092,014	₱13,827,890	₱38,758,585
Attributable to:			
Equity holders of the Parent (Note 18)	₱25,968,260	₱13,688,396	₱38,058,471
Non-controlling interests (Note 5)	123,754	139,494	700,114
	₱26,092,014	₱13,827,890	₱38,758,585

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(Amounts in Thousands)

	Equity Attributable to			
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)
At January 1, 2021	P33,166,300	P38,022,913	P1,524,439	P13,460,669
Net income for the year	–	–	–	–
Other comprehensive income (loss)	–	–	1,558,745	1,247,699
Total comprehensive income (loss) for the year	–	–	1,558,745	1,247,699
Cash dividends (Note 18)	–	–	–	–
Cash dividends received by a subsidiary	–	–	–	–
Cash dividends received by non-controlling interests	–	–	–	–
Sale of non-controlling interest	–	33,103	–	–
At December 31, 2021	P33,166,300	P38,056,016	P3,083,184	P14,708,368
At January 1, 2020	P33,166,300	P38,007,668	P1,344,274	P17,840,990
Net income for the year	–	–	–	–
Other comprehensive income (loss)	–	–	180,165	(4,380,321)
Total comprehensive income (loss) for the year	–	–	180,165	(4,380,321)
Cash dividends (Note 18)	–	–	–	–
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

Equity Holders of the Parent

Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
		Appropriated	Unappropriated				
(P1,769,030)	(P587,796)	P42,200,000	P186,251,267	(P2,984,695)	P309,284,067	P1,433,561	P310,717,628
–	–	–	21,786,516	–	21,786,516	124,887	21,911,403
1,336,147	39,153	–	–	–	4,181,744	(1,133)	4,180,611
1,336,147	39,153	–	21,786,516	–	25,968,260	123,754	26,092,014
–	–	–	(2,368,097)	–	(2,368,097)	–	(2,368,097)
–	–	–	1,871	–	1,871	–	1,871
–	–	–	–	–	–	(129,050)	(129,050)
–	–	–	–	–	33,103	13,304	46,407
(P432,883)	(P548,643)	P42,200,000	P205,671,557	(P2,984,695)	P332,919,204	P1,441,569	P334,360,773
(P1,328,167)	(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
(440,863)	322,903	–	–	–	(4,318,116)	6,269	(4,311,847)
(440,863)	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)	–
(P1,769,030)	(P587,796)	P42,200,000	P186,251,267	(P2,984,695)	P309,284,067	P1,433,561	P310,717,628

	Equity Attributable to			
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)
At January 1, 2019	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597
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
Total comprehensive income (loss) for the year	–	–	(611,725)	(1,243,607)
Cash dividends (Note 18)			–	–
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	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990

See accompanying Notes to Consolidated Financial Statements.

Equity Holders of the Parent

Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
		Appropriated	Unappropriated				
(P842,098)	(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	–	–	–	–
(486,069)	(564,910)	–	–	–	(27,130)	(2,958)	(30,088)
(486,069)	(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)
(P1,328,167)	(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P300,916,171	P1,600,103	P302,516,274

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱27,733,525	₱22,463,741	₱49,161,994
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 21 and 25)	10,816,869	10,341,611	10,825,078
Interest expense (Notes 15, 17 and 22)	9,357,616	8,596,750	8,832,770
Equity in net earnings of associates and joint ventures (Note 13)	(1,187,419)	(694,473)	(1,492,093)
Interest and dividend income (Notes 6, 7, 9, 10, 14, 19 and 22)	(1,025,066)	(1,207,227)	(1,746,406)
Loss (gain) on:			
Sale of investment properties (see Note 12)	(551,974)	–	–
Unrealized foreign exchange and fair value changes on derivatives – net	(623,782)	(45,610)	209,624
Operating income before working capital changes	44,519,769	39,454,792	65,790,967
Decrease (increase) in:			
Receivables and contract assets	(16,304,309)	(27,104,505)	(17,302,352)
Real estate inventories	(4,696,521)	2,409,763	(1,514,160)
Prepaid expenses and other current assets	(1,639,817)	(3,702,091)	(4,368,606)
Increase (decrease) in:			
Accounts payable and other liabilities	12,048,707	8,783,131	15,222,583
Tenants' and customers' deposits	(28,558)	(334,662)	3,045,680
Cash generated from operations	33,899,271	19,506,428	60,874,112
Income tax paid	(3,232,110)	(2,316,144)	(9,146,530)
Net cash provided by operating activities	30,667,161	17,190,284	51,727,582
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	648,143	1,009,478	1,438,318
Dividends received	292,898	385,916	615,349
Additions to:			
Investment properties (Note 12)	(39,294,964)	(37,559,444)	(51,267,038)
Property and equipment - net (Note 11)	(168,077)	(113,073)	(136,560)
Proceeds from sale of:			
Investment properties (Note 12)	453,298	–	–
Equity instruments at FVOCI (Note 9)	–	–	4,100,951
Investments in associates and joint ventures and acquisition of a subsidiary - net of cash acquired (Note 13)	–	–	15,867
Increase in bonds and deposits and other noncurrent assets (Note 14)	(6,044,976)	(7,666,858)	(3,382,131)
Net cash used in investing activities	(44,113,678)	(43,943,981)	(48,615,244)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans and long-term debt (Notes 15 and 17)	₱86,849,381	₱91,403,912	₱42,393,638
Payments of:			
Long-term debt (Note 17)	(35,336,466)	(28,993,349)	(25,466,777)
Bank loans (Note 15)	(15,959,528)	(25,700,000)	(519,400)
Interest	(9,837,833)	(8,469,609)	(8,712,493)
Dividends (Note 18)	(2,675,277)	(5,338,436)	(11,133,444)
Lease liabilities (Notes 16 and 25)	(47,933)	(85,013)	(80,437)
Proceeds from (payments of) matured derivatives	(368,799)	–	395,722
Acquisition of non-controlling interest - net (Note 5)	–	–	(4,186,829)
Net cash provided by (used in) financing activities	22,623,545	22,817,505	(7,310,020)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(62,790)	(2,153)	31,174
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,114,238	(3,938,345)	(4,166,508)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,661,614	34,599,959	38,766,467
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱39,775,852	₱30,661,614	₱34,599,959

See accompanying Notes to Consolidated Financial Statements.

Awards and Citation

SM PRIME

TOP 10 DEVELOPER AWARD
BCI Asia Awards 2021
SM Prime

BRONZE AWARD FOR MOST
VALUABLE SERVICE
Asia-Pacific Stevie Awards 2021
SM Prime

MALLS

QUALITY SERVICE GOLD AWARD
2021 Reader's Digest
Shopping Center Managment Corp.

WINNER FOR SPECIAL AND
EXPERIENTIAL EVENTS
18th Quill Awards 2021
SM City San Lazaro - Juan Fun
Adventure in SM

SILVER AWARD FOR DIGITAL PUBLIC
RELATIONS PROGRAM –
CONSUMER WELFARE
SILVER AWARD FOR PUBLIC RELATIONS
PROGRAM DIRECTED AT SPECIFIC
STAKEHOLDERS - CONSUMER
Anvil Awards 2021
SM Aura Premier

Asia-Pacific Stevie Awards 2021

GRAND STEVIE AWARD FOR HIGHEST-
RATED NOMINATION FROM PHILIPPINES
SM City Clark

GOLD STEVIE AWARD FOR INNOVATION
IN HUMAN RESOURCES MANAGEMENT,
PLANNING & PRACTICE
SM Supermalls

GOLD STEVIE AWARD FOR MOST
VALUABLE CORPORATE RESPONSE -
COVID-19 Response Category
SM City Clark

GOLD STEVIE AWARD FOR INNOVATION
IN SOCIAL MEDIA MARKETING
SM City Xiamen

SILVER STEVIE AWARD FOR INNOVATION
IN THE USE OF EVENTS
SM City Xiamen

SILVER STEVIE AWARD FOR
COMMUNICATIONS OR PR CAMPAIGN
OF THE YEAR - COVID-19 related
information
SM Supermalls

SILVER STEVIE AWARD FOR COVID-19
RESPONSE CATEGORY - Enabling and
Empowering Stakeholders through the SM
Rider Program
SM Supermalls

BRONZE AWARD FOR INNOVATION IN
THE USE OF EVENTS
SM City Chengdu

BRONZE STEVIE AWARD FOR
INNOVATION IN CROSS-MEDIA
MARKETING
SM Aura Premier

BRONZE STEVIE AWARD FOR
INNOVATION IN COMMUNITY RELATIONS
OR PUBLIC SERVICE COMMUNICATION
SM Supermalls

BRONZE STEVIE AWARD FOR
CONSUMER EVENTS
SM City Chongqing

BRONZE STEVIE AWARD FOR
INNOVATION IN CONSUMER EVENTS
SM City Tianjin

BRONZE STEVIE AWARD FOR
INNOVATION IN PUBLIC RELATIONS
VIDEO
SM Supermalls

Dragon of Asia

SILVER AWARD FOR BEST BUSINESS TO
BUSINESS OR TRADE MARKETING
CAMPAIGN
SM Supermalls

BLACK AWARD FOR BEST INNOVATIVE
IDEA OR CONCEPT
SM Supermalls

BRONZE AWARD FOR BEST SOCIAL
MEDIA OR WORD OF MOUTH CAMPAIGN
SM Supermalls

Global Business Excellence Award

OUTSTANDING INNOVATION DURING
COVID-19
SM Supermalls

OUTSTANDING COMMUNITY INITIATIVE
SM Supermalls

OUTSTANDING INNOVATION DURING
COVID-19
SM Supermoms Club

BRONZE AWARD FOR EXCELLENCE IN
RESPONSE TO COVID-19
Marketing Excellence Awards 2021
SM Supermalls

CITATION OF HONOR FOR NEW CODE
OF MEANING AT WORK - Southeast Asia
NCOW Awards
SM Supermalls

GOLD AWARD FOR PEOPLE'S CHOICE -
GAWAD PANDAYON - COURAGE
Panata Awards
SM Supermalls

SEAL
Sustainable Innovation Award
SM Supermalls

CUSTOMER EXPERIENCE
BREAKTHROUGH
World Retail Awards
SM Supermalls

PRIMARY RESIDENCES (SMDC)

**PropertyGuru Philippines Property
Awards 2021**

BEST DEVELOPER (PHILIPPINES)
BEST DEVELOPER (LUZON)
BEST LIFESTYLE DEVELOPER
SPECIAL RECOGNITION IN SUSTAINABLE
CONSTRUCTION AND DESIGN
SM Development Corp.

Highly Commended: BEST UPPER
AFFORDABLE CONDO DEVELOPMENT
(METRO MANILA)
Bloom Residences

Highly Commended: BEST UPPER AFFORDABLE CONDO DEVELOPMENT (METRO MANILA)
Charm Residences

Highly Commended: BEST CONDO DEVELOPMENT (CENTRAL LUZON)
Cheer Residences

Highly Commended: BEST MID END CONDO DEVELOPMENT (METRO MANILA)
Glam Residences

BEST MIXED USE DEVELOPMENT
Gold City

BEST LIFESTYLE DEVELOPMENT
BEST HIGH END CONDO DEVELOPMENT (METRO MANILA)
BEST MID RISE CONDO DEVELOPMENT (PHILIPPINES)
BEST LANDSCAPE ARCHITECTURAL DESIGN
Highly Commended: BEST CONDO ARCHITECTURAL DESIGN
Highly Commended: BEST CONDO INTERIOR DESIGN
Gold Residences

BEST HIGH END CONDO DEVELOPMENT (SOUTHERN LUZON)
Highly Commended: BEST LIFESTYLE DEVELOPMENT
Green 2 Residences

Highly Commended: BEST AFFORDABLE CONDO DEVELOPMENT (METRO MANILA)
Hill Residences

Highly Commended: BEST CONDO DEVELOPMENT (METRO DAVAO)
Lane Residences

Highly Commended: BEST UPPER MID END CONDO DEVELOPMENT (METRO MANILA)
Highly Commended: BEST LIFESYTL E DEVELOPMENT
Highly Commended: BEST CONDO ARCHITECTURAL DESIGN
Light 2 Residences

Highly Commended: BEST HIGH END CONDO DEVELOPMENT (METRO MANILA)
Sail Residences

Highly Commended: BEST UPPER MID END CONDO DEVELOPMENT (METRO MANILA)
Shore 3 Residences

Highly Commended: BEST CONDO DEVELOPMENT (VISAYAS)
Smile Residences

Highly Commended: BEST CONDO DEVELOPMENT (VISAYAS)
Style Residences

BEST UPPER AFFORDABLE CONDO DEVELOPMENT (METRO MANILA)
Highly Commended: BEST LANDSCAPE ARCHITECTURAL DESIGN
Vine Residences

Asia Property Awards 2021

BEST DEVELOPER (PHILIPPINES)
SM Development Corp.

BEST MIXED USE DEVELOPMENT (PHILIPPINES)
Gold City

Dot Property Philippines Awards 2021

BEST DEVELOPER (METRO MANILA)
BEST DEVELOPER (VISAYAS)
SPECIAL RECOGNITION AWARD FOR CSR
SM Development Corp.

BEST LIFESTYLE CONDO DEVELOPMENT
Vine Residences

BEST AFFORDABLE CONDO DEVELOPMENT
Charm Residences

BEST CONDO INTERIOR DESIGN
Green 2 Residences

BEST INVESTMENT PROPERTY (METRO MANILA)
Bloom Residences

BEST INVESTMENT PROPERTY (BACOLOD)
Smile Residences

PEOPLE'S CHOICE GOLD AWARD - EXCELLENCE IN BRAND CSR
2021 Panata Awards
SM Development Corp.

SILVER ANVIL AWARD - THE GOOD GUYS WEEKEND MARKET
57th Anvil Award
SM Development Corp.

SILVER AWARD - EXCELLENCE IN MARKETING TO A SPECIFIC AUDIENCE
2021 Marketing Excellence Awards
SM Development Corp.

SECONDARY RESIDENCES (LEISURE)

CALABARZON'S 2021 OUTSTANDING DEVELOPERS FOR OPEN MARKET PROJECTS
Department of Human Settlements and Urban Development
Highlands Prime Inc.

HOTELS AND CONVENTION CENTERS

AGODA CUSTOMER REVIEW AWRD 2021
Agoda.com
Park Inn by Radisson Iloilo

TRAVELLER REVIEW AWARD
Booking.com
Park Inn by Radisson Bacolod
Park Inn by Radisson Clark
Park Inn by Radisson Davao
Park Inn by Radisson Iloilo
Park Inn by Radisson North Edsa
Radisson Blu Cebu

PLAQUE OF APPRECIATION
Department of Tourism Accredited Accommodation Establishment
Conrad Manila
Park Inn by Radisson Iloilo

SEAL OF GOOD TOILET-KEEPING
**DOT-NCR Maynilad Golden
KubetaAwards 2021**
Conrad Manila

QUALITY SEAL
Department of Tourism
Conrad Manila

SAFETY SEAL
Department of Tourism
Park Inn by Radisson Davao

Haute Grandeur Awards 2021

BEST GOURMET-STYLE ON
A GLOBAL LEVEL
BEST FOOD STYLING
PRESENTATION IN ASIA
BEST RESTAURANT AMBIANCE
IN THE PHILIPPINES
Brasserie on 3 at Conrad Manila

BEST CHINESE CUISINE ON A
GLOBAL LEVEL
BEST FOOD STYLING
PRESENTATION ON A
GLOBAL LEVEL
BEST RESTAURANT AMBIANCE
IN ASIA
BEST ASIAN CUISINE IN THE
PHILIPPINES
BEST HOTEL RESTAURANT IN
THE PHILIPPINES
BEST RESTAURANT VIEW IN
THE PHILIPPINES
BEST SCENIC SETTING IN
THE PHILIPPINES
China Blue by Jereme Leung at Conrad
Manila

BEST FUNCTION VENUE HOTEL
IN ASIA
BEST CONVENTION HOTEL IN
THE PHILIPPINES
BEST HOTEL VIEW IN
THE PHILIPPINES
Conrad Manila

BEST SPA DAY DESIGN ON
A GLOBAL LEVEL
BEST SPA DAY IN ASIA
BEST EMERGING SPA IN ASIA
BEST HOTEL SPA IN ASIA
Conrad Spa at Conrad Manila

BEST GENERAL MANAGER IN
THE PHILIPPINES
Linda Pecoraro of Conrad Manila

LOVED BY GUEST AWARD
Hotels.com
Park Inn by Radisson Davao
Pico Sands Hotel

OUTSTANDING MARKETING
CAMPAIGN - MEETINGS TO GO
HSMA Virtus Awards
Conrad Manila

Tatler Dinning 2022
Taza Fresh Table at Taal Vista Hotel
Veranda at Taal Vista Hotel

BEST LUXURY HOTEL PHILIPPINES
The International Hotel Awards 2021
Conrad Manila

GREEN CHOICE AWARD
The National Ecolabelling Award
Sun Coral Café at Pico de Loro Beach
& Country Club
Pico Restaurant at Pico Sands Hotel
Veranda Restaurant at Taal Vista Hotel

BEST STAYCATION HOTEL
Trip.com Group Award 2021
Pico Sands Hotel

TRAVELER'S CHOICE AWARDS 2021
TripAdvisor
Conrad Manila
Park Inn by Radisson Clark
Radisson Blu Cebu

LUXURY SCENIC VIEW HOTEL -
GLOBAL
World Luxury Awards 2021
Conrad Manila

LUXURY SCENIC SETTING
**World Luxury Restaurants
Awards 2021**
China Blue by Jereme Leung at Conrad
Manila

LUXURY CITY HOTEL SPA -
SOUTHERN ASIA (REGIONAL)
World Luxury Spa Awards 2021
Conrad Spa at Conrad Manila

World Mice Awards

PHILIPPINES BEST MICE HOTEL
2021
Conrad Manila

2021 PHILIPPINES' BEST
CONVENTION CENTRE
SMX Convention Center

INTERNATIONALLY RECOGNIZED FRAMEWORKS

TOPICS AND BOUNDARY



10 PRINCIPLES

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



SEVEN (7) GLOBAL TARGETS

Global Targets	Disclosure
A	Substantially reduce global disaster mortality by 2030, aiming to lower average per 100,000 global mortality between 2020
B	Substantially reduce the number of affected people globally by 2030, aiming to lower the average global figure per 100,000 between 2020-2030 compared with 2005-2015.
C	Global target 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

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) and/or Direct Answers
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016	General Disclosures	
	Organizational profile	
	102-1: Name of the organization	2
	102-2: Activities, brands, products, and services	14-19
	102-3: Location of headquarters	Inside Front Cover
	102-4: Location of operations	14-19
	102-5: Ownership and legal form	2
	102-6: Markets served	14-19
	102-7: Scale of the organization	14-19
	102-8: Information on employees and other workers	23, 25, 52-60
	102-9: Supply chain	25
	102-10: Significant changes to the organization and its supply chain	No significant changes in the organization and its supply chain
	102-11: Precautionary Principle or approach	81-85
	102-12: External initiatives	61-69
	102-13: Membership of associations	57, 68-69, 86-87
	Strategy	
	102-14: Statement from senior decision-maker	6-13
	102-15: Key impacts, risks, and opportunities	83-85
	Ethics and integrity	
	102-16: Values, principles, standards, and norms of behavior	2
	102-17: Mechanisms for advice and concerns about ethics	76-80
	Governance	
	102-18: Governance structure	71-74
	102-19: Delegating authority	75
	102-20: Executive-level responsibility for economic, environmental, and social topics	81-83
	102-21: Consulting stakeholders on economic, environmental, and social topics	4-5
	102-22: Composition of the highest governance body and its committees	71-80
	102-23: Chair of the highest governance body	71-80
	102-24: Nominating and selecting the highest governance body	75
	102-25: Conflicts of interest	75
	102-26: Role of highest governance body in setting purpose, values, and strategy	79-80
	102-27: Collective knowledge of highest governance body	76-79
	102-28: Evaluating the highest governance body's performance	76
	102-29: Identifying and managing economic, environmental, and social impacts	4-5
	102-30: Effectiveness of risk management processes	81-83
	102-31: Review of economic, environmental, and social topics	4-5
	102-32: Highest governance body's role in sustainability reporting	78
	102-33: Communicating critical concerns	78-79
	102-34: Nature and total number of critical concerns	22-26
	102-35: Remuneration policies	74
	102-36: Process for determining remuneration	74
	102-37: Stakeholders' involvement in remuneration	74
	102-38: Annual total compensation ratio	74
	102-39: Percentage increase in annual total compensation ratio	74
	Stakeholder engagement	
	102-40: List of stakeholder groups	22
	102-41: Collective bargaining agreements	SM Prime does not have CBA but provides avenues for employees to raise their concern on company policies and other relevant matters
	102-42: Identifying and selecting stakeholders	22
	102-43: Approach to stakeholder engagement	22-26
	102-44: Key topics and concerns raised	22-26

GRI Standard	Disclosure	Page number(s) and/or Direct Answers
GRI 102: General Disclosures 2016	Reporting practice	
	102-45: Entities included in the consolidated financial statements	97
	102-46: Defining report content and topic Boundaries	4-5
	102-47: List of material topics	5
	102-48: Restatements of information	There are no restatements of information in this report
	Reporting practice	
	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	Inside Front Cover
	102-53: Contact point for questions regarding the report	Inside Front Cover
	102-54: Claims of reporting in accordance with the GRI Standards	Inside Front Cover
	102-55: GRI content index	120-123
	102-56: External assurance	This report is not externally assured
Material Topics		
200 series (Economic topics)		
Economic Performance		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	30
	103-2: The management approach and its components	30
	103-3: Evaluation of the management approach	30
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	31
	201-2: Financial implications and other risks and opportunities due to climate change	83
Indirect Economic Impacts		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	61
	103-2: The management approach and its components	61
	103-3: Evaluation of the management approach	61
GRI 203: Indirect Economic Impacts 2016	203-1: Infrastructure investments and services supported	61-69
	203-2: Significant indirect economic impacts	61-69
Anti-corruption		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	76
	103-2: The management approach and its components	76
	103-3: Evaluation of the management approach	76
GRI 205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption	76-77
	205-2: Communication and training about anti-corruption policies and procedures	77
	205-3: Confirmed incidents of corruption and actions taken	77
Anti-competitive Behavior		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	76
	103-2: The management approach and its components	76
	103-3: Evaluation of the management approach	76
GRI 206: Anti- competitive Behavior 2016	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	77
300 series (Environmental topics)		
Energy		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	43
	103-2: The management approach and its components	43
	103-3: Evaluation of the management approach	43
	302-1: Energy consumption within the organization	44
GRI 302: Energy 2016	302-2: Energy consumption outside of the organization	45
	302-4: Reduction of energy consumption	44-45
	302-5: Reductions in energy requirements of products and services	44-45

GRI Standard	Disclosure	Page number(s) and/or Direct Answers
Water		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	43
	103-2: The management approach and its components	43
	103-3: Evaluation of the management approach	43
	303-1: Interactions with water as a shared resource	45-46
GRI 303: Water and Effluents 2018	303-2: Management of water discharge-related impacts	45-46
	303-3: Water withdrawal	45-46
	303-4: Water discharge	45-46
	303-5: Water consumption	45-46
Biodiversity		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	43
	103-2: The management approach and its components	43
	103-3: Evaluation of the management approach	43
	304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	49-51
GRI 304: Biodiversity 2016	304-2: Significant impacts of activities, products, and services on biodiversity	49-51
	304-3: Habitats protected or restored	49-51
	304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations	49-51
Emissions		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	43
	103-2: The management approach and its components	43
	103-3: Evaluation of the management approach	43
	305-1: Direct (Scope 1) GHG emissions	44-45
GRI 305: Emissions 2016	305-2: Energy indirect (Scope 2) GHG emissions	44-45
	305-3: Other indirect (Scope 3) GHG emissions	44-45
	305-5: Reduction of GHG emissions	44-45
Effluents and Waste		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	43
	103-2: The management approach and its components	43
	103-3: Evaluation of the management approach	43
GRI 306: Effluents and Waste 2016	306-1: Water discharge by quality and destination	46
	306-2: Waste by type and disposal method	46-47
Environmental Compliance		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	43
	103-2: The management approach and its components	43
	103-3: Evaluation of the management approach	43
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
400 series (Social topics)		
Employment		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	53
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
	403-1: Occupational health and safety management system	58, 60
	403-3: Occupational health services	58
	403-4: Worker participation, consultation, and communication on occupational health and safety	60
GRI 403: Occupational Health and Safety 2018	403-5: Worker training on occupational health and safety	60
	403-6: Promotion of worker health	60
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	60
	403-8: Workers covered by an occupational health and safety management system	60
	403-9: Work-related injuries	60
	403-10: Work-related ill health	60

GRI Standard	Disclosure	Page number(s) and/or Direct Answers
Training and Education		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
	404-1: Average hours of training per year per employee	55
GRI 404: Training and Education 2016	404-2: Programs for upgrading employee skills and transition assistance programs	55
	404-3: Percentage of employees receiving regular performance and career development reviews	55
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	56-57
Non-discrimination		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
GRI 406: Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported for this report
Security Practices		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
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	52
	103-2: The management approach and its components	52
	103-3: Evaluation of the management approach	52
	412-1: Operations that have been subject to human rights reviews or impact assessments	52
GRI 412: Human Rights Assessment 2016	412-2: Employee training on human rights policies or procedures	52
	412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	52
Local Communities		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	61
	103-2: The management approach and its components	61
	103-3: Evaluation of the management approach	61
	413-1: Operations with local community engagement, impact assessments, and development programs	24,61-69
GRI 413: Local Communities 2016	413-2: Operations with significant actual and potential negative impacts on local communities	24, 61-69
Socioeconomic Compliance		
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its Boundary	61
	103-2: The management approach and its components	61
	103-3: Evaluation of the management approach	61
GRI 419: Socioeconomic Compliance 2016	419-1: Non-compliance with laws and regulations in the social and economic area	No incidences of non-compliance were recorded for this report

Corporate Information

Company Headquarters

SM Prime Holdings, Inc
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

Investor Relations

T: (632) 831-1000
E: info@smprime.com
www.smprime.com

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, accounts status, address changes, stock certificates, and other pertinent matters may be addressed to the company's transfer agent:

Banco De Oro Unibank, Inc. –
Trust And Investments Group
15th Floor BDO Corporate Center South Tower, 7899 Makati Avenue, Makati City
T: (632) 840-7000 loc. 36975; 36976; 36978; 878-4052 to 54

External Auditor

SyCip Gorres Velayo & Co.

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





SM PRIME

SM Prime Holdings, Inc.
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, Philippines