



**SM** PRIME

# Developing Communities

2022 Integrated Report





# Developing Communities

In 1958, Henry Sy opened his first shop in downtown Manila with inclusive business strategies that would forever change the country's retail culture and real estate industry.

As the SM Group's property arm, SM Prime upholds Henry Sy's dedication to serving every customer, regardless of background. With this in mind, SM Prime has worked tirelessly to develop world-class integrated properties that are accessible to all.

For six decades, SM Prime has dedicated itself to serving its communities. Today, it integrates sustainability with financial success as a true measure of business growth. From SM Supermalls and SMDC to its hotels, commercial properties, and leisure residence groups – SM Prime enriches urban life.

SM Prime pledges to advance the right of every person to a better quality of life through heightened climate action, disaster risk reduction, biodiversity protection, and strategic corporate social responsibility programs.

## About the Report

This integrated report provides a comprehensive view of SM Prime's performance for the year ended December 31, 2022. It covers our company's strategy, business models, outlook, and impacts and details how we preserve and create value over time through our subsidiaries and operating units.

The business units included in this report are the Malls, Residences, Offices, Leisure Resorts, and Hotels and Convention Centers. The report covers our Philippine operations and includes mall operations in Mainland China to provide an accurate account of our energy, water, and waste impacts.

The report follows the guiding principles and content elements in the International Integrated Reporting Council's <IR> Framework. As such, this report aims to provide a fuller view of our material matters as they affect our stakeholders, including the impacts these matters have on the value we create.

This report has been prepared in references with the GRI Standards: Core option. It is also guided by the relevant standards of the Sustainability Accounting Standards Board (SASB) and the Ten Principles of the UN Global Compact.

As a champion of disaster resilience and climate action, SM Prime voluntarily reports climate-related financial risks in support of the Task Force on Climate-related Financial Disclosures and Sendai Framework for Disaster Risk Reduction.

## Contact Information

We encourage you, our stakeholders, partners, and families of customers to give us feedback on our programs and how we communicate our progress. You may send feedback on this report and matters on SM Prime's sustainability performance to [info@smprime.com](mailto:info@smprime.com).

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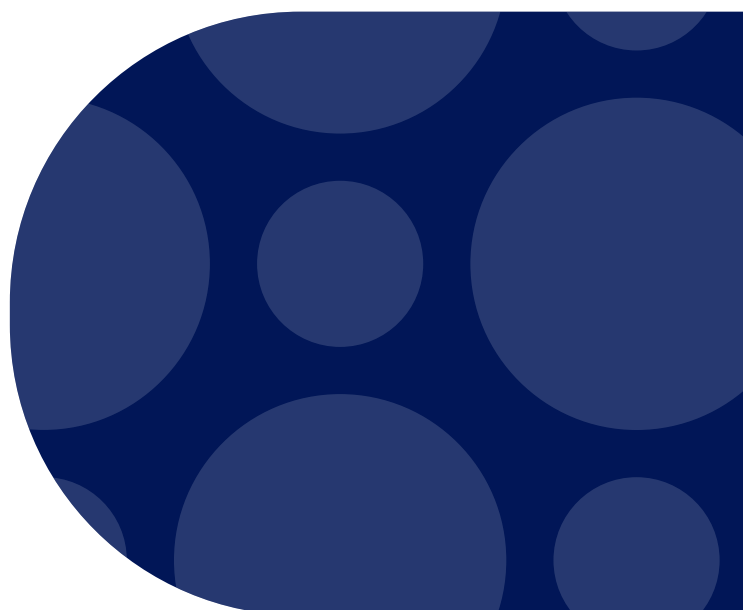
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# Who We Are

SM Prime Holdings, Inc. (SM Prime) is the leading real estate company in the Philippines in terms of market capitalization and customer base. We are one of the largest subsidiaries of SM Investments Corporation (SMIC) and are recognized as the most successful mall operator and property developer in the Philippines.

SM Prime's focus is to build legacy properties and integrated communities based on our four pillars of sustainability: Economy, People, Environment, and Community.

We build the cities we ourselves dream of living in. Our company's dedication to creating sustainable value is evident in our diverse portfolio, which ranges from malls, residences, and offices to hotels and convention centers. At the heart of all this, SM Prime seeks to uplift all aspects of urban life wherever it develops properties.

## Vision

To build and manage innovative, sustainable 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

### Revised Vision Statement

SM Prime continues to lead by example by further refining how we view profit and entrepreneurial growth. We amended our Vision Statement to reflect the addition of sustainability into everything we do as a Company. Our heightened focus on sustainability will enable SM Prime to navigate the headwinds and complex pathways of tomorrow's business landscape, ensuring our continued ability to create long-term value for all through sustainable integrated property developments that thrive for generations.



# Overview of Our Business

## Commitment and Community

SM Prime Holdings, Inc. has made a name as one of Asia's largest integrated property developers. Incorporated in the Philippines, in 1994, it has displayed astounding growth by evolving from a mall developer into the country's largest mixed-use developer by market capitalization and customer base.

SM Prime commits to advocacies with a purpose. The company helps Filipinos experience a better quality of life and preserve the environment for the future, a commitment consistent across SM Prime's business units, such as Malls, Primary and Leisure Residences, Offices, and Hotels and Convention Centers.

SM Prime and its business units make a concerted effort to mitigate environmental impact using known and respected standards. By ensuring that enough data is measured and collected, SM Prime keeps a close watch on resource consumption patterns and the well-being of the communities around each development.

Each SM Prime development prioritizes design integrated with green concepts, enabling its communities to be planet

positive. In line with its commitment to safety, SM Prime also takes extraordinary measures to construct disaster-resilient establishments.

SM Prime partners with various non-government organizations, enterprises, and government units. These partnerships cover public services, including mass COVID-19 vaccinations to pediatric inoculations.

SM Prime facilitates programs to create awareness of socio-environmental issues and to provide opportunities for rich cultural celebrations and other venues for community gatherings, such as cleanups and school activities. With the bigger picture in mind, SM Prime has committed to aligning all shared value initiatives and efficiency efforts with those of international standards.

Overall, SM Prime aims to serve all classes of individuals, further proving that business pursuits and social welfare can share a common ground.

### Leisure Residences

SM Prime has now created a growing presence in the luxury and leisure estates segment. Those looking for a home away from the city will find peace and relaxation at Hamilo Coast, a seaside sanctuary in Nasugbu, Batangas. Meanwhile, Tagaytay Highlands offers a 1,200-hectare high-end property against the backdrop of the Taal Lake and Volcano, with two world-class golf courses for the resort and residential complex.

SM Prime's leisure homes help augment the potential of the Philippines as a prime destination for tourists, ensuring that the value of these properties extends beyond the level of residential life to the preservation of the environment.



## SM Supermalls

A household name that generations have come to know as part of their everyday lives, SM Supermalls surpasses common notions of commercial and retail spaces.

Each SM mall provides outstanding shopping, dining, and entertainment experiences for the company's wide demographic, supported by the foundational thrust to serve Filipinos through innovation and a wide range of customer options, and value-for-money services.

**82**

malls in the Philippines

**7**

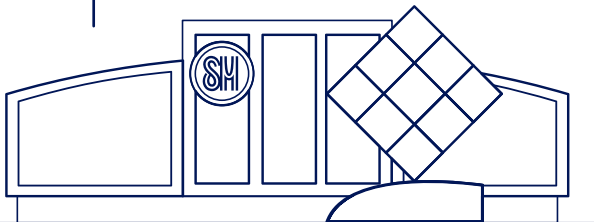
malls in China

**10.9**

million sqm total Gross Floor Area

**3.0**

million average daily foot traffic



SM Supermalls prioritizes the well-being of its communities in tandem with commercial growth. Every day, SM Supermalls helps an average of three million customers find what they need – from retail options, dining destinations, and co-working or gathering spaces to satellite government offices, health and wellness concepts, and banking and financial services.

SM Supermalls serve as the contemporary counterpart of traditional civic spaces with its slew of shared areas where individuals, friends, and families can socialize and unwind.

SM Supermalls maintains a particular focus on enabling small businesses and budding entrepreneurial talent to succeed. Today, SM Supermalls support numerous micro, small, and medium-sized enterprises (MSMEs), opening doors to business opportunities while enriching its value chain.

Today, the number of SM Supermalls continues to grow. From October to November 2022, SM Prime opened its 80th, 81st, and 82nd Supermalls: SM City Tanza, SM City Sorsogon, and SM City Tuguegarao.

As of December 2022, SM Supermalls provides an entrepreneurial platform for growth to around 21,418 local enterprises in the Philippines and China. It currently operates 82 malls in the Philippines and seven malls in China, generating over PHP55.5B in revenue.







## SMDC (Primary Residences)

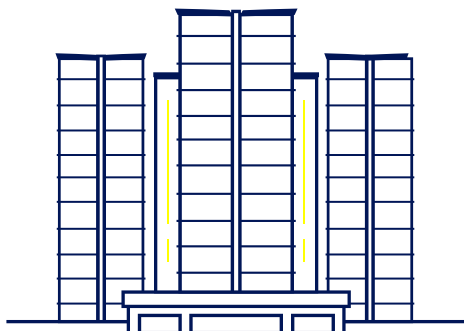
Every Filipino dreams of owning a home. And this is why the singular goal of SMDC is to build homes that Filipinos would love to live in and enjoy with their growing families. But the impacts of SMDC's real estate properties go further than that. In its unabating pursuit of redefining urban life, SMDC has created and will continue to develop residential communities imbued with the awareness of their environmental impact.

# 176,171

Residential Units

# 84

Residential Projects



This same awareness inspires the convenience offered by SM's primary residences. Located in prime areas across major cities and municipalities, developments by SMDC allow residents to thrive in a commercial retail space close to transportation hubs, supermarkets, offices, and entertainment centers to help reduce foot traffic and make everyday life more efficient.

SMDC provides homes in dynamic areas across the Philippines, including strategic addresses in NCR such as Quezon City, Pasig, Taguig, Makati, Manila, Pasay, Parañaque, Muntinlupa and Las Piñas. Other SMDC addresses are also in key locations in Pampanga, Bulacan, Rizal, Cavite, Tagaytay, Iloilo, Bacolod and Davao.

SMDC strives to evolve alongside its residents' ever-changing and fast-paced lifestyles, providing them with areas where sustainability empowers urban living. As a result, each SMDC development is equipped not only with resort-level amenities but also with rooftop and pocket gardens, as well as parks and al fresco lounges. More than just a place to be outside of work, SMDC residences offer a place for individuals and families to take steps toward sustainability, conjugate, and enjoy amenities safely together.

## Commercial Properties

SM Prime's Commercial Properties Group (CPG) spearheads the development, leasing, operations, and management of various product lines, including SM Estates, SM Offices, and SM Warehouses.

SM Estates' now-iconic 67-hectare Mall of Asia Complex (MOAC) is a bustling entertainment and lifestyle community that has become a prime residential location in the metropolis and a landmark for hosting commercial and retail activities. The Complex serves as a model for sustainable urban planning, showcasing a masterplan that has integrated commercial, residential, and transport cores in an unprecedented show of connectivity that prioritizes the reduction of carbon footprint. The safety and well-being of residents, visitors, tenant partners, and employees are integrated into the Complex's design, which is also disaster resilient.

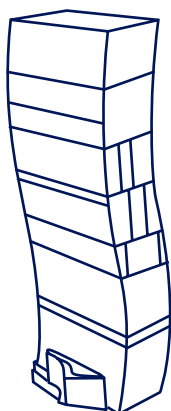
SM Offices' portfolio is comprised of 18 office buildings generating a consolidated PHP6.1B in revenues and PHP4.1B in operating income for FY-2022. SM Offices prides itself in developing smart and convenient office solutions that promote work-life balance for employees and support a range of industries, from traditional businesses to tech-based and Business Process Outsourcing companies. Nestled in key areas of the city, SM Offices' count includes the five PEZA-accredited E-Com Centers in the Mall of Asia Complex, the Mega Tower in the Ortigas Central Business District, and provincial locations, such as Iloilo, Bacolod, and Davao sites. SM Offices' modern office buildings serve different Fortune 500 companies, as well as BPO and KPO firms. All SM Offices sites are also within proximity of both public transportation networks and main road thoroughfares, providing prime urban accessibility and convenience to ease the daily commute while promoting a sustainable future for Filipinos.

**18**

Office Buildings

**1.5**

million sqm total  
Gross Floor Area







## Hotels and Convention Centers

SM Hotels and Convention Centers (SMHCC) develop and operate establishments with a portfolio that spans the archipelago and totaling PHP4.3B in revenue.

SMHCC's current portfolio of 2,200 rooms can be found in the 261-room Taal Vista Hotel, a heritage hotel in scenic Tagaytay; the 400-room upper and upscale Radisson Blu Hotel in Cebu; the 154-room Pico Sands Hotel in Hamilo Coast; the 204-room Park Inn by Radisson in Davao; the 255-room Park Inn by Radisson in Clark, Pampanga; the 348-guest room deluxe, five-star hotel, Conrad Manila in the Mall of Asia Complex; the 200-room Park Inn by Radisson in Iloilo; the 239-room in Park Inn by Radisson North EDSA, and the 151-room Park Inn by Radisson Bacolod, also the first international hotel brand in Bacolod City.

The SMX Convention Center, a popular venue for local and international events, caters to different gatherings for all aspects of contemporary life, from exhibits and weddings to concerts, town hall meetings, and large-scale institutional events.

SMX has successfully branched out to Taguig and areas outside NCR, such as Davao, Bacolod, Olongapo, and Pampanga. In addition, popular mall destinations such as SM Megamall and SM Seaside Cebu also have trade halls.

SMX Convention Centers is the largest privately run exhibition and convention business in the Philippines.

SMHCC's establishments provide quality venues for various contemporary needs and a spectrum of different experiences while giving the rest of the world access to exceptional Filipino hospitality.

**9**

Hotels

**2,211**

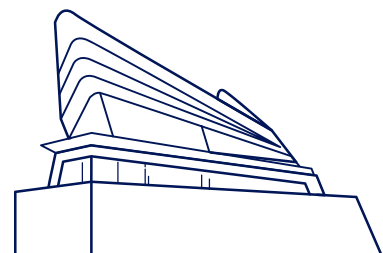
Hotel rooms

**6**

Convention Centers

**2**

Trade Halls



SMHCC remains mindful of what it can do for the environment by endorsing a back-to-nature approach. This means relying on responsible local sourcing and a closed-loop economy supported by sustainable practices. SMHCC's trade halls and convention centers aim to reduce water and energy consumption, as well as managing their solid waste such as plastic, paper and tarpaulins by having it recycled with local recycling partners.

# Joint Message of the Chair and President

## To our fellow shareholders,

We welcomed 2022 with a more straightforward path to recovery despite the surge of COVID-19 cases at the beginning of the year due to the Omicron variant. With the reopening of borders, relaxation of health and safety protocols, and full access to various means of transportation, we gained momentum in delivering our commitment to build and manage innovative and sustainable lifestyle cities. With our continued pursuit of growth and expansion, we remain steadfast in empowering the communities we serve.

By partnering with national and local government units, we continued to provide venues for the government's vaccination program to help curb the surge of COVID-19. In addition, our Malls opened Government Service Express Centers in several locations to give our shoppers comfortable, easy, and safer access to government services.

To address climate-related concerns in our operations, we collaborated with World Wide Fund (WWF) for Nature Philippines to develop a bespoke decarbonization program. Under the partnership, SM Prime will adopt the Corporates for a Better Planet Initiative (CBPI), the WWF-Philippines flagship program that provides an actionable framework for organizations to operate sustainably within the paradigm of the climate crisis.

As we continue to monitor the global health crisis and the impact of the movement of inflation and interest rates, which may affect our supply chain, we are poised to expand our footprint in key areas in the country.

## Cultivating New Learnings

Amid the shift to digital commerce, we saw a significant increase in activity

in our Malls, Hotels, and Convention Centers. The need to stay connected drove consumers to spend time and money on dining, entertainment, and travel. Consumers also shifted their focus to health, learning, and sustainable living.

SM Prime evolved its business operations by incorporating customer-centric strategies, empowering its people with multidisciplinary skills, and refocusing its ecosystems to face the challenges of the change in consumer behavior.

In 2022, SM Prime reported a 38% growth in the Company's consolidated net income to PHP30.1B from PHP21.8B in 2021. This is supported by the PHP105.8B consolidated revenues, 29% higher than PHP82.3B in the previous year. SM Prime's consolidated operating income increased by 52% to PHP49.2B in 2022 from PHP32.4B in 2021.

Our Philippine mall business, which accounts for 47% of our consolidated revenues, registered PHP49.8B in 2022, more than double from PHP24.1B reported in 2021. Moreover, with the resumption of full rental fees in July of 2022, local mall rental income went up by 92% to PHP44.1B from PHP23.0B in 2021. Along with this development, the remarkable recovery of the entertainment industry has made our cinema, event ticket sales, and other related businesses reach PHP5.7B in revenues, higher than last year's PHP1.1B.

Accounting for the impact of the global economy's crises in the previous year, SM Prime's residential business group, led by SM Development Corp. (SMDC), posted PHP40.1B in revenues in 2022, lower than PHP45.9B registered in 2021. SMDC's reservation sales reached PHP102.0B in 2022, slightly higher than



**Establishing  
stronger foothold  
through integrated  
property  
developments**



**Championing resiliency  
and sustainability to  
uplift the lives of our  
stakeholders**



**Empowering people  
with multidisciplinary  
skills**



**“In the coming years, expect more meaningful experiences and treasured values with SM Prime as we commit to developing more communities that elevate the quality of lives of millions of people. We will continue integrating modern-day learning with inherited values and aspirations as we rise from future challenges.”**

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PHP98.9B in the previous year. This translates to an 18% increase in unit sales of more than 21,000 in 2022 from almost 18,000 in 2021.

SM Prime’s other businesses – offices and hotels and convention centers – which account for 10% of the Company’s consolidated revenues, recorded a 59% growth in revenues to PHP10.5B in 2022 from PHP6.6B in 2021. The Company’s office business segment registered PHP6.1B in revenues in 2022, 22% higher than PHP5.0B in 2021. The hotel and convention centers business segment reported PHP4.3B in revenues in 2022, almost triple the PHP1.6B revenue recorded in the previous year.

While we endeavor to achieve our growth trajectory, we will maintain our focus on serving the ever-changing needs of our customers.

### **Seizing the Momentum**

SM Prime remained bullish in seizing the momentum of providing efficient and effective products and services based on market demands. As a result, we established a stronger foothold in strategic locations across the country by delivering 11 Lifestyle Cities in Metro Manila and 11 Lifestyle Cities in provincial areas, including Zambales, Pampanga, Bulacan, Rizal, Cavite, Laguna, Iloilo, Bacolod, Cebu, Cagayan de Oro, and Davao.



**Henry T. Sy, Jr.**  
CHAIRPERSON



**Jeffrey C. Lim**  
PRESIDENT



Our Company's 82 malls in the Philippines, consisting of 24 in Metro Manila and 58 in the provinces as of the end of 2022, remain as centers of trade, entertainment, and tourism, providing micro, small, and medium enterprises (MSMEs) a venue to showcase their products to our customers. We also paved the way for local farmers to bring fresh vegetables closer to consumers and restaurateurs through the Farmers' Produce Markets, a joint project of SM Supermalls, the Department of Agriculture, and Resto PH, an association of restaurants in the Philippines.

Our 84 residential developments across the nation continuously bring forth steadfast investments to Filipinos, here and abroad, to fulfill their dream of owning a home. In 2022, SMDC launched three residential developments in different provinces. These include Vail Residences in Cagayan de Oro, Now Residences in Pampanga, and Zeal Residences in General Trias, Cavite.

SM Prime's 18 office buildings are meticulously designed to provide safe and secure workspaces for the convenience and welfare of its tenants' employees and operations. Our six convention centers and two trade halls opened more avenues for the Meetings, Incentives, Conferences, and Exhibitions (MICE) industry. With the reopening of borders, our nine hotels welcomed back local and international tourists eagerly longing to explore our beautiful country.

With a solid asset base, SM Prime has repeatedly proven its business resilience.

### **Instilling New Seeds of Hope**

The Philippines ranks first among the most vulnerable

countries affected by climate change globally. As a champion of climate action in the Philippines, we ramped up our programs to further improve the quality of life of the communities we serve and provide sustainable solutions to promote a green planet.

These programs include using renewable energy in SM Prime properties, including malls, leisure homes, offices, hotels, and other establishments under the retail competition and open access (RCOA). In 2022, we achieved our goal of increasing the use of renewable energy to 50%. This development will strengthen our commitment to the Department of Energy's program of moving up the renewable energy supply component of the Philippines to 35% by the year 2030.

Simultaneously, we fortified our partnership with WWF for Nature to enhance our reporting by setting a science-based target in line with the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius. This complements our continuous efforts to keep and protect the environment and natural resources in our Hamilo Coast property in Nasugbu, Batangas.

SM Prime also campaigned to reduce water consumption by building sewage treatment plants on our properties to recycle water. This will lessen our operations' dependence on freshwater sources for non-potable uses. We are proud to say that 23 of our malls are built with rainwater catchment basins to help prevent flooding in surrounding communities.

Through SM Cares, our corporate social responsibility (CSR) arm, we hosted the International Coastal Cleanup last September 2022, bringing together thousands of volunteers to help reduce waste in our





coastal areas. We have implemented several waste reduction programs such as Trash to Cash, Plastic Waste Collection, and the phase-out of single-use plastics in our hotels.

As we develop more sustainable lifestyle cities, we will strive to embark on sustainable solutions that will uplift the lives of our customers.

### **Harnessing Solidarity**

In the coming years, expect more meaningful experiences and treasured values with SM Prime as we commit to developing more communities that elevate the quality of lives of millions of people. We will continue integrating modern-day learning with inherited values and aspirations as we rise from future challenges.

To our fellow Board of Directors, Mr. Amando M. Tetangco, Jr., Atty. Darlene Marie B. Berberabe, and Mr. J. Carlitos G. Cruz, we appreciate the expertise and continued support you provided to the whole Company as we commit to better and more robust growth in the coming years.

To our stakeholders, we thank you for serving as our inspiration and motivation to rise quickly and overcome the challenges brought about by the pandemic.

To our public and private partners, who remained with us and continue to trust us, may the coming years be an opportunity for us to grow together and achieve new heights.

Lastly, to the hardworking women and men of SM Prime Holdings, Inc. – our employees and workforce service

partners – we are truly grateful for your dedication. We hope you continue to share our vision of developing innovative and sustainable communities.

Let us continue gaining inspiration and strength from one another as we work toward a safer and better future filled with gratitude and optimism for our country, communities, and ourselves.

Thank you and Mabuhay!



**Henry T. Sy, Jr.**  
CHAIRPERSON



**Jeffrey C. Lim**  
PRESIDENT



# Our Sustainability Journey

# Stakeholder Engagement

## Creating pathways to meaningful dialogue and genuine feedback

It is essential to identify and understand the interests of our stakeholders to ensure that our operations are responsive to the concerns of the greater world around us. We pursue stakeholder engagement through an annual study and survey. Through this process, we identify our top stakeholder groups and the areas where our business interests converge with the issues that matter to our public.

By engaging with our stakeholders and identifying their concerns, we are better positioned to make informed decisions about our financial strategies, construction and operational activities, customer services, and future expansion plans.

We define stakeholders as organizations or groups reasonably expected to be affected by our operations or whose actions significantly impact our ability to achieve our business mission and sustainability targets.

Our stakeholder engagement process includes identifying our top stakeholders; defining our platforms of engagement; and analyzing stakeholder feedback to improve our operations relative to stakeholder insight. Ultimately, we aim to consider all significant issues in our management's decision-making processes.

For 2022, SM Prime's top stakeholders across its group of companies are Customers, Employees, Investors and Shareholders, Local Communities, Suppliers and Contractors, Government Partners, and Multi-sector and Sustainability Partners.

### Creating Value for Our Stakeholders

SM Prime is shifting our focus from business as usual to sustainability to improve people's lives, ensure the long-term availability of our companies' natural and human resources, and guarantee our resiliency and the longevity of our business and brand.

The future of real estate development must be sustainable. There is no other option. Using science-based strategies, coupled with less energy, less water, and less extraction of virgin materials, SM Prime will work for a future that grows our businesses while ensuring that future generations have the resources they need to thrive. During the year under review, here are the ways we created value for our stakeholder groups and addressed their concerns.



#### Customers

SM Prime will first and foremost exist for our customers and loyal community of clients

We grow with our customers and offer products and services that provide the best value for their hard-earned money. We cater to all demographic groups in all major geographical regions in the Philippines and some parts of China. Our commercial properties also cater to multinational and local companies in several industries, including financial services, information technology, telecommunications, logistics, and business process outsourcing.





## Employees

The well-being of our employees is essential to everything we do as a company

Our employees are critical to all that we do. Alongside customer satisfaction, the safety and health of our employees are front and center of our daily operations. We believe in creating an inclusive and diverse workforce that values personal and professional growth. Above all, we work for our employees' well-being and happiness by nurturing a supportive work culture where employee concerns are immediately addressed and everyone's accomplishments and perspectives are respected.



## Investors and Shareholders

Delivering healthy and sustainable financial returns

We protect and sustain investor capital and maintain asset integrity. We pay consistent dividends and then allocate discretionary capital to pursue growth that will upgrade our portfolio of assets, and provide additional returns to our shareholders and capital providers.



## Multi-Sector and Sustainability Partners

Strengthening our civil society and non-profit alliances

We recognize that we must apply a multi-sectoral or even non-profit lens to successfully address the interconnectivity of our businesses with our society and the ecosystems in which we operate to deliver positive developmental outcomes.



## Local Communities

Creating a ripple effect of thriving communities

We use the term community to describe the residents, organizations, sector partners, and civic organizations affected by our business operations. It's not just about building properties for us. Our mission is to help communities thrive. Beyond creating sustainable integrated properties, our community involvement includes financial contributions to local charity programs, sponsorship of local events, organizing community clean-up activities, participation in school and community projects, and so much more.



## Suppliers and Contractors

Responsible sourcing and a sustainable value chain

We define suppliers as accredited companies or individuals that provide the services, materials, and products needed to complete a project under a written contract. Meanwhile, contractors are accredited companies, organizations, or corporations that undertake or execute a project or process following an agreed contract. Our goal is to build productive relationships with like-minded business partners who subscribe to SM Prime's vision of sustainability. As such, our suppliers are held to our policies on environmental conservation, safety and health.



## Government Partners

Deepening our stake in nation-building

SM Prime contributes to our national economy and local government programs directly and indirectly, through the taxes and royalties we pay, the jobs we create, the local workforces we upskill, the local business opportunities we generate and offer, and the education and community health initiatives we support. In 2022, we further strengthened our ties with government ministries, local government agencies, and various public-sector partners to deepen our involvement in building a more robust national economy and pursuing more meaningful development programs.

## Our Next Bold Step

We recognize the need to further refine our stakeholder engagement and materiality process to understand our stakeholders' needs better.

We recognize that the materiality process is more about our stakeholders and not only about how they can affect or influence our operations. To improve our materiality identification process, produce a more accurate integrated report, and refine our decision-making processes, SM Prime will undergo a more thorough stakeholder engagement process in 2023 to better identify the issues that our stakeholders care about.

We have decided to conduct the materiality and stakeholder engagement process internally to encourage our managers and frontline staff to engage with their stakeholders more meaningfully. Accordingly, we will perform an extensive macro scanning exercise to determine the material risks and opportunities relevant to SM Prime's business and how they overlap with stakeholder concerns. Through this new process, we aim to consider our full significant impacts on the economy, the environment, and society.

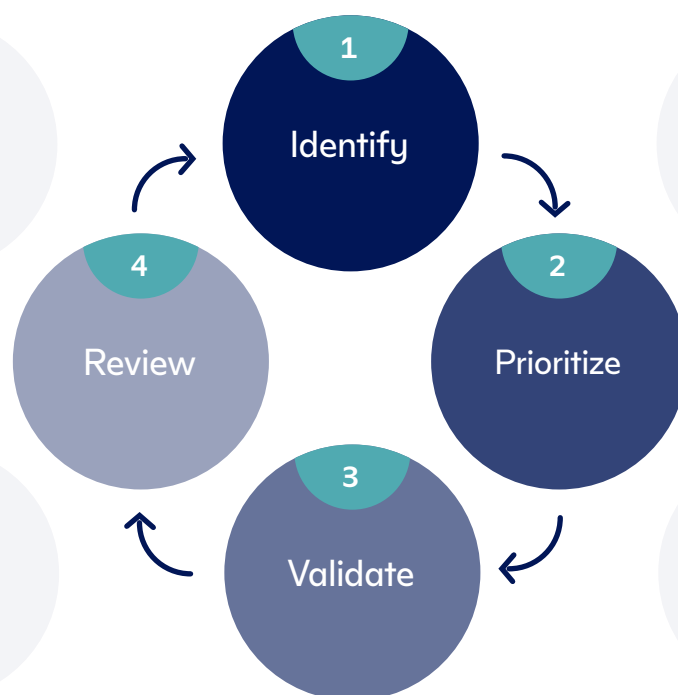
According to SM Prime's President, Mr. Jeffrey C. Lim, "our stakeholder engagement strategy today should no longer be founded on the assumptions and principles that influenced results in the pre-pandemic era. So much has changed since 2020, and our strategy must consider all new and emerging stakeholder concerns to identify our stakeholders' shifting priorities and expectations."



## Our Materiality Process

# Exemplifying Our Direction on Sustainability

We at SM Prime continue to implement and communicate our approach in determining how best to provide value to our stakeholders. During our engagements with our stakeholders, we identify our actual impacts based on their needs and match them with SM Prime's abilities and resources. We prioritize the identified needs based on our internal processes, validate if the identified priority topics align with what the company wants to achieve in the coming year, and review the results. The diagram below illustrates the process in four steps.



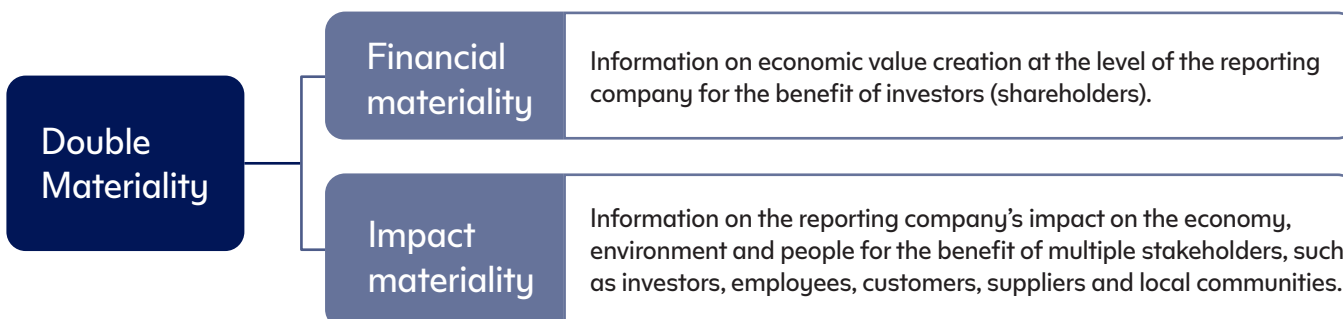
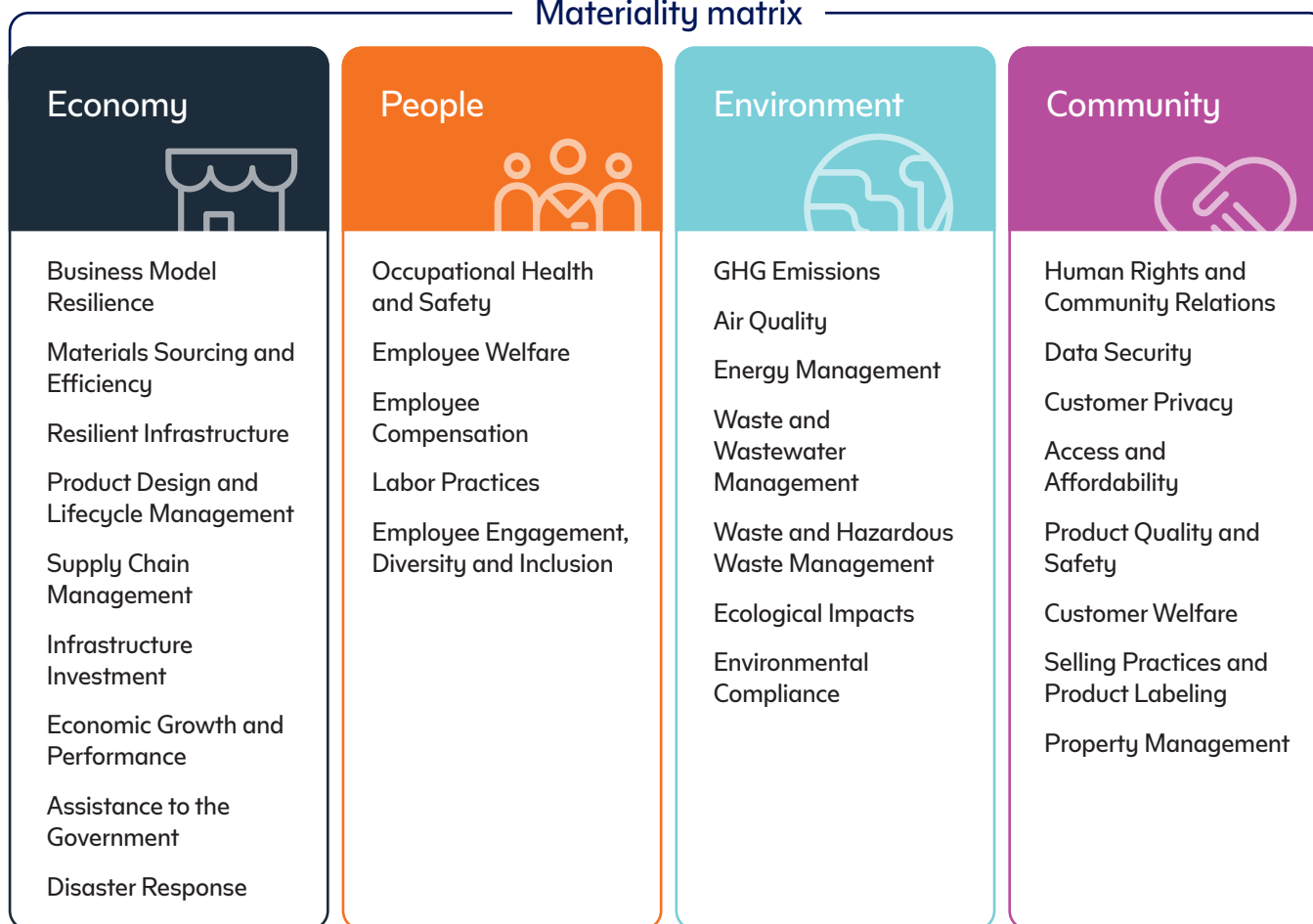
### 1 Identify

We first identify the key impact topics that are material or significant to the company's sustainability efforts based on how our current and upcoming programs, services, and practices affect our stakeholders. To achieve this, we encourage our stakeholders to provide insights into how our processes impact society and the environment. From there, we lay out where these topics are in terms of SM Prime's identified capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and how they could help maximize our positive potential or mitigate our negative impacts. This assessment also helps us determine our contribution to national progress.

### 2 Prioritize

After the identification of the significant material topics, we then prioritize which of the issues would be most likely to provide the most long-lasting value to our communities. During this process, we rank the impacts based on their effects on our company operations and stakeholders. We then turn to measure qualitatively and quantitatively as indicated by the standards set by the formerly-established Sustainability Accounting Standards Board (SASB), which is now part of the International Sustainability Standards Board (ISSB), to assess current and potential risks and opportunities that come from our material topics.

## Materiality matrix



### 3 Validate

The prioritized material topics are then integrated into our operating sustainability pillars, shown in the **Materiality Matrix** above.

We monitor the progress in delivering our responses to these impacts through clearly defined key performance areas (KPAs) and key performance indicators (KPIs) that are already included in our short, medium, and long-term strategies. The monitoring and subsequent validation process ensure our continued commitment to meeting the needs of our stakeholders and providing a positive impact across our communities.

### 4 Review

SM Prime continues to conduct annual assessments to aid in improving our current processes and implement solutions that better respond to the needs of our stakeholders based on the identified priority material topics. Moreover, publishing annual integrated reports and other sustainability communication materials related to the materiality process demonstrates our aim to be more transparent and receptive to feedback.

SM Prime will integrate the double materiality concept in our materiality process starting 2023 in response to the ISSB S1 (General Sustainability) standards due for implementation in 2024. The concept of **Double Materiality** is indicated above.





## Our Sustainability Framework

SM Prime's decision-making process is in line with our founder Henry Sy's advocacy to grow a business in step with social development.

Our sustainability framework is shaped by our Board's Corporate Governance Committee, tasked with all corporate social and environmental responsibility issues involved in long-term value generation. Hans T. Sy, Executive Committee Chair, works closely with the Board to supervise our sustainability targets and strategies.

SM Prime has been pulling its weight to address investors' increasing concerns regarding sustainability, particularly climate action and disaster risk reduction. Given our position as the country's top developer with a wide range of properties, it is also our duty to enhance local community life and enforce practices that preserve the world's natural resources.

SM Prime has partnered with groups from various sectors to conserve resources and improve waste management. We have also developed green buildings that optimize energy efficiency and reduce our carbon footprint.

In 2020, our Board established a Sustainability Council with the understanding that the country's economic growth and our business growth has increased our exposure and vulnerability to global warming, global supply chain disruptions, and socio-economic forces that may undermine our prospects.

Today, SM Prime continues to augment local economic growth and reinforce commercial activity with our vast range of properties that enrich Filipino life. As we expand, we seek to create thriving communities, reduce our environmental footprint, and inspire sustainable economic growth that extends prosperity for those in the margins.

A successful sustainability framework requires a strong foundation. To ensure that fortified principles guide our framework, SM Prime follows four core pillars of sustainability.

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 Sustainability Framework



### Economy

We help boost our nation's economic growth by contributing to our country's gross domestic product (GDP) through our various businesses. We help create jobs and aim to create business platforms that bring underrepresented groups into the local economy.

- SM Prime has contributed PHP109.3B in economic value through its financial, manufactured, and intellectual capital. About 73% of this amount was distributed among its shareholders, suppliers, employees, the government, and local communities.
- All SM Supermalls serve as venues for varying community festivals and the government's services.
- SM Prime has always supported small businesses, with 68% of its mall tenants comprised of small companies and startups.



### Communities

We uplift the quality of life of communities by investing in infrastructure resiliency and disaster-risk reduction programs. We also partner with various groups to support community development programs and advocacies.

- Following Henry Sy's core belief that societal growth is part and parcel of business growth, SM Prime has made PHP115.15 million in community investments alone.
- SM partnered with the Manila Observatory (MO) for the five (5) year "High-Definition Clean Energy, Weather, and Climate Forecasts for the Philippines" Project where the Automated Weather Stations (AWS) installed on top of 48 malls nationwide will produce daily weather forecasts and hourly forecasts for clean and renewable energy such as wind and solar energy, up to five days in advance. It will also provide real-time pictures of the atmosphere that enable MO to refine its micro-forecasts for renewable energy and weather. Moreover, long-term predictions of climate change in the Philippines from the 2030s to the 2090s will be continually made to help prepare communities especially those who are more vulnerable to its adverse impacts.
- Now on its 2nd year, the 2022 Galing Pook Awards is part of the five (5) year partnership with Galing Pook Foundation, together with the Department of Interior and Local Government Local Government Academy (DILG-LGA), that recognizes the top 10 Local Government Units (LGUs) - barangay, city/ municipality and provincial levels - who have shown exemplary leadership and governance in implementing adaptive, sustainable and innovative projects addressing the pressing issues in the country related to agriculture, local economic development, peace and development, Climate Change Adoption / Disaster Risk Reduction and Management (CCA/DRRM), heritage, transportation, and service delivery towards building community resilience.
- SM Prime's sustainably designed Mall of Asia Complex is not only a tourist attraction but also an excellent example of a structure made to withstand disasters. Its location is also linked to various pedestrian pathways and bike lanes, aside from being conveniently connected to transport hubs, thereby reducing the need for vehicle use and effectively decreasing visitors' carbon footprint, not to mention easing the traffic situation.



## People

We invest in our people's growth through professional development and wellness programs. We create and nurture a safe and healthy working environment for all our employees.

- SM Prime established partnerships with local government units (LGUs) to provide multi-mall vaccination sites.
- SM Prime supports women's empowerment in the workplace, with 56% of SM Prime's workforce and 47% of its senior management positions occupied by women.
- In addition to job preservation during the previous height of the pandemic, SM Prime maintains its dedication to the sustained development of its employees. By providing more learning platforms with 28.4 hours of training per employee, SM Prime has successfully given 58% more learning capabilities than its previous 2021 training hours.



## Environment

We design, build and maintain properties with sustainability and disaster resilience in mind. We conserve natural resources and strive to leave the least possible impact on our ecosystems.

- In August 2022, SM Prime entered into a long-term agreement with AboitizPower, in which it was established that the latter would provide clean energy to power various SM Prime properties ranging from its malls, offices, hotels, and homes. According to this deal, the clean energy would be responsibly sourced from the MakBan and Tiwi geothermal plants, where at least 50% of total consumption is renewable energy sourced.
- By the end of 2022, SM Prime increased its use of renewable energy in electricity consumption in all its business segments.



## From Philanthropy to Science-Based Strategies

# An Interview with Chico Sy and Jica Sy

By Abby Bonita, AVP for Sustainability

In this special feature, we talk with our next-generation leaders, Chico Sy and Jica Sy, to explore the philanthropic legacy of their grandfather Henry Sy alongside their current efforts to fight climate change and mitigate disaster risks in the Philippines.

**Working for public welfare and the public good is not traditionally a business concern. So how did the culture of doing good start at SM Prime?**

**Jica Sy:**

We owe our passion for doing good – for doing things right – to our grandfather Henry Sy. He envisioned the SM brand to open doors for people from all walks of life. We are simply following through on his vision.

**Chico Sy:**

Exactly. With our grandfather's and parents' guidance, all our companies have a unit devoted to philanthropy and CSR. Also, every single company in SM is putting in the effort to integrate sustainability into its business model now.

**Why do you think it is essential for a business to do good and give back?**

**Jica Sy:**

SM has always stayed true to its roots. Creating shared wealth is intrinsic to our identity and decision-making as a family and a business house. SM's long-running CSR programs are proof of this, as their ultimate goal is to share prosperity and give back. SM Cares is a prime example. It is one of the longest-running CSR programs by any local retail business. But we always have a bigger goal in mind. As one of the country's most influential businesses, we are responsible for creating positive change in the Philippines. So we want to do good and set an example for others to strive for excellence in every aspect, including sustainability.

**Chico Sy:**

Look, with everything being equal, a market that is bent on growing in a positive manner – one that has the public good at its heart – would definitely be a stronger market in the long run. We believe doing good and giving back are essential to a strong market. And building a stronger market is what we are trying to do.







**Climate action is now the right thing to do. It's a buzzword among companies today. What makes SM Prime's climate efforts different from others?**

**Chico Sy:**

Climate resiliency and disaster risk reduction have been part of our way of life since the 1990s. Every single project we undertake is imbued with the commitment to work for climate health. It's not a buzzword. It's something we do as part of our normal planning. We don't even have to try because it is already in our DNA.

**Jica Sy:**

We can always do more to curb climate change impacts. We know we can make a difference by ensuring that our environmental efforts go hand-in-hand with our entrepreneurial pursuits. This is why we tailor-fit our sustainability programs based on our expertise and spheres of interest to generate greater positive outcomes, no matter what initial challenges we might face.

**Can you share SM Prime's climate commitments?**

**Chico Sy:**

There are many avenues for climate action. But at SM Prime, we asked ourselves, where could we make the most impact, and we resolved ourselves on energy, water and waste in line with our parent company's initiatives.

In energy, we commit ourselves to the highest energy efficiency ratings that are economically possible. Our renewable energy commitment is also getting stronger every year. We are at 50% and expect to be at 60% by the end of next year. For water, we constantly recycle and we are committed to a net zero water discharge future. We are already reusing treated water to operate and maintain our malls. We look forward to using collected rainwater as well. We are also working on donating non-potable water to the LGUs for cleaning purposes. Third, waste. SM Prime is super committed to recycling. We will do more in waste segregation starting this year. We have our labeled trash bins and new collection programs specifically for plastics in compliance with the 20% Extended Producers Responsibility (EPR) Law target recovery for the first year. We continue our existing Trash to Cash recycling market, E-Waste and Plastic Waste Collection and internal paper recycling programs.

**Jica Sy:**

That's correct. And beyond these three areas and commitments, we also invest and implement many practical programs. At SMDC, for example, we support communities who are affected by climate-related disasters and promote small businesses and their continuity during disasters. But before calamity strikes, we already have preemptive disaster-risk investments in place. We also employ passive control design in our residences to protect them from seismic activity. We integrate ample open spaces and lots of greenery, including emergency refuge areas.





**Climate change is an enormous problem.  
What are your next steps?**

**Jica Sy:**

We constantly seek new and better ways to help. We break down the big task into doable steps by building the right partnerships. Our partnership with WWF is one of many good examples of such partnerships.

**Chico Sy:**

Using the three areas that we mentioned, we commit to doing actual change. And we are committed to educating the public to make sure that things happen and change for the better. Also, as Jica mentioned – we are now using science-based approaches to guide our next steps with climate action in partnership with WWF.

**Jica Sy:**

SM Prime works for longevity. Our properties, especially our vertical housing segments and condominiums, are designed for intergenerational living. Our designs are built to last: to be passed down from one family member to another, much like ancestral homes.

For this reason, we focus heavily on Disaster Risk Reduction and Resilience. To protect our homes, offices, and malls, disaster preparedness and infrastructure resilience had to be two of our biggest priorities. They are built into the entire development process – from site selection to construction and property management.

**Chico Sy:**

In the end, we are committed to positively changing the lives of every Filipino one step at a time – to the extent possible and given our capacity and limitations as a business. We know it will take time, but we pledge to get it done.



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Hans “Chico” T. Sy, Jr. is the President of SM Engineering Design and Development Corp (SMEDD), a wholly-owned subsidiary of SM Prime. SMEDD is responsible for designing and constructing new malls and SM Retail stores’ layouts and servicing the engineering operations of the malls, supermarkets, department stores, and other SM Retail affiliates. Chico finished his double major degree in civil engineering and management at the University of Melbourne.

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Jessica “Jica” Sy is an Assistant Vice President/Project Director at SM Development Corporation (SMDC), SM Prime’s residential property arm. She spearheads business, concept, project and design development and is responsible for pushing the future vision at SMDC. Jica finished her Master of Architecture at the Queensland University of Technology in Brisbane, Australia.





# How We Create Value







# SM Prime's Value Creation

We create value through real estate investments that can greatly contribute to the nation's socio-economic progress. By raising various forms of capital, deploying various forms of resources, and strengthening our relationships, we continue to develop communities that benefit Filipinos with international quality products. We strive to continue the legacy of the SM brand and maintain 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



## Our Business Activities





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.

## Our Outputs

## Our Outcomes

### Financial

- PHP 874.2B in Total Assets
- PHP 105.8B in Total Revenues
- PHP 49.2B in Total Operating Income

### Financial

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



### Manufactured

- 89 Malls
- 18 Office Buildings
- 84 Residential Condominiums
- 9 Hotels
- 6 Convention Centers and Trade Halls
- 6 LEED Gold Certified Buildings

### Manufactured

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



### Intellectual

- In-house Development and Design of SM Malls Online and SM StartUp Package
- 75 SM Malls certified with Business Continuity Management Systems (ISO:22301)

### Intellectual

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



### Natural

- At least 50% Renewable Energy Sourced
- 24 hectares of Protected Mangroves
- Three Marine Protected Areas

### Natural

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



### Human

- 56% of Women in SM Prime's Workforce, 48% in Senior Management
- 28.4 Average Training Hours per Employee

### Human

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



### Social & Relationship

- PHP 33.8M for Private and Public Partnerships
- 68% of Mall Tenants are MSMEs

### Social & Relationship

- Livelihood Preservation
- Strong Multi-sector Relationships



# Sustainability and Financial Leadership at SM Prime

SM Prime was built on a foundation of values. In 2013, Henry Sy, the patriarch and founder of the SM Group, consolidated the Sy Family's malls and property assets under a more cohesive and strategic business house named SM Prime. Through Henry Sy's belief that business must be a force for good, SM Prime continued to balance shared values with prudent financial management, eventually becoming the country's leading property developer.

Since day one, SM Prime has understood that an authentic and practical commitment to communal development is vital to shareholder value, financial stability, and business growth. In its debut report to the public in 1994, the company unequivocally avowed to contribute to national development by enhancing the quality of life in the communities where it chose to build through "high-value-added properties, employment and entrepreneurial opportunities, and professional management or high levels of governance."

Today, these seeds of corporate stewardship have matured into two key aspects of SM Prime's success: sustainability leadership and financial leadership. As Henry T. Sy, Jr. recalls, "SM Prime's sustainability and financial approach is woven at the core of the company's business strategy – a legacy of our founder Mr. Henry 'Tatang' Sy, Sr., which we faithfully uphold in all aspects of our business."

In this section, we discuss how SM Prime's management and financial teams manifest the company's vision of sustainability in clear and practical ways. We then discuss how the company leads the country's real estate sector through sound and prudent financial strategies, and how the company's financial leaders have begun to integrate sustainability into their balance sheets.

## Sustainability Leadership

### The Development of SM Prime's Sustainability Framework

SM Prime reached a transformative milestone in this reporting year when we refined our formal Corporate Vision to explicitly include sustainability. This puts sustainable development at the heart and soul of the company's dream of a harmonious and equitable future for all.

Before the company decided to enact this seemingly simple addition of the word "sustainability" into its vision statement, the company's management had to undergo a comprehensive process that involved several stages of creating a Sustainability Office, studying risks and opportunities, and developing its first Sustainability Framework. On the opposite page is a more detailed look into the process.

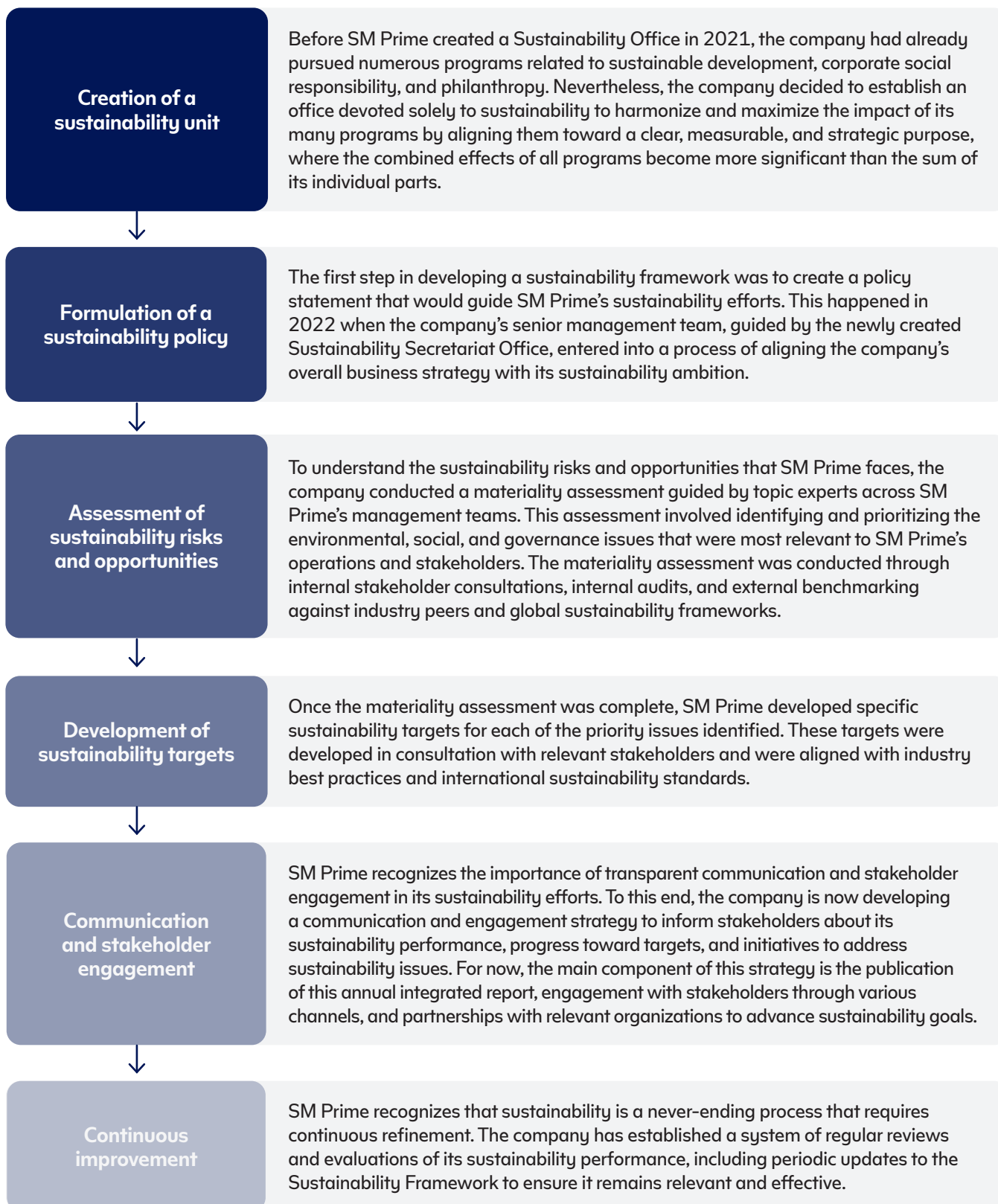
### On Target: SM Prime's Sustainability Leadership Roadmap

Social uncertainties and environmental risks have become mainstays in today's business landscape. Guided by its sustainability framework, and using a comprehensive risk management process, SM Prime has embarked on an ambitious sustainability roadmap with climate change,

disaster resiliency, and social inclusion at the core. SM Prime's commitment to sustainability begins at the top with Hans Sy, who oversees the company's risk and sustainability strategies with other Members of the Board. The Board's Corporate Governance Committee handles sustainability matters, including social and environmental issues on value creation. These adjustments within the company's board committees drove the creation of SM Prime's Sustainability Council in 2019, led by SM Prime's President Jeffrey Lim, who is responsible for achieving the roadmap's commitments and targets.

With a vision of being the climate leader among Philippine property developers, SM Prime's four-year sustainability campaign leading to 2025 focuses on climate action for years one and two, particularly on energy and water use and waste management. The program has already hit the ground running with its integrative approach leading to scalable results. In addition, the company has strengthened its commitment to environmental protection by joining the Task Force on Climate-related Financial Disclosures (TCFD).

The company also recently announced a collaboration with the World Wide Fund (WWF) for Nature to address climate concerns in SM Prime's operations.



Ultimately, SM Prime framework shows how operating with a purpose greater than profit is the most critical factor affecting the company's future. To set its Sustainability

Framework into motion, the company's leaders have developed a sustainability roadmap, which is detailed in the next section.



# Sustainability Leadership in Action

## Our city developments form the backdrop of everyday life

SM Prime's integrated property developments shape how people live, enriching the living environment for millions of Filipinos. This vision drives us to build greener and safer spaces where the environment and the community's happiness and well-being are at the heart of our designs.



## We create a greener future

SM Prime's building strategy is anchored on the principles of sustainability and the smart use of resources. Designed to promote societal and environmental well-being, we build green cityscapes with green buildings, efficient transport systems, and bike lanes and walkways. We also offer comprehensive water and waste management systems; clean energy access; open spaces for parks; conservation programs for mangroves and natural habitat protection; and fun, green public spaces that offer more sustainable lifestyle choices.



Today, SM Prime builds sustainable, resilient and thriving communities by creating spaces where Filipinos prefer to work, learn, play and live for today and the future.



## We build for resilience

With the Philippines as one of the most vulnerable countries to disaster and climate risk, SM Prime is built on a solid bedrock of resiliency. For SM Prime, disaster resiliency is at the core of our mission to protect our communities from storm surges, rising seawater levels, and stronger typhoons. We ensure the security of our communities by building on higher elevations; meeting global green building standards; creating efficient and clean waterways; and testing our road network's strength against disasters. As a result, SM Prime communities are safe and enjoy flood-free living.



## Financial Leadership



SM Prime's unprecedented growth from a single modest store in 1959 to one of the country's biggest real estate developer by the 1990s demonstrates financial leadership of the highest order. Our robust capital base – coming from funding from profit and diversified credit sources, investors, shareholders, and business partners – support the company's long-term expansion activities with sustainability at the core.

The Company's distinct value-for-money philosophy and nearly three decades of experience developing tracts of land in practically all major regions of the Philippines and select areas in China have allowed it to gain invaluable insight into a broad range of markets while widening access and options for lower-income brackets and previously underserved communities.

SM Prime is well aware that integrating sustainability into financial strategies can benefit both the environment and society while unlocking new opportunities and income streams toward greater profitability.

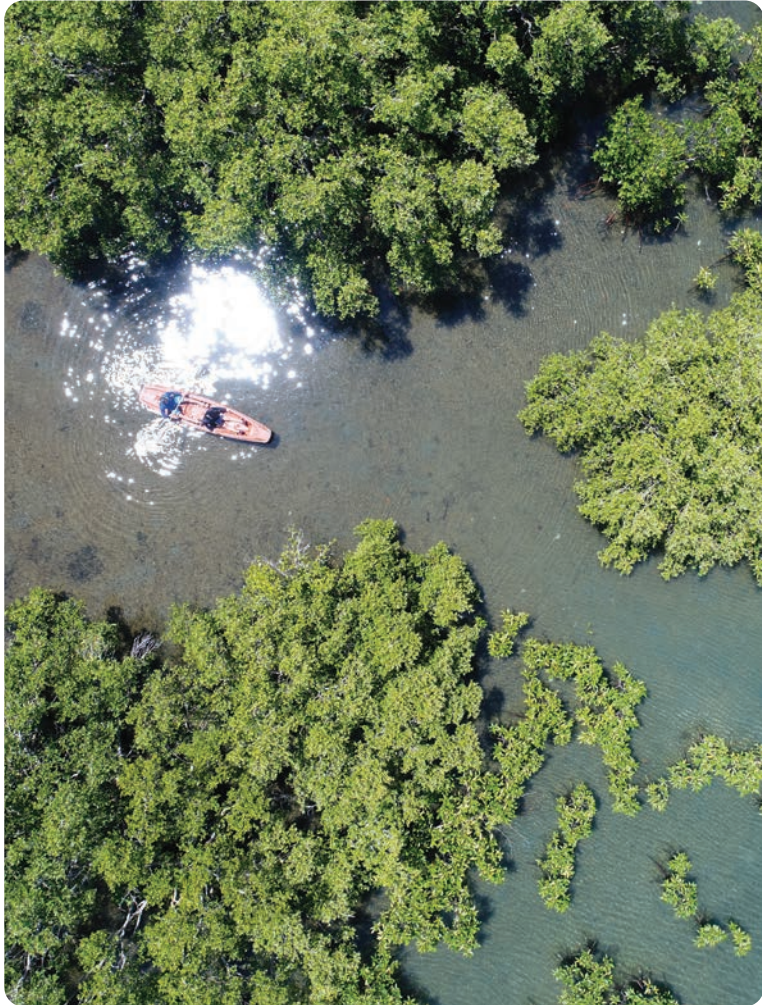
### **Turning Insight into Action: Integrating Sustainability into Financial Strategies**

SM Prime contributes to solving development issues previously reserved for government and civil society organizations. As such, both our short-term and long-term financial strategies are now underpinned by three financial areas or themes.

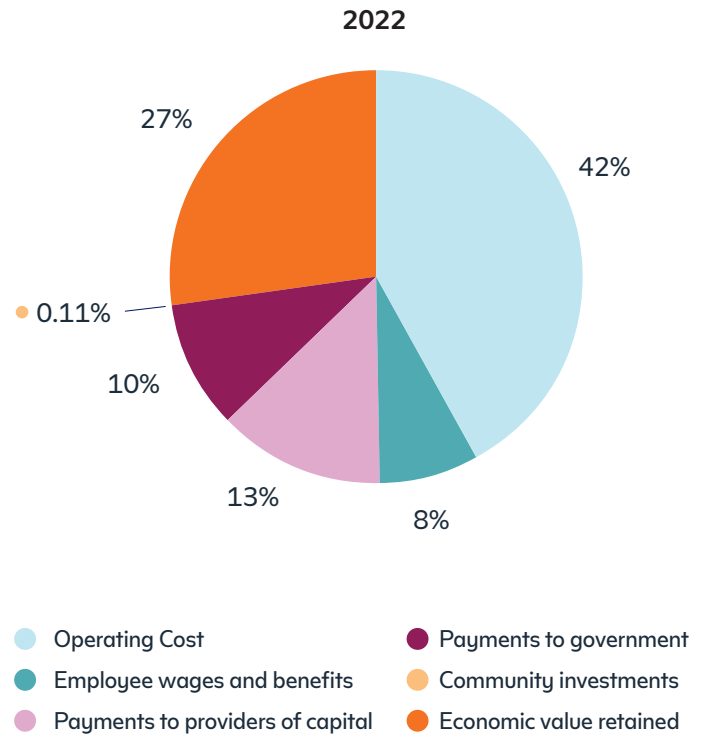
First, the longevity of SM Prime as a trusted and profitable company is linked with the stability and growth of the markets we serve. Because of this, we continuously invest in our country and distribute our full financial measure to our major stakeholders in supplier payments, investor dividends, employee wages and benefits, payments to government, and community investments. Our financial teams invest for the long term from a position of confidence and strength.

Second, the stronger our financial position, the faster SM Prime will realize its ultimate goal of elevating Philippine





## Economic Value Generated and Distributed



communities and enriching our environment. This belief has inspired the Company to achieve remarkable growth in 28 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.

Third, the value of our company can no longer be measured by purely financial metrics. We recognize that in order to diagnose our true financial health, we would have to value our society and environment. These include the natural resources we use or save and the social relationships or capitals we embrace and nurture. This means assigning financial values to our environmental and social impacts and including these previous intangibles in our balance sheets and investment strategies.

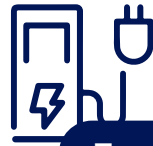
In 2022 alone, we have invested a total of PHP75.4B in new projects and developments, generated over PHP109.3B in economic value for our assets; and spent PHP80.2B in operating costs to suppliers, taxes, employee

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. In 2022, we continued to ingrain ESG parameters into our key business imperatives and broader economic goals as part of SM Prime's long-term business plan.

# Sustainability Investments

SM Prime maintains and refreshes its commitment to sustainable business strategies by expanding its sustainable investments portfolio. Here are some examples:



## Transition to Clean Energy

We continue to adopt more renewable energy sources from geothermal and solar, which have a lower emission factor. We have achieved greater renewable energy use by the end of this reporting year, and pledge to continue transitioning to cleaner energy in line with our science-based target initiative with WWF and other environmental partners.



## Water Stewardship

SM Prime is committed to water recycling and a net zero water discharge future. We reuse treated water to operate and maintain our malls and have taken steps to collect rainwater for non-potable uses. We are also working on donating non-potable water to local governments and other partners for landscaping purposes.



## Green Building Practices

SM Offices and SM Supermalls have been investing in green building practices to improve the energy efficiency and environmental impact of their buildings. Their strategies include using sustainable building materials, designing buildings to maximize natural light and ventilation, and implementing water-saving measures, among other parameters. CPG's and Supermalls' investments in green building design have resulted in LEED Certifications for some of its office and retail buildings (please see our LEED discussion on pages 48-49).





### Interconnectivity and Car-Free Focus

SM Prime through SMDC and SM Supermalls is a leader in the use of sustainable transportation options, such as biking, walking, or public transport to not only reduce the company's carbon footprint but also to help reduce traffic congestion around its properties. We continue to invest in pedestrian infrastructure, bike racks, bike-related facilities, and other investments that ease traffic congestion and promote walking and alternative modes of transportation. Our MOA Complex is one of the most interconnected and walkable developments in the country.



### Waste Management

SM Prime is also a leader in implementing waste reduction measures, such as recycling and composting to reduce the amount of waste that ends up in landfills.



### Community Development and Philanthropy

SM Prime knows that investing in community development and social responsibility not only builds goodwill and loyalty, but also creates positive ripple effects of change that uplift communities and develop more economically mature communities capable of enriching SM Prime's markets, supply chain, and human resources. Through SM Cares and numerous other CSR and Philanthropy programs of SM Prime's subsidiaries, the company has supported education, health, and other social initiatives in the communities where it operates for over 30 years.



## Financial Highlights

Balance Sheet Highlights (in PHP billions)	2022	2021	2020
Total Assets	874.21	804.40	722.36
Investment Properties	489.27	467.39	436.16
Total Debt	352.40	313.72	272.47
Net Debt	310.34	273.94	241.81
Total Stockholders' Equity attribute to Equity Holders of the Parent	363.20	332.92	309.28
Income Statement Highlights (in PHP billions)			
Revenues	105.79	82.32	81.90
Cost and Expenses	56.54	49.90	52.83
Operating Income	49.24	32.41	29.07
Net Income attribute to Equity holders of the Parent	30.10	21.79	18.01
EBITDA	61.09	43.11	39.28
Financial Ratios			
Debt to Equity	49:51	49:51	47:53
Net Debt to Equity	46:54	45:55	44:56
Return on Equity	9%	7%	6%
Debt to EBITDA	5.77	7.28	6.94
EBITDA to Interest Expense	5.33	4.61	4.57
Operating Income to Revenues	0.47	0.39	0.35
EBITDA Margin	0.58	0.52	0.48
Net Income to Revenues	0.28	0.26	0.22
Revenue Profile			
Malls	52%	36%	34%
Residences	38%	56%	58%
Offices	6%	6%	6%
Hotels and Conventions	4%	2%	2%
Asset Profile			
Malls	53%	53%	54%
Residences	36%	36%	35%
Offices	9%	9%	9%
Hotels and Conventions	2%	2%	2%
<b>Market Capitalization</b>	<b>1,025.21</b>	<b>979.01</b>	<b>1,111.85</b>
<b>Dividends Paid</b>	<b>2.80</b>	<b>2.37</b>	<b>5.34</b>

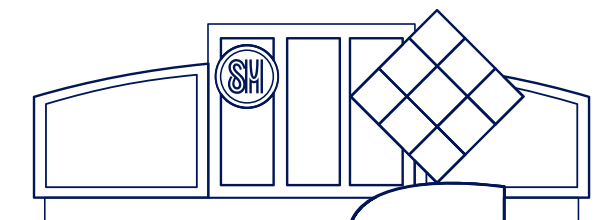
## Performance Overview

	2022	2021	2020
Price / Earnings Ratio (in PHP)	34.03	44.90	61.70
Earnings per Share (in PHP)	1.04	0.76	0.62
Dividends (in PHP)	2.80	2.37	5.34

## Core Businesses Performance (in PHP billions)

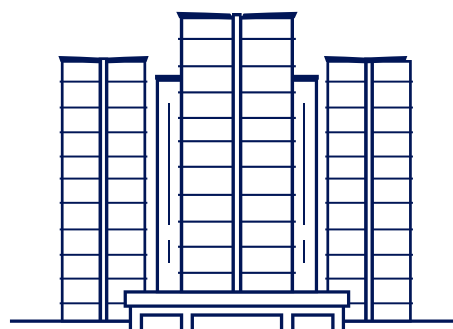
### Malls

Total Revenue 55.5  
Total Assets 461.6



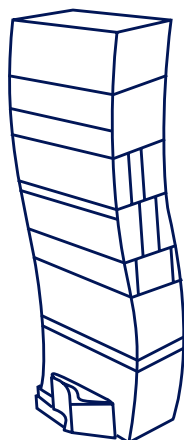
### Residences

Total Revenue 40.1  
Total Assets 317.1



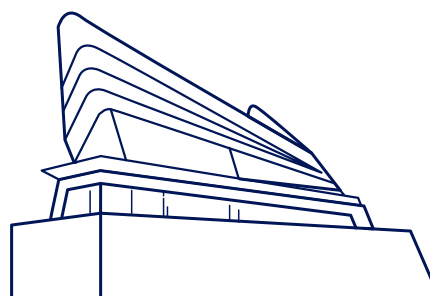
### Offices

Total Revenue 6.1  
Total Assets 81.1



### Hotels and Convention Centers

Total Revenue 4.3  
Total Assets 16.3



## EV Charging Stations

### Powering Up for an Eco-Friendly Future

AT TIMES it seems technological growth runs against the global movement to achieve ESGs and conserve resources. But a closer look at some of today's innovations reveal new ways to use energy efficiently. Here at SM Prime, we believe we are poised to help our communities leverage technological innovation to make the vision of a greener world one step closer to becoming a reality.

#### Inspired by Green Innovation

We are a firm supporter of one exciting piece of technology – electric vehicles or EVs. More to the point, these vehicles are crucial additions to the fight to decrease carbon emissions while enabling people to reach their destinations. With lithium-ion batteries capable of as much as 100 kilowatt-hours of electricity, these cars are also more cost-effective as they cut fuel expenses.

But another piece of technology is essential to support the use of electric vehicles: electric vehicle charging stations or EVCS. To make EVs a genuine transport option for Filipinos, building developers must install EVCSs in their establishments. Following the Electronic Vehicle Department Act signed into law in 2022, we at SM Prime, under the directive given by Mr. Hans Sy, began our initial but significant foray into exploring and experimenting with how we can install EVCSs in SM Supermalls.

Today, SM Prime is proud to present that thanks to quick delegation, SM Supermalls successfully deployed the first-ever in-mall free charging stations in the Philippines for EVs as part of our efforts to create a safer, greener future for all.

Launched last April 28, 2022, in SM Aura, SM North EDSA, SM Megamall, and SM Mall of Asia, SM's







EVCSs are equipped with Wallbox Pulsar Plus' 7.4-kilowatt Type 2 chargers. The only exception is the SM Baguio charging stations, which use a Tritium RTM50 50-kilowatt DC Rapid Charger with CCS2 Type 2 and CHAdeMO. All electric vehicle types may use these chargers, provided their users have the proper adapters. Because chargers come with Type 2 connectors, all EVs that accept these connectors are therefore compatible. However, users can still charge their vehicles at SM stations if they provide a proper adapter to connect to SM's chargers. Users must consult with their respective car manufacturers to determine accepted connectors.

With everyone's best interest in mind, all EV chargers at SM establishments have been tested and certified with UL, a global safety science leader.

### Revving Up on an Eco-Friendly Journey

Since the launch, our malls have recorded more than 500 users, with a 20 to 40% monthly increase. Today,

SM Supermalls has provided users with an estimated 7,500 kilowatts per hour of electricity for free. Meanwhile, Audi, Porsche, Chery, BYD, and Volvo are the top five car models that users charge in our EVCSs.

Nor is SM's provision of these charging stations limited to SM malls in the National Capital Region. In other areas of Luzon, each SM mall is already equipped with EVCS: SM Center Tuguegarao Downtown, SM City Clark, SM City Trece Martires, SM City Sta. Rosa, Sky Ranch Tagaytay, and SM City Naga.

In the Visayas region, SM City Cebu and SM Seaside City Cebu are equipped with their charging stations, while SM City CDO Uptown, SM CDO Downtown Premier, and SM Lanang Premier in Mindanao also have one station each. With this, SM Supermalls has the largest rollout of in-mall EV chargers nationwide. As the future unfolds, we carry on with the goal of providing more charging stations to encourage more users to switch to EVs and support those who have already made the switch.





# Developing Sustainable Integrated Property Developments

At the heart of SM Prime's growth strategy are integrated property developments (IPD) that are sustainable, safe, connected, and dynamic. We define a development as an integrated property if they incorporate or provide at least two real-estate uses or purposes that are interconnected in one shared development area.

We now have 21 IPDs all over the country that address the urban development challenges of the Philippines in support of its growing economy and developmental targets. These 21 IPDs are all mixed-use developments that are socially inclusive and built to last generations. They are in themselves compact urban districts that offer a variety of dynamic uses, capable of attracting commercial interest, creative energy, and community growth.

Our IPDs while varying in size and number of land uses are high-quality, compact, and walkable communities that enable customers, residents, and visitors easy access to various services in one secure, walkable community.

We build IPDs in strategic growth centers in support of sustainable urban development. With the Philippine economy likely doubling over the next 20 years,

populations in key cities across the country will nearly double over the next 30 years. These transformations will primarily happen in a developing country like the Philippines and in high-growth and dense urban centers.

We aim to maximize the socio-economic benefits of our integrated properties through strategic and responsible land use, environmentally responsive building construction and design, wiser energy, and water systems, sustainable transport systems, and sound waste management.

With the scale of investment that will have to be made in the next two decades to address unprecedented urban population growth, we can no longer afford to build exclusive developments for a limited few or smaller segments of society. Neither should we lock-in developments that rely on polluting technologies.

We, therefore, also view our IPDs as platforms for socioeconomic growth with the potential to deliver clear and significant socio-economic benefits, providing more quality jobs, and reducing disaster risk and polluting technologies that adversely impact human health.







## MOA Complex

SM Prime's flagship IPD – the 67-hectare Mall of Asia Complex (MOAC) – is one of Southeast Asia's fastest-growing mixed-use integrated properties, which serves as a base for numerous global brands, locators, and residents.

MOAC's disaster-resilient and sustainable design provides its locators, residents, and customers safety and comfort.

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.

As a result, the Mall of Asia Complex has become one of the major destinations in the country – a prime commercial, residential, retail, lifestyle, and entertainment hub.

### Disaster Risk Reduction and Management (DRRM)

SM Prime allocates 10% of its capital expenditure to integrate disaster-resilient features in its property design and construction.

Disaster resiliency is built into the entire development process through science-based solutions to combat the effects of natural disasters on the property, from site selection to construction and property management. For disaster risk management methods, SM Prime employs and conducts risk assessments, early warning systems, business continuity management systems, and continuous efforts for capacity building.

All 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, other SM malls have built-in plates to prevent the effects of strong earthquakes. In addition, all properties are designed to withstand strong seismic activity.

Notably, SM Prime helped develop the resilience of its tenants. The company built the first SM Resilience Center in SM Clark, Pampanga, as a centralized data and digital information hub and repository. This helps our tenants and locators maintain data integrity vital to operations. We currently provide free data storage of five gigabytes for around 1,600 SMEs from all around the country that serves as a vital backup during disaster recovery and business continuity. As a result, SMEs can access digitized copies of their contracts, permits, policies, and other important documents to help them bounce-back better after a business disruption.

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.

These science-based investments and human resource strategies have protected lives and manufactured capital during earthquakes. It has also enabled our properties to operate safely during calamities, even serving as refuge for affected communities. SM Supermalls, for example, are now regarded by its regular patrons as a refuge area for the community during storms. Mall tenants, patrons, and



SM employees consider every SM mall a haven, knowing they are safer staying within the mall premises during super typhoons. SM Prime also pioneered community services such as free parking and basic shelter during extraordinary natural disasters.

In addition, 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.

SM Prime strives to swiftly open essential stores, including banks, money transfer outlets, and satellite hospitals to immediately provide for the people's most pressing needs after a devastating natural calamity.

## SM Prime Named Most Outstanding Real Estate Company in the Philippines by *Asiamoney*

SM Prime Holdings, Inc. (SM Prime), one of the leading integrated property developers in Southeast Asia, was named the Most Outstanding Real Estate Company in the Philippines by the international financial publication, *Asiamoney*. SM Prime president Mr. Jeffrey Lim received the Company's latest recognition during *Asiamoney Awards*' gala night at Shangri-La Hotel in Singapore last September 21, 2022.

"We are deeply honored to receive this award as 'Most Outstanding Real Estate Company in the Philippines in 2022', most especially considering the challenges the Company faced these past three years with the COVID-19 pandemic. We share this recognition with our employees and our stakeholders, who have contributed to the successes of SM Prime," says Mr. Jeffrey Lim, SM Prime president.

The recognition is based on the votes received from hundreds of fund managers, buy-side analysts, bankers, and researchers who participated in the annual *Asiamoney Asia's Outstanding Companies Poll* last July 2022. *Asiamoney Awards* recognizes listed companies across 12 markets in Asia that have excelled in areas such as financial performance, management team excellence, IR activities, and CSR initiatives.

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









## Preserving Legacy Properties: Tagaytay Highlands and Taal Vista Hotel

While SMPH is renowned for setting the stage for new integrated property developments, not many are aware that the company likewise invests and nurtures legacy or heritage properties that are rich in cultural and historical value.

SM Prime has been a quiet but staunch supporter of built heritage preservation. We believe that protecting exceptional heritage properties is needed for communal wellbeing and a community's historical and cultural soul. Often, well-preserved architectural heritage is a solid asset for local economic development, as it attracts retail investments, tourism, and job creation. It also contributes to a community's sense and pride of place, which is intangible but invaluable to community growth.

Two outstanding examples of such properties are Tagaytay Highlands and Taal Vista Hotel. Both properties are situated in the highlands of Tagaytay, a city known for its scenic views, cool climate, and lush greenery. The city has been a popular tourist destination for centuries, attracting visitors from all over the world.

For over 25 years, Tagaytay Highlands has established itself as a heritage or legacy property in the Philippines due to its rich history, cultural significance, architectural uniqueness, commitment to environmental conservation, and contribution to community development. It has remained as a top leisure and events destination, having played backdrop and host to many priceless memories.

The architecture of Tagaytay Highlands, too, is rich in national significance. It is a mix of traditional Filipino and contemporary styles with recently introduced innovative

designs that blend with the natural surroundings. The buildings are constructed using local materials which gives them a distinct Filipino character.

Tagaytay Highlands is also rich in natural heritage, being surrounded by a protected forest reserve, which is home to a diverse range of flora and fauna.

Meanwhile, Taal Vista Hotel is one of the historic hotel establishments in the country. Built in 1939, it has stood witness to significant events in Philippine history. It served as a military hospital during World War II, and later on, as a refugee center for those displaced by the war. In the 1950s, it was a popular venue for social events and gatherings.

The hotel's architecture is a mix of American colonial and Art Deco styles popular during the early 1900s when the Philippines was still a commonwealth of the United States. The hotel has been an important landmark in Tagaytay, attracting both locals and tourists, and has contributed to the growth of Tagaytay's tourism industry.

Taal Vista Hotel has undergone several renovations over the years, but it has managed to preserve its historical and architectural significance. SM Prime has made an effort to maintain the hotel's original features, such as the grand staircase and the façade, while also adding modern amenities and facilities. Overall, Taal Vista Hotel's historical, architectural, and cultural significance, as well as its preservation efforts, make it a heritage or legacy property that is worthy of recognition and appreciation.



# LEED Certification

## A Vision Made Real by SM Offices

TODAY, as individuals, business owners, and large enterprises seek to alleviate the effects of climate change, it is paramount to find efficient and standardized ways to measure these efforts.

### A Brief History of LEED Certification

To work towards sustainability, it is a must for varying industries to pay attention to the kind of structures that they construct. It is no secret that buildings consume significant energy and resources yet are vital to urban life. This is where the LEED Certification gains significance.

Established by the United States Green Business Certification Inc. (GBCI) in 1993, the Leadership in Energy and Environmental Design or LEED Certification is a holistic framework for constructing and maintaining efficient, carbon- and cost-saving, healthy buildings. As a standard, it considers all the critical factors that make up a premium structure.

### SM Offices' Vision of Green Workspaces

SM Prime has taken the LEED Certification program to heart. SM Offices knows that efficient and convenient workspaces are non-negotiables in the daily hustle of business and commerce. As such, SM Offices offers top-notch office solutions for global flagship brands, as well as leading and upcoming names in the local business landscape. Furthermore, SM Offices designs its office buildings with the same mindset of reducing carbon emissions and resource usage.

The ThreeE-Com Center, designed by US architectural firm Arquitectonica, was the first building to receive a Gold LEED Certification in SM's famous Mall of Asia Complex. Meanwhile, FourE-Com Center, with its three crystal-shaped buildings complete with green terraces, is now also pre-certified Gold LEED.

All E-Com Centers represent an active effort by SM Offices to reduce greenhouse gas emissions. To



encourage other means of transportation, all E-Com Centers have integrated bike paths and made foot traffic more accessible with convenient elevated pedestrian walkways. In addition, the Prism Plaza, the signature sky podium development of the E-Com Centers, gives employees access to a tranquil green space with a river-like amenity, pocket gardens and “rejuvenation nooks” where they can take breaks and de-stress.

SM Offices, managed and developed by SM Commercial Properties Group (CPG), assures its tenant-partners and stakeholders that they will continue to expand its portfolio of green workspaces that will benefit both the environment and its tenant-partners’ employees.

### **Safety and Resilience by CPG**

The S-shaped Mega Tower features the same attention to sustainability in design and is also registered for LEED Certification. All waste generated within the Mega Tower’s 50 storeys will be recycled, reused, and salvaged through a rigorous process. In addition, its parking slots have been designed to mitigate energy consumption, as 5% has been reserved for electric vehicles.

### **An Effort Across Multiple Projects**

SM Prime’s thrust towards a better future for generations of Filipinos is featured across other business and product segments. Under SM Hotels and Convention Center (SMHCC), Conrad Manila earned its Gold LEED Certification in 2017. Among the structure’s features that have led to this recognition are occupancy sensors that switch lights off and reduce ventilation when rooms are unoccupied, water infrastructure and technology for water consumption, and the use of materials from a non-volatile organic compound (VOC) that minimize carbon emission. During the construction of Conrad Manila, other local materials were also used to save energy. Today, the building has bicycle facilities and insulated glass to help keep noise and heat out.

SM Supermalls’ SM Aura has also received a Gold LEED Certification. Thanks to a high-performance building envelope that lowers solar heat and lets enough sunlight in, SM Aura uses 16% fewer resources than other buildings. Through its metering



faucets and water sensors, the prestigious mall also effectively minimizes potable water usage by a third.

SM Aura is also famous for its green landscapes and energy-efficient mobility. Its Premier Park comprises more than half of the building, allowing people a green shared space while shielding them from the heat. To encourage other modes of transportation, SM Aura is equipped with accessible bike storage, shower rooms for cyclists, and access to safe lanes for individuals using public transit.

### **Next-Generation Workspaces**

SM Prime understands that every Filipino deserves structures that are resilient and provide convenience without sacrificing the good of the environment. With more workspaces rooted in innovative green design, a new generation of companies and their employees can look forward to going to work without worrying about sacrificing comfort or the scarcity of resources.



# Valuing Our Natural Capital

Given SM Prime's leadership position in the real estate industry, we see our responsibility to the environment in a much broader context. We have grown into the country's top integrated property developer because we believe we have the capacity and drive to address our biggest environmental threats practically and with sustained force.

Our involvement in resource-intensive operations like construction, retail, and hotel and leisure resort management gives us an excellent opportunity to drive Philippine economic growth toward a greener path. We know that our actions and messages can inspire millions of Filipinos to take action against climate change, waste and pollution, and the depletion of our resources. This is why we

continue to find green solutions in our spheres of expertise and then integrate these solutions into our daily operations.

We know that accurately valuing our natural resources is a crucial determinant of our longevity as a leading business house. We therefore seek to become a more assertive role model for how Philippine companies can innovate to balance economic development with environmental conservation.

In the coming years, we will further use our scale, creativity, and business expertise to form bigger ripple effects of positive changes for future generations.



Responsible Consumption: Managing our Carbon Footprint

We know that our impacts on the environment is significant. However, addressing the growing demand of over 110 million Filipinos for housing and commerce is impossible without engaging in energy-and-water-consuming processes. Viewed from these complex scenarios, we know we have an immense obligation to manage our businesses in the most environmentally responsible way possible.

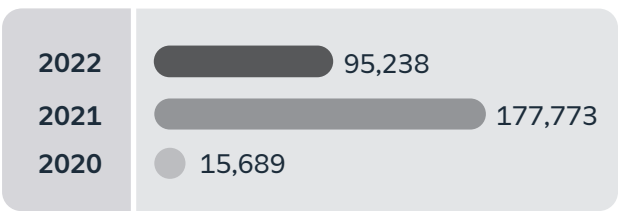
SM Prime pioneered the integration of energy efficiency across SM Supermalls as a way to save resources and improve our bottom line. Today, each business unit and facility across our group has clear targets for reducing electricity and fuel consumption, which is discussed in more detail in this report’s TCFD section (see pages 109 to 113). We develop engagement programs and hold training on conservation measures for all employees.

GHG Emissions

We continuously seek opportunities to reduce GHG emissions across the three GHG Protocol classifications. 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 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.

Scope 1 GHG Emissions (in MTCO<sub>2</sub>e)



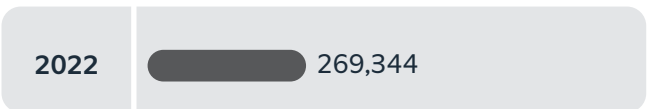
Our Scope 1 emissions amounted to 95,238 MT CO<sub>2</sub> in 2022, decreasing by 46% from 2021. The decrease was due to a restatement of figures in 2021 which accounted for the increased refrigerant consumption and the addition of LPG and fuel reported for the malls.

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.

Scope 2 GHG Emissions (in MTCO<sub>2</sub>e)



Scope 2 Avoided Emissions



Our Scope 2 emissions reduced to 590,102 MT CO<sub>2</sub> in 2022, a 6% decrease compared to 2022 results. The drop is primarily due to the adoption of more renewable energy sources from geothermal and solar, which has a lower emission factor, achieving 269,344 MTCO<sub>2</sub>e emissions avoidance.

SM Prime aims to take the lead in implementing energy-conservation programs that refine our overall carbon management effort. For example, eleven of our malls (eight in the Philippines and three in China) are now powered by sunlight through roof-deck solar panels. In addition, 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.

Electricity Consumption (in MWh)

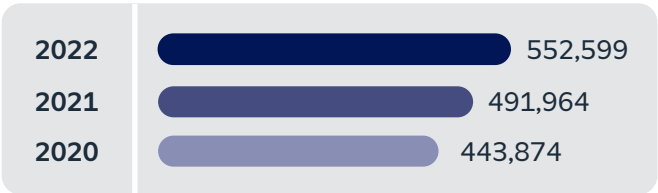


To further manage our Scope 2 emissions, we will increase our use of renewable energy sources to more than 50% across all SM Prime business segments by 2023. Through our diversification of energy suppliers’ program, we will expand our use of solar roof decks across all our business lines — from malls and residences to commercial spaces and hotels. These actions support the government program of moving up the renewable energy supply component of the country to 35% by year 2030 and to maintain more than 50% of electricity supply from renewable energy sources.

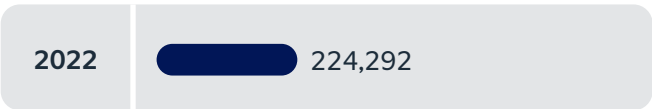


Scope 3 pertains to an optional reporting category that allows for accounting for all other indirect emissions. These emissions result from SM Prime’s activities but occur from sources not owned or controlled by us.

Scope 3 GHG Emissions (in MTCO<sub>2</sub>e)



Scope 3 Avoided Emissions



Our Scope 3 emissions essentially comprise electricity from tenant establishments, LPG consumption, and third-party vehicles. For 2022, it reached 552,599 MT CO<sub>2</sub> compared with 491,964 MT CO<sub>2</sub> in 2021, representing a 12% increase. The rise in emissions came from increased electricity consumption of tenants and new facilities. However, due to a rise in renewable energy sourcing for our tenant establishments, there was an emissions avoidance of 224,292 MT CO<sub>2</sub> under Scope 3.

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

Water Stewardship

We invest in water-saving technology to eliminate water wastage and adopt stricter measures to reduce consumption volumes. In addition, we carefully monitor our properties and facilities for any signs of leakage and malfunction and promote wiser water use among our tenants and customers across the country.

As operations continue to return to levels similar to one observed during the pre-pandemic period, SM Prime reported an increase of 28% in water consumption from 12.23 million cubic meters in 2021 to 15.63 in 2022.

We continue to build up our water reuse and recycling as part of our strategy to regulate our consumption to cope with the increase in water use and discharge in our offices and estates. More innovations are being done to recycle

more water and collect more rainwater for our facilities. In 2022, SM Prime recycled 3.58 million cu.m. of water and discharged 7.15 million cu.m. of water.

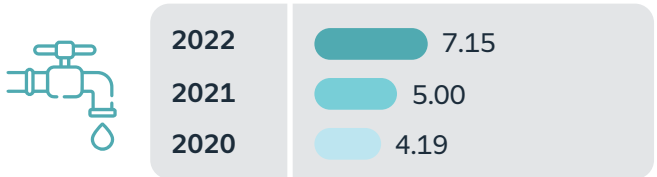
Moreover, Highlands Prime, Inc. (HPI) prevents depletion in Tagaytay Highlands’ water resources by strictly observing compliance with environmental regulations in terms of water system management. The company also takes advantage of opportunities for water recycling through rainwater harvesting systems. Additionally, the company practices routine monitoring of water levels to optimize water use within Tagaytay Highlands.

Water Consumption (in million cu. m.)

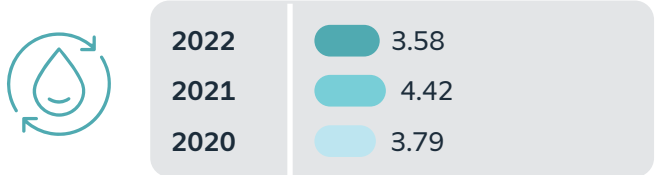


\*2020 and 2021 values are restated. Previously reported numbers were cumulative of two years for the malls.

Water Discharge (in million cu. m.)



Water Recycled (in million cu. m.)



\*2020 and 2021 values are restated. Previously reported numbers were cumulative of two years for the malls.



## Materials Use: Towards a Circular Model

For SM Prime, moving towards a circular economy means increased resource productivity, resulting in reduced costs and minimum waste. The linear material-consumption system — which depletes a finite supply of resources and produces large amounts of waste — is no longer viable for our companies as we face surmounting environmental challenges. As such, we seek to emulate the circular economic model, which mimics the organic cycle of materials in the natural world whenever possible.

Our Supermalls and Hotels Group are seeking to wean consumers away from using products designed for single use and have been promoting numerous recycling programs for decades. Moreover, Taal Vista Hotel and Pico Sands Hotel have successfully created a circular economy through their own compost pits, which have produced more than 1,000 kilos in the past year, which in turn closed the circle when used back in their respective food-and-beverage operations.

### Waste

SM Prime reported an increase of 1% in solid waste, from 163.96 million kgs in 2021 to 165.53 million kgs in 2022. The increase is primarily due to the return of face-to-face office operations, though there was a decrease in waste disposed of in malls.

Of the solid waste we generated in 2022, SM Prime was able to divert through the reusing, recycling, and composting of a total of 9.84 million kgs of waste, while a total of 52.25 million kgs of waste was collected and disposed of correctly by our accredited hauler.

Waste segregation is practiced in SM Supermalls, supported by policies (Operations Planning and Control memos). For example, segregated trash bins are on 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 1.4M kg of plastics, paper, metals, and others from polluting our environment. We have saved 16,766 trees from the 986,222 kg 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 32,301 kg of plastic waste from 14 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 7,000 kg of e-waste.

At Hamilo Coast, we strictly implement a solid waste management plan, including 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 an accredited third-party collector appropriately segregates and handles residual waste. It also ensures that waste undergoes composting and recycling whenever possible.

In addition to these efforts, SMHCC has committed itself to significant contributions to sustainable tourism through two key areas: consumption and diversion. As Leah Magallanes, VP of Sustainability and Food and Beverage at SMHCC, explains, the "Sustainable Diner" concept is executed in the group's internal operations. Through this initiative, multi-sectoral awareness and healthy and environment-friendly practices are adopted. More importantly, Sustainable Diner has helped improve waste management at SMHCC, reducing the generated food waste per cover to less than an average of 250 grams.

### **Hazardous Waste**

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

## **Ecosystems and Biodiversity**

Environmental conservation is key to SM Prime's vision of creating sustainable integrated property developments. Our business units are responsible for assessing and decreasing their impacts on surrounding ecosystems and biodiversity. And we carefully monitor the effluents of our facilities and obtain environmental management certifications as a standard for mitigating our impacts. We also ensure that our properties and systems comply with all pertinent government rules and have the right tools for ecological monitoring reports. Moreover, we develop parks and lush open-air spaces throughout our integrated properties while contributing to mangrove conservation and marine protection.

### **Marine Protected Areas**

SM Prime believes that more efforts can be made in protecting areas that are protected by Philippine law for marine life, such as turtles, giant clams, and other oceanic species.

Since 2007, CDHI has been collaborating with WWF-Philippines to carry out Marine Protected Area (MPA) Assessments on our coastal property.

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.

Furthermore, CDHI's partnership with the University of the Philippines Bolinao Marine Lab continues to promote the culture and ocean rearing of giant clams through a program called Giant Clams Restocking and Spawning. This conservation strategy seeks to improve biodiversity and inspire new growth in coral reef habitats. Another notable program at Hamilo Coast is its Marine Turtle Conservation Program, which monitors and protects the Olive Ridley turtle nesting grounds at the coast.

### Parks and Green Spaces

Enhancing and expanding urban green spaces within our integrated property developments has been a continuing cause for SM Prime.

Our Leisure Residences actively promote and protect biodiversity to maintain their lush surroundings. For example, the ground cover and the greens and fairways of Tagaytay Highlands' championship golf courses consist of endemic or native plants and trees. Sustainability measures, such as planting native trees and shrubs, are kept in mind even in landscape design. To further support environmental protection, a yearly key active program is implemented for the planting of tree species indigenous to Tagaytay Highlands.

For its part, SM Supermalls continues to create green spaces in many of its properties across the country. One example is the Sky Garden at SM City North EDSA, an elevated, curvilinear park on the second floor. With its lush land and waterscapes, the Sky Garden is an organic link between the different blocks of the mall. Accessible from different points, the Sky Garden boasts of the Roof Garden, Sky Dome, and Water Features. To support an estimated 55 species of plants, grass, and trees, the Roof Garden uses a special type of lightweight soil.

Meanwhile, SM Aura features the Sky Park, a multi-level roof garden with water features and landscaped gardens. With its multi-tiered green terraces, the Sky Park emulates the ancient Hanging Gardens, an additional historical delight for everyday mall goers. This green enclave draws inspiration from nature and encapsulates natural elements into a uniquely sculptural form.

Daily office goers are also afforded the serenity of green spaces, as SM Prime's Commercial Properties Group (CPG) has ensured that the E-Com Centers in the Mall of Asia (MOA) Complex are equipped with green and open areas. A thriving hub that caters to various business process outsourcing (BPO) companies, the

E-Com Centers have been designed with sustainability, functionality, and aesthetics in mind. Our ThreeE-Com Center is a Philippine Economic Zone Authority- (PEZA) accredited structure that has also earned the Gold Leadership in Energy and Environmental Design (LEED). Aside from its pocket gardens and a river-like amenity at Prism Plaza, Three-Ecom Center also uses recycled water for landscaping and other non-potable uses.

Our Three-Ecom and Four-Ecom Centers were designed to meet the BPO industry's need for large, continuous floorplates. Nevertheless, the CPG also designed them in interesting sculptural ways to allow views and air flows between the buildings while giving them striking architectural identities, including green havens. Both Ecom centers have landscaped podium decks with attractive communal green spaces. They are envisaged to be interconnected via landscaped sky bridges in the future.

With these lush, calming areas, SM Prime's Leisure Residences, CPG, and Supermalls offer not only relaxation and respite from urban life. More than that, these green fields, gardens, canopied paths and beautiful landscapes remind everyone that sustainability and green living are integral to SM Prime's developments.





## In Harmony with Nature Leisure Residences



The Philippines has developed a reputation for beautiful beaches, magnificent coastlines, and awe-inspiring sunsets. So it's no wonder those who seek homes away from the constantly changing busy city find their way to the country's quieter scenic leisure residences, such as those under SM Prime.

For environmentalists, this move raises concerns about the well-being of resources close to these properties. This is why leisure residences under SM Prime, rather than take Mother Nature for granted, have made it their mission to preserve nature's wonders and minimize environmental impact wherever possible.

### Watchdogs for Nature

In 2007, Costa Del Hamilo Inc. (CDHI), the developer behind Hamilo Coast, and World Wide Fund for Nature Philippines, began aiming for specific sustainability goals prioritizing the well-being and longevity of the country's natural resources. These goals include coastal resource management, ridge-to-reef management, solid waste management, mangrove restoration, the use of renewable resources, and environmental awareness.

To protect marine life and its ecosystems, Hamilo Coast declared Pico de Loro, Etayo, and Santelmo

coves as MPAs, or marine-protected areas. Through this declaration, endangered and threatened species are not only protected but their habitats are also preserved and marine resources cultivated.

It is also well-known that each MPA is a trusted measurement of quality of life. On the surface level, this ensures that visitors and residents can always enjoy the beauty of their natural surroundings. But in terms of the big picture, an MPA indicates that food sources like fish will continually be available and that tourism's impacts will be kept at a minimum.

For an area to be declared as an MPA, specific parameters must be considered, the first being the benthic quality of life, which refers to the conditions at the bottom of the sea. Secondly, an area's fish life must be examined, which refers to not only the number but also the species of fish life present. Last, invertebrate life, including clams, starfish, sea urchins, and lobster, are also examined.

Among the three areas, the declaration of Santelmo Cove as an MPA proves to have the most potential. A charming beach-and-mountain cove, the area features a live hard coral cover estimated at 61%, with a notable increase over time. The area is now considered a fortified MPA that miraculously recovered from the

coral bleaching that it suffered from in 2016. Today, it boasts of hastily growing branching corals, a perennial sign of hope.

### **Before the Open Sea: A New Promise**

More recently, in November 2022, Hamilo Coast's dedication to preserving quality life for species in the area resulted in a new commitment to becoming the stewards of the Olive Ridley Sea turtles that have chosen the site for their nesting ground.

According to CDHI Assistant Vice President for Estate Management and Operations Franklin M. Bolalin, this new commitment is "one of the several measures we take to make Hamilo Coast a haven, not just for its residents and guests but also for marine wildlife." He also emphasizes that maintaining Hamilo Coast's position as a majestic, sustainable sanctuary has always been at the heart of CDHI's vision. To translate this commitment into action, Hamilo Coast trained its personnel to install and monitor nest cages according to the World Wide Fund for Nature Philippines guidelines.

With great pride, this commitment has created a positive impact: By mid-November, 56 Olive Ridley sea turtles were released into the sea at Hamilo Coast.





Meanwhile, at Santelmo Cove, new nest cages were installed in anticipation of hatchlings while the SM Leisure Resort Residences team released hatchlings in Pico de Loro Cove.

### Wisdom in Waste Management

No sustainability practice can do away with efforts to mitigate generated waste and make waste management more efficient. In 2022, the company concentrated on assessing solid waste, water and wastewater management, formulating an environmental management plan, and promoting foodshed farming systems – all significant waste management components. In an effort that further augments the declaration of the three MPAs, Hamilo Coast's mangrove restoration program, enforced along its 24-hectare mangrove belt, has resulted in 50,000 propagules.

Beyond developing more projects, Ms. Imee G. Francisco, Vice President and Head of the CDHI Projects and Operations, emphasizes that being nature's safeguards is a priority at Hamilo Coast: "We seek to create and sustain a world that future generations can enjoy. To help serve this end, CDHI continues to develop Hamilo Coast without compromising the quality of wildlife living around it."

As a result of Hamilo Coast's dedication to its environmental advocacy, the World Wide for Nature

Philippines fund has awarded it with the Longest Sustainability Partner Award. More than an accolade for its actions, however, the award also recognizes Hamilo Coast's remarkable influence on Philippine tourism.

### Making Space for Awareness

As in all areas of life, there is always room for growth. In an effort to create more awareness and integrate environment-positive practices, both the World Wide Fund for Nature Philippines and Hamilo Coast continue to spread awareness by holding Earth Hour every year. Meanwhile, Coral Triangle Day creates an opportunity for people and establishments to spread the word on methods of protecting and preserving the world's epicenter of marine biodiversity. Volunteers are always welcome at the International Coastal Cleanup, the latest volunteer effort for the good of the Ocean, which takes place both at the Santelmo and Pico beaches. There, volunteers not only collect debris but also contribute recorded information on the trash they find.

Ultimately, while some might insist that some things are too good to be true, SM Prime's premium beach communities and residences challenge that notion. In developments that carefully and beautifully offer both the preservation of the environment and a serene life away from the city, people and nature alike continue to strive for a life together in harmony.









# Nurturing a robust workforce

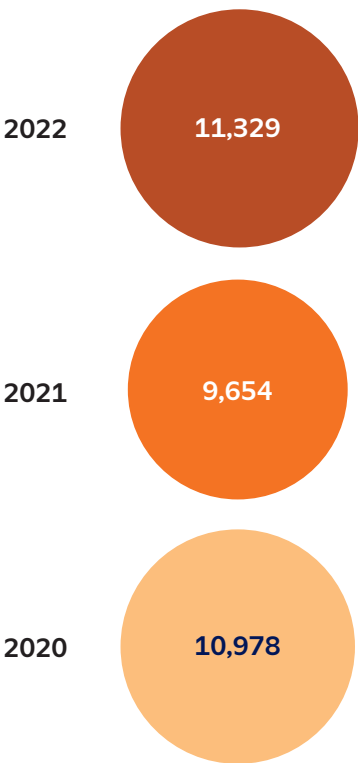
SM Prime is firmly committed to providing a safe, healthy, and respectful space for all our employees and business partners.

As a values-focused company, we offer an inspiring and challenging work environment. In addition to rewarding outstanding performance with attractive compensation, we also provide individual and long-term development opportunities. Moreover, in our efforts to fully consider the environmental and human impact of our operations and services, we also seek to better engage with our suppliers and vendors, especially in sensitive and high-risk areas like construction.

To maintain our leadership position in the Philippines, we seek to constantly acquire, develop and retain the best possible talents for SM Prime. Hiring and retaining the right talent and developing the skill set of our employees is a top priority. With a 95% fill-out rate for high-potential talents (surpassing the global benchmark of 90%) and 99% training coverage, 2022 represents a banner year for SM Prime’s human resources program across all our business units.

In 2022, we also saw a significant increase in employee count as the economy reopened and operations returned to near pre-pandemic levels. Additional projects and properties, from new developments and increased hotel operations, likewise contributed to the rise of our workforce.

## Total Headcount of Employees



## Talent Management, Acquisition, and Retention

SM Life Integration for Employees (LIFE), SM Prime’s signature talent management and employee engagement program, is guided by the principle that a talented individual must also have the right attitude. SM LIFE considers employee engagement a collective effort, a journey of collective experiences and possibilities that involves three core aspects: learning, growing, and giving back.

However, no human resource and supplier management undertaking can thrive if it is not centered around sharp management insight. For SM LIFE, this ideal translates to centering our human capital efforts around purpose, performance, and passion. It might seem that implementing these three areas would involve a linear process.

But for SM LIFE, it’s more important to follow a rich cycle that involves the following steps:



SM LIFE integrates the company’s values and goals to create an “aweSM” onboarding experience. By clearly defining and articulating these to new employees, SM LIFE aims to motivate them to follow our company’s strongly held values and achieve our goals, thereby underscoring that SM Prime employees are crucial to our growth and success.

SM LIFE focuses on keeping everyone engaged and motivated. With regular performance reviews, feedback, coaching and mentoring sessions, SM LIFE ensures that our people align with company goals and constantly receive substantial guidance to meet their targets. As a company committed to the service of the community, it only makes sense for SM LIFE to put a premium on regular performance coaching and conversations. These enable supervisors to become more hands-on in improving team dynamics and helping team members achieve their targets. Beyond productivity and engagement, however, these sessions improve employee retention.

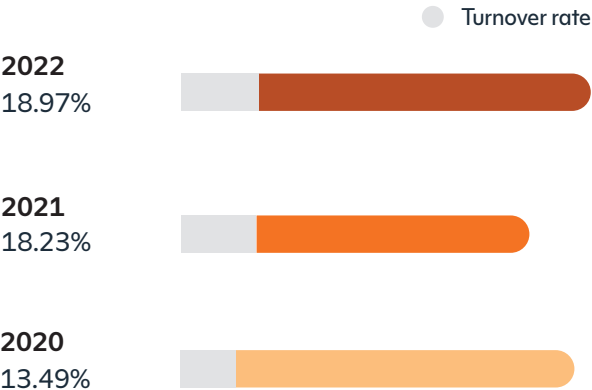
We at SM Prime advocate continuous learning to build and accelerate talents from within the company. In particular, our human resource training courses help our people improve their roles, acquire new skills, and gain more confidence and competence at work. Continuous learning also leads to greater job satisfaction, higher engagement, reduced absenteeism, improved overall employee retention, and stronger leadership succession.

We know a successful retention rate is vital to our continued growth. To achieve this, we develop programs that recognize and reward hard work, such as recognition of employee milestones and service awards, including the PRIME Excellence Awards, to fuel passion and inspire

employees to go after their goals. As for compensation, SM Prime adopted the 3 Ps: Pay for Performance, Pay for the Person, and Pay for the Position so that the company can remain competitive and attractive in the talent market.

SM Prime upholds that a happy, mindful, and productive workforce is essential to business success. This was the principle behind SM LIFE, which aims to promote holistic wellness. Through SM LIFE, we were able to develop programs and online webinars on physical health (Get Up & Move exercises), mental health (online mental health counseling), financial wellness (How to Grow Your Money), and spiritual health (First Friday Mass). Through Leadership town halls, SM Prime also provides a key venue for updating its people on company directions and long-term goals to inspire them to be part of its success.

Turnover Rate





## Lifelong Learning and Professional Development

In 2022, SM LIFE continued to provide our people with online, on-demand, hybrid, and face-to-face learning courses. Not only that, SM LIFE understands that learning needs to be multi-faceted. To continually create a learning environment, SM LIFE offers employees a wide range of topics to learn about, including leadership skills, functional skills, behavior, and compliance. More importantly, no strict schedule is set for employees to finish these topics. Instead, individuals are empowered to learn at their own pace without the added pressure of comparing their progress with peers.

Experiential learning on the job provides employees with a valuable and concrete opportunity to apply their learnings. As the data, broken down by average training hours and gender, shows, the period dedicated to training and developing both male and female employees has consistently increased over the last three years, even during the pandemic.

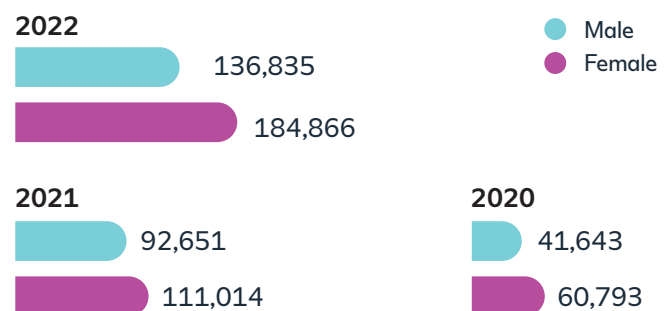
One example of the opportunity for lifelong learning was the Executive Development Program (EDP) held on December 7, 2022, with the Asian Institute of Management (AIM). Under this 10-month program, trainees gain key leadership talents in strategic-level thinking, execution excellence, and management of multiple business units or enterprise-wide initiatives.

Meanwhile, the Leasing Build Program innovates and upsills leasing professionals by developing both new and essential skills. The program has been so successful that it exceeded Managers' and Senior Managers' expectations, gaining a 3.7 rating out of 4.

Training for Excellence in EDD (TrainEDD) is an Integration Program intended for all Project Engineers of the Project Management Group (PMG). It aims to reinforce the company's vision by equipping attendees with fundamental skills and knowledge to ensure successful projection completions. It is a six-month program with 12 major courses patterned from PMI's Project Management Body of Knowledge where each courses tackles specific SMEDD processes supplemented with learning checks, mentorship, assessments and revalida.

Through the Learn @ SMDC Program, the company was able to consistently produce Certified Lean Six Sigma Yellow Belt Employees. This allows eager employees to attend the Certification Training and think out of the box to create and produce ideation projects that would enhance internal processes to make it more efficient and effective. Following a systematic framework as they analyze the root causes to provide solutions to inefficiencies and save time, effort and cost. Following the DMAIC methodology: Define, Measure, Analyze, Improve and Control.

### Training by Gender

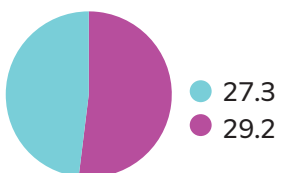




### Average Training (in hours)

#### 2022

Ave. per employee 28.4  
Total training hours 321,701



#### 2020

Ave. per employee 9.3  
Total training hours 102,436



#### 2021

Ave. per employee 21.1  
Total training hours 203,665





Diversity and Inclusion

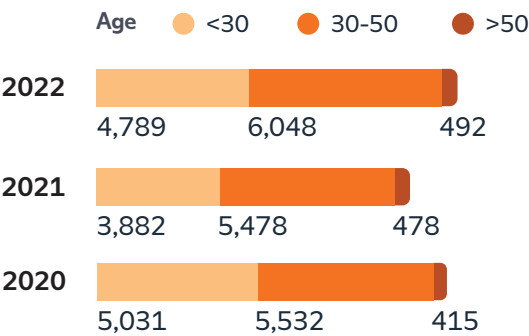
For SM Prime, openness is at the core of a diverse and inclusive workplace. This means being responsive to all perspectives and addressing the individual needs of a multi-generational and ever-expanding workforce, more than 60% of which are women and a majority of whom are millennials. This shows SM Prime as an equal-opportunity employer that invests in diversity and inclusion, especially since we are a staunch supporter of the UN Women Empowerment Principles (WEP). In the coming years, we will continue to advocate hiring from local underrepresented communities and recruit talents from various backgrounds.

To advocate for diversity, equality, and inclusivity and ensure that our employment mix is continuously enhanced, we uphold laws and regulations supporting women and working moms. For example, mothers have government-mandated maternity leaves and lactation areas in the workplace. These efforts have also been acknowledged, as Mr. Steven Tan, SM Supermalls President, was awarded a UN WEPs award for promoting women empowerment in the company.

Today, women comprise a significant percentage of SM Prime’s workforce at 60%, with more women than men in managerial and non-managerial roles. Moreover, as of the end of 2022, 48% of our senior management posts are held by some of the country’s most talented women in the private sector. Overall, the observed variance between female and male salaries is minimal for the entire group on average.

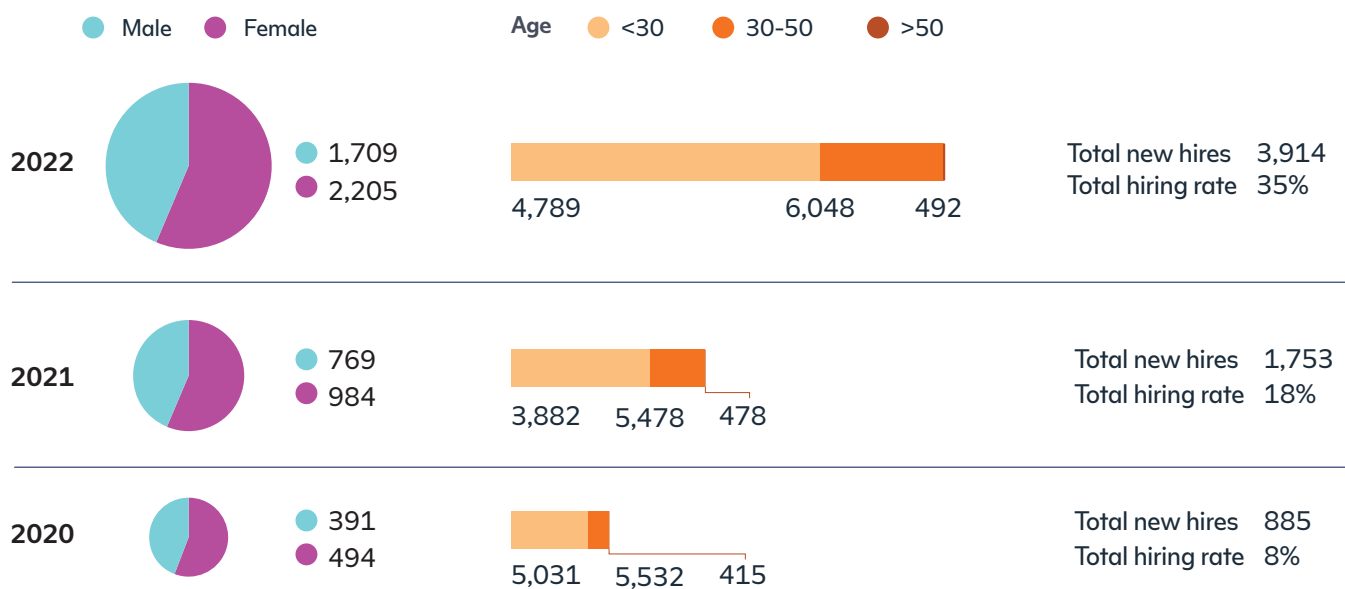
Moreover, SM Prime follows policies against non-discrimination and violence against women and children (VAWC) and implements the Magna Carta for Women. Training sessions, forums, internal communications, and campaigns augment these policies.

Employee Breakdown by Age





## New Hires



## Senior Management



## Average Salary Ratio

(Avg. Female Salary : Avg. Male Salary)

Senior management	1:1
Middle management	1:1
Junior management	1:1
Rank-and-file	1:1



## Safety, Health, and Wellness

As a company that cares for the economic well-being of our country, we at SM Prime inevitably also care for the well-being of our people. In the last three years, we ensured that all our people felt safe, protected, and informed, especially during the most challenging pandemic periods.

Through training sessions and webinars on COVID-19 variants, vaccination, and government-imposed restrictions, SM Prime's skeletal force and front-line employees remained equipped with the proper knowledge to protect all tenants' and customers' health and safety.

With an occupational health department, our company also helps our employees achieve optimal physical well-being. All employees receive training to keep them updated on safety standards. These include compliance training on disaster resiliency, business continuity management system (BCMS), compliance accreditation and certification initiative (CACI), pollution control, basic occupational safety and health (BOSH), and COVID-19 health and safety protocols. To help our people keep these valuable protocols in mind, we also established communication channels on disaster resilience and health safety. Communication is key to ensuring workplace safety and protection against health hazards. Important reminders on environmental initiatives and emergency preparedness are also communicated regularly.

In addition, our employees are provided basic benefits, including health care services, mobile annual physical exams, insurance, vacation, sick leaves, and maternity leaves. Access to clinics and occupational health nurses who are adequately trained and equipped is also easily provided to employees.

SM Prime goes beyond the basics by developing engagement activities through its SM LIFE program, now available online through the SM LIFE mobile app. Our teams can easily access physical, emotional, mental, and spiritual well-being activities through the app.

Since SM Prime prides itself in its dedication to its advocacies, we also empower our people with volunteerism programs aligned with our signature CSR program, SM Cares, so that employees can enact positive change in our communities, one small act at a time. These programs serve the environment, persons with disabilities, children or the youth, mothers, and senior citizens.

A partnership with Mind You provides employees with psychological and mental health support whenever they face personal or professional challenges. Other practical workshops also imbibe employees with valuable lessons in nutrition, stress management, and ways to ensure healthy living.



## Occupation Health and Safety

Employees*	2022	2021	2020
No. of fatalities	0	1	4
No. of lost-time injuries	2,291	10,126	2,154
Employees total hours worked	22,823,280	18,359,481	20,451,159
Contractors**			
No. of fatalities	2***	0	2
No. of lost-time injuries	85	4	790
Employees total hours worked	134,845,586	30,380,387	28,061,261

\* Data coverage only includes the following subsidiaries - SMHCC, SMDC and Supermalls

\*\* Data coverage only includes SMHCC and Supermalls

\*\*\* The two fatalities involved a cardiac arrest and a drowning at a partner wastewater treatment plant, further reinforcing the strict use of PPE in high-risk areas

## Suppliers and Value Chain

SM Prime's suppliers are accredited companies or groups that help maintain and enhance the value chain by providing the necessary resources or products to complete a project under a signed and negotiated contract or purchase order. Through constant engagement with these partner companies and groups, we ensure the sustainability of our value chain.

We recognize that it is essential for SM Prime to provide suppliers with the appropriate workshops, training sessions, and forums on our group's various procurement and bidding processes, sustainability initiatives, and corporate policies. For example, SM Hotels ensure that all our vendors and business partners are fully aware of the company's food safety, hygiene, and hotel food standards, particularly for suppliers in charge of perishable goods.

To ensure open communication, we also provide a variety of platforms for our different suppliers to use, including email, messaging apps, virtual meeting apps, and official memos. In addition, some of our business units have also developed Vendor Portals to enable suppliers to view purchase orders, check on the status of their invoices, and download their withholding tax certificates. Through these channels, any vendor concerns or inquiries can be addressed quickly.

SM Engineering Design and Development (SM EDD), even goes out of its way to meet contractors personally to ensure that our building activities operate at the highest efficiency and safety levels. Through their Weekly Management Meetings, SM EDD's President Hans Sy, Jr. meets with our construction management teams and contractors to discuss various issues on our construction, design, and engineering processes. As a result, pushing for resolutions beneficial to all parties and ensuring process improvements is always within reach of SM Prime's construction and architectural partners.





# Partnerships and Collaborations

At SM Prime, we intentionally forge new paths to create multisectoral partnerships that transform challenges into opportunities for achieving shared goals. This process fosters productive and meaningful relationships among our business units and various groups, including the government, civil society, and other organizations. Ultimately, our prime shared goal is to secure an economically inclusive and environmentally healthy future for more Filipinos.

All our partnerships at SM Prime are a testament to our group's guiding principle that entrepreneurship, inclusive growth, and social development can and should always find common ground. By entering into collaborative endeavors that contribute to economic expansion while promoting our communities' well-being, we emphasize the synergetic spirit behind every business at SM Prime.

## IKEA Philippines



A renowned source for pragmatic yet aesthetic pieces, IKEA's presence in the Philippines was long-awaited by many. Finally, in 2021, our partnership bore fruit when the iconic furniture retailer opened its first Philippine store at our SM Mall of Asia (MOA) Complex.

Motivated by SM Prime's offer of partnership and local market growth, IKEA entered the Philippine market with an initial investment of PHP7B. Not only is this IKEA's first store in the Philippines, it is also the largest IKEA outlet globally, a feature that aligns with the Mall of Asia's reputation as one of the largest malls in the world.

In the Philippines, IKEA's sleek and contemporary design has found a way to meld with Filipino sensibilities. In June 2022, IKEA Philippines held a three-day exhibit in SM City Pampanga to show how the global retailer's pieces can give our local homes a fresh yet familiar feel. Mr. Georg Platzer, IKEA Pasay store manager, said, "We decided to come to Pampanga to showcase our capabilities and talents and furnishings [for a] small home." True to the IKEA brand, the exhibit setup proved that limited space does not have to hamper design ambitions: "These tiny houses are just around 12-square-meters and we can transform it

into a liveable space." As IKEA's design concept becomes more accessible to Filipinos, it also celebrates local culture. In 2023, IKEA is set to join the Big Float Category of the iconic Panagbenga Festival in Baguio City.

Today, IKEA Philippines is available not just to the tens of thousands of customers in its physical store but also to more customers in Baguio, Pangasinan, La Union, Mountain Province, Ilocos Sur and Norte, Abra, Cagayan, and Isabela, thanks to its online shopping portal that now delivers to more areas in Luzon.

By bringing globally renowned brands to the Philippine market, SM Prime continues to enact our dedication to bringing world-class living to Filipinos. With a perceptive awareness of Filipinos' desire to become homeowners and live in well-designed and comfortable spaces despite space limitations, we aim to grow the Philippine market further, proving to other global brands that it is an excellent investment platform and a dynamic business destination in Southeast Asia.

## Conrad Hotels & Resorts



Beyond the home, however, SM Prime also offers Filipinos world-class experience in the hotel segment. This is evident in the premium experience offered by Conrad Manila. First opened in 2016, the 348-room hotel is located in the Mall of Asia Complex, making for a truly comfortable and convenient lifestyle for nearby employees, business owners, and shoppers.

An addition to the luxurious, multinational Conrad Hotels & Resorts brand, Conrad Manila has been described by former Executive Vice President and Chief Brand Officer at Hilton Worldwide as “stunning,” as well as “an exceptional addition to the Conrad Hotels & Resorts portfolio, and we are delighted to be partnering with SM Hotels on this exciting project.” According to Mr. Rinck, SM Hotels shared Hilton Worldwide’s “passion for excellence.” Not only that, Rinck considered Conrad Manila’s opening as proof of “the growth of [Hilton Worldwide] portfolio across Asia Pacific and our continued commitment to the dynamic market the Philippines.”

Besides offering an opulent hotel experience in a thriving urban area, Conrad Manila also provides a remarkable gastronomic adventure. Among its restaurants are Brasserie on 3, with its sustainable and organic dishes and an al fresco area for those who want to enjoy the bay while dining; China Blue by Jereme Leung offers a contemporary take on traditional Chinese cuisine, matched perfectly with tasteful modern interiors; meanwhile, C Lounge draws inspiration from the city’s lifestyle, with locally-inspired cocktails and a variety of both liquors and beer to choose from. During the day, C Lounge provides guests with a laidback space for unwinding, while at night it offers a unique cosmopolitan bar experience.

With a delectable offering of food and beverage balanced exquisitely by a delightful view and a sumptuous hotel experience, SM Hotels’ Conrad Manila truly captures a unique, high-quality opportunity for family and friends to unwind and enjoy the best that the city has to offer – all made possible by SM Hotels’ principle that Filipinos deserve only the best in hotel service and ambiance.

## Park Inn by Radisson



A range of offerings has always been essential to SM Prime, and this means making the hotel experience more accessible, not just to the everyday Filipino but also to tourists and domestic travelers.

In line with this vision, SM Prime formed a partnership with hotel management group Carlson Rezidor in 2013 to bring in hotels under the Park Inn by Radisson brand. Thus, the 154-room Park Inn Radisson Clark conveniently located near SM City Clark opened in 2015. This is the second hotel under the brand following a maiden project that resulted in Park Inn by Radisson Davao, near SM Lanang Premier Mall and the SMX Convention Center.

According to Ms. Peggy E. Angeles, Executive Vice President of SMHCC, the partnership with Carlson Rezidor and its consequent expansion was a natural result of the two’s “shared vision and strategy for growth in the Philippines.” She added, “Park Inn by Radisson is a hotel brand that appeals to a market of 35 million domestic travelers, our target clientele for SM Malls.” Not only that, she explained that the partnership reflected their shared “vision of presenting a vibrant, international mid-scale hotel brand alongside SM Mall and SMX Convention Centers for mutual benefit in multiple locations.”



ARISE-Philippines marked its seventh year since Co-Chair Hans T. Sy founded the organization during the Top Leaders Forum in 2015, which gathered various front runners from both the private and public sectors to forge pathways and milestones toward resilience in the country.

In 2022, we have witnessed some wins and struggles in the country. We gradually recovered from the negative impacts of the COVID-19 pandemic but we also faced a new economic crisis and a number of catastrophic earthquakes and typhoons. Amidst this situation, ARISE-Philippines remained true to its course in realizing its mission through its theme of “Harmonizing and Synergizing Actions for Resilience”.



The year 2022 also presented more opportunities to strengthen local, regional and global linkages. ARISE-Philippines expanded its cooperation with government agencies on disaster risk reduction, resilience and sustainability. Here are some of the highlight activities for the said year:

### Global and Inter-Network Engagements

- Co-organized 2022 Asia-Pacific Science and Technology Conference for Disaster Risk Reduction held in Manila, Philippines on April 7-8 alongside in National Resilience Council (NRC), National Disaster Risk Reduction and Management Council (NDRRMC), Office of the Civil Defense (OCD), Department of Science and Technology (DOST), UNDRR Regional Office for Asia and the Pacific (UNDRR-ROAP) and the UNDRR Asia Pacific Science and Technology Advisory Group (AP-STAG)
- Presented in the 7th Global Platform for Disaster Risk Reduction 2022 held in Bali, Indonesia on May 21 to 23, 2022 for the private sector with Co-Chair VAdm. Pama's (Ret.), "Thinking Resilience: Changing the Approach to Disaster Risk Reduction Financing"
- Hosted a Partner Event during the Asia-Pacific Ministerial Conference on Disaster Risk Reduction (APMCDRR) held in Brisbane, Australia from September 19 to 22, 2022 in collaboration with the National Resilience Council (NRC), Asian Institute of Management (AIM), SM Development Corp. (SMDC), UNICEF and International Finance Corporation (IFC) which was moderated by NRC Exec. Director, Mr. Silvestre Barrameda, Jr.
- During the October 10 to 11 ARISE Global Annual Meeting held in Geneva, Switzerland, Co-Chair Hans T. Sy shared his journey and passion for driving DRR in the country; while Co-Chair VAdm. Pama (Ret.) imparted the Network members' inspiring actions for DRR and resilience; and ARISE Global Board Member, Ms. Liza Silerio reported on the status of the ARISE Good Practices initiative
- Additional series of Knowledge-Sharing Sessions (KSS) in partnership with ARISE Japan was also rolled-out in 2022 with topics aligned with the remaining three priority areas (PA): Investor and Investments with Aboitiz Foundation, Insurance and Reinsurance with Philippine Insurance and Reinsurance Association (PIRA) and Resilient Infrastructure with IFC's BRI
- Received appreciation during the ARISE Network Leaders Call in December 2022 from the different ARISE regional networks and ARISE Global Board in its best practices on membership recruitment process and engagements which allowed 25% growth

### Local Initiatives and Programs

- In celebration of the 2022 International Disaster Risk Reduction Day, a two-part video podcast series was released featuring expert speakers on DRR and early warning systems in collaboration with Manila Observatory and Ateneo de Zamboanga
- The network also partnered with the UNDRR Global Education and Training Institute (GETI) to conduct an online training workshop in order to further establish and embed the Sendai Framework for DRR among the Network members and their respective networks
- Supported the PIRA, Philippine Insurers Club (PIC), and Insurance Institute for Asia and the Pacific (IIAP) in mounting a webinar on October 20 as part of the week-long celebration of 2022 Insurance Consciousness Week, with the title, "Importance of Insurance Vis-à-Vis Climate Change"
- Presented at Adapt Asia forum organized by Komunidad Global, a member of the ARISE-Philippines
- Select network members' climate actions were showcased in an Audio-Visual Presentation during Climate Change Commission's Climate Investment Forum

ARISE-Philippines will continue to advance its thrust toward inclusive and robust actions for a resilient future for the Philippines. In 2023, the Network calls for scaling this effort through the theme, "Driving Economic Growth and Enabling Disaster Resilience and Sustainability". Indeed, DRR and resilience are key drivers for the nation's socioeconomic growth. ARISE-Philippines takes on the challenge of effecting this transformation in its Network and beyond









## WWF-Philippines



There is no doubt that 2022 was a significant year for SM Prime's collaborative nature in striving for sustainable business practices and advocating for the environment. In September 2022, SM Prime announced its partnership with the World Wide Fund for Nature Philippines (WWF-Philippines) in a joint effort to develop a local decarbonization program. In particular, this entails the adoption of a reporting framework capable of addressing climate issues related to business operations.

Under this new partnership, SM Prime aims to adopt WWF-Philippines' flagship program for an actionable framework that enables different organizations to implement sustainable practices under the climate crisis paradigm. The program, called "Corporates for a Better Planet Initiative" or CBPI, entails an initial phase of estimating where SM Prime stands in its sustainability initiatives, as well as determining an SBT or science-based target to align with the goals of the Paris Agreement.

The selection of this target and proper assessment of SM Prime's efforts in sustainable business practices plays a significant role not only in holding the company accountable but also in ensuring that the appropriate

standards are used in reviewing SM Prime's performance, not to mention identifying areas for growth.

As SM Prime President Jeffrey C. Lim noted, "Focusing sustainability within the context of the Philippines ensures that our strategies and projects are highly material, efficient, and more responsive in addressing local concerns surrounding resilience and adaptation." Underscoring the significance of collaborating with appropriate resource persons and institutions, he emphasized the importance of being "one with the worldwide community to achieve this and we need to work with global experts to get this right." The SM Prime-WWF-Philippines partnership is also significant as it will allow for better transparency when it comes to greenhouse gas computations and verifying that SM relies only on the pertinent methodologies.

More recently, WWF-Philippines and SM Investments Corporation (SMIC) held the United for Climate: Sustainability Forum PH 2022 at Conrad Manila. During this event, members of the business community were given an opportunity to discuss and discover new ways to level up and coordinate better when it comes to their climate response.





## National Resilience Council: Adopt a City



We believe every vision must be firmly anchored on a specific and doable aim. We always consider the practical dimensions of every partnership, especially since all our business units envision a concrete reality where Filipino communities thrive.

Therefore, it is no surprise that SM Prime was the first private company to participate in the Adopt-a-City initiative of the National Resilience Council (NRC) in 2019.

Promoting a climate and disaster-resilient Philippines through public-private partnerships is at the core of the existence of NRC. Thus, its work highlights the crucial role of the private sector in reducing and preventing risks from being generated using science and technology-based and evidence-informed risk governance.

Through its Adopt-a-City initiative, the NRC introduced an innovative pathway for businesses to collaborate directly with local governments, academic partners, civil society organizations, and communities in transforming local climate and disaster risk landscapes. Through the Adopt-A-City, corporations support local government units by investing in preparedness, prevention, pre-disaster recovery planning, and long-term climate and disaster resilience interventions of the selected local government unit partner.

These investments include the development of resilient local government systems, infrastructure support for climate and disaster risk management, Information, Education, and Communications Programs, and capacity-building interventions.

Under this initiative, SM Prime has adopted two cities: Cagayan de Oro, and Naga Cities. Currently, the partnership supports climate and disaster risk-informed development planning in Cagayan de Oro City, and Business Continuity Planning initiatives, as well as the development of a resilience decision support system in Naga City. According to Mr. Hans Sy: “The level of risk we all face underscores the urgent need for encompassing disaster resilience. I am most proud of the Adopt-a-City program through which our vision and mission continue to inspire progress.”

This multi-stakeholder partnership also reflects the commitments of the Philippines to the advancement of the Sendai Framework for Disaster Risk Reduction, the Sustainable Development Goals, Paris Climate Agreement, and the New Urban Agenda.



## Bureau of Fire Protection



A vital component of safeguarding the lives and property of all SM Supermalls' stakeholders are the different trainings on fire prevention conducted under the Corporate Compliance Group Management Knowledge Series. A total of 26,399 internal and external attendees joined the various trainings conducted with the assistance of Bureau of Fire Protection (BFP) in 2022.

Over the years and as a result of the Memorandum of Agreement (MOA) with the BFP, some of the BFP's major activities were held in SM Supermalls. These are the Fire Square Road Shows – the interactive life, safety, and procedure simulation activity designed for children and young adults with government inter-agency participation. Setting up of Mobile Business One-Stop Shop (MBOSS) to help mall tenants and businesses in the nearby

communities renew their permits easily. Information dissemination drives on zero fire incidents during the holiday season. Further, SM Supermalls is the first private sector KAISA partner of BFP. KAISA is call-to-action against destructive fire campaign.

Videos of “Pag-iwas sa Sunog Hindi Ka Nag-iisa” campaign were shown in SM Cinemas and SM Digital platforms.

The BFP and SM Partnership demonstrates that Public – Private Partnerships (PPPs) is an important component in making significant progress in the country including in DRR and Resiliency.





# SM Cares: The Heart of SM Supermalls

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

SM Cares partners with advocates, communities, and private and public sector organizations and support the 17 United Nations Sustainable Development Goals. The group's advocacies include Programs for Women & Breastfeeding Mothers, Environment, Persons with Disabilities, Senior Citizen, Bike Friendly Mall and Children & Youth.

As a responsible mall developer, SM Cares ensures that the corporate social responsibility of SM Supermalls catalyze measurable positive change for its communities. One outstanding SM Cares program in 2022 is its partnership with the Department of Health (DOH) and other government agencies for the DOH's Reinforced Vaccination Campaign, dubbed PinasLakas.

Throughout 2020 and 2021, SM Supermalls has been one of the leading supporters of the government's COVID-19 vaccination, and 2022 was no exception.

In 2022, SM Supermalls and SM Cares reached the 10.5-million vaccination mark, as it continued to provide not just a #SafeMalling experience to shoppers, but also a convenient and accessible venue where their communities can get vaccinated.

Meanwhile, in support of women and in partnership with ARISE Philippines and the Women's International Network on Disaster Risk Reduction (WIN DRR), SM Cares celebrated women's month in 2022 by holding a webinar on the role of women in disaster resilience. Among the inspiring women who spoke during the online forum held via Facebook Live and Zoom were UN Special Representative of the Secretary-General for Disaster Risk Reduction (SRSG) Mami Mizutori, Director of the National Disaster Management Organization in Fiji, Vasiti Soko, and Zamboanga City Mayor Maria Isabelle "Beng" Climaco.

As part of the efforts to further create an inclusive environment for breastfeeding mothers in all SM Malls,

SM Cares celebrated the National Breastfeeding Awareness Month with a number of activities that promoted breastfeeding and the important role that it plays in the health and well-being of mothers and their infants.

Among the highlights of the month-long celebration was the "Art with a Heart" exhibit, presenting unique interpretations of breastfeeding. The exhibit featured more than 400 artworks by 170 local artists from different parts of the country. Aside from the art exhibit, SM Cares also hosted a free webinar to its employees with the aim of providing physical, emotional and mental wellness tips for new and expectant mothers, as well as extend knowledge on breastfeeding myths and tips for working moms. Throughout the month of August, mothers visiting the breastfeeding stations received free discount coupons, lactation supplements, and various baby toiletries. SM's breastfeeding stations have been a key component of the company's program on breastfeeding mothers and has welcomed over one million mothers since their introduction, averaging nearly 170,000 visitors annually.



In celebration of the SM Pink Ribbon Day, SM Cares partnered with GE Healthcare to provide free breast cancer screening and doctor consultation to members of the Bureau of Fire Protection (BFP), the Philippine National Police (PNP) and City Hall of Mandaluyong at the Megatrade Hall at SM Megamall last October 26. The day-long medical mission is line with SM Cares' efforts to emphasize the importance of early detection for breast cancer. It is part of SM Cares' Program on Breast Cancer Awareness which has been running since 2017. SM Cares also continued awareness campaigns with the Philippine Breast Cancer Society and DOH and a Look Good, Feel Good campaign for breast cancer survivors with Estée Lauder Companies. Through these programs, SM Cares supports the United Nations' Sustainable Development Goals (SDGs), particularly "SDG 3: Good Health and Wellbeing."



In addition to addressing in-depth women's issues including health, SM Cares also pays special attention to the needs of the Filipino youth – especially regarding mental health. In line with this commitment, SM Cares and Global Peace Foundation Philippines continued to mount the annual Global Youth Summit (GYS) which took place last August 12 at the SMX Convention Center Davao in SM Lanang Premier. The GYS aims to bring together thousands of students and youth leaders from all over the country and provide them with opportunities to work with and learn from each other in addressing the challenges facing the younger generation.

Over 2,000 individuals attended this event in person, and more than 67,000 more attended online. This initiative supports all 17 of the United Nations' Sustainability Development Goals as topics like Sustainability and Gender Equality were also covered by the speakers.





To augment efforts to rehabilitate Manila Bay, SM Cares held the 2022 International Coastal Clean-up at SM by the Bay. A total of 2,438 volunteers participated from different private and public organizations. The activity successfully collected an estimated 12,158 kgs. of trash.

In addition, SM Cares continued to promote Earth Day, as it is aligned with the goal of SM Malls to promote the responsible disposal of recyclables and e-waste, while highlighting the governments efforts to help preserve the country's waterways.

Among SM Cares Earth Day 2022 activities were the "Earth Day Trash-To-Cash," a special iteration of SM Cares' long-running Trash-To-Cash Recycling Market where customers and the community can drop off their recyclable waste, such as paper and plastic containers, in exchange for cash at designated collection points in all SM malls and select SMDC properties nationwide.

In partnership with the Department of Environment and Natural Resources - National Capital Region (DENR-NCR), SM Cares also hosted a photo exhibit centered on the winners of DENR's Gawad Taga-Ilog program, which recognizes the efforts of local government units in ensuring the cleanliness of their waterways. The exhibit was held last April 22 to 24 at SM Mall of Asia.

SM Cares also held the "SM Earth Day Challenge" wherein SM employees were encouraged to bring in items for recycling. In total, more than 19 tons of recyclables and electronic waste from its Earth Day activities were collected.





A nationwide employee initiative called “AweSM Bike for a Cause” was held to raise charity donations. Around 92 employees volunteer from SM Malls across the country joined this activity, benefiting more than 760 individuals.

Notably, the United Nations (UN) Philippines held its first on-ground celebration of world Bicycle Day in the country through a fun bike ride at the SM Mall of Asia. Several humanitarian and diplomatic communities participated in the event to promote sustainable and inclusive mobility.

Also, SM Cares and the local government of Pasay City kicked off National Bike last November 26 at SM by the Bay. The event celebrated Pasay as an eco-city as part of its goal to make environmental awareness a driving force for city-wide growth and development. A Bike Safety Clinic was also held for kids. Children from Pasay and their parents were educated about the meaning various road signages and hand signals. They were also instructed on how to wear bike safety equipment properly.





Also launched during the event was SM PadyaKabuhayan, a program that promotes sustainable livelihood through sustainable mobility. The program provides a means of earning for families in need, many of whom are beneficiaries of the Pantawid Pamilyang Pilipino Program or 4Ps. SM PadyaKabuhayan extends the benefits of bikes from an environmentally-friendly form of a transportation to a sustainable source of income.

From environment-friendly programs and celebrations to being the most PWD-friendly establishment across the country, SM has earned a reputation for promoting a barrier-free and disability inclusive environment for persons with disabilities in all SM Malls. Regular sensitivity training and orientation of mall front-line staff and tenants were conducted nationwide. Institutional programs such as Happy Walk in partnership with Down Syndrome Association of the Philippines (DSAPI) and Angels Walk in partnership with the Autism Society of the Philippines (ASP) were all held online.

After all lockdowns and as soon as restrictions were lifted, SM Cares welcome back to its mall its partners from the Autism Society Philippines (ASP) for the sensory-friendly screening of the movie “Lightyear” in SM North Edsa. The Lights Up, Sound Down project, supported by SM Cinema and Press Play Pictures Philippines, Inc, gives an opportunity for individuals with autism to enjoy watching movies in a safe and accepting environment.





SM Cares also launched its first-ever immersive exhibit, The Blackout Zone, to create a welcoming and caring environment for the visually impaired. The launch was held last October 6 at SM Southmall to celebrate World Sight Day. The exhibit took participants on different challenges in total darkness, like tying a shoe, creating a sandwich, making coffee, and watching movies. These activities unleashed the power of their senses. In addition, they served as an excellent reminder to the general public that everyone should develop a sense of care for blind people, whether a loved one, a colleague one, or a stranger.



In celebration of the National Disaster Resilience Month, SM Cares held its annual Emergency Preparedness Forum for Persons with Disabilities and Senior Citizens. A total of 1,983 participants were enlightened on the proper response to calamities especially earthquake, flood and volcanic eruption. From what used to be held in a single venue, SM Cares now brings the forum to SM Malls nationwide with resource speakers from PHIVOLCS, PAGASA and ABS-CBN's resident rescue analyst Dr. Ted Esguerra, who is an active member of numerous emergency preparedness and disaster response units around the globe. This program aims to teach these most vulnerable groups on how to become prepared and resilient in times of emergencies and disasters.

Finally, the SM Bears of Joy charity project of SM Cares brought holiday cheer to children in need last Christmas. SM Cares went with the theme "I-share ang ligaya ng pasko kasama ang SM Bears of Joy" featuring SB19's song Ligaya. The collection features four adorable designs inspired by "family," reminding shoppers to share the joy of Christmas and their love for their family members with those in need this season.





## SMDC The Good Guys

What does it mean to be good? What can we realistically expect from one act of goodness? The answer to these questions might be closer to home than we imagine.

### No Place Like Home

Filipinos faced many challenges during and in the aftermath of the global health crisis brought about by COVID-19. From worrying about job security, good health, and safe places, our communities sought to find the good in the last three years. In 2022, however, it became clear that the local real estate industry was back on its feet and gearing up for a stronger, brighter future.

For SMDC, the residential business unit of SM Prime, this future is in the home, even amid challenging times. Amid three years of lockdowns, Filipinos sought out community building and became each other's sources of kindness and generosity in the face of uncertainty.

This steadfast nature of Filipinos made itself felt in the local economy as well, as it grew between 6.5% and 7.5% this 2022. This growth was accompanied by an increase in pre-selling condominium units in Metro Manila, as well as increasing demand for luxury developments. SMDC has always understood Filipinos' search for a home and everything it entails, especially the comfort of familiarity and convenience. More than quality amenities, each SMDC development offers a growing community of well-meaning, holistic neighborhoods.

But what happens to this sense of community when uncertainty strikes?

### The Good Guys Weekend Market: Humble Beginnings

For various SMDC communities, this means seeing each challenge not as a roadblock to fellowship but as an opportunity to foster activities for shaping and building venues where residents can celebrate their creative spirit. It was this spirit, in fact, that

Filipinos fostered during lockdowns by starting their small businesses for a variety of goods that they offered online, giving rise to what we now know as 'homepreneurs': strong-spirited and resourceful individuals who inspired SMDCs The Good Guys Weekend Market.

Initially, the weekend market started as a modest partnership with one barangay. But as with every act of kindness, nothing can stop one small good act from spreading. Eventually, other SMDC establishments started to hold their own Good Guys Weekend Market. Each weekend, vendors, small business owners, and even local farmers found a venue to jumpstart their entrepreneurial dreams, all while providing residents with fresh and local produce nearly right at their doorstep. By believing in the business potential of its residents, SMDC proved that the legacy of SM founder Mr. Henry Sy, Sr., is alive and well – a legacy that purports that every individual is an entrepreneur. More importantly, it allowed different community members to continue making a living during the pandemic.

Now a staple initiative, The Good Guys Weekend Market is evidence that whatever is good in the world also finds a way to thrive. As SMDC President Jose Mari Banzon shares, the program surprised everyone with its capacity to "ignite a fire among our business-minded residents." To add, he believes that it is through such programs that SMDC has proven that "There are more ways that we can be of service to our community.

As a result of the good and economic value it created, SMDC's The Good Guys Weekend Market was awarded a Silver Anvil in the PR Tools Category at the 57th Anvil Gabi ng Parangal in March 2022.

### Tomorrow's Entrepreneurs

To continue fostering more like-minded individuals in starting their businesses, SMDC offers its Resident Entrepreneurship Program, where residents can sign up for online business courses and participate in exchange scenes, such as The Good Guys Bazaar. Upon receiving the award, Mr. Banzon reiterated

SMDC's gratitude and enduring dedication to providing more residents with the necessary tools and programs: "We are so honored to be recognized again by a prestigious award-giving body for our efforts to build and nurture happy, healthy, and thriving communities. Our residents and partner cities and barangays can rest assured that we have lined up more programs to enable and empower them to grow and flourish here at SMDC."

SMDC's faith in the potential of the Filipino is also evident in its impact on the real estate industry as a whole. As Mr. Banzon notes, "From the affordable to the high end, sales have been quite stable. The slowdown hasn't reached the Philippines yet, because our economy has certain features here that differentiate us from other countries." He notes substantial overseas remittances, a young market, and the BPO sector as these key differentiators. Moreover, he asserts, "The biggest growth driver is the shortfall in housing of about six to eight million units. There will always be a strong demand for housing."

In response to that demand, SMDC has chosen strategic locations in central business districts to afford residents everything they need within a stone's throw of their homes.

### Ever-Changing, Ever-Growing

Innovation is a key factor in the pursuit of the good. For SMDC, this means making good on the commitment to build not just affordable spaces but also innovative units for its residents. 2022 was no different, as SMDC launched three projects and successfully turned over three more. The same year, SMDC received eight awards from the Dot Property Philippines Awards and seven from the PropertyGuru Philippines Awards. SMDC also received accolades at the 2022 Dot Property Southeast Asia awards, including Southeast Asia Best Developer, best landscaping architecture, and best condominium architectural design. In addition, SMDC's corporate social responsibility program also received special recognition.

### Defining Goodness: A Lasting Impact

Beyond these awards, however, the growth opportunities of SMDC's properties are reiterated by pursuing its ESG goals. Each SMDC project achieves the required standards for resilience and decreased environmental impact, including using energy

efficiently, creating green spaces, allowing for natural lighting, ventilation, relying on waste management systems, and always being disaster-ready.

So, what does it mean to be good, and what can we realistically expect from one act of goodness?

As SMDC proves, whatever is good in the world does not come by accident. Good is found in communities working together through uncertainty. It resides in opportunities for every individual to impact the economy positively. It is in the gift of quality, affordable homes.

Ultimately, we at SMDC believe that the ultimate goodness comes from taking action, no matter the circumstances. As one of SM Prime's renowned business units, SMDC understands that we have a heightened capacity to take positive action to propel the economy and change lives. With every project, we ensure that the domino effect of goodness will continue to extend, from one condominium unit to an entire city, from a single individual to the rest of the community.





## Greening the Supply Chain

### Hotels and Convention Centers

The words “hotel” and “convention center” have a certain flair attached to them, with people expecting luxury or indulgence as guests in such establishments. However, these developments also use up many raw resources across its supply chain.

For SM Hotels and Conventions Corp. (SMHCC), the environmental costs of this elevated experience are factored into the company’s operational strategy. As Ms. Leah Magallanes, SMHCC Vice President, Quality and Sustainability notes, SM’s hotels “embed all our sustainability efforts and campaigns at every step of our operations.”

Founded in 2008 as SM Prime’s hotel and convention properties business unit, SMHCC has aimed to deliver a top-notch hotel experience while enforcing practices that support global sustainability goals.

Still, no practice can flourish into company culture without looking to specific goals for guidance. To keep track of its progress and always seek room for improvement, SMHCC has narrowed down seven green goals that guide its overall action plan.





### Rising Together: Gender Equality

SMHCC is fully aware that the empowered women of today are essential partners in ensuring a secure, stable, and sustainable future. According to Ms. Magallanes, the definition of gender equality at SMCC involves empowering women with equal opportunities in the workplace. Specifically, this means opening up opportunities for them to enter senior leadership roles and positions usually occupied by men.

More importantly, this means breaking the glass ceiling and giving women access to roles in traditionally male-dominated departments within SMHCC, such as engineering, IT, and even the culinary team. Today, SMHCC continues to narrow the gender gap, with the ratio of female to male executives in SMHCC's corporate offices now at 21:24, with 16 women working in male-dominated roles across SMHCC's projects.

As for leadership roles, SMHCC's top leaders are women, including Engr. Mhel Francisco, Senior AVP for Project Development - SMHCC; Engr. Fiolette Marave, Chief Engineer - Park Inn by Radisson Bacolod; Engr. Cecil Lacson, Chief Engineer - Park Inn by Radisson Iloilo; and Chef Billy Jo Andaca, Executive Sous Chef - Park Inn by Radisson Bacolod.

### Always Efficient: Energy and Water

There is no doubt that hotels and convention centers rely on copious amounts of energy and water. For SMHCC, there is clearly a need to manage these resources wisely. As Ms. Leah reveals, this is something that SMHCC has already integrated into its action plan:

Starting in 2020, SMHCC targeted a 3%-reduction from its 2018 baseline. By 2025, it will take another step by reducing energy consumption by 5% from its baseline. Finally, from 2030 onwards, SMHCC will reduce energy consumption by 8% from its baseline.

SMHCC also has concrete steps for reducing its carbon impact through building management systems or BMS that mitigate the costs of lighting and air conditioning. These systems work by adjusting segments of the cooling cycle to generate cooler air more efficiently. Next, SMHCC implements in-room automation with the help of high-sensitivity sensors to detect even the most minute movements, such as breathing, to keep rooms cool with enough lighting to ensure guests' comfort. This is significant as guests will no longer rely on key cards to stay comfortable. SMHCC has also converted to LED lights and inverter-type air especially in Taal Vista Hotel and Pico de Loro Beach and Country Club – an action that, in 2019, led to SMHCC successfully reducing electricity consumption by as much as 12.7%.

In the same year, the company also reduced its fresh water consumption by 36%, an achievement made possible by shifting to 100% effluent water in gardening and landscaping. By 2020, the total percentage of reused water in the following properties increased 44% for Taal Vista, 52% for Pico Sands Hotel, and 41% for Pico De Loro Beach & Beach and Country Club.

### Loving Local: Sustainable Tourism

SM Prime has always been a top supporter of local MSMEs, and it follows that SMHCC keeps to this principle, happily supporting a minimum of five local



suppliers in each property. Not only that, SMHCC takes pride in helping the UN sustainable development goal of creating jobs alongside uplifting local products. For SMHCC in particular, strong, mutual bonds are a must for its operations and the quality of experience that it offers. Today, up to 80% of the total staffing of SMHCC properties is local.

More importantly, these MSMEs are not mere parts of the supply chain but rather are irreplaceable partners whose participation in the value chain ultimately promotes local cultures and products, proving that Filipino-made translates to world-class quality. With the guidance of SM Foundation through their KSK (Kabalikat sa Kabuhayan) program, Park Inn Iloilo and Park Inn Bacolod has fostered a partnership with NEDF and CRISEL farms respectively, which are integrated farms that provide training for farmers. Our properties provide their food waste that is then converted to compost as enhancers to their fertilizer. The vegetables that are harvested are bought back by the hotels at a discounted partnership price and used in their operations.

Over 12 weeks, the program provided 91 farmers training on how to grow specific crops (such as sweet corn, zucchini, papaya, lettuce, and gourds) commonly used for the food served at Tagaytay Highlands, in the effort of making the farm-to-table practice more sustainable.

Additionally, by providing such training, the KSK program addresses issues in food security and promotes accessible farming methods.

But the program has another long-term goal to empower local farmers. Through the training period,

KSK's vision is for participating farmers to become full-time suppliers.

### Against Food Waste: Consumption and Diversion

According to Ms. Leah, SMHCC believes in "Refuse, Reuse, and Recycle." In line with these principles, SMHCC's key program, the Sustainable Diner, was formed with the World Wide Fund (WWF) partnership. To improve food waste management, SMHCC shifted the focus from complex buffet offerings to curated menu choices in showcase kitchens, thereby encouraging guests only to take what they can finish. On the management side, all staff participate in training programs on waste management to ensure that they follow best practices.

As Ms. Leah explains, SMHCC's internal operation and service, called "back of house" (BOH), is responsible for Sustainable Diner's execution. Second, the BOH is essential for achieving proper resource management and mitigating waste as it takes key steps, starting with local sourcing and following a receiving process that aligns with specific food safety and hygiene protocols. Third, chefs undergo training to understand mindful production and then execute cooking and plating without relying on gratuitous additions. Fourth, food waste is diverted to composts instead of driven to landfills. With the help of SMHCC's BOH, management has successfully reduced food waste per cover to less than the average of 250 grams.

And while some food waste is still generated, SMHCC has opted for composting food waste than adding it to landfill heaps. Following this practice, SMHCC's landmark SMX Convention Center has successfully diverted 1.2 tonnes of waste from landfills.





Meanwhile, a circular economy is already in place at the Taal Vista Hotel, Pico Sands Hotel and Park Inn by Radisson Bacolod, where compost pits have already produced more than 1,500 kilos of total weight of food waste diverted and total vegetables harvested and used in operations in the past years.

Plastics, in particular single-use plastics, are necessarily part of any conversation dealing with environmental impact and consumption. At all SMHCC establishments, the United Nations Environment Program (UNEP) project, which aims to phase out single-use plastics, is strictly followed in partnership with the Philippine Center for Environmental Protection and Sustainable Development, Inc. (PCEPSDI). Thanks to this partnership and SMHCC's commitment, Taal Vista Hotel successfully diverted 20,000 plastic straws to paper straws, not to mention 10,400 plastic bags, to their paper counterparts. Meanwhile, Pico Sands Hotel diverted 130,000 plastic straws to paper straws and 46,000 plastic bags to brown bags (with small and big sizes combined).

### **An Act of Mitigation: Greenhouse Gases**

It's no secret that a guided approach to data collection and interpretation is a must. With the help of PCEPSDI, SMHCC converts its data on the monthly consumption of waste, energy, and water to determine its carbon

footprint and, from there, decide which actions must be taken, as GHG or greenhouse gas scores are telling of the efficiency of operations when it comes to leveraging resources, as well as how well these are balanced against diversion efforts.

To facilitate the review of this data, SMHCC conducts engineering forums. Through these, SMHCC can stay updated on the latest technological innovations to aid in responsibly using water, electricity, gas, and even the handling of solid waste.

Starting in 2023, SMHCC and other business units will set targets for their GHG emissions reduction as part of WWFs second phase (see TCFD discussion on page 109 for more information).

### **Toward an Evergreen Supply Chain**

No supply chain can stay the same – not only if it is to survive, but more importantly, if it is also to empower the local communities around it and ensure the sustainability of all the resources it relies on. In continuing its journey of evolving to achieve ever more sustainability targets, SMHCC also successfully challenges traditional notions of what hotels and convention centers can do for local Filipino communities and the environment.





## Toward the Green Bottom Line: Exploring Sustainable Finance at SM Prime

By John Nai Peng C. Ong

As SM Prime's Chief Financial Officer, I believe it is my duty to dig deeper into what sustainable finance could offer our companies, especially since SM Prime always has its sights on the future.

By the term itself, sustainable financing sounds like a paradox. But those who closely follow developments in finance understand that the rise of sustainable financing is more than a momentary trend.

Sustainable financing is a way for companies to fund their operations from sources that promote sustainability and environmental responsibility. It has become increasingly popular due to the growing need to protect the environment.

Many factors led to the birth of sustainable finance. One significant factor is the increasing number of investments key players worldwide have made in reducing greenhouse

gas emissions, shifting to clean, renewable energy, and reducing our world's warming to just 1.5 degrees Celsius.

Investor shares and profits are key priorities. Yet, engaging in sustainable financing means setting up a portion of funds that restore nature instead of exploiting or undervaluing it. In terms of investing in one's own company, sustainable finance means valuing positive environmental impacts into monetary gains.

And this is why we can view sustainable financing as a profound shift in how we think and do finance. It assigns financial values to the environment and creates something new in the value chain. As such, companies use their financial prowess to make an inimitable change in investment decision-making to prioritize the good of the world around us, without which no business can hope to survive.

## Net Positive Impact on the Planet through Finance

As a company known for its pioneering strategies in value creation, we at SM Prime have started examining our investments to determine how we can benefit from sustainable financing. We want to ensure that we are profitable and have a net positive impact on the environment through our financial strategies.

For SM Prime today, sustainable finance translates into investing in ways to transform our already existing businesses into platforms that simultaneously yield shareholder value and significant environmental gains. This is one of the main reasons for the creation of SM Prime's sustainability framework and roadmap.

The sustainability framework embeds ESG (Environmental, Social, and Governance) principles into our investment decision-making process. Our ethical use of different forms of capital has helped boost industries. For almost three decades, we have helped Filipinos gain comfort, ease, and security by making homeownership more accessible and offering economic growth through our commercial properties. Our supply chain is augmented by a rich supplier and contractor database that meets global environmental, health, and safety standards. In recent years, we demonstrated our dedication to supporting small and medium enterprises (SMEs).

We intend to boost our efforts in the area of sustainable and responsible investing (SRI) and supporting sustainable companies in tandem with our own companies' growth.

## A New, Sustainable Future

Now that we are actively integrating sustainability parameters into our business operations, we see that

investing in nature protection and climate mitigation is also healthy for our bottom line. Therefore, to improve our ESG marks, we look forward to turning a critical eye on our current investment schemes to determine how we can further drive SM Prime's growth alongside preserving the environment.

Taking the first steps now is crucial to the long journey ahead. This awareness is why SM Prime's leaders are exploring multi-sectoral collaborations with the government, civil society, and environmental groups like WWF. These partnerships support the shift to a sustainable economy with the right policies, financial regulations, and operating climate that incentivize the transition to a low-carbon economy for the private sector.

SM Prime's finance team knows that we need to further integrate sustainability into financial decision-making. So, in the coming years, we intend to take our investments to the next level by taking an even deeper view of our financial streams and large-scale integrated property developments.

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Mr. Ong is the Chief Finance Officer and Compliance Officer of SM Prime since 2014. Before joining SM Prime, Mr. Ong was a partner at SGV & Co. He is a proud native of Zamboanga, Mindanao. He studied at Zamboanga Chong Hua High School and Ateneo de Zamboanga before becoming a certified public accountant and finishing his master's degree at the Asian Institute of Management. Today, Mr. Ong oversees the financial and risk management operations of SM Prime and its operating companies.







# Corporate Governance

SM Prime's commitment to corporate governance (CG) excellence is manifested through the recent amendment of its Manual on Corporate Governance, and Board and its Committees' Charters in alignment with local laws and regulations and ASEAN best practices. As a testament to these efforts, the Company's Corporate Governance performance continues to be recognized in recent domestic and regional awards.

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.

The Manual on Corporate Governance (MCG) conforms to regulations set forth by the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE),

Philippine Dealing Exchange (PDEX) and other relevant regulatory bodies and is reviewed periodically to ensure that it is up to date with the local and international best practices, and in keeping with the Company's strategic direction.

In the recent update of the MCG approved by the Board on November 7, 2022, Board and Committees' Charters, oversight responsibilities were added relative to the Company's sustainability and Anti-Money Laundering and Countering Terrorism Financing policies and strategies, among others. Additional clauses on promotion of shareholder's rights, strengthening the external auditor's independence and permanent disqualifications of directors were also incorporated.

The consistency in our efforts were recognized as SM Prime was once again among the ASEAN Top 20 Awardees in the 2021 ASEAN Corporate Governance Scorecard Awards held last December 1, 2022. The Company also accepted the Four Golden Arrow award in the recently concluded ACGS Golden Arrow recognition held last January 20, 2023 for its performance year 2020.

SM Prime aims to create value at all times in all businesses we operate. The Company provides not just product quality and service excellence but, more importantly, how a heart that cares for our customers, communities, and the environment to ensure sustainable growth and progress.





# Governance Structure

## The Board of Directors

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

SM Prime's Revised Manual on Corporate Governance specifies the duties and responsibilities of the Board of Directors, and delineates the roles of the 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 high standards of best practices 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 and 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;
- Oversees the implementation and monitoring of the Company's policies and strategies relating to sustainability and ensure company support and alignment with industry economic, environmental, social and governance (EESG) best practices;
- Ensures its oversight responsibility in Anti-Money Laundering and Countering Terrorism Financing related strategies and programs are implemented; and
- Performs other duties and responsibilities as may be assigned by relevant regulations such as issuances of 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.

For 2022, Board Committee Charters were updated to include duties and responsibilities covering sustainability, Anti-Money Laundering and Countering Terrorism Financing implementation, performance evaluation and continual review of the Charters.



### 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.

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.

#### 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



## 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 2022, with 100% attendance in all meetings.

Audit Committee						
Members	Designation	Attendance:	2/21	5/10	8/1	11/7
Amando M. Tetangco, Jr. (ID)	Chairperson		●	●	●	●
Darlene Marie B. Berberabe (ID)	Member		●	●	●	●
J. Carlitos G. Cruz (ID)	Member		●	●	●	●
Jorge T. Mendiola (NED)	Member		●	●	●	●

● Attended

## C The Board Risk Oversight Committee

The Board 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 2022, with 100% attendance in all meetings.

Board Risk Oversight Committee						
Members	Designation	Attendance:	2/21	5/10	8/1	11/7
J. Carlitos G. Cruz (ID)	Chairperson		●	●	●	●
Amando M. Tetangco, Jr. (ID)	Member		●	●	●	●
Jorge T. Mendiola (NED)	Member		●	●	●	●

● Attended

## 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 four meetings in 2022 with 100% attendance in all meetings.

Corporate Governance Committee						
Members	Designation	Attendance:	2/21	5/10	8/1	11/7
Darlene Marie B. Berberabe (ID)	Chairperson		●	●	●	●
J. Carlitos G. Cruz (ID)	Member		●	●	●	●
Amando M. Tetangco, Jr. (ID)	Member		●	●	●	●

● Attended

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	Directorship
Henry T. Sy, Jr.	Synergy Grid & Development Phils., Inc.	Chairperson
	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 New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation)	Lead Independent Director
	Vivant Corporation	Independent Director
Hans T. Sy	China Banking Corporation	Chairperson
	SM Investments Corporation	Advisor to the Board
Herbert T. Sy	China Banking Corporation	Director
	SM Investments Corporation	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 2022 with 100% attendance.

#### Related Party Transactions Committee

Members	Designation	Attendance: 2/21
Darlene Marie B. Berberabe (ID)	Chairperson	●
Amando M. Tetangco, Jr. (ID)	Member	●
Jorge T. Mendiola (NED)	Member	●

● Attended



## Board Remuneration

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

All members of the Board have direct and independent access to the Corporate Secretary, the Compliance Officer and Management. Their qualifications, duties and responsibilities are stated in the MCG. These key officers regularly attend trainings on corporate governance.

## Corporate Secretary

The Board is 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 that 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 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.

## 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.

## Nomination and Election of Board of Director

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 pages 8-9 or as references in this weblink: [www.smprime.com](http://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 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. The Corporate Governance Committee affirms that the Board has a proper mix needed to effectively perform its responsibilities.

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. For the term 2022-2023, the Company has one female Independent Director on the Board.

### Board Composition

Director's Name	Directorship	Age	Date First Elected	No. of Years as Director	Expertise
Amando M. Tetangco, Jr.	Lead Independent	70	April 2021	2	Accounting, Audit and Control, Banking, Corporate Governance, Economics, Finance, Healthcare, Transport and Logistics, Public Policy
J. Carlitos G. Cruz	Independent	62	April 2021	2	Accounting, Audit and Control, Banking, Energy, Finance, Risk Management, Tax
Darlene Marie B. Berberabe	Independent	54	April 2021	2	Corporate Governance, Finance, Investment Banking, Labor, Law, Treasury, Real Estate
Henry T. Sy, Jr.	Non-Executive	69	April 1994	29	Real Estate, Sales, Marketing, Energy
Hans T. Sy	Non-Executive	67	April 1994	29	Real Estate, Engineering
Herbert T. Sy	Non-Executive	66	April 1994	29	Real Estate, Retail
Jorge T. Mendiola	Non-Executive	63	December 2012	10	Real Estate, Retail
Jeffrey C. Lim	Executive	61	April 2016	7	Real Estate, Operations, Accounting



## 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 working days before the regular or special board meeting to give ample time to all Board members to study items for discussion and decision-making.

The Board of Directors had nine board meetings in 2022 on the following dates: January 25, February 21, February 24, April 25 (2), May 10, August 1, November 7, and December 16. 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 5, 2022 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. For 2022, the third party-led Board Evaluation was conducted by the Institute of Corporate Directors. The scope of the evaluation includes the Board's structure and composition, responsibilities and duties, board processes, dynamics and relationships, and corporate governance practices.

## 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 separately by the BDO Unibank at Conrad Manila, Pasay City and the Institute of Corporate Directors, through Zoom. Each Director and key officer have attended at least one training session. For 2022, the annual CG trainings were conducted on July 20, and August 3 by the aforementioned providers covering the following topics:

- Sustainability and the Role of Boards
- Geopolitical Risk
- Cybersecurity
- Governance: Challenges and Solutions
- Managing Finances in the Digital Age: FINTECH
- Anti-Money Laundering Updates

## Corporate Governance Related Policies

### Manual on Corporate Governance

SM Prime has approved its latest amendments to its Manual on Corporate Governance last November 7, 2022, incorporating relevant sections in the Revised Corporation Code and various issuances from the Securities and Exchange Commission. The amendments cover sections such as the Board and Board Committees' duties and responsibilities, Permanent Disqualifications of directors, Rotation of External Auditor, and Promoting Shareholder Rights.

Through these key updates, 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. The Company is fully compliant with the Manual and

thus, does not have any deviation with the code of corporate governance.

### Code of Ethics

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

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 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 also reported within three business days of the transaction.
Related Party Transactions (RPT)	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 material related party transactions entered into by our Company are required to be reviewed by the Related Party Transactions Committee in accordance with the RPT Policy, to ensure these are conducted at arm's length. RPT Policy also 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, customer, shareholder, vendor, supplier and other stakeholder 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	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. This practice aims to address areas of improvement and monitoring of progress of recommendations.
Sustainability Reporting	The Company espouses disclosure of material and reportable non-financial and sustainability matters, using a globally-recognized framework and in accordance with SEC rules. The report emphasizes the management of economic, environmental, social, and governance issues of the business.
Succession Planning Policy	The policy provides for an effective Succession Planning program that addresses human resource requirements for mission-critical positions, provide value to the Company's employee development efforts and ensures stability and continuity of the Company mission and goals through smooth organizational and operational transitioning.

## 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 agree to comply with our Company's Code of Ethics, Code of Discipline, Insider Trading Policy, Conflict of Interest Policy, Guidelines on Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy), among others.
- eLearning 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 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.



## Disclosure and Transparency

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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.

The Company reports its quarterly and full year financial results through the SEC, PSE and PDEX to provide the shareholders, the investors, and the public a balance and informed assessment of its performance, position and prospects.

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

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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 2022, in light of the decreasing number of COVID cases which led to the easing of restrictions on physical gatherings, the Annual Stockholders' Meeting on April 25, 2022 was conducted physically and broadcasted via livestreaming accessible to registered stockholders. The Board of Directors adopted resolutions allowing stockholders to participate in the Annual Stockholders' Meeting via remote communication, and to exercise their right to vote *in absentia*.

The notice of meeting along with the other important information were distributed through an alternative mode by publication in the newspapers of general circulation, both in print and online formats, on March 21 and 22, 2022 with sufficient and relevant information to encourage active stockholder participation.

The minutes of the annual stockholders' meeting 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

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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 cumulative voting 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. When so authorized by the Board, stockholders may also vote through remote communication or *in absentia*. The Company shall ensure that there are clear guidelines for participation, appropriate requirements and procedures for *in absentia* voting by stockholders.

- **Inspection Right and Access to Information**

All stockholders are given the right to inspect corporate books and records, including but not limited to the

minutes of Board meetings and stock registries 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, without cost or restrictions. 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 policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board of Directors determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. Dividends shall be paid within thirty (30) days from the date of declaration.

- **Appraisal Right**

Stockholders may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares pursuant to Section 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 on 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

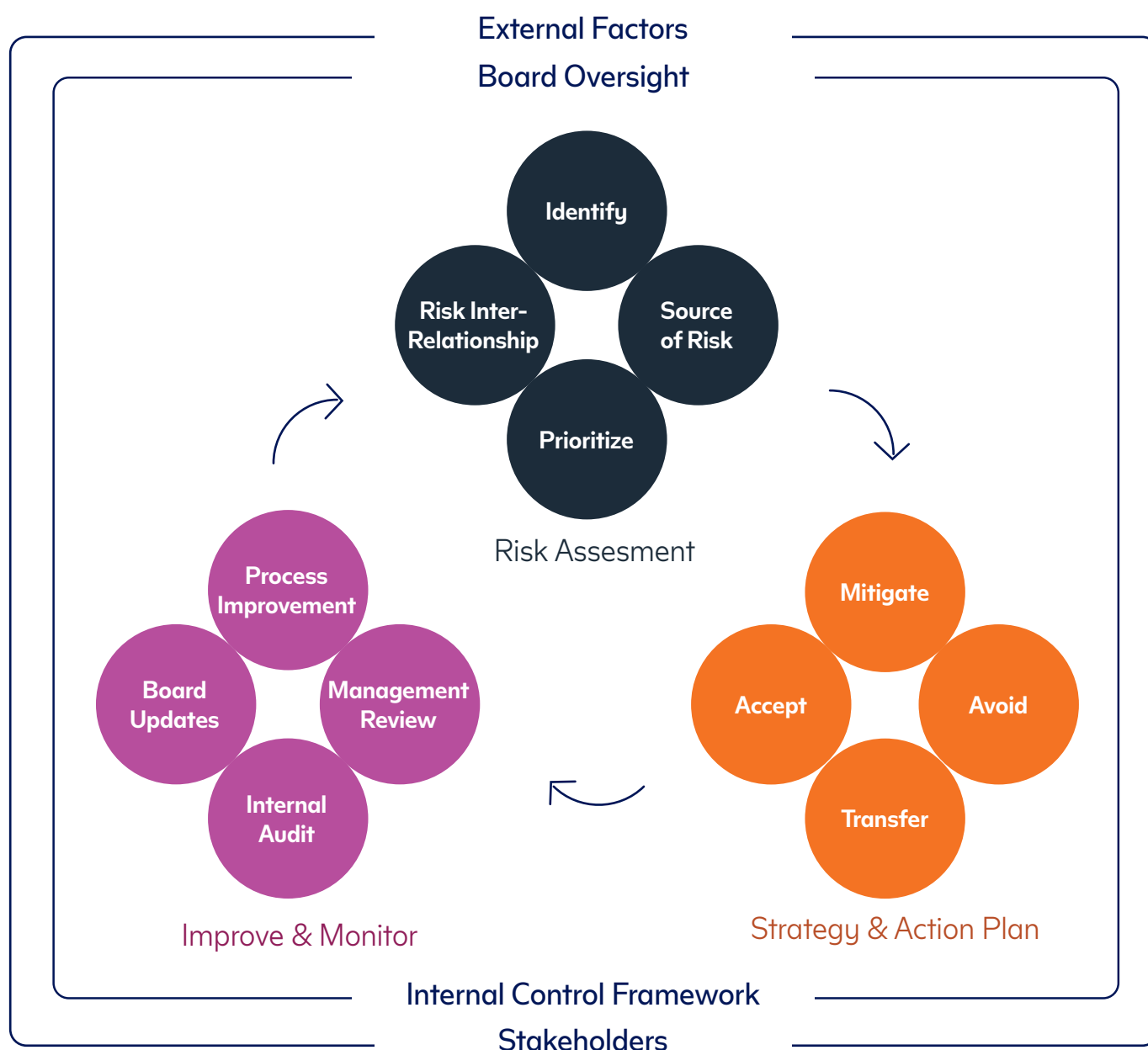
E: [corpgovernance@smprime.com](mailto:corpgovernance@smprime.com)



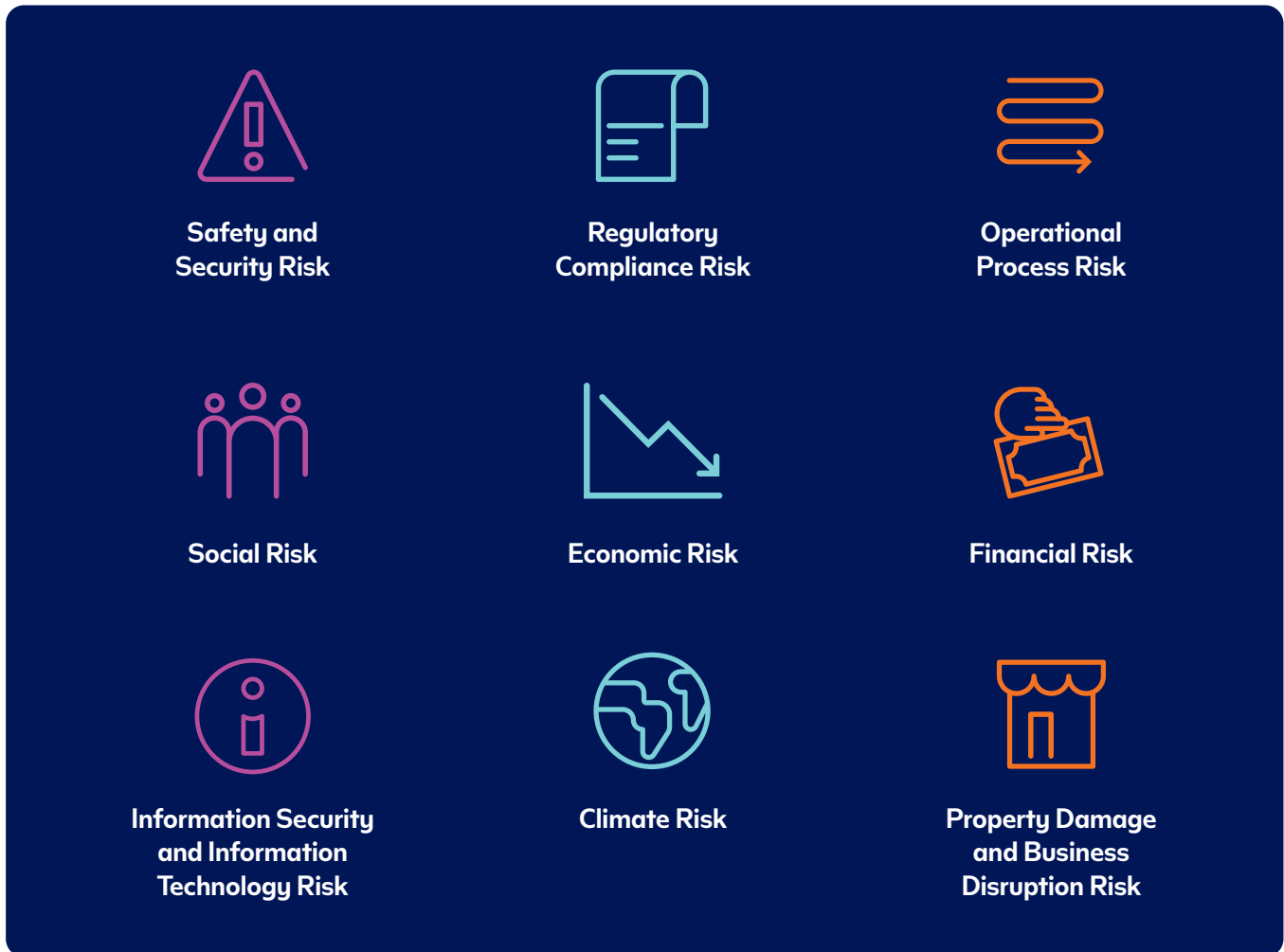
# Enterprise Risk Management

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



## Key Enterprise Risks



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. To ensure that controls and risk treatment plans are in place and functioning effectively as intended, independent reviews are regularly carried out by Internal Audit, external auditors, and regulatory examiners.

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, suppliers, and other stakeholders of two things: a) that the Company has processes in place that aim 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 in 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 a third party assessor, TÜV SÜD PSB Philippines, to achieve the organization's compliance with the ISO 22301:2019 standard.

As of 2022, a total of 75 malls are already BCMS-certified. The rollout 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 2023 yearend, it is projected that 77 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, risk mitigation plans and issues, if any, of the Company particularly on the implementation of its continuity plans, backup procedures, protection against damaging code and malicious activities, defined and specific system access control, information rights management, IT accounts governance, endpoint protection, incident management and reporting, among others. 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 and penetration testing are performed regularly. This is critically important in proactively detecting and addressing threats and vulnerabilities, and enhancing system's defenses. 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. Moreover, Security Operations Center is in place to monitor, prevent, detect, investigate, and respond to cyber threats to various attack surfaces, which can potentially impact SM Prime. In coordination with Human Resources, risk awareness campaigns and learning programs, and risk management best practices are effectively communicated through various internal channels to employees.

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 allocates its capital expenditure 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 and to institute other programs by reducing energy and water consumption in its properties.

SM Prime demonstrates its commitment by use of innovations concerning energy reduction and carbon emission reduction. By operating with less use of energy, it decreases the need for fossil fuels, which lowers atmospheric carbon dioxide levels. Thus, it contributes in curbing the impact of climate change such as heat waves,



droughts, rising sea levels, unusual weather patterns, and a heightened probability of natural disasters.

In compliance with RA 11285 or the "Energy Efficiency and Conservation Act, the Company has also started measures to improve the energy efficiency and conservation of its facilities. SM Supermalls achieved an energy efficiency index below the recommended ASEAN standards as retail establishments. Through the conduct of an energy audit, this helped create a baseline energy indicators and identify energy efficiency opportunities such as procurement of energy-efficient equipment and increase adoption of renewable energy.

Social Risks are managed by continuously engaging our customers and the community through satisfaction surveys, maximizing social media communications and demographic analysis. Through these channels of engagement, SM Prime has a better understanding of serving the community such as promotion of equal opportunities and inclusivity for persons with special needs, senior citizens, women and indigenous people. For business partners, employment practices are based on criteria that places value on quality of service, cost efficiency, moral standing and compliance with related laws.

A conservative approach is applied to manage Financial Risks specifically Foreign Exchange and Interest Rates. The Company engages in hedging to address Foreign Exchange risk and Interest Rates risk. Majority of SM Prime loans are fixed interest rate loans, which shields the Company against the effects of fluctuating interest rates.

Compliance risk is addressed and managed through its compliance function and its component system and program. The Company also continuously strives to comply with all regulatory requirements both on the local and national level and uses risk-based approach to monitor, evaluate and improve its ability to ensure compliance in a landscape that is subject to disruption and rapid change. Compliance functions are carried out by the Compliance Office through its various business units' lead and is headed by the Chief Compliance Officer, who is not a member of the Board of Directors. Each business segment takes into account impact to Company operations and business risk of noncompliance.

The Corporate Compliance Group (CCG) also 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 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.

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 adopted a Money Laundering and Terrorist Financing Prevention Program (MTPP) that was duly approved by the SM Prime Board of Directors. In line with this, the "Capacity Building Learning Modules for Designated Non-Financial Businesses and Professions (DNFBPs)" were conducted to front liners including employees with key support functions to implement the program. The module includes:

- Fundamentals of Money Laundering and Terrorism Financing
- Risk Management System and Preventive Measures
- SM Prime Money Laundering and Terrorist Financing Prevention Program (MTPP)

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.

Governance, risk management, and control systems are subject to the independent, objective, reasonable,

systematic and disciplined evaluation by its Internal Audit group. To maintain 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.

External auditors are engaged 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 seven (7) 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, non-executive directors of SM Prime 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.





# Our Net Zero Ambition

## An Overview of Our TCFD Progress and Decarbonization Journey

In line with our founder Henry Sy's vision of a business house that puts the public's safety first, we at SM Prime are one with the global community in marking today's critical point in the fight against global warming.

With the recent release of the Intergovernmental Panel on Climate Change's synthesis report, findings unequivocally show that our planet is on course to a three-degree warmer future without significant action in the next few years.

With the Philippines as one of the countries most vulnerable to climate change, SM Prime is aware that the window of opportunity to act decisively is of utmost importance. This is why climate action and the transition to a net-zero business are at the top of SM Prime's sustainability agenda.

SM Prime addresses climate change by 1) expanding our renewable energy portfolio, 2) lowering our physical asset risks by proactively investing in resilient design, and 3) limiting our overall use of virgin resources to a minimum. Moreover, we are already implementing a large-scale energy and water conservation program that has produced outstanding results (see discussion on page 52 under Valuing our Natural Capital).

Our operations are directly and indirectly affected by climate-related impacts, which is why the themes of climate health, resilient design, and disaster risk reduction have played pivotal roles in our construction and design activities over the past decade.

The year 2022 saw more opportunities for SM Prime to collaborate with partners to pursue a climate-resilient future and mitigate the phenomenon's harshest impacts. We continued to support the transition to renewable energy through direct sourcing. Moreover, we have invested in various forms of manufactured, intellectual and social capital to prepare SM Prime for a carbon-neutral future. As we move toward heightened climate action, SM Prime aims to tie up our business strategy with our journey toward a net zero end.

### Climate Resilience through the Recommendations of the Task Force on Climate-Related Financial Disclosures

SM Prime continues to build on our commitment to climate resilience by adopting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, starting in 2021. At the same time, we are committed to setting carbon emission reduction targets in line with climate science, as established by the Science-based Target Initiative (SBTi). These cover our five primary business units:

1. Malls
2. Primary Residences
3. Leisure Residences
4. Commercial Properties
5. Hotels and Convention Centers

The Financial Stability Board created the Task Force to develop voluntary, consistent climate-related financial disclosures that investors, lenders, and insurance underwriters may tap to understand material risks further.

One development of the Task Force is a set of widely relevant recommendations on climate-related financial disclosures cutting across different industries and sectors. Guided by these recommendations, financial disclosures must reflect (1) the ability to be adapted by all organizations, (2) material information and other climate-related financial disclosures included in mainstream financial filings, (3) decision-useful, forward-looking information on financial impacts, and (4) a strong focus on risks and opportunities related to the transition to a lower-carbon economy. (Please see Sustainability and Financial Leadership on pages 30 to 39 for a discussion on our sustainability investments).

TCFD also recognizes four core elements that act as thematic areas within which organizations operate: governance, strategy, risk management, and metrics and targets.





## 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 and identifies strategic opportunities.

### Risk Oversight of the Board

With the assistance of our Risk Oversight Committee, the Board oversees SM Prime's policies for assessing and managing our risk exposure. The Board periodically reviews these risks and SM Prime's risk management processes. The Board's responsibilities include reviewing our practices concerning risk assessment and management and reviewing contingent liabilities and risks that may be material to SM Prime. Our Risk Oversight Committee reviews key risk factors as part of its risk oversight. Such risk factors include the physical risk (natural catastrophes) of a business continuity disruption due to climate-related incidents. Risk factors also include exposure to reputational and credibility concerns from climate-related considerations.

Meanwhile, our Corporate Governance Committee is responsible for compliance with the Securities and Exchange Commission's regulations, including annual integrated reports and ESG and non-financial data reporting. By extension, the committee is also responsible for sustainability matters. Our Corporate Governance Committee reviews such matters and makes recommendations to the Board. In addition, our Audit Committee oversees financial risk and other disclosures made in our annual and quarterly reports related to sustainability.

SM Prime established a Sustainability Council in 2020 that directly oversees the Company's climate change programs. Since 2021, the Council has been collaborating with SM Prime's risk and finance units to establish baseline areas where all business units can identify, assess, and manage climate risks and opportunities. (Please go to pages 30 to 31 for a detailed discussion on the creation of SM Prime's Sustainability Council and Framework).



## Strategy

In 2022, SM Prime's sustainability journey reached a milestone with the approval of our group-wide Sustainability Policy. This policy will place Climate Advocacy, Resource Conservation and Efficiency, Disaster Resilience, Social Integration, and Transparent Reporting at the core of SM Prime's operations and growth strategy.

In terms of climate action, the policy vows to a) increase our use of renewable energy; b) leverage acquisitions to foster markets for sustainable technologies and environmentally preferable materials, products, and services; and c) raise employee awareness and encourage our communities to apply the concepts of sustainability to every aspect of their work in support of SM Prime's climate goals.

In addition, SM Prime committed to the global push toward achieving net-zero emissions (NZE) by 2050. We partnered with World Wide Fund for Nature-Philippines (WWF-Philippines) through its Corporates for a Better Planet Initiative (CBPI), to push for heightened climate commitments in the Philippines.

In the first phase of CBPI, we measure all our business units' sustainability status and set science-based targets in line with global standards. We then look at different climate scenarios for physical and transition risks and opportunities. The goal is to provide primary climate-related analysis, deliver top-level insights, and establish a baseline for later quantitative analysis.

SM Prime has also started to explore strategies leading to Science Based Targets (SBTs). Developed by the Science Based Targets Initiative (SBTi), the process provides a clearly defined set of directions for organizations to reduce greenhouse gas (GHG) emissions. The formulation of our targets and its subsequent strategies align with what is necessary to meet the goals of the Paris Agreement based on the latest climate science to limit global warming to well below 2°C and pursue efforts to limit warming to 1.5°C.

WWF-Philippines' preliminary findings during this phase validate that SM Prime's sustainability framework with four pillars: economy, environment, people, and community, proves to be robust. Our materiality assessment process was also proven to be conducted following international standards and frameworks. Using the overall assessment, we will work toward a concrete science-based target and a subsequent plan to achieve this target. In preparation for the SBTi process, SM Prime mandated all its business units, with the help of our Sustainability Head, to develop and implement a more stringent data collection methodology for reporting GHG emission data and ensuring accurate and transparent emission representation. In the meantime, SM Prime will implement an inventory quality management system and account for all the material Scope 3 categories as its commitment to set its targets.

The development of SM Prime's science-based targets will go through SBTi's process which involves the following five (5) steps:



Commit



Develop



Submit



Communicate



Disclose

## SMPH Scenario Envelope

Business As Usual (RCP8.5)	Nationally Determined Contributions (NDC) Scenario	2-Degree Scenario (2DS)	Net-Zero Emissions (NZE) Scenario
Assumes “the consequences of continuing current trends in population, economy, technology and human behavior”	Philippines commits to a GHG emissions reduction of 75% by 2030. 2.71% of which is unconditional and 72.29% is conditional (needing international support)	“The global community’s accepted limitation of temperature growth by 2°C to avoid significant and potentially catastrophic changes to the planet”	Limiting the global temperature rise to 1.5°C with no or limited temperature overshoot and achieve a pathway of net zero carbon emissions by 2050

### Risk Management

SM Prime is well aware of the need for an innovative, science-based futures-thinking evaluation tool for assessing and managing potential transitional and physical risks. The Climate Scenario Analysis offers a lens through which climate risks are integrated into a comprehensive risk management strategy by analyzing transition risks, physical risks, and the opportunities that feed into the value and growth of the Company.

#### Identified Climate-related Risks and their Impacts

To determine SM Prime’s climate-related risks, WWF-Philippines assessed risk levels (low, medium, high) under the four climate scenarios based on two time periods: 2025 (short term) and 2035 (medium term).

For transition risks, WWF-Philippines and SM Prime determined significant market risks through the NZE and 2DS scenarios, particularly in both the short and medium term. Regarding the NDC scenario, it was determined that global movements across all transition risk categories similarly prompt significant transition risks in the medium term. In terms of physical risks, it was determined that across all climate scenarios, physical risks accelerate asset deterioration, shortening the useful service life of buildings and thus requiring more frequent and costly rehabilitations and increasing operations and maintenance costs. The analysis also showed that these physical risks are highly significant across the RCP 8.5 and NDC scenarios for both acute and chronic risks in the short and medium term. The climate scenario analysis revealed that substantial physical and transitional risks occur across different scenarios, from business-as-usual (BAU) to a Net-Zero scenario (NZE). Both physical and transition risks may present significant financial impacts, directly impacting revenues through carbon pricing or deteriorating physical assets.

Even before the study identified these risks more technically, SM Prime had already been well aware of

these high-risk scenarios for many years. This is precisely why our Company has invested in CAPEX for resilient design. Moreover, we ensure our properties are well covered by property insurance to address all the physical risk scenarios cited in the study even before the TCFD has identified these risk categories. Beyond safeguarding our manufactured assets, we have robustly invested against physical risks because we recognized the need to proactively protect our employees, tenants, mall goers, suppliers, vendors, communities, and other partners from any possible adverse impacts that may arise as a result of these risks.

Regarding transition risks, SM Prime has already been managing the transition to a low-carbon economy and all the risks and opportunities it will bring. Our Company is fortifying our group-wide strategy to transition to renewable energy sourcing, building resilience across our supply chain, and even developing new services, such as car-free transportation platforms and services and EV charging stations in our major integrated property developments.

But despite these preemptive actions, we are keenly aware that there may be a host of unforeseen risk scenarios for which our Company must prepare well in advance. To address all possible risk categories, we at SM Prime will continue to work closely with WWF-Philippines and other sustainability partners through various platforms, including deeper stakeholder engagements and stronger collaborations with the government and civil society in advocating business and financial policies that empower the private sector to do more for the climate.

#### Identified Climate-related Opportunities and their Impacts

Based on our work with WWF and other partners, we determined SM Prime’s potential climate-related



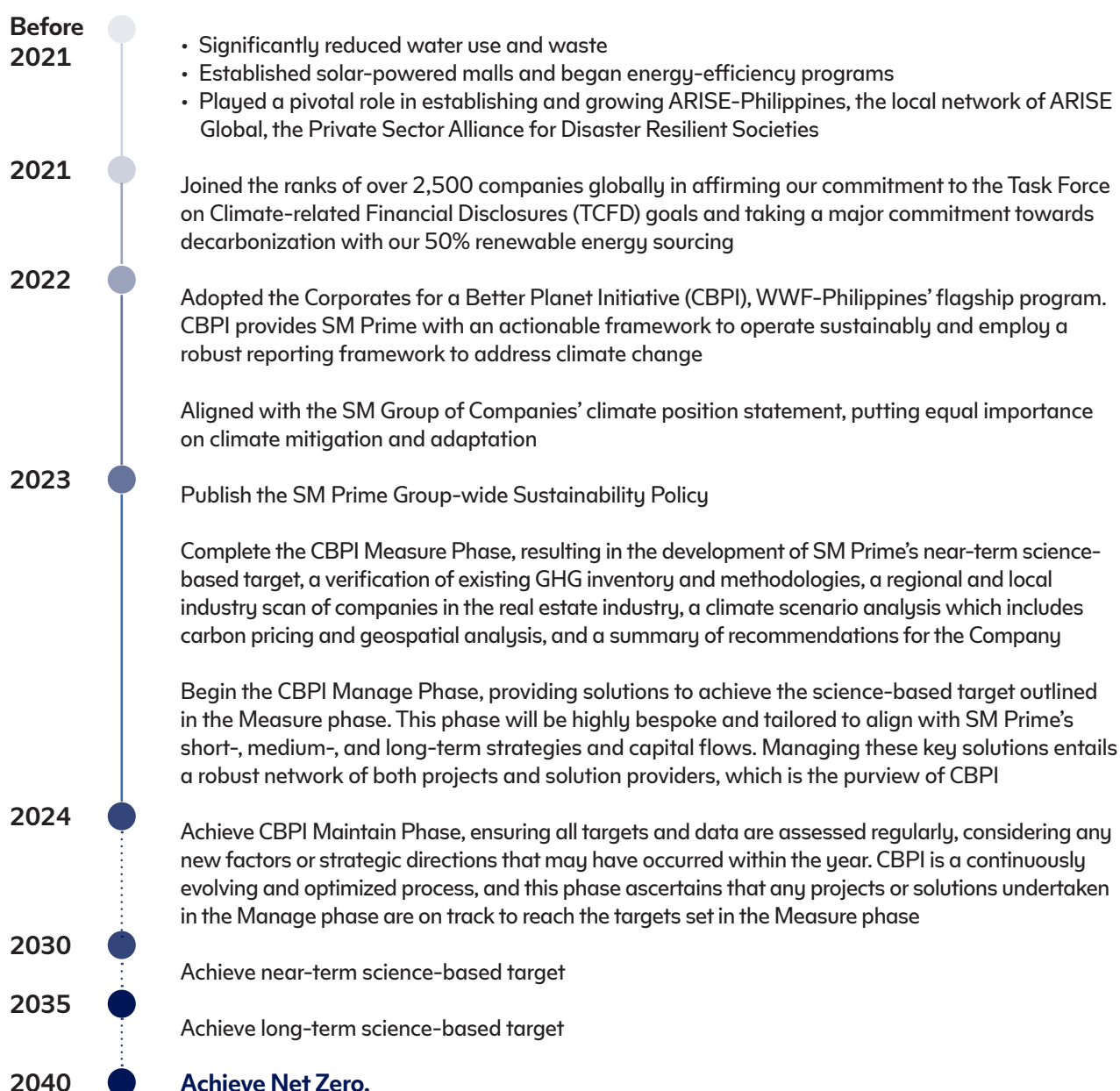
opportunities. The results of our four climate scenarios showed that the NZE and 2DS scenarios offer more consistent positive gains across all categories under opportunities. However, these may require a) maximizing existing infrastructure related to environmental matters, b) introducing new low-carbon-based technologies, including renewable energy solutions, c) strengthening monitoring and evaluation and knowledge management practices with stakeholders, and d) strengthening the general resilience across the real estate sector. SM Prime's business units are aware of these opportunities, and we will work as one to explore more resiliency measures and ways of fortifying our developments in these identified areas.

## Metrics and Targets

As of this report's publication date in April 2023, metrics and targets pertinent to our climate-related financial disclosures are still in the process of being verified by WWF-Philippines prior to submission to our Board of Directors for approval. Following the Manage Phase of the CBPI process, which includes the formulation of SM Prime's Net-Zero Ambition Action Plan, WWF-Philippines will create the roadmap with the guidance of experts on best practices and solutions to reach our Net-Zero ambition by 2040 subject to validation by SBTi.

For GHG, waste, and water disclosures, please refer to the section on Energy and Emissions.

## SM Prime's Net-Zero Ambition Action Plan



2050 - Global commitment to achieve net zero

# Board of Directors



**Henry T. Sy, Jr.**  
CHAIRPERSON

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



**Amando M. Tetangco, Jr.**  
VICE 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 six 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 to 1974.

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

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, Global Dominion Financing Incorporated, South Asialink Finance Corporation and MarcoPay and its subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and an independent trustee of the MPIC Beneficial Trust Fund. He is also an independent director of Solar Philippines New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) and Vivant Corporation (both of which are listed companies). He is also a member of the Board of Trustees of the Makati Business Club, Inc. Mr. Cruz joined SGV and Co. (EY Philippines) in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairman and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairman and Managing Partner, he was also Chairman and President of the SGV Foundation. He also became President of Association of Certified Public Accountants in Public Practice (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. Recently, he was also conferred by the Philippine Regulatory Board of Accountancy as a recipient of the Accounting Centenary Award of Excellence given to the 100 most notable CPAs in Philippine Accounting history.



**Darlene Marie B. Berberabe**  
INDEPENDENT DIRECTOR

Atty. 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 Joy-Nostalg Solaris Inc., Palm Concepcion Power Corporation, PA Alvarez and Katapult Digital Corp. She is also a faculty member of the Philippine Judicial Academy. 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 at 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 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

Mr. 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 Company'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

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



**Herbert T. Sy**  
NON-EXECUTIVE DIRECTOR

Mr. Herbert T. Sy has been a director of SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairman of Supervalve 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 35 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

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.

# Our Management

**Henry Sy, Sr. (†)**

CHAIRPERSON EMERITUS

**Jose Mari H. Banzon**

HEAD, RESIDENTIAL (PRIMARY)

**Henry T. Sy, Jr.**

CHAIRPERSON

**Shirley C. Ong**

HEAD, RESIDENTIAL (LEISURE)

**Jeffrey C. Lim**

PRESIDENT

**Antonio Felix L. Ortiga**

HEAD, COMMERCIAL

**Hans T. Sy**

CHAIRPERSON OF THE  
EXECUTIVE COMMITTEE

**Ma. Luisa E. Angeles**

HEAD, HOTELS AND  
CONVENTION CENTERS

**John Nai Peng C. Ong**

CHIEF FINANCE OFFICER AND  
CORPORATE INFORMATION OFFICER

**Elmer B. Serrano**

CORPORATE SECRETARY

**Christopher S. Bautista**

CHIEF AUDIT EXECUTIVE

**Arthur A. Sy**

ASSISTANT CORPORATE SECRETARY

**Marvin Perrin L. Pe**

CHIEF RISK OFFICER AND  
CHIEF COMPLIANCE OFFICER

**Glenn D. Ang**

HEAD, SM SMART CITY

**Steven T. Tan**

HEAD, MALLS





**Henry T. Sy, Jr.**  
CHAIRPERSON



**Hans T. Sy**  
CHAIRPERSON OF THE  
EXECUTIVE COMMITTEE



**Jeffrey C. Lim**  
PRESIDENT



# Financial Reports





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

### SM Prime's Consolidated Net Income up by 38% in 2022 to ₱30.1 billion

#### Financial and Operational Highlights

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

		Twelve Months Ended December 31				
		2022	% to Revenues	2021	% to Revenues	% Change
Profit and Loss Data						
Revenues		105,786	100%	82,315	100%	29%
Costs and Expenses		56,542	53%	49,901	61%	13%
Operating Income		49,243	47%	32,415	39%	52%
Net Income		30,100	28%	21,787	26%	38%
EBITDA		61,088	58%	43,107	52%	42%
		Dec 31 2022	% to Total Assets	Dec 31 2021	% to Total Assets	
Balance Sheet Data						
Total Assets		874,215	100%	804,403	100%	
Investment Properties		489,266	56%	467,392	58%	
Total Debt		352,397	40%	313,718	39%	
Net Debt		310,337	35%	273,942	34%	
Total Equity		363,201	42%	332,919	41%	
		Dec 31 2022		Dec 31 2021		
Financial Ratios						
Current Ratio		1.53		1.39		
Acid test Ratio		0.87		0.81		
Solvency Ratio		1.72		1.71		
Debt to Equity		0.49 : 0.51		0.49 : 0.51		
Net Debt to Equity		0.46 : 0.54		0.45 : 0.55		
Asset to Equity		2.41		2.42		
Return on Equity		0.09		0.07		
Net Income Margin		0.28		0.26		
Interest Coverage Ratio		5.33		4.61		
Debt to EBITDA		5.77		7.28		
Return on Investment Properties		0.07		0.06		

## Revenues

SM Prime recorded consolidated revenues of ₱105.79 billion in 2022, an increase of 29% compared to ₱82.32 billion in the same period of 2021, primarily due to the following:

### Rent

SM Prime recorded consolidated revenues from rent of ₱58.24 billion in 2022, a 68% increase from ₱34.69 billion in the same period of 2021. Malls operate on a new normal with the easing of mobility restrictions and 85% of the total rental revenues is contributed by the malls while the 15% is from offices and hotels and convention centers.

### Real Estate Sales

SM Prime recorded real estate sales of ₱39.05 billion in 2022, a decrease of 13% from ₱45.12 billion in 2021 as a result of the spillover effect of the lapse of Bayanihan Act, which gave a reprieve to unit buyers during the height of the pandemic. Reservation sales in 2022 increased by 3% to ₱102.00 billion from ₱98.89 billion in the same period last year.

### Other Revenues

SM Prime's other revenues increased to ₱8.50 billion in 2022 from ₱2.51 billion in the same period in 2021 as the cinema, leisure and entertainment businesses reopen its doors to patrons. Cinemas improved due to high ticket sales from blockbuster movies shown during of the year, including Doctor Strange in the Multiverse of Madness, Avatar: The Way of Water and Black Panther: Wakanda Forever. Leisure and entertainment business benefited from the new normal condition. Other revenues 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 ₱56.54 billion in 2022, an increase of 13% from ₱49.90 billion in the same period in 2021, as a result of the following:

### Costs of Real Estate

Consolidated costs of real estate decreased by 10% to ₱16.90 billion in 2022 from ₱18.69 billion in the same period in 2021. Gross profit margin on real estate sales is 57% in 2022 from 59% in 2021.

### Operating Expenses

SM Prime's consolidated operating expenses increased by 27% to ₱39.64 billion in 2022 compared to last year's ₱31.21 billion. Out of the total operating expenses, 68% 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 23% to ₱11.47 billion in 2022 compared to ₱9.36 billion in the same period in 2021 mainly due to the issuance of retail bonds in 2021 and 2022, respectively, 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 decreased to ₱0.94 billion in 2022 from last year's ₱4.68 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 ₱7.97 billion in 2022 compared to ₱5.82 billion in the same period in 2021.

## Net income attributable to non-controlling interests

SM Prime's consolidated net income attributable non-controlling interest increased to ₱0.64 billion in 2022 as compared to ₱0.12 billion in the same period in 2021.

## Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 38% to ₱30.10 billion in 2022 as compared to ₱21.79 billion in the same period in 2021.

## Balance Sheet Accounts

SM Prime's total assets amounted to ₱874.21 billion and ₱804.40 billion as of December 31, 2022 and December 31, 2021, respectively.

Cash and cash equivalents increased by 6% to ₱42.06 billion from ₱39.78 billion as of December 31, 2022 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 13% to ₱82.56 billion from ₱73.02 billion as of December 31, 2022 and December 31, 2021, respectively, due to increase in rental receivables from new malls and expansions and increase in sale of residential units.

Real estate inventories increased by 25% to ₱70.50 billion from ₱56.58 billion as of December 31, 2022 and December 31, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Derivatives improved to ₱7.02 billion net asset from ₱0.29 billion net liability as of December 31, 2022 and December 31, 2021, respectively, mainly due to foreign exchange and net fair value changes on swap transactions during the period. This also resulted to the increase in net fair value changes on cash flow hedges to ₱2.98 billion unrealized gain from ₱0.43 billion unrealized loss as of December 31, 2022 and December 31, 2021, respectively.

Investment properties increased by 5% to ₱489.27 billion from ₱467.39 billion as of December 31, 2022 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% to ₱30.58 billion from ₱29.19 billion as of December 31, 2022 and December 31, 2021, respectively, due to equity in net earnings of associates and joint ventures.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 16% to ₱106.20 billion from ₱91.61 billion as of December 31, 2022 and December 31, 2021, respectively.

Loans payable decreased by 16% to ₱5.42 billion from ₱6.49 billion as of December 31, 2022 and December 31, 2021, respectively, due to payments, net of availment for the period.

Income tax payable increased by 36% to ₱0.77 billion from ₱0.56 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due provisions for the year, net of payments.

Long-term debt increased by 13% to ₱346.97 billion from ₱307.23 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to issuance of retail bonds and new loan availments, net of payments of matured loans during the period.

Tenants' and customers' deposits increased by 11% to ₱23.80 billion from ₱21.46 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to the new malls and office building tenants.

Liability for purchased land decreased to ₱1.13 billion from ₱2.54 billion as of December 31, 2022 and December 31, 2021, respectively, due to payments made during the period.

Deferred tax liabilities - net increased by 15% to ₱11.14 billion from ₱9.69 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net increased by 27% to ₱0.93 billion from ₱0.73 billion as of December 31, 2022 and December 31, 2021 mainly due to actuarial loss for the year.

Other noncurrent liabilities increased by 10% to ₱31.39 billion from ₱28.61 billion as of December 31, 2022 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 11%, to ₱3.44 billion from ₱3.08 billion as of December 31, 2022 and



December 31, 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation increased by 69% to ₱0.93 billion from ₱0.55 billion as of December 31, 2022 and December 31, 2021, respectively, due to actuarial loss for the year.

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, 2022 and December 31, 2021, 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 2023, 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-four residential projects, forty-six of which are in Metro Manila and eighteen are outside Metro Manila. The Company aims to launch 15,000 to 20,000 residential units in 2023.

SM Prime's malls business unit has eighty-two shopping malls in the Philippines with 9.0 million square meters of gross floor area (GFA) and seven shopping malls in China with 1.4 million square meters of GFA. The Company intends to launch three new malls in the Philippines in 2023 namely SM City Bataan, SM Center San Pedro, and SM City Sto. Tomas. These new malls, plus the expansion of the Company's existing malls, will provide an addition of almost 0.2 million square meters of GFA. The Company also intends to launch one new mall in Yangzhou, China in 2023 which will provide an addition of almost 0.2 million square meters of GFA.

SM Prime's Commercial Properties Group has eighteen office buildings with a combined GFA of approximately 1.5 million square meters.

SM Prime's hotels and convention centers business unit currently has a portfolio of six 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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, 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 20th of February, 2023

## 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 Revised 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 Atty. 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 2022 on the following dates: February 21, May 10, August 1 and November 7. 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 to 1974.

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



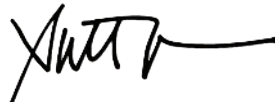
Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation, Global Dominion Financing Incorporated, South Asialink Finance Corporation and MarcoPay and its subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and an independent trustee of the MPIC Beneficial Trust Fund. He is also an independent director of Solar Philippines New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) and Vivant Corporation (both of which are listed companies). He is also a member of the Board of Trustees of the Makati Business Club, Inc. Mr. Cruz joined SGV (EY Philippines) in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairman and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairman and Managing Partner, he was also Chairman and President of the SGV Foundation. He also became President of Association of Certified Public Accountants in Public Practice (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. Recently, he was also conferred by the Philippine Regulatory Board of Accountancy as a recipient of the Accounting Centenary Award of Excellence given to the 100 most notable CPAs in Philippine Accounting history.

**ATTY. DARLENE MARIE B. BERBERABE** (Member, Independent Director) – Atty. 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 Joy-Nostalg Solaris Inc., Palm Concepcion Power Corporation, PA Alvarez and Katapult Digital Corp. She is also a faculty member of the Philippine Judicial Academy. 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 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, 2022, second quarter ended June 30, 2022, and third quarter ended September 30, 2022;
- 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, 2022; 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 2022. Based on the review of their performance and qualifications, the Committee also recommends the re-appointment of SGV & Co. as external auditors for 2023.



**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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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.



In determining the transaction price, the Company considers whether the selling price of the real estate property includes significant financing component.

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 and cost 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 the determination of the population of contracts with customers related to real estate sale 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 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, 2022, 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, 2022 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. 9369781, January 3, 2023, Makati City

February 20, 2023



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 19, 26 and 27)	₱42,060,082	₱39,775,852
Receivables and contract assets (Notes 7, 14, 19, 26 and 27)	82,560,354	73,019,966
Real estate inventories (Note 8)	70,500,025	56,575,047
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 9, 19, 26 and 27)	534,865	547,041
Derivative assets (Notes 26 and 27)	585,576	753,506
Prepaid expenses and other current assets (Notes 10 and 19)	25,767,334	24,993,357
Total Current Assets	222,008,236	195,664,769
<b>Noncurrent Assets</b>		
Equity instruments at FVOCI - net of current portion (Notes 9, 19, 26 and 27)	17,077,198	17,400,372
Investment properties (Notes 12, 17, 25 and 27)	489,266,042	467,391,988
Investments in associates and joint ventures (Note 13)	30,578,320	29,187,435
Property and equipment (Notes 11 and 25)	1,399,840	1,372,276
Deferred tax assets - net (Note 24)	931,366	734,975
Derivative assets - net of current portion (Notes 26 and 27)	6,752,744	1,043,670
Other noncurrent assets (Notes 14, 19, 23, 26 and 27)	106,200,906	91,607,795
Total Noncurrent Assets	652,206,416	608,738,511
	₱874,214,652	₱804,403,280
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Notes 15, 26 and 27)	₱5,422,524	₱6,487,427
Accounts payable and other current liabilities (Notes 16, 19, 26 and 27)	88,122,597	91,377,717
Current portion of long-term debt (Notes 17, 19, 26 and 27)	50,839,776	42,261,601
Derivative liabilities (Notes 26 and 27)	19,496	335,367
Income tax payable	765,909	563,387
Total Current Liabilities	145,170,302	141,025,499
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 17, 19, 26 and 27)	296,134,836	264,969,216
Tenants' and customers' deposits - net of current portion (Notes 16, 25, 26 and 27)	23,799,162	21,458,281
Liability for purchased land - net of current portion (Notes 16, 26 and 27)	1,129,719	2,540,050
Deferred tax liabilities - net (Note 24)	11,140,040	9,688,555
Derivative liabilities - net of current portion (Notes 26 and 27)	294,403	1,748,186
Other noncurrent liabilities (Notes 16, 23, 26 and 27)	31,394,584	28,612,720
Total Noncurrent Liabilities	363,892,744	329,017,008
Total Liabilities (Carried Forward)	509,063,046	470,042,507

	December 31	
	2022	2021
Total Liabilities ( <i>Brought Forward</i> )	₱509,063,046	₱470,042,507
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Notes 18 and 28)	33,166,300	33,166,300
Additional paid-in capital - net (Notes 5 and 18)	38,124,193	38,056,016
Cumulative translation adjustment	3,435,171	3,083,184
Net fair value changes of equity instruments at FVOCI (Note 9)	14,232,514	14,708,368
Net fair value changes on cash flow hedges (Note 27)	2,984,605	(432,883)
Remeasurement loss on defined benefit obligation (Note 23)	(928,882)	(548,643)
Retained earnings (Note 18):		
Appropriated	42,200,000	42,200,000
Unappropriated	232,972,284	205,671,557
Treasury stock (Notes 18 and 28)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	363,201,490	332,919,204
<b>Non-controlling Interests (Note 18)</b>	1,950,116	1,441,569
Total Equity	365,151,606	334,360,773
	₱874,214,652	₱804,403,280

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		
	2022	2021	2020
<b>REVENUE</b>			
Rent (Notes 12, 19 and 25)	<b>₱58,243,913</b>	₱34,694,185	₱32,013,024
Real Estate Sales	<b>39,046,514</b>	45,116,120	46,973,399
Others (Notes 19 and 20)	<b>8,495,208</b>	2,505,179	2,912,875
	<b>105,785,635</b>	82,315,484	81,899,298
<b>COSTS AND EXPENSES</b> (Note 19, 21 and 23)	<b>56,542,322</b>	49,900,933	52,825,112
<b>INCOME FROM OPERATIONS</b>	<b>49,243,313</b>	32,414,551	29,074,186
<b>OTHER INCOME (CHARGES)</b>			
Interest expense (Notes 15, 17, 19, 22, 26 and 27)	<b>(11,465,787)</b>	(9,357,616)	(8,596,750)
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	<b>1,775,740</b>	1,025,066	1,207,227
Others - net (Notes 12, 13, 16, 17, 19 and 27)	<b>(839,262)</b>	3,651,524	779,078
	<b>(10,529,309)</b>	(4,681,026)	(6,610,445)
<b>INCOME BEFORE INCOME TAX</b>	<b>38,714,004</b>	27,733,525	22,463,741
<b>PROVISION FOR INCOME TAX</b> (Note 24)			
Current	<b>6,783,913</b>	2,816,720	1,761,051
Deferred	<b>1,186,962</b>	3,005,402	2,562,953
	<b>7,970,875</b>	5,822,122	4,324,004
<b>NET INCOME</b>	<b>₱30,743,129</b>	₱21,911,403	₱18,139,737
<b>Attributable to:</b>			
Equity holders of the Parent (Notes 18 and 28)	<b>₱30,099,799</b>	₱21,786,516	₱18,006,512
Non-controlling interests (Note 18)	<b>643,330</b>	124,887	133,225
	<b>₱30,743,129</b>	₱21,911,403	₱18,139,737
<b>Basic/Diluted earnings per share</b> (Note 28)	<b>₱1.043</b>	₱0.755	₱0.624
<b>Dividend per share</b> (Note 18)	<b>₱0.097</b>	₱0.082	₱0.185

See accompanying Notes to Consolidated Financial Statements.



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
<b>NET INCOME</b>	<b>₱30,743,129</b>	<b>₱21,911,403</b>	<b>₱18,139,737</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
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)	(475,854)	1,247,699	(4,380,321)
Remeasurement gain (loss) on defined benefit obligation (Note 23)	(383,448)	38,020	329,172
	<b>(859,302)</b>	<b>1,285,719</b>	<b>(4,051,149)</b>
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	351,987	1,558,745	180,165
Net fair value changes on cash flow hedges (Note 27)	3,417,488	1,336,147	(440,863)
	<b>2,910,173</b>	<b>4,180,611</b>	<b>(4,311,847)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱33,653,302</b>	<b>₱26,092,014</b>	<b>₱13,827,890</b>
<b>Attributable to:</b>			
Equity holders of the Parent (Note 18)	<b>₱33,013,181</b>	<b>₱25,092,014</b>	<b>₱13,688,396</b>
Non-controlling interests (Note 5)	<b>640,121</b>	<b>123,754</b>	<b>139,494</b>
	<b>₱33,653,302</b>	<b>₱26,092,014</b>	<b>₱13,827,890</b>

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020  
(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, 2022, as previously reported	P33,166,300	P38,056,016	P3,083,184	P14,708,368
Effect of common control business combination (Note 5)	–	44,330	–	–
At January 1, 2022, as adjusted	P33,166,300	P38,100,346	P3,083,184	P14,708,368
Net income for the year	–	–	–	–
Other comprehensive income (loss)	–	–	351,987	(475,854)
Total comprehensive income (loss) for the year	–	–	351,987	(475,854)
Cash dividends (Note 18)	–	–	–	–
Cash dividends received by a subsidiary	–	–	–	–
Cash dividends received by non-controlling interests	–	–	–	–
Sale of non-controlling interest (see Note 2)	–	23,847	–	–
At December 31, 2022	P33,166,300	P38,124,193	P3,435,171	P14,232,514
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 (Note 2)	–	33,103	–	–
At December 31, 2021	P33,166,300	P38,056,016	P3,083,184	P14,708,368

## 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				
(P432,883)	(P548,643)	P42,200,000	P205,671,557	(P2,984,695)	P332,919,204	P1,441,569	P334,360,773
-	-	-	-	-	44,330	3,277	47,607
(P432,883)	(P548,643)	P42,200,000	P205,671,557	(P2,984,695)	P332,963,534	P1,444,846	P334,408,380
-	-	-	30,099,799	-	30,099,799	643,330	30,743,129
3,417,488	(380,239)	-	-	-	2,913,382	(3,209)	2,910,173
3,417,488	(380,239)	-	30,099,799	-	33,013,181	640,121	33,653,302
-	-	-	(2,801,286)	-	(2,801,286)	-	(2,801,286)
-	-	-	2,214	-	2,214	-	2,214
-	-	-	-	-	-	(144,050)	(144,050)
-	-	-	-	-	23,847	9,199	33,046
<b>P2,984,605</b>	<b>(P928,882)</b>	<b>P42,200,000</b>	<b>P232,972,284</b>	<b>(P2,984,695)</b>	<b>P363,201,490</b>	<b>P1,950,116</b>	<b>P365,151,606</b>
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



	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, 2020	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990
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	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669

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				
(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

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱38,714,004</b>	₱27,733,525	₱22,463,741
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 21 and 25)	<b>12,487,762</b>	10,816,869	10,341,611
Interest expense (Notes 15, 17 and 22)	<b>11,465,787</b>	9,357,616	8,596,750
Interest and dividend income (Notes 6, 7, 9, 10, 14, 19 and 22)	<b>(1,775,740)</b>	(1,025,066)	(1,207,227)
Equity in net earnings of associates and joint ventures (Note 13)	<b>(1,720,116)</b>	(1,187,419)	(694,473)
Loss (gain) on:			
Retirement and sale of investment properties (see Note 12)	<b>105,701</b>	(551,974)	–
Unrealized foreign exchange and fair value changes on derivatives – net	<b>826,855</b>	(623,782)	(45,610)
Operating income before working capital changes	<b>60,104,253</b>	44,519,769	39,454,792
Decrease (increase) in:			
Receivables and contract assets	<b>(8,760,236)</b>	(16,304,309)	(27,104,505)
Real estate inventories	<b>(12,462,748)</b>	(4,696,521)	2,409,763
Prepaid expenses and other current assets	<b>(762,618)</b>	(1,639,817)	(3,702,091)
Increase (decrease) in:			
Accounts payable and other liabilities	<b>1,070,155</b>	12,048,707	8,783,131
Tenants' and customers' deposits	<b>2,328,183</b>	(28,558)	(334,662)
Cash generated from operations	<b>41,516,989</b>	33,899,271	19,506,428
Income tax paid	<b>(6,583,777)</b>	(3,232,110)	(2,316,144)
Net cash provided by operating activities	<b>34,933,212</b>	30,667,161	17,190,284
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<b>1,197,311</b>	648,143	1,009,478
Dividends received	<b>596,672</b>	292,898	385,916
Proceeds from sale of investment properties (Note 12)	<b>85,767</b>	453,298	–
Additions to:			
Investment properties (Note 12)	<b>(38,766,369)</b>	(39,294,964)	(37,559,444)
Property and equipment (Note 11)	<b>(198,012)</b>	(168,077)	(113,073)
Increase in bonds and deposits and other noncurrent assets (Note 14)	<b>(15,159,670)</b>	(6,044,976)	(7,666,858)
Net cash used in investing activities	<b>(52,244,301)</b>	(44,113,678)	(43,943,981)

(Forward)



	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of bank loans and long-term debt (Notes 15 and 17)	<b>₱94,325,945</b>	<b>₱86,849,381</b>	<b>₱91,403,912</b>
Payments of:			
Long-term debt (Note 17)	<b>(43,863,022)</b>	<b>(35,336,466)</b>	<b>(28,993,349)</b>
Bank loans (Note 15)	<b>(19,994,859)</b>	<b>(15,959,528)</b>	<b>(25,700,000)</b>
Interest	<b>(11,029,498)</b>	<b>(9,837,833)</b>	<b>(8,469,609)</b>
Dividends (Note 18)	<b>(2,943,122)</b>	<b>(2,675,277)</b>	<b>(5,338,436)</b>
Lease liabilities (Notes 16 and 25)	<b>(84,292)</b>	<b>(47,933)</b>	<b>(85,013)</b>
Proceeds from (payments of) matured derivatives	<b>3,274,591</b>	<b>(368,799)</b>	<b>–</b>
Net cash provided by financing activities	<b>19,685,743</b>	<b>22,623,545</b>	<b>22,817,505</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(90,424)</b>	<b>(62,790)</b>	<b>(2,153)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,284,230</b>	<b>9,114,238</b>	<b>(3,938,345)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>39,775,852</b>	<b>30,661,614</b>	<b>34,599,959</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱42,060,082</b>	<b>₱39,775,852</b>	<b>₱30,661,614</b>

See accompanying Notes to Consolidated Financial Statements.

# GRI Content Index

<b>Statement of use</b>	SM Prime has reported the information cited in this GRI content index for the period January 1, 2022 to December 31, 2022 with reference to the GRI Standards. Disclosure Page number(s) and/or Direct Answers
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location
<b>GRI 2:</b>	2-1 Organizational details	2
<b>General Disclosures 2021</b>	2-2 Entities included in the organization's sustainability reporting	Inside Front Cover
	2-3 Reporting period, frequency and contact point	Inside Front Cover
	2-4 Restatements of information	There are no restatements of information in this report
	2-5 External assurance	This report is not externally assured
	2-6 Activities, value chain and other business relationships	3-7
	2-7 Employees	60-67
	2-8 Workers who are not employees	60-67
	2-9 Governance structure and composition	90-95
	2-10 Nomination and selection of the highest governance body	90-95
	2-11 Chair of the highest governance body	90-95
	2-12 Role of the highest governance body in overseeing the management of impacts	89-101
	2-13 Delegation of responsibility for managing impacts	89-101
	2-14 Role of the highest governance body in sustainability reporting	99
	2-15 Conflicts of interest	98
	2-16 Communication of critical concerns	99-101
	2-17 Collective knowledge of the highest governance body	89-101
	2-18 Evaluation of the performance of the highest governance body	96
	2-19 Remuneration policies	94
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	2-22 Statement on sustainable development strategy	19-21, 28-29
	2-23 Policy commitments	97-99
	2-24 Embedding policy commitments	97-99
	2-25 Processes to remediate negative impacts	99-101
	2-26 Mechanisms for seeking advice and raising concerns	99-101
	2-27 Compliance with laws and regulations	91
	2-28 Membership associations	72-73, 107-111
	2-29 Approach to stakeholder engagement	13-15
	2-30 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
<b>GRI 3:</b>	3-1 Process to determine material topics	16-17
<b>Material Topics 2021</b>	3-2 List of material topics	17
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<b>Economic Performance 2016</b>	201-2 Financial implications and other risks and opportunities due to climate change	107-111
<b>GRI 203:</b>	203-1 Infrastructure investments and services supported	68-85
<b>Indirect Economic Impacts 2016</b>	203-2 Significant indirect economic impacts	68-85
<b>GRI 205:</b>	205-1 Operations assessed for risks related to corruption	97-99
<b>Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	97-99
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<b>Energy 2016</b>	302-2 Energy consumption outside of the organization	51
	302-4 Reduction of energy consumption	51
	302-5 Reductions in energy requirements of products and services	52

GRI Standard	Disclosure	Location
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	52
	303-2 Management of water discharge-related impacts	52
	303-3 Water withdrawal	52
	303-4 Water discharge	52
	303-5 Water consumption	52
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	54-55
	304-2 Significant impacts of activities, products and services on biodiversity	54-55
	304-3 Habitats protected or restored	54-55
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	54-55
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	51
	305-2 Energy indirect (Scope 2) GHG emissions	51
	305-3 Other indirect (Scope 3) GHG emissions	52
	305-5 Reduction of GHG emissions	51-52
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	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	60-61
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	403-4 Worker participation, consultation, and communication on occupational health and safety	66
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	403-9 Work-related injuries	67
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<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	68-85
	413-2 Operations with significant actual and potential negative impacts on local communities	68-86



# Corporate Information

## Company Headquarters

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Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A  
Pasay City 1300 Philippines

## Investor Relations

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E [info@smprime.com](mailto:info@smprime.com)  
[www.smprime.com](http://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 address to the company's transfer agent:

### **BDO Unibank, Inc.**

Trust And Investments Group  
14th Floor BDO Towers Valero  
8741 Paseo de Roxas, Makati City  
T: (632) 8878-4964 ; (632) 8878-4965

## External Auditor

SyCip Gorres Velayo & Co.

Our complete reports can be viewed or downloaded at







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