

COVER SHEET
for
SEC FORM 17-A

SEC Registration Number

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

--

Company's Telephone Number/s

8831-1000

Mobile Number

--

No. of Stockholders

2,395

Annual Meeting Month/Day

--

Fiscal Year Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Mr. John Nai Peng C. Ong

Email Address

john.ong@smprime.com

Telephone Number/s

8831-1000

Mobile Number

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Contact Person's Address

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
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SRC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE

1. For the calendar year ended DECEMBER 31, 2020
2. SEC Identification Number AS094-000088
3. BIR Tax Identification No. 003-058-789
4. Exact name of registrant as specified in its charter SM PRIME HOLDINGS, INC.
5. PHILIPPINES
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 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 1300
Address of principal office Postal Code
8. (632) 8831-1000
Registrant's telephone number, including area code
9. NA
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
CAPITAL STOCK, P 1 PAR VALUE	28,879,231,694

11. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes ☒ No ☐
12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Securities Regulations Code (SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐
13. Aggregate market value of the voting stock held by non-affiliates: ₱268,538,309,347

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date APR 15 2021 TSIS

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RHEA ARAGON

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

Business Development and Principal Products or Services

SM Prime Holdings, Inc. (“SMPH” or “the Parent Company”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as “the Company” or “SM Prime”) are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes. Its registered office and principal place of business of SMPH is 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.

SMPH’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE). SM Investments Corporation (SMIC), the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

The subsidiaries of the Parent Company follow:

Company	Date and Place of Incorporation	Percentage of Ownership
A. <u>MALLS</u>		
First Asia Realty Development Corporation (FARDC)	September 7, 1987, Philippines	74.2
Premier Central, Inc. and Subsidiary	March 16, 1998, Philippines	100.0
Consolidated Prime Dev. Corp.	March 25, 1998, Philippines	100.0
Premier Southern Corp.	April 7, 1998, Philippines	100.0
San Lazaro Holdings Corporation	March 7, 2001, Philippines	100.0
Southernpoint Properties Corp.	June 10, 2008, Philippines	100.0
First Leisure Ventures Group, Inc. (FLVGI)	March 28, 2007, Philippines	50.0
CHAS Realty and Development Corporation and Subsidiaries	October 17, 1997, Philippines	100.0
Springfield Global Enterprises Limited	September 6, 2007, British Virgin Islands	100.0
Simply Prestige Limited and Subsidiaries	April 23, 2013, British Virgin Islands	100.0
SM Land (China) Limited and Subsidiaries	August 9, 2006, Hong Kong	100.0
Rushmore Holdings, Inc.	April 14, 1994, Philippines	100.0
Prime Commercial Property Management Corp. and Subsidiaries	November 6, 2009 Philippines	100.0

Company	Date and Place of Incorporation	Percentage of Ownership
Magenta Legacy, Inc.	November 30, 2006, Philippines	100.0
Associated Development Corporation	May 26, 1950, Philippines	100.0
Prime Metroestate, Inc. and Subsidiary	June 1, 1995, Philippines	100.0
SM Arena Complex Corporation	March 15, 2012, Philippines	100.0
Mindpro Incorporated (Mindpro)	July 3, 1970, Philippines	70.0
A. Canicosa Holdings, Inc.	October 10, 2008, Philippines	100.0
AD Canicosa Properties, Inc.	October 10, 2008, Philippines	100.0
Cherry Realty Development Corporation	October 28, 1977, Philippines	100.0
Supermalls Transport Services, Inc.	January 25, 2017, Philippines	100.0
B. <u>RESIDENTIAL</u>		
SM Development Corporation and Subsidiaries (SMDC)	July 12, 1974, Philippines	100.0
Highlands Prime, Inc.	February 15, 2001, Philippines	100.0
Costa del Hamilo, Inc. and Subsidiary	September 26, 2006, Philippines	100.0
C. <u>COMMERCIAL</u>		
Tagaytay Resort and Development Corporation	August 29, 1988, Philippines	100.0
MOA Esplanade Port Inc.	December 5, 2014 Philippines	100.0
Premier Clark Complex, Inc.	May 29, 2019, Philippines	100.0
SM Smart City Infrastructure and Development Corporation	August 27, 2019 Philippines	100.0
D. <u>HOTELS AND COVENTION CENTERS</u>		
SM Hotels and Conventions Corp. and Subsidiaries	April 2, 2008, Philippines	100.0

The Company has four business units (or segments), namely, malls, residential, commercial and hotels and convention centers. The contribution of each of the business units as of and for the year ended 2020 are as follows:

	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P28,133,013	P47,476,884	P4,709,187	P1,580,214	P-	P81,899,298
Inter-segment	129,575	-	69,958	2,672	(202,205)	-
	P28,262,588	P47,476,884	P4,779,145	P1,582,886	(P202,205)	P81,899,298
Segment results:						
Income before income tax	P3,397,809	P16,910,196	P3,629,553	(P1,019,638)	(P454,179)	P22,463,741
Provision for income tax	(1,053,609)	(3,089,875)	(180,520)	-	-	(4,324,004)
Net income	P2,344,200	P13,820,321	P3,449,033	(P1,019,638)	(454,179)	P18,139,737
Net income attributable to:						
Equity holders of the Parent	P2,210,183	P13,821,113	P3,449,033	(P1,019,638)	(P454,179)	P18,006,512
Non-controlling interests	134,017	(792)	-	-	-	133,225
Segment assets	P393,412,575	P254,869,649	P61,567,161	P14,067,315	(P1,557,775)	P722,358,925
Segment liabilities	P258,218,748	P147,833,429	P6,230,590	P916,305	(P1,557,775)	P411,641,297
Other information:						
Capital expenditures	P26,033,777	P24,823,848	P7,393,535	P1,337,054	P-	P59,588,214
Depreciation and amortization	8,872,299	149,450	680,133	639,729	-	10,341,611

Further details relating to business segment data are disclosed in Note 4 of the attached consolidated financial statements.

As of December 31, 2020, the Company had a market capitalization of P1,112 billion.

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 in 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 undertaken. 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 trainings to employees, performance of regular audits, establishment and implementation of policies for a strong IT governance, and constant partnerships with various stakeholders.

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

The key risks of SM Prime include (1) Safety and Security Risk, (2) Property Damage and Business Disruption Risk, (3) Information Security and Information Technology Risk, (4) Environmental Risk, (5) Economic Risk, (6) Social Risk, (7) Operational/ Process Risk, (8) Financial Risk, and (9)

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

The Board puts emphasis on prudent IT risk management. The CRO and the IT Team reports to the Board the status of risk management and risk mitigation plans of the Company particularly on issues concerning availability of continuity plans, backup procedures, protection against damaging code and malicious activities, system and information access control, and incident management and reporting. It ensures to protect the confidentiality, integrity, and availability of all physical and electronic information assets of SM Prime to make certain that regulatory, operational, and contractual requirements are satisfied. Through risk assessments, threats to assets are identified, vulnerability to and likelihood of occurrence are evaluated and potential impact are estimated in the areas of network, operating system, application and database in production. Specifically, system vulnerability assessments, to proactively detect and address threats and vulnerabilities, are regularly implemented. In terms of cyber security management, the Company has adopted globally accepted standards to employ similar approach of cyber security strategies within the organization.

SM Prime has 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 Privacy Officer (DPO) oversees data privacy compliance and manage 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.

The Company implemented a Business Continuity Management System (BCMS). This system assures tenants, suppliers, and other stakeholders that the company is competent to handle, respond, and continue operations in the occurrence of a disruptive event. The Company has continued to cascade and implement BCMS to all its malls to ensure SM Prime continuously meets its commitments and provide continued operation especially in its critical business functions. Annually, SM Prime's malls undergo ISO 22301 (BCMS) Certification. The company engages third party assessor, TÜV SÜD Philippines PSB, to achieve organization's compliance to the ISO 22301 standards. As of 2020, a total of 37 malls is already BCMS-certified. The roll-out of the BCMS is within the set target based on the Five-Year Roadmap with specific targets on the percentage of malls to be covered. By 2022, it is projected that 89% of SM Prime's existing malls are BCMS certified.

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

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 and impact related thereto are minimized, and necessary improvements in the system are identified and addressed.

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

The Company's governance, risk management, and control systems are subject to the independent, objective, reasonable, systematic and disciplined evaluation by its Internal Audit group. To maintain its independence, Internal Audit reports functionally to the Board of Directors, through the Audit

Committee, and administratively to the President. As such, the appointment and removal of the Internal Auditor requires the approval of the Audit Committee, as provided in the committee's Charter.

The Company also engages the services of an external auditor to perform an independent audit and provide an objective assurance on the fairness and presentation of the Company's financial statements. The external audit partner is rotated every five (5) years or earlier, and any non-audit work should not be in conflict with the functions of the external auditor. Considering this and other relevant matters, the Audit Committee has the responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the external auditor. Further, the Company's non-executive directors meet with the External Auditor at least once annually without the presence of any management personnel or executive to verify that the external auditor was provided sufficient access to records and information for their audit of the financial statements the Company and to discuss issues which the audit team would like to bring to the attention of the nonexecutive directors of the Company.

COVID-19 Pandemic

SM Prime sees the importance of ensuring the health and safety of its employees, tenant partners, service providers, and customers amid the ongoing COVID-19 pandemic. From the beginning of this pandemic, SM Prime have implemented health, safety, and sanitation protocols in accordance to the COVID-19 Inter-Agency Task Force on Emerging Infectious Diseases (IATF) and Local Government ordinances and other issuances. Priority on safety that aims to help employers and workers to stay safe and healthy in a working environment that has changed significantly because of the pandemic. Preventive controls implemented include establishment on alternative work arrangement to address social distancing, safe distancing in common areas, administer temperature checks at all entrances, procure high end thermal scanners at major entrances, track and monitor the health condition of workers and customers, require employees and agency personnel to follow sanitation protocols, provision of face masks and face shields, alcohol and vitamins (for employees), medical services on standby per property, among others.

The pandemic have caused significant disruption and business activities is being affected by a combination of reduced public transport, reduced number of workers in offices, lack of tourism and events and lingering fears about the virus. In response, various Business Units of SM Prime have launched, among others, strategic programs to maximize visitation, spending of its customer and repurposing of properties while ensuring safety and security. One example is to consciously turning the malls into centers for community, by creating different ways for malls to serve the local communities. Examples are making malls bike-friendly with features like dedicated bike lanes, expanded bike parking, bike repair stations, and a helmet depository. Malls also created greenways and plant hubs for the plant lovers and rolling out dog parks. Moreover, SM Supermall introduced Trace Together – a faster health declaration system as a minimum requirement for customer entry into restaurants. Malls also made entry into eCommerce official with the launch of the Beta Version of virtual mall app, SM Malls Online. For the Residences group, it continued to exert aggressive collection efforts, restructuring of buyers' payment schedules, catch-up of construction delays to improve collections and accounts receivables, offering of new product and ensuring continued turnover of units to buyers.

When pandemic started in March, it rapidly pivoted the workforce to work remotely. To provide the safeguards and support that are required in order to ensure that cybersecurity, data protection, and IT operations controls are not compromised, the Company ensures provision of Virtual Private Network (VPN) for employees' with company issued laptops and virtual desktop which prohibits transfer of company data into personal devices (e.g. tablets, phones, etc.). Further, the Company issued User Acceptance for Remote Access and Remote Access Policy to provide its employees acceptable behavior on remote access privileges. The Information Security team also continuously monitors any suspicious network activity and unusual behavior for further investigation and resolution by IT. Moreover, Information Security Awareness Program is strengthened to address human factor in cyber security management and to protect networks and systems from attacks such as phishing.

The Company also accelerated the delivery of new digital capabilities to support online sales and to enhance the overall customer and advisor experience of its websites and mobile applications. Thus, website scanning is regularly performed to check for any security weaknesses including data security and ensure these are properly addressed and managed.

Competition

The Parent Company and its subsidiaries compete with other companies in the industry segments in which they operate. The Company believes that each of its subsidiaries has strong competitive advantages over the other industry players. In addition, the strong synergy created by the complimenting businesses of the individual subsidiaries has further reinforced each subsidiary's preparedness to face stiff competition in the coming years.

Suppliers

The Company has a broad range of suppliers, both local and foreign.

Customers/Clients

The Company is not dependent on a single or a few customer/client base. It has a broad base of local and foreign, and corporate and individual customers/clients.

Intellectual Property

SM Prime has intellectual property rights on the use of various trademark and names for each of its commercial and residential development projects. The "SM" name is owned by SMIC, and is registered with the Philippine Intellectual Property Office (IPO) until 2029. SM Prime owns the trademark "SM Prime" which registration is set to expire in 2029. SMDC owns the trademark "SM Development Corporation", which registration will expire in 2028. Most of SM Prime's projects have been issued a Certificate of Registration by the IPO. SM Prime believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the industry.

Transactions With and/or Dependence on Related Parties

As of December 31, 2020, the Company is 49.70% and 25.85% directly-owned by SMIC and the Sy Family, respectively.

Further details relating to transactions with related parties are disclosed in Note 20 of the attached consolidated financial statements.

Governmental regulations and environmental laws

The Company has always been committed towards sustainable and responsible business practices in all stages of its operations. SM Prime is substantially compliant to all regulatory requirements from the start of construction and all throughout its business operations.

The Company constructs and develops real estate properties while consciously minimizing environmental impact and preserving natural resources. Simultaneously with its daily operations, the Company meticulously measures and manages resource consumption patterns in consideration of the communities where the Company operates. These core operational sustainability efforts center on energy efficiency, water resource management, air quality and solid waste management. Furthermore, SM Prime hosts a portfolio of activities and programs to spread awareness on various socio-environmental concerns and celebrate numerous cultural celebrations around the country throughout the year. In line with these efforts, the Company operates beyond the levels of regulatory compliance, ensures that it meets all governmental, environmental, health and safety requirements and aligns shared value initiative and efficiency efforts with international standards. The Company also has processes in

place to monitor compliance to all government requirements and keeps abreast of the latest developments in regulations concerning the real estate industry.

The Company incurs costs that are standard in compliance with environmental laws.

Employees

As of December 31, 2020, SM Prime and its subsidiaries have 10,739 regular employees. The Parent Company had 350 regular employees as of the same period. SM Prime and subsidiaries' employees are not subject to any collective bargaining agreement.

ITEM 2. Properties

A. MALLS

SM Prime operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters within the compound of the shopping malls. Its main sources of revenues include rental income from leases in mall and food court, cinema ticket sales and amusement income from bowling and ice skating. As of December 31, 2020, the malls business unit has seventy-six malls in the Philippines with 8.7 million square meters (sq. m.) of gross floor area (GFA) and seven shopping malls in China with 1.3 million sq. m. of GFA.

In 2020, SM Prime's mall business unit opened two malls in the Philippines, namely, SM City Butuan and SM City Mindpro. The new malls added 0.08 million sq. m. to SM Prime's total GFA.

Metro Manila Malls

SM City North EDSA

Year opened – 1985. SM City North EDSA is located on a 16.1-hectare site in the corners of EDSA and North Avenues, Quezon City. The very first and currently the country's largest shopping mall of SM Prime has a GFA of 497,213 sq. m. and features four cinemas, 24-computerized synthetic lane bowling center, food court, amusement centers and multi-level carpark. The mall has seven buildings, including The Block and The Annex. It also has a Sky Garden, a 400-meter elevated walkway shaded by a long stretch of white canopy connecting building to another, with a park-like ambiance and green architecture, and includes the roof garden, water features, food and retail outlets and sky dome that is a 1,000-seat amphitheater for shows and special events. The anchor tenants for SM City North EDSA are The SM Store, SM Hypermarket, SM Supermarket, Ace Builders Center, SM Appliance Center, Our Home, Uniqlo, Forever 21 and Miniso.

SM Megamall

Year opened – 1991. SM Megamall is located on a 10.5-hectare property in the Ortigas business district, Mandaluyong City. It stands along the main EDSA thoroughfare and is near the Metro Rail Transit. SM Megamall has four main buildings, Mega A and Mega B, Mega Atrium, and Mega Fashion Hall. It has a total GFA of 474,225 sq. m. and features fourteen cinemas including the IMAX theatre and Director's Club, fully computerized 14-lane bowling center, ice skating rink, event center and carpark. The anchor tenants for SM Megamall are The SM Store, SM Supermarket, Ace Hardware, Toy Kingdom, Our Home, Uniqlo, Forever 21 and Crate & Barrel.

SM Mall of Asia

Year opened – 2006. SM Mall of Asia is located on a 19.5-hectare property overlooking Manila Bay, the biggest structure within the Mall of Asia Complex in Pasay City. The mall consists of four buildings linked by elevated walkways – Main Mall, the North Parking Building, the South Parking Building, and the Entertainment Center Building. The mall houses the country's first IMAX theatre, special Director's Club screening room for exclusive film showings and fifteen state-of-the art cinemas, ice

skating rink, 24-lane bowling center and fine dining restaurants and bars. The mall has a total GFA of 432,891 sq. m. The anchor tenants for SM Mall of Asia are The SM Store, SM Hypermarket, Forever 21, Uniqlo, Ace Hardware and SM Appliance Center.

SM City Fairview

Year opened – 1997. SM City Fairview is situated on a 20-hectare site located in Quirino Highway corner Regalado Avenue, Quezon City. It has main building and three Annexes with a total GFA of 312,749 sq. m. The mall features ten cinemas, food court, 12-lane bowling center, amusement areas and parking slots. The anchor tenants for SM City Fairview are The SM Store, SM Hypermarket, SM Supermarket, Ace Builders Center, SM Appliance Center, Our Home and Forever 21.

SM Aura Premier

Year opened – 2013. SM Aura Premier is a state of the art civic center at 26th Street corner Mckinley Parkway, Global City, Taguig City. As an integrated development, SM Aura Premier incorporates office towers, chapel, convention center and mini-coliseum, supported by a retail podium with an upscale look and feel. The mall has a GFA of 198,257 sq. m. and features Sky Garden, food court, two digital cinemas, two Director's Clubs and an IMAX Theater and carpark. The anchor tenants for SM Aura Premier are The SM Store, SM Supermarket, Forever 21 and Uniqlo.

SM Southmall

Year opened – 1995. SM Southmall, with a GFA of 197,561 sq. m., is the first shopping mall in the southern region of Metro Manila located in Alabang-Zapote Road, Las Piñas City. It features eleven state-of-the-art cinemas, ice skating rink, 14-lane bowling center, food court and carpark. The anchor tenants for SM Southmall are The SM Store, SM Supermarket, SM Appliance Center, Ace Hardware and Toy Kingdom.

SM City Marikina

Year opened – 2008. SM City Marikina, located in Marcos Highway, Brgy. Calumpang, Marikina City, has a GFA of 178,178 sq. m. Marikina is a key city for the SM Group, as its shoemakers became vital partners during its growth years in the sixties as a shoe store in Carriedo, Manila. It features a food court, eight cinemas and carpark. The anchor tenants for SM City Marikina are The SM Store, SM Supermarket and Ace Hardware.

SM City San Lazaro

Year opened – 2005. SM City San Lazaro is located at the center of a densely populated residential area with bustling commercial activities in Sta. Cruz, Manila. The four-storey mall has a GFA of 176,159 sq. m. The mall features a food court, amusement center, six cinemas and carpark slots. The anchor tenants for SM City San Lazaro are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Manila

Year opened – 2000. SM City Manila is a five-level mall with a GFA of 161,107 sq. m. The mall is located in downtown Manila, corners of Concepcion, Arroceros and Marcelino Streets, next to Manila City Hall. It has become a major destination for shoppers, given its strategic location and easy accessibility by the Light Railway Transit and other public transportation. The mall has twelve cinemas, food court and carpark. The anchor tenants for SM City Manila are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Sta. Mesa

Year opened – 1990. SM City Sta. Mesa, located in Ramon Magsaysay Blvd. Corner Araneta Avenue, Quezon City, is a seven-level complex with a GFA of 133,894 sq. m. The mall features two cinemas, food court, amusement center and carpark. The anchor tenants for SM City Sta. Mesa are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City BF Parañaque

Year opened – 2013. SM City BF Parañaque, with a GFA of 125,582 sq. m., is strategically located in a prime residential village. Its design and construction features three skylight domes in its main atrium to reduce the use of electricity by fully maximizing the use of sunlight, while air conditioning is automatically regulated to help ensure efficient energy consumption. The mall is the first mall to have four Director's Club cinemas equipped with electronic recliner (lazyboy type) seats and two premier cinemas and parking space. The anchor tenants for SM City BF Parañaque are The SM Store, SM Supermarket, Ace Hardware and Uniqlo.

SM City Bicutan

Year opened – 2002. SM City Bicutan is a two-building mall located along Doña Soledad Ave. corner West Service Road, Bicutan, Parañaque City. SM City Bicutan serves numerous residents within a 3-kilometer radius. This mall has a GFA of 114,214 sq. m. and features a food court, four cinemas and carpark. The anchor tenants for SM City Bicutan are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Sucat

Year opened – 2001. SM City Sucat is a two-building mall located on a 10.1-hectare site along Dr. A. Santos Ave. (Sucat Road), Brgy. San Dionisio, Parañaque City. The mall has a GFA of 96,277 sq. m. featuring four cinemas, food court and carpark. The anchor tenants for SM City Sucat are The SM Store, SM Supermarket and Ace Hardware.

SM City East Ortigas

Year opened – 2016. SM City East Ortigas, with a GFA of 80,127 sq. m., is situated in Ortigas Avenue Extension, Brgy. Sta. Lucia, Pasig City. The two-level mall houses its flagship retail brands and specialty stores, also features eight cinemas including Director's club and carpark slots. The anchor tenants for SM City East Ortigas are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Valenzuela

Year opened – 2005. SM City Valenzuela has a GFA of 70,681 sq. m., situated in Brgy. Karuhatan, Valenzuela City. The mall caters to the bustling industrial areas that surround the property. The mall features four cinemas with, food court and parking space. It also features the Fashion Avenue, a multi-shop style center that houses a wide array of apparel, shoes and accessory picks. The anchor tenants for SM City Valenzuela are The SM Store, SM Hypermarket, SM Appliance Center and Ace Hardware.

SM City Novaliches

Year opened – 2010. SM City Novaliches, having a GFA of 60,044 sq. m., is located along Quirino Highway in Brgy. San Bartolome, Novaliches, Quezon City. Novaliches, being the largest district in the city, is growing with residential subdivisions and industrial companies. The amenities of the mall include a food court, four cinemas and parking space. The anchor tenants for SM City Novaliches are The SM Store, SM Supermarket, BDO Unibank, Inc. (BDO), and Ace Hardware.

SM Center Muntinlupa

Year opened – 2007. SM Center Muntinlupa is situated in National Road, Brgy. Tunasan, Muntinlupa City. The two-level mall has a GFA of 57,060 sq. m. that caters the residents of Muntinlupa City and the growing municipality of San Pedro, Laguna. The mall features four cinemas, an entertainment plaza for shows and events located at the center of the mall and parking slots. The anchor tenants for SM Center Muntinlupa are SM Hypermarket, SM Appliance Center and Ace Hardware.

SM Center Sangandaan

Year opened – 2015. SM Center Sangandaan, strategically located along the busy intersection of Samson Road and M.H. Del Pilar Street, Brgy. Sangandaan, Caloocan City, is providing SM Prime access to the northern tip of Metro Manila that is bringing a unique shopping experience closer to the highly dense cities of Malabon, Navotas and Caloocan City. It has a GFA of 43,626 sq. m. with three

levels of prime spaces, which includes four digital cinema and parking slots. The anchor tenants for SM Center Sangandaan are SM Supermarket, Ace Hardware and Watsons.

S Maison

Year opened – 2017. S Maison is an upscale mall located on the first two floors of Conrad Manila, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City. The mall has a GFA of 42,107 sq. m. and features upscale global retail brands and international restaurants, three cinemas housing all Director's Club and carpark. Major tenants for S Maison are BDO, The Dessert Museum, Hard Rock Café, Starbucks Reserve, Paradise Dynasty and Texas Roadhouse.

SM Center Las Piñas

Year opened – 2009. SM Center Las Piñas is located along the Alabang-Zapote Road in Brgy. Talon, Pamplona, Las Piñas City. SM Center Las Piñas serves customers in the western section of the city and the nearby provinces of Laguna and Cavite. The mall has a GFA of 39,727 sq. m. with carpark. The anchor tenants for SM Center Las Piñas are SM Hypermarket, BDO and Ace Hardware.

SM Cherry Shaw Boulevard

Year opened – 2015. SM Cherry Shaw Boulevard, located in Old Wack-wack Road, Mandaluyong City, reopened and now looking refreshed and a bit more modernized while still keeping the classic Cherry feel. It has a GFA of 35,669 sq. m. including parking space. The anchor tenants for SM Cherry Shaw Boulevard are SM Supermarket, BDO and Sports Central Outlet.

SM Center Pasig

Year opened – 2006. SM Center Pasig is located in Frontera Verde, Pasig City serving residents of the neighboring upscale subdivisions and customers who regularly pass through the C5 route. It has a GFA of 29,602 sq. m. including its basement parking. The anchor tenants for SM Center Pasig are SM Hypermarket, Ace Hardware and Watsons.

SM Cherry Congressional

Year opened – 2016. SM Cherry Congressional, located in Congressional Avenue Extension, Brgy. Bahay Toro, Quezon City, reopened with wider offerings of fresh-food favorites and new assortments of groceries, both local and imported. It has a GFA of 13,469 sq. m. including parking space. The anchor tenants for SM Cherry Congressional is SM Supermarket and Watsons.

Malls Outside of Metro Manila

Luzon

SM City Dasmariñas

Year opened – 2004. SM City Dasmariñas sits on a 12.4-hectare property situated along Governor's Drive, approximately 100 meters from the Aguinaldo Highway junction in Dasmariñas, Cavite. The mall has a GFA of 201,645 sq. m. The mall features a food court, six cinemas and carpark. The mall also launched its Annex. The anchor tenants for SM City Dasmariñas are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Cabanatuan

Year opened – 2015. SM City Cabanatuan is strategically located along Maharlika Highway in Cabanatuan City, which is the largest city in Nueva Ecija. It has a GFA of 145,947 sq. m. featuring a food court, six cinemas and parking space. The four-level mall also includes two Gardens namely, the Garden Park, which provides covered shelter; and the Roof Park located at the fourth level. The anchor tenants for SM City Cabanatuan are The SM Store, SM Supermarket, Ace Hardware, SM Appliance Center and Uniqlo.

SM City Clark

Year opened – 2006. The two-storey SM City Clark is located along M.A. Roxas Avenue and is approximately 80 kilometers north of Manila and 60-kilometers east of Subic Bay Freeport, within close proximity of the Clark Special Economic Zone in Pampanga. The mall has a GFA of 144,484 sq. m., features a food court, seven cinemas, 12-lane bowling center and parking space. With its unique design resembling a coliseum, this mall offers tourists and shoppers a variety of retail, dining, and entertainment establishments. The anchor tenants for SM City Clark are The SM Store, SM Hypermarket, Ace Hardware and Forever 21.

SM City Lipa

Year opened – 2006. SM City Lipa occupies 10.3 hectares of land and is a two-level mall strategically located along Lipa's Ayala Highway, Lipa City, Batangas. It has 141,283 sq. m. of GFA. Lipa City features natural attractions and is a commercial, educational and industrial destination. The mall features a food court, four cinemas and carpark slots. The anchor tenants for SM City Lipa are The SM Store, SM Supermarket and Ace Hardware.

SM City Baguio

Year opened – 2003. SM City Baguio is situated along Session Road in Baguio City. Baguio City is a promising site for SM Prime to develop its presence in the northern part of Luzon. Known for its cool climate, beautiful scenery and historic culture, the city offers multifold opportunities for entrepreneurs, retailers and service-oriented establishments. SM City Baguio has a GFA of 140,075 sq. m. It has a food court, Sky Ranch, four cinemas and carpark slots. The anchor tenants for SM City Baguio are The SM Store, SM Supermarket and Ace Hardware.

SM City Pampanga

Year opened – 2000. SM City Pampanga is a shopping mall with three Annexes totaled 132,484 sq. m. of GFA, straddling the municipalities of San Fernando and Mexico in Pampanga. The mall is strategically located at the Olongapo Gapan Road to serve the city's residents as well as those in the provinces of Bulacan, Tarlac, Bataan, Zambales and Nueva Ecija. It features seven state-of-the-art cinemas, a food court, Sky Ranch and parking slots. The anchor tenants for SM City Pampanga are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Bacoor

Year opened – 1997. SM City Bacoor is a five level complex with a GFA of 120,202 sq. m. located in General Emilio Aguinaldo Highway corner Tirona Highway, Brgy. Habay, Bacoor City, Cavite. It is the very first SM mall in the entire Luzon region (outside Metro Manila) and the very first in the Cavite province. The mall features eight cinemas, a food court, amusement areas and parking space. The anchor tenants for SM City Bacoor are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Baliwag

Year opened – 2008. SM City Baliwag is located on an 11.3-hectare property in Brgy. Pagala, Baliwag, Bulacan, approximately 40 kilometers from the EDSA—Balintawak interchange of the North Luzon Expressway. It has a GFA of 116,632 sq. m. and among the facilities included are four cinemas, a food court and parking slots. The anchor tenants for SM City Baliwag are The SM Store, SM Hypermarket, Ace Hardware and SM Appliance Center.

SM City San Jose Del Monte

Year opened – 2016. SM City San Jose Del Monte is strategically located along Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan, topped with commendable architectural design making it the vibrant urban hub in the north of Metro Manila. It has three floors giving a total GFA of 114,186 sq. m. and its prime spaces are allocated to local and international retail brands and well-loved food outlets, also features four state-of-the-art cinemas and multilevel basement parking. The anchor tenants for SM City San Jose Del Monte are The SM Store, SM Supermarket, Ace Hardware, Watsons and BDO.

SM City Tarlac

Year opened – 2010. SM City Tarlac is located along MacArthur Highway, San Roque, Tarlac City. It is the very first SM mall in the province of Tarlac. The four-level mall has a GFA of 101,369 sq. m. The mall features a food court, four cinemas, and parking slots. The anchor tenants for SM City Tarlac are The SM Store, SM Supermarket and Ace Hardware.

SM City Taytay

Year opened – 2007. SM City Taytay is a two-building mall located in Brgy. Dolores, Taytay, Rizal. SM City Taytay is situated as a stopover for travelers, especially those coming from Laguna via the Marikina Infanta Road. The mall has a GFA of 97,467 sq. m. that features a food court, three cinemas and a carpark. The anchor tenants for SM City Taytay are The SM Store, SM Hypermarket and Ace Hardware.

SM City Masinag

Year opened – 2011. SM City Masinag is a three-floor mall located along Brgy. Mayamot, Marcos Highway, Antipolo City. It has a GFA of 96,313 sq. m. SM City Masinag houses a food court, four cinemas, and parking space. The anchor tenants for SM City Masinag are The SM Store, SM Supermarket and Ace Hardware.

SM City Marilao

Year opened – 2003. SM City Marilao is located at MacArthur Highway, Brgy. Ibayo, Marilao, Bulacan. It is the first SM mall in the Bulacan province with a land area of 13.0 hectare and a GFA of 93,910 sq. m. The four-level mall features a food court, event center, four cinemas and parking slots. The anchor tenants for SM City Marilao are The SM Store, SM Supermarket and Ace Hardware.

SM City Olongapo Central

Year opened – 2019. SM City Olongapo Central is located at Rizal Ave. Brgy. East Tinapac, Olongapo City, Zambales. It is the second SM mall in the first-class highly urbanized city, with a GFA of 92,345 sq. m. The four-storey mall features a food hall, convention center, six digital cinemas and parking. The anchor tenants for SM City Olongapo Central are SM Supermarket, The SM Store, Our Home, Watsons, SM Appliance Center, Ace Hardware and BDO.

SM City Legazpi

Year opened – 2018. SM City Legazpi is located along Imelda Roces Avenue, Brgy. 37 Bitano, Legazpi City, Albay. SM City Legazpi has three levels of well-curated mix of shopping, dining and entertainment concepts with a GFA of 87,049 sq. m. The mall features green architecture, accentuated by a vast glass-walled Food Hall that overlooks the splendor of Mayon Volcano, six digital cinemas and carpark. The anchor tenants for SM City Legazpi are The SM Store, SM Supermarket, Uniqlo, Our Home, SM Appliance Center and Ace Hardware.

SM City Sta. Rosa

Year opened – 2006. SM City Sta. Rosa is located on a 14.1-hectare site in Barrio Tagapo, National Road, Sta. Rosa, Laguna. Sta. Rosa is the first SM mall in the Laguna province, a 10-minute drive from SLEX Mamplasan exit. With 86,463 sq. m. of GFA, the two-level mall houses a variety of retail establishments, a food court, four cinemas and parking area. The anchor tenants for SM City Sta. Rosa are The SM Store, SM Supermarket and Ace Hardware.

SM City Trece Martires

Year opened – 2016. SM City Trece Martires is another premier destination opened to the public after the success of the first four malls in the populated province of Cavite, situated in Governor's Drive corner Capitol Road, San Agustin (Pob.), Trece Martires City. It has a GFA of 83,783 sq. m., furnished with well-chosen retail outlets, cozy dining outlets, forefront recreation and entertainment facilities including four cinemas and carpark. The anchor tenants for SM City Trece Martires are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Batangas

Year opened – 2004. SM City Batangas is situated along the National Highway, Brgy. Pallocan West, Batangas City. The mall is approximately 3.7 kilometers from the Batangas International Port. SM City Batangas has a GFA of 80,350 sq. m. It has four cinemas and parking area. The anchor tenants for SM City Batangas are The SM Store, SM Supermarket and Ace Hardware.

SM City Lucena

Year opened – 2003. SM City Lucena is located along Maharlika Highway corner Dalahican Road, Brgy. Ibabang Dupay, Lucena City, Quezon. It is the first SM mall in the province of Quezon. This four-level mall has a GFA of 78,655 sq. m. It features four cinemas and carpark slots. The anchor tenants for SM City Lucena are The SM Store, SM Supermarket and Ace Hardware.

SM City San Mateo

Year opened – 2015. SM City San Mateo is located in Gen. Luna Avenue, Brgy. Ampid 1, San Mateo, Rizal. It is the fourth SM supermall in Rizal Province and has a GFA of 77,593 sq. m. The mall has its disaster resilient features which include expansion joints for mitigating earthquake damage and rainwater catchment basin for prevention of flood within its perimeter and surrounding community. The mall offers four cinemas and carpark. The anchor tenants for SM City San Mateo are The SM Store, SM Supermarket and Ace Hardware.

SM City Naga

Year opened – 2009. SM City Naga is located in Central Business District II of Brgy. Triangulo, Naga City. It is the first SM mall in the Bicol region and has a GFA of 75,651 sq. m. The mall offers a food court, four cinemas and carpark. The anchor tenants for SM City Naga are The SM Store, SM Supermarket and Ace Hardware.

SM City Calamba

Year opened – 2010. SM City Calamba is located at National Road, Brgy. Real, Calamba City, approximately 70 meters from the intersection of Maharlika Highway and Manila South Road. The mall has a GFA of 73,632 sq. m. and features a food court, four cinemas and parking space. The anchor tenants for SM City Calamba are The SM Store, SM Supermarket and Ace Hardware.

SM City Cauayan

Year opened – 2014. SM City Cauayan, the first mall in Region II known as Cagayan Valley, is located along National Highway, District II, Cauayan City, Isabela. The mall serves customers from the country's second largest province Isabela as well as the nearby provinces of Cagayan, Nueva Vizcaya, and Quirino. SM City Cauayan has a GFA of 70,946 sq. m., features a variety of retail establishments, six cinemas and parking space. The anchor tenants for SM City Cauayan are The SM Store, SM Supermarket and SM Appliance Center.

SM City Rosales

Year opened – 2008. SM City Rosales stands on a 12.1-hectare lot located in Brgy. Carmen East, Rosales, Pangasinan with a GFA of 63,330 sq.m. It is the first SM mall in the province of Pangasinan and contains a public transport terminal that serves as a bus stop of various inter provincial bus lines. The amenities of the mall include a food court, four cinemas and parking space. The anchor tenants for SM City Rosales are The SM Store, SM Hypermarket and Ace Hardware.

SM City Rosario

Year opened – 2009. SM City Rosario is located in Brgy. Tejeros in Rosario, Cavite. Rosario is the site of the Cavite Economic Zone. The mall serves customers in the north and northwestern parts of Cavite and neighboring provinces as well. It has a GFA of 60,657 sq. m. and features four cinemas and parking slots. The anchor tenants for SM City Rosario are The SM Store, SM Supermarket and Ace Hardware.

SM City San Pablo

Year opened – 2010. SM City San Pablo is located along Maharlika Highway in Brgy. San Rafael, San Pablo City, Laguna. The mall has a GFA of 59,776 sq. m. and features a business center, an atrium for various events, four cinemas and parking space. The anchor tenants for SM City San Pablo are The SM Store, SM Supermarket and Ace Hardware.

SM Center Molino

Year opened – 2005. SM Center Molino is located at the southern end of Molino Road, Bacoar, Cavite and has a GFA of 59,069 sq. m. SM Center Molino is the first to have the Service Lane, which comprises of different shops that offer a wide array of services situated outside the mall across the covered parking. The mall features four cinemas and parking space. The anchor tenants for SM Center Molino are The SM Store, SM Hypermarket, SM Appliance Center and Ace Hardware.

SM City Urdaneta Central

Year opened – 2018. SM City Urdaneta Central is located at the center of Barangay Nancayasan and Poblacion along MacArthur Highway, Urdaneta City, Pangasinan. SM City Urdaneta Central is a second SM mall in the province of Pangasinan which is the gateway to Northern Luzon and urban shopping. The mall has a GFA of 58,574 sq. m., with two-floors bringing in shopping, dining and entertainment experiences and parking space. The anchor tenants for SM City Urdaneta Central are The SM Store, SM Supermarket, Our Home, SM Appliance Center and Ace Hardware.

SM City Telabastagan

Year opened – 2018. SM City Telabastagan is located at MacArthur Highway, Barangay Telabastagan, San Fernando, Pampanga. SM City Telabastagan, the fourth SM mall in the highly urbanized Pampanga, offers 55,094 sq. m. of GFA, with two-floors of shopping, multi-cultural dining and entertainment zones adorned by indoor pocket gardens, and also features a food court, six digital cinemas and parking slots. The anchor tenants for SM City Telabastagan are The SM Store, SM Supermarket, Uniqlo, Ace Hardware and Miniso.

SM City Puerto Princesa

Year opened – 2017. SM City Puerto Princesa, the first premier mall in the largest province in the country, is strategically located at Malvar Street corner Lacao Street, Puerto Princesa, Palawan. Designed to complement the tropical vibe of the island, the mall is set to be a cost-efficient and energy saving building. The three-level mall has a GFA of 53,203 sq. m. that houses favored food and retail shops, three digital cinemas and two Director's Club cinemas and parking space. The anchor tenants for SM City Puerto Princesa are The SM Store, SM Supermarket, Ace Hardware, SM Appliance Center and BDO.

SM Megacenter Cabanatuan

Year opened – 2015. SM Megacenter Cabanatuan is located in Gen. Tinio and Melencio Streets, Cabanatuan City, Nueva Ecija. The mall is re-branded to SM Megacenter Cabanatuan and is the first SM supermall in Cabanatuan City that has a GFA of 49,688 sq. m. The mall offers four cinemas and parking slots. The anchor tenants for SM Megacenter Cabanatuan are The SM Store, SM Savemore and Ace Hardware.

SM City Olongapo

Year opened – 2012. SM City Olongapo, the very first mall in the province of Zambales, has a GFA of 49,096 sq. m. that is strategically located in Magsaysay Drive Corner Gordon Avenue in the city's Central Business District. The mall serves customers in Zambales, Bataan and other nearby provinces. SM City Olongapo's major amenities consist of an alfresco dining area, which offers a view of Olongapo's mountain landscape, three state-of-the-art digital cinemas and parking slots. The anchor tenants for SM City Olongapo are The SM Store, SM Supermarket and SM Appliance Center.

SM City San Fernando

Year opened – 2012. SM City San Fernando is a seven-storey mall located at the Downtown Heritage District, Barangay Sto. Rosario, San Fernando, Pampanga. It has a GFA of 43,130 sq. m. and features a unique facade, a distinctive exterior design which complies with the architectural theme of a heritage area. The mall's amenities include three cinemas and parking slots. The anchor tenants for SM City San Fernando are The SM Store, SM Supermarket and Ace Hardware.

SM Center Angono

Year opened – 2014. SM Center Angono, located along Manila East Road and Quezon Avenue in Barangay San Isidro, Angono, Rizal, is marked as the 50th SM Supermall in the Philippines. It serves customers in Angono and Binangonan as well as other towns in the province of Rizal such as Cardona, Teresa, Morong, Baras, Tanay and Pililla. It has a GFA of 41,481 sq. m. and features four cinemas and parking. The anchor tenants for SM Center Angono are SM Savemore, BDO and Ace Hardware.

SM Center Dagupan

Year opened – 2019. SM Center Dagupan, nestled along M.H. Del Pilar in Barangay Herrero-Perez, Dagupan City, Pangasinan, is the third lifestyle mall in the province of Pangasinan. It has 37,290 sq. m. of GFA and parking slots. The mall features shopping, dining and entertainment destinations for local and international tourists. The anchor tenants for SM Center Dagupan are SM Hypermarket, SM Appliance Center, Ace Hardware, Watsons, Miniso and BDO.

SM Center Tuguegarao Downtown

Year opened – 2017. SM Center Tuguegarao Downtown is strategically located at the corner of Luna and Mabini Streets, Brgy. Ugac Sur, Tuguegarao City. The first SM mall in the urbanized city of Cagayan province offers a number of favored household brands that gives a unique shopping experience to the locals. It has a GFA of 33,301 sq. m. including carpark. The anchor tenants for SM Center Tuguegarao Downtown are SM Hypermarket, Ace Hardware, SM Appliance Center, BDO and Miniso.

SM Cherry Antipolo

Year opened – 2017. SM Cherry Antipolo is located along the bustling Marcos Highway, Brgy. Mayamot, Antipolo City. The three-level mall spans 27,225 sq. m. of GFA and features an enhanced shopping environment for the community, offering expanded services beyond the traditional grocery experience. The mall has a Sky Garden on the second level, with dining areas and walking paths and carpark. The anchor tenants for SM Cherry Antipolo are SM Supermarket, Ace Hardware, Watsons and BDO.

SM Center Pulilan

Year opened – 2017. SM Center Pulilan is the fourth SM Mall opened in the province of Bulacan, situated along Plaridel-Pulilan Diversion Road, Brgy. Sto. Cristo, Pulilan. It is a three-floor mall building with a GFA of 27,157 sq. m. including carpark. The mall features well-loved SM brands, food and retail shops. The anchor tenants for SM Center Pulilan are SM Hypermarket, SM Appliance Center, Ace Hardware, Miniso, Watsons and BDO.

SM Center Lemery

Year opened – 2017. SM Center Lemery is located at Illustre Avenue corner Gomez Street, Brgy. District IV, Lemery, Batangas. The three-level mall has a GFA of 24,877 sq. m. with an exciting mix of offerings including preferred retail and food shops, Wellness zone and Cyberzone that caters to the distinct and discriminating taste and style of Batanguenos and parking slots. The anchor tenants for SM Center Lemery are SM Hypermarket, SM Appliance Center, Ace Hardware, BDO, Simply Shoes and Miniso.

SM Center Imus

Year opened – 2018. SM Center Imus is located along N.I.A. Road, Barangay Bukandala, Imus, Cavite. The mall provides 12,824 sq. m. of GFA and has unique features such as the Indoor Plaza, a venue for concert and sporting events; full-service clinic, pharmacy and wellness spa; and the small-medium

enterprises popular local concept where top favorite local brands will be made available. The anchor tenants for SM Center Imus are SM Supermarket, SM Appliance Center, Ace Hardware, BDO, Watsons and Miniso.

Visayas

SM Seaside City Cebu

Year opened – 2015. SM Seaside City Cebu, located within the SM Seaside Complex at the South Road Properties (SRP) in Cebu City, is the first of its kind in urban development in the SRP. It has a GFA of 429,971 sq. m. and features a centerstage theatre, a large screen cinema, two Director's Club cinemas and four regular cinemas, 16-lane bowling center, ice skating rink, amusement center, food court and parking slots. In addition, the mall features a rooftop Sky Park, an iconic 21-meter by 21-meter centerpiece called the "Cube", food and retail shops including local, national and global brands. The anchor tenants for SM Seaside City Cebu are The SM Store, SM Supermarket, Ace Hardware and Uniqlo.

SM City Cebu

Year opened – 1993. SM City Cebu is located on a 13.8-hectare site in Cebu Port Center, Barrio Mabolo, Cebu City. This mall is a multi-level complex with a GFA of 273,804 sq. m. featuring eight cinemas, food court, fully computerized 28-lane bowling center, trade hall and carpark. The anchor tenants for SM City Cebu are The SM Store, SM Supermarket, Ace Hardware and Forever 21.

SM City Iloilo

Year opened – 1999. SM City Iloilo has a GFA of 150,740 sq. m. and stands on a 17.4-hectare property at the juncture of the Northwest and the Northeast of the Iloilo-Jaro West Diversion Road in Manduriao, Iloilo City. Its location is a quick drive from the airport and from the center of the city. It serves the city's residents, as well as those of the rest of Panay Island and the neighboring islands in the Visayas. SM City Iloilo has eight cinemas and parking slots. The anchor tenants for SM City Iloilo are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Bacolod

Year opened – 2007. SM City Bacolod has a land area of 17.0 hectare located along Rizal Street, Reclamation Area, Bacolod City in Negros Occidental. It is a two-building mall with GFA of 137,229 sq. m. and features a convention center, food court, amusement center and four cinemas and carpark slots. The anchor tenants for SM City Bacolod are The SM Store, SM Supermarket and Ace Hardware.

SM City Consolacion

Year opened – 2012. SM City Consolacion is located along the Cebu North Road, Barangay Lamac, Consolacion, Cebu. The mall has a GFA of 103,558 sq. m. and its amenities include a food court, four cinemas and parking slots. The anchor tenants for SM City Consolacion are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM Center Ormoc

Year opened – 2018. SM Center Ormoc is the first SM mall in Eastern Visayas Region, located at Real Street, Brgy. District 14, Ormoc City, Leyte. SM Center Ormoc, with GFA of 32,824 sq. m., has a modern structure with vivid design and covers three floors of mixed recreation, service and entertainment facilities, including alfresco dining area on its second floor, four digital cinemas and parking slots. The anchor tenants for SM Center Ormoc are SM Hypermarket, Ace Hardware, SM Appliance Center, Miniso and Watsons.

Mindanao

SM CDO Downtown Premier

Year opened – 2017. SM CDO Downtown Premier is located at the intersection of C.M. Recto and Osmeña Street, Cagayan de Oro City (CDO). This unique mall is equipped with a water catchment beneath, which can hold 13,650 cubic meters of rainwater to help lessen the flooding in the area. This second SM mall in CDO, facing the gateway of Northern Mindanao, has 169,894 sq. m of GFA with five floors of popular stores and top amenities, which include Cyberzone, Food Hall, Sky Hall, Sky Garden, four digital theatres, one large format cinema and two Director's Club cinemas, 14-lane bowling center and carpark. The anchor tenants for SM CDO Downtown Premier are The SM Store, SM Supermarket, SM Appliance Center, Ace Hardware, Uniqlo and Forever 21.

SM Lanang Premier

Year opened – 2012. SM Lanang Premier sits on a 10-hectare land located at J.P. Laurel Avenue, Brgy. Lanang, Davao City. It is the first premier mall development in Mindanao, with four levels totaled 145,174 sq. m. of GFA. The mall houses a convention center, food court, six cinemas and an IMAX theatre, 16-lane bowling center and parking slots. It also features a Sky Garden with water fountains, art installations and landscaping. The anchor tenants for SM Lanang Premier are The SM Store, SM Supermarket, Ace Hardware and Forever 21.

SM City General Santos

Year opened – 2012. SM City General Santos is a three level mall located at San Miguel St. corner Santiago Blvd., Lagao District, General Santos City. The mall has a GFA of 131,818 sq. m. featuring a food court, and parking space. The anchor tenants for SM City General Santos are The SM Store, SM Supermarket and Ace Hardware.

SM City Davao

Year opened – 2001. SM City Davao is located on a 13.2-hectare property along Quimpo Boulevard corner Tulip and Eco Drives, Brgy. Matina, Davao City. Its location is walking distance from some of the largest schools in Mindanao such as Ateneo de Davao, University of Mindanao, Philippine Women's College and the Agro-Industrial Foundation College. The mall has a GFA of 126,425 sq. m. It features food court, six cinemas and parking slots. The anchor tenants for SM City Davao are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Cagayan De Oro

Year opened – 2002. SM City Cagayan De Oro sits along Mastersons Avenue corner Gran Via St., Cagayan de Oro City, Misamis Oriental. The mall has a GFA of 87,837 sq. m. It features four cinemas and carpark. The anchor tenants for SM City Cagayan De Oro are The SM Store, SM Supermarket and Ace Hardware.

SM City Butuan

Year opened – 2020. SM City Butuan is the first SM mall in the Caraga Region, located along Jose C. Aquino Avenue, Butuan City, Agusan del Norte. The three-level mall has a GFA of 48,183 sq. m and houses four up-to-date cinema facilities, cyberzone and carpark. The anchor tenants for SM City Butuan are The SM Store, SM Supermarket, SM Appliance Center, Our Home, Uniqlo and Ace Hardware.

SM City Mindpro

Year opened – 2020. SM City Mindanao is located at the heart of the downtown area along La Purisima St. corner Campaner St., Zamboanga City. The mall offers four levels of mixed local and foreign shops with GFA of 36,754 sq. m. It also features amenities such as cinema, cyberzone and parking space. The anchor tenants for SM City Mindpro are The SM Store, SM Supermarket, Uniqlo and Ace Hardware.

China Malls

SM City Tianjin

Year opened – 2016. SM City Tianjin in Huanhe North Road, Airport Economic Zone, Tianjin, is situated on a 43.5-hectare lot and has a GFA of 338,136 sq.m. plus a carpark. The mall's anchor tenants are The SM Store, Dadi Ifree Cinema, Bravo Yonghui Supermarket, Jiawen Theme Park, Decathlon, Acasia Food Court and Watsons plus several junior anchors.

SM City Xiamen

Year opened – 2001 (SM City Xiamen) & 2009 (SM Xiamen Lifestyle). SM City Xiamen in Xiamen City, Fujian Province is situated on a 10.4-hectare lot and has a GFA of 238,125 sq. m. plus a carpark. The anchor tenants for SM City Xiamen are Wal-Mart, The SM Store, Watsons, Wanda Cinema, H&M and Uniqlo plus several junior anchors.

SM City Jinjiang

Year opened – 2005. SM City Jinjiang in Jinjiang City, Fujian Province is situated on an 11.5-hectare lot and has a GFA of 167,830 sq. m. plus an open carpark. The anchor tenants for SM City Jinjiang are Wal-Mart, The SM Store, Wanda Cinema and Watsons plus several junior anchors.

SM City Chengdu

Year opened – 2006. SM City Chengdu in Chengdu City, Sichuan Province is situated on a 4.8-hectare lot and has a GFA of 166,665 sq. m. plus parking space. The anchor tenants for SM City Chengdu are Wal-Mart, The SM Store and Wanda Cinema plus several junior anchors.

SM City Zibo

Year opened – 2015. SM City Zibo in Zibo City, Shandong Province is situated on a 7.2-hectare lot and has a GFA of 152,093 sq. m. plus a carpark. The anchor tenants for SM City Zibo are The SM Store, Spar Jiayayue Supermarket, Watsons, DaDi Cinema plus several junior anchors.

SM City Chongqing

Year opened – 2012. SM City Chongqing, located in the Yubei District, Southwest China, is situated on a 4.4-hectare lot and has a GFA of 149,027 sq. m. plus a carpark. SM City Chongqing is a one-building structure with five levels. The anchor tenants for SM City Chongqing are Vanguard Supermarket, The SM Store and Wanda Cinema plus several junior anchors.

SM City Suzhou

Year opened – 2011. SM City Suzhou in Wuzhong District, Jiangsu Province is situated on a 4.1-hectare lot and has a GFA of 72,552 sq. m. plus a carpark. The anchor tenants for SM City Suzhou are Vanguard Supermarket and Wanda Cinema plus several junior anchors.

The Company believes that the seven malls will provide a platform for it to expand in the China market. It intends to continue to develop the SM malls in China through synergies with its existing mall operations and other management expertise. The Company intends to continue seeking opportunities for mall developments in second and third tier cities in China, where the mall can serve to anchor the city center. Although SM Prime is still developing its expansion plans in China, subject to the availability of suitable locations, SM Prime may initially build two new malls and one expansion project over the next five years in China.

There are no mortgage, lien or encumbrance over any of the Company's properties or limitations on ownership or usage over the same.

Sky Ranch

Sky Ranch Tagaytay

Sky Ranch Tagaytay, a nearly four-hectare property, is an entertainment venue adjacent to the Taal Vista Hotel, and was developed to complement the hotel's strong presence as a well-known destination in the area. To maximize the site's premium views and distinctive natural environment, a social events venue is included which is complemented by casual, family style dining establishments, as well as a mini-amusement theme park for kids and other recreational facilities such as horseback riding.

Sky Ranch Pampanga

Sky Ranch Pampanga is the first amusement park in North Luzon. The park is embedded in a 10,000-square meter land of SM City Pampanga in the City of San Fernando. It has 23 different rides and attractions, including the Pampanga Eye which is said to be the biggest and tallest Ferris wheel in the Philippines at 65 meters tall and 55 meters in diameter.

Sky Ranch Baguio

Sky Ranch Baguio is the second amusement park and the newest destination for both local residents and tourists in North Luzon. The park is embedded in a 3,000-square meter land of SM City Baguio. It has 14 different rides and attractions, including the Baguio Eye which is said to be the Ferris wheel with the highest elevation in Asia at 52 meters tall and 45 meters in diameter.

SM Stores and SM Markets

SM Prime also owns several buildings with a total GFA of approximately 300,000 sq. m. The major tenant of these buildings is the SM Retail Group. The following table sets forth certain information regarding SM Prime's SM Stores and SM Markets buildings as of December 31, 2020:

SM Stores	Location	Gross Floor Area (sq. m.)
SM Store Makati	Makati City	109,667
SM Store Cubao	Quezon City	109,253
SM Store Delgado	Iloilo City	26,390
SM Markets (Supermarkets, Hypermarket and Savemore)	Location	Gross Floor Area (sq. m.)
Hypermarket Adriatico	Manila City	15,823
Hypermarket Caloocan	Caloocan City	14,479
Savemore Novaliches	Quezon City	4,161
Savemore Jaro Iloilo	Iloilo City	3,759
Savemore Del Monte	Quezon City	2,884
Savemore Kamias	Quezon City	2,277
Savemore P. Tuazon	Quezon City	2,082
Savemore Pedro Gil	Manila City	1,830
Savemore Tandang Sora	Quezon City	1,358

Except for the three SM Stores and the SM Markets in Adriatico and Jaro, SM Prime also owns the land on which the retail establishments listed in the table above are situated.

MOA Arena

The MOA Arena is a five-storey, first class multipurpose venue for sporting events, concerts, entertainment shows and other similar events. The arena has a seating capacity of approximately 16,000 for sporting events and a full-house capacity of 20,000. It occupies approximately two hectares of land and has a GFA of approximately 68,000 sq. m.

Other Mall Properties

SM Prime owns the following commercial properties leased by SM Food Retail Group:

Lot Location	Area (sq. m.)
Imelda Ave., Cainta, Rizal & Int. Imelda Ave., Rosario, Pasig City	41,053
Anabu I-B Imus, Cavite	37,307
II-A;II-B & Lot 1;Along H. Cortes Ext., Subangdaku, Mandaue City	35,741
Km. 7 McArthur Highway, Bangkal, Davao City	33,943
Quirino Highway, Talipapa, Balintawak, Quezon City	30,006
Manila Harbor Center, Tondo, Manila City	25,865
Rosario, Batangas	7,189

Land bank for Malls Development

The following table sets forth SMPH's existing land bank owned for development of new malls as of December 31, 2020:

Location	Area (sq.m.)
Metro Manila / Luzon	1,601,248
Visayas / Mindanao	696,697
Total	2,297,945

The Company retains ownership of all the sites on which the SM Prime malls are built, with the exception of SM City Bacoor, SM City Manila, SM Center Valenzuela, SM Center Molino, SM Center Pasig, SM City Clark, SM City Taytay, SM Center Muntinlupa, SM City Naga, SM City Tarlac, SM City San Pablo, SM City Calamba, SM City Olongapo, SM City Consolacion, SM City General Santos, SM Aura Premier, SM City San Mateo, SM City Xiamen, SM City Jinjiang, SM City Chengdu, SM City Suzhou, SM City Chongqing, SM City Zibo and SM City Tianjin which are held under long term leases. SM China malls have 40-70 years land use rights. In addition, the land where SM City Baguio is constructed is owned by SMIC, and the land where SM City San Lazaro is constructed is owned by San Lazaro Holdings Corporation, a 100%-owned subsidiary. Lease renewal options are subject to mutual agreement of the parties. SM Megamall is owned by FARDC, a 74% owned subsidiary, SM by the Bay is owned by FLVGI, a 50% owned subsidiary and SM City Mindpro is owned by Mindpro, a 70% owned subsidiary.

Investment in Joint Ventures

Please refer to Note 14 of the attached 2020 consolidated financial statements.

Other real properties that the Company intends to acquire, relating to its planned expansion of its malls business unit, are still under review depending on factors such as demographics and accessibility to public transport.

B. RESIDENTIAL (PRIMARY)

SM Prime's revenue from residential operations is derived largely from the sale of condominium units. As of December 31, 2020, residential business unit has fifty-three residential projects, forty-two of which are in Metro Manila and eleven are outside Metro Manila. Twenty-three of the residential projects were already completed and listed as follows:

Chateau Elysee

Year completed – 2011. Chateau Elysee is a six-cluster, six-storey residential condominium project in a 4.7 hectare lot in Parañaque City, Metro Manila. This project offers one-bedroom, two-bedroom and three-bedroom units. As of December 31, 2020, 99.4% of the project's 2,820 units in total had been sold.

Mezza Residences

Year completed – 2010. SM Prime's first high-rise project is the Mezza Residences ("Mezza"), which is a mixed-use development project with 38-storey four-tower condominiums and commercial retail area located across from SM City Sta. Mesa, Manila. Each tower has 400 to 800 residential units comprised of one-bedroom to four-bedroom configurations, with floor areas ranging from 21 to 67 sq. m. Mezza consists of 2,332 saleable residential units. As of December 31, 2020, 99.7% of the units had been sold.

Berkeley Residences

Year completed – 2011. Berkeley Residences is a 35-storey high-rise condominium project situated just across Miriam College in Quezon City. Berkeley Residences comprises 1,276 units, of which 100% were sold as of December 31, 2020.

Sea Residences

Year completed – 2012. Sea Residences is a 15-storey residential and commercial condominium project comprising of six buildings, located at the Mall of Asia (MOA) Complex, Pasay City. As of December 31, 2020, 99.6% of the 2,899 units were sold.

Princeton Residences

Year completed – 2013. Princeton Residences is a 38-storey high-rise condominium project located along Aurora Blvd., Quezon City. Princeton Residences comprises 1,096 units of which 99.7% were sold as of December 31, 2020.

Sun Residences

Year completed – 2014. Sun Residences is a project comprising two 40-storey towers located along España Blvd., Quezon City near Welcome Rotonda. As of December 31, 2020, 99.6% of the 4,039 units were sold.

Jazz Residences

Year completed – 2015. Jazz Residences is a mixed-use development project comprising four 41-storey towers located at N. Garcia corner Jupiter, Makati City. Towers A, B, C and D of the project consist of 5,367 units of which 99.0% were sold as of December 31, 2020.

Blue Residences

Year completed – 2014. Blue Residences is a 40-storey residential condominium situated across Ateneo De Manila University in Quezon City. It comprises 1,591 units of which 99.8% were sold as of December 31, 2020.

Grass Residences Phase 1

Year completed – 2014. Grass Residences Phase 1 is a three-tower 40-storey high-rise condominium project located behind SM City North EDSA. Towers 1, 2, and 3 of the project consist of 9,917 units of which 97.4% were sold as of December 31, 2020.

Light Residences

Year completed – 2015. Light Residences is a mixed-use development project with three 40-storey towers located along EDSA, Mandaluyong City. It has a total of 4,227 units, of which 98.5% were sold as of December 31, 2020.

M Place @ South Triangle

Year completed – 2015. M Place @ South Triangle is a four 25-storey tower condominium in South Triangle, Quezon City. Towers A, B, C and D of the project consist of 3,437 units of which 98.8% were sold as of December 31, 2020.

Mezza II Residences

Year completed – 2015. Mezza II Residences is a 40-storey residential condominium located just beside the first Mezza Residences in Quezon City. As of December 31, 2020, 99.0% of its 1,324 units were sold.

Shine Residences

Year completed – 2015. Shine Residences is a 22-storey residential condominium located in Pasig City. It comprises 892 units, of which 96.7% were sold as of December 31, 2020.

Green Residences

Year completed – 2015. Green Residences is a 50-storey residential condominium situated on Taft Avenue, Manila near De La Salle University. Green Residences comprises 3,378 units of which 99.5% were sold as of December 31, 2020.

Shell Residences

Year completed – 2015. Shell Residences is a 16-storey residential and commercial condominium project and is located at the MOA Complex in Pasay City. It comprises four buildings with 3,093 residential units of which 99.5% were sold as of December 31, 2020.

Field Residences

Year completed – 2017. Field Residences is a residential condominium project that ultimately consists of ten buildings located behind SM City Sucat, Parañaque. As of December 31, 2020, 94.9% of the 4,165 units were sold and 6 out of the 10 buildings were completed.

Wind Residences

Year completed – 2016. Wind Residences is a residential condominium development with five 20-storey towers located along Emilio Aguinaldo Highway, Tagaytay City. Towers 1 to 5 have a total of 3,524 units of which 98.2% were sold as of December 31, 2020.

Grace Residences

Year completed – 2018. Grace Residences is a residential condominium development with four towers located along Levi Mariano Avenue in Taguig City. The project was 96.4% sold as of December 31, 2020.

Trees Residences

Year completed – 2020. Trees Residences is a residential condominium development with 19 seven-storey towers located in Quezon City. As of December 31, 2020, 87.0% of the 6,703 units were sold and 15 out of the 19 buildings were completed.

Breeze Residences

Year completed – 2017. Breeze Residences is a 38-storey residential and commercial condominium project and is located along Roxas Boulevard in Pasay City. As of December 31, 2020, 98.1% of the units were sold.

Shore Residences

Year completed – 2019. Shore Residences is a residential condominium development with four towers located at the MOA Complex in Pasay City. As of December 31, 2020, 99.5% of the 5,691 residential units were sold.

Grass Residences Phase 2

Year completed – 2020. Grass Residences Phase 2 is a high-rise condominium project consists of two towers located behind SM City North EDSA. As of December 31, 2020, 95.4% of the 3,914 residential units were sold.

South Residences

Year completed – 2020. South Residences is a residential condominium project that is consist of four towers located near SM Southmall in Las Piñas City. As of December 31, 2020, 86.6% of the 2,010 residential units were sold.

Socialized Residential Projects

Project Name	Year Completed	Locations	Area in hectares	Percentage Sold
Heneral Uno	2018	Cavite	25.1	99.9%
Heneral Dos	2018	Cavite	20.3	98.1%
Centro De Oro	2018	Cavite	4.0	98.5%
Brisas De Tanza	2018	Cavite	6.5	100.0%
Paseo Heneral Dos	2019	Cavite	2.8	100.0%

RESIDENTIAL (LEISURE)

SM Prime owns leisure and resort developments including properties located in the Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas.

In addition, SM Prime is the developer of Pico de Loro Cove, the first residential community within Hamilo Coast, a master planned coastal resort township development in Nasugbu, Batangas encompassing 13 coves and 31 kilometers of coastline.

Residential Developments in Tagaytay

The Horizon at Tagaytay Midlands

Year completed – 2007. This is a medium-density residential condominium development located inside The Tagaytay Midlands mountain resort community. The development overlooks the Tagaytay Midlands golf course, Taal Lake and Volcano in the west, Mt. Makiling in the south east and the mountain range of Batangas in the south. This has six buildings with 108 units of approximately 139 sq. m. to 152 sq. m. each. The project is 99.1% was sold as at December 31, 2020.

The Woodridge Place Phase I at Tagaytay Highlands

Year completed – 2010. Located in Tagaytay Highlands, the Woodridge Place Phase 1 is a condominium development with the views of The Woodlands, Tagaytay Highlands Golf Course, Canlubang, Laguna De Bay and surrounding mountains. Its architectural theme is inspired by the mountain resorts of the Colorado Region. This development consists of seven mid-rise buildings, all residential units of which are sold.

The Woodridge Place Phase 2

Year completed – 2017. This is a condominium project at Tagaytay Highlands consists of two mid-rise buildings with 176 condominium residential units with areas ranging from 41 to 241 sq. m. per unit. The project is 99.4% sold as of December 31, 2020.

The Hillside at Tagaytay Highlands

Year completed – 2010. The Hillside at Tagaytay Highlands is located near the Sports Center, the Country Club and other recreational facilities. This property boasts of cool year-round climate, gentle rolling terrain, lush greenery and views of the mountainside and Laguna De Bay. On this development, lot cuts range from 400 to 641 square meters. The project is fully sold as of December 31, 2020.

Pueblo Real at Tagaytay Midlands

Year completed – 2011. The development is adjacent to The Horizon, situated on a six-hectare property and has 86 lots with an average lot size of 420 sq. m. The project is fully sold as of December 31, 2020.

Sierra Lago

Year completed – 2012. This is a lot subdivision development located at Tagaytay Midlands and has 185 lots with sizes of approximately 250 to 435 sq. m. The project is fully sold as of December 31, 2020.

Aspenhills

Year completed – 2015. This is a leisure lot development is situated on 27-hectare property in Tagaytay Highlands which offers lot sizes from 300 to 800 sq. m. The surrounding village includes the Meadows Community Clubhouse, the Little Ranch playground, the Sunshine Picnic Grove and Spinner's Trail. 100% of the lots had been sold as of December 31, 2020.

Residential Developments in Pico de Loro in Batangas

Project Name	Year Completed	Gross Floor Area (in sqm)	Percentage Sold
Jacana	2010	20,556	99.6%
Myna	2010	20,556	99.6%
Carola	2012	21,409	99.6%
Miranda	2012	21,436	99.6%

Pico de Loro Beach and Country Club

Year completed – 2010. Pico de Loro Beach and Country Club is a leisure facility located at Pico de Loro Cove. Members and guests can opt for a more active and recharging experience with various sports facilities and indoor recreational amenities at the Country Club. The Beach Club on the other hand, is a beachfront recreational facility which promotes a healthy lifestyle.

Land Bank for Residential (Primary) Development

The Company continues to invest in properties that it believes are in prime locations across the Philippines for existing and future property development projects. It is important to the Company to have access to a steady supply of land for future projects.

Potential land acquisitions are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market and the suitability or the technical feasibility of the planned development. The Company identifies land acquisitions through active search and referrals.

The table below sets forth the locations of SM Prime's residential (primary) undeveloped land inventory as of December 31, 2020:

Location	Area (in sq. m.)
Metro Manila	953,777
Luzon / Visayas / Mindanao	9,597,645
Total	10,551,422

The Company believes this land bank is sufficient to sustain development and sales. Moreover, the Company's residential business unit continually seeks to increase its land bank in various parts of the Philippines for future residential development through direct acquisitions.

Land Bank for Residential (Leisure) Development

SM Prime owns 524 hectares of land located around the vicinity of Tagaytay Highlands International Golf Club in Tagaytay City, Cavite and Tagaytay Midlands Golf Club in Batangas.

The table below sets forth the location and area of SM Prime's land bank as of December 31, 2020:

Location	Area (in sq. m.)
Batangas	4,055,140
Tagaytay	940,728
Laguna	244,284
Total	5,240,152

C. COMMERCIAL

SM Prime's commercial business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila, as well as the operations and management of such buildings and other property holdings.

Completed Commercial Properties

Mall of Asia (MOA) Complex

SM Prime's flagship project is the MOA Complex in Pasay City, a 60-hectare master planned bayside development with the renowned SM Mall of Asia as its anchor development and main attraction, among other commercial, business, and entertainment establishments within the Complex. A major attraction in the Complex is the landmark 16,000-indoor seating SM Mall of Asia Arena, as well as its adjacent annex building, MOA Arena Annex Building, that houses additional parking spaces and office levels. The MOA complex is also the site of SM Prime's signature business complex, the E-Com Centers, a series of modern and iconic office buildings mostly targeting technology-based industries, BPO and shipping companies.

Five E-Com Center

Year opened – 2015. Five E-com Center is a 15-level office building which covers a GFA of 144,931 sq. m. It also features a mixed-use component on its fourth level podium.

Three E-Com Center

Year opened – 2018. Three E-com Center is a 15-storey office building with a three-level parking podium and its ground level is designed to cater the commercial and retail tenants. It primarily caters office spaces for BPO firms. It has a GFA of 129,857 sq. m. and the first to offer a Gold LEED certified office building with Three E-Com Center in the bay area.

Two E-Com Center

Year opened – 2012. Two E-com Center is a 15-storey office and commercial building housing BPOs and technology intensive businesses, as well as location based firms such as shipping and logistics. This iconic structure located in the MOA complex in Pasay City offers a GFA of 107,854 sq. m. of office and commercial space, and premium views of Manila Bay and the Makati skyline. Commercial spaces are located at both the ground floor and the fourth floor podium level called the Prism Plaza.

SM Clark BPO Tech Hub

Year opened – 2016. SM Clark BPO Tech Hub is a six-storey tech hub with GFA of 67,036 sq. m., located inside the SM City Clark mall complex. It primarily caters office spaces for BPO firms and also offers the first and second level for retail stores.

NU Mall of Asia (NUMA) Building

Year opened – 2019. NUMA Building is located inside MOA Complex, Pasay City. It is a 12-storey mixed-use commercial development that houses retail stores at the ground floor, parking slots from the ground to 6th level, office tenants for the next three levels and the last three levels are occupied by National University (NU), as the second campus to open. Space for the office tenants and NU has a total GFA of 52,990 sq. m.

SM Aura Office Tower

Year opened – 2014. SM Aura Office Tower is strategically connected to SM Aura Premier with its structure as “dumbbell” arrangement determined by the narrow site, with the main entry at the north corner, and the office tower located at the southern end. The 30-storey office tower has a GFA of 52,837 sq. m. As part of the Bonifacio Civic Center, it houses various government agencies and other commercial tenants.

MOA Arena Annex Building (MAAX)

MAAX is an 11-storey with total GFA of 49,570 sq. m. It is designed to serve the parking needs of MOA Arena from ground to seventh floor. The eighth to eleventh floor are leased out as office spaces.

SM Cyber West

Year opened – 2014. SM Cyber West is a 15-level office building development located on a highly visible and prime 2,900 sq. m. owned property at the corner of EDSA and West Avenue. The building covers a GFA of 41,203 sq. m. and linked via bridgeways to SM City North EDSA as well as nearby Metro Rail Transit station. It primarily caters office spaces for BPO offices and offers the ground level to Savemore Market.

Corporate Office Buildings B to F

Corporate Offices are composed of Buildings B to F with a total GFA of 38,082 sq. m. All buildings are low-rise developments and are fully leased by the SM Affiliates as of December 31, 2020.

SM South Tower

Year opened – 2018. SM South Tower is a BPO and Carpark building located within the SM Southmall complex. The two BPO Towers, with four levels each, rest on a podium with four levels of carpark. The

ground floor caters the retail tenants and the two BPO Towers with GFA of 27,007 sq. m. are dedicated for BPO offices.

SM The Core Tower 1

Year opened – 2017. SM The Core Tower 1 is situated on top of a podium with five-level carpark building, of which some spaces on ground floor occupied by retail stores. SM The Core Tower 1 has four floors with GFA of 23,275 sq. m. and offers its leasable area for the BPO offices. It is located inside the SM City Sta. Rosa complex.

Makati Cyber One

Year opened – 2008. SM Makati Cyber One is a four-storey office building located along Gil Puyat Avenue with GFA of 21,973 sq. m. It primarily caters office spaces for BPO offices.

Makati Cyber Two

Year opened – 2008. SM Makati Cyber Two is a four-storey office building with GFA of 17,139 sq. m. The development is along corners of Sen. Gil J. Puyat Avenue (Buendia)/Jupiter/Zodiac Streets, Makati City. SM Prime also owns the land where SM Makati Cyber Two is built upon. It primarily caters office spaces for BPO offices.

SM Taytay BPO Tower

Year opened – 2015. SM Taytay BPO Tower, a four-level building, is located just 100-meter away from SM City Taytay. SM Taytay BPO Tower has a GFA of 11,520 sq. m., and offers its leasable areas to BPO firms.

Anza Commercial Building

Year opened – 2014. The building is a two-storey commercial center located on Makati Avenue corner Anza St., Makati City with a GFA of 2,177 sq. m. It houses various retail stores.

Warehouses

SM Prime also owns several warehouses with a total GFA of approximately 92,679 sq. m. that are strategically located in various areas that support the retail operations.

Jetty Terminal

Also in MOA Complex is the jetty terminal that was built in compliance to the sea-based mass transit of the MOA Complex master plan.

Tagaytay Lot

Tagaytay lot is a vacant lot located along Gen. Emilio Aguinaldo Highway, within Barangays Mahabang Kahoy and Kaybagal, Tagaytay City with total land area of 72,728 sq. m.

Land Bank for Commercial Development

The table below sets forth the locations of land inventory as of December 31, 2020:

Location	Area (sq. m.)
Metro Manila	46,009
Luzon	404,581
Visayas	344,898
Total	795,488

D. HOTELS AND CONVENTION CENTERS

As of December 31 2020, the hotels and convention centers business unit is composed of eight hotels with 1,961 rooms key and five convention centers and three trade halls with 41,576 sq. m. of leasable space.

Hotels

Taal Vista Hotel

Year opened – 2003. Taal Vista Hotel, located in Tagaytay City, is a 261-room featuring its two wings (Lake Wing and Mountain Wing), a 1000-seater ballroom, lobby lounge and restaurants. The Ridge rooms and Mountain Wing were recently renovated in 2018.

Radisson Blu Cebu

Year opened – 2010. Radisson Blu Hotel is a 400-room hotel. It is strategically located beside SM City Cebu and adjacent to the International Port Area. Radisson Blu is the first hotel managed by the Carlson Rezidor Hotel Group in the Asia Pacific Region to be classified under its “Blu” upscale hotel brand category.

The property has been classified under the deluxe hotel category by the Department of Tourism. Its facilities include an in-house spa, fitness center, business center, 800-sq. m. swimming pool, club lounge, two ballrooms and a number of smaller meeting rooms.

Pico Sands Hotel

Year opened – 2011. Pico Sands Hotel is a 154-room tropical contemporary hotel located within Pico de Loro Cove. The spacious rooms are equipped with modern facilities and captivating views of lush mountains and tranquil lagoon.

Park Inn by Radisson Davao

Year opened – 2011. Park Inn by Radisson Davao is strategically located across the SM Lanang Premier and SMX Convention Center. The 204-room hotel features contemporary interiors and smart design elements complementing the hotel’s service philosophy – Adding Color to Life. Facilities include: Restaurant, Bar and Grill (RBG), four meeting rooms, fitness center, swimming pool and bar. Park Inn Davao is the first “next generation” mid-scale Park Inn by Radisson brand to be established in the Asia Pacific region.

Park Inn by Radisson Clark

Year opened – 2015. The 155-room Park Inn by Radisson Clark is located in Mabalacat, Pampanga, about 40 miles (60km) northwest of Metro Manila. It is conveniently located beside SM City Clark and Clark Freeport Zone. Park Inn by Radisson Clark is the leading 3-star hotel in its market with facilities that include an all-day dining restaurant with 64-seat capacity, a meeting room for 80 pax and a fitness center.

Conrad Manila

Year opened – 2016. The 348-room Conrad Manila is located within the MOA complex with stunning views of the famed Manila Bay. The eight-storey hotel incorporate two levels of retail and entertainment facilities on the ground floor, a 1,446 sq. m. ballroom and other function and meeting spaces.

Park Inn by Radisson Iloilo

Year opened – 2019. Park Inn by Radisson Iloilo is a 200-room hotel located next to SM City Iloilo in Mandurriao, a 20-minute drive from Iloilo International Airport and is strategically located near the city’s main commercial district, tourist attractions, museums, and historical landmarks. Its function room measuring around 291 sq. m. can be divided into three separate rooms or left open to accommodate

up to 360 guests which makes it an ideal venue for small to mid-sized events. An al fresco facility by the poolside caters to relaxing early evening functions.

Park Inn by Radisson North EDSA

Year opened – 2019. The 239-room hotel is connected to the SM City North EDSA and features 935-sq. m. meeting ballroom that can accommodate up to 660 guests.

Convention Centers and Tradehalls

SMX convention centers are located in the MOA Complex, SM Lanang Premier, SM Aura Premier, SM City Bacolod and SM City Olongapo Central. Trade halls are located in SM Megamall, SM City Cebu and SM Seaside City Cebu. The structure of a convention center is made up of large exhibit floors which can be divided into multiple exhibition and function halls. With its state of the art convention and exhibition facilities, it continues to host major international and local conventions and exhibitions.

ITEM 3. Legal Proceedings

There were no material proceedings as of December 31, 2020.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of stockholders during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

CASH DIVIDEND PER SHARE - ₱0.185 in 2020, ₱0.350 in 2019 and ₱0.350 in 2018.

Stock Prices	2020		2019	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter	₱ 43.35	₱ 19.90	₱ 39.95	₱ 35.85
Second Quarter	34.30	27.50	42.50	37.05
Third Quarter	33.70	27.65	39.70	34.00
Fourth Quarter	40.50	28.75	42.10	35.50

The Company's shares of stock are traded in the Philippine Stock Exchange.

As of December 29, 2020, the closing price of the Company's shares of stock is ₱38.50/share.

The number of shareholders of record as of December 31, 2020 was 2,395. Capital stock issued and outstanding as of December 31, 2020 was 28,879,231,694.

In 2020, the Board of Directors approved dividends of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020. This was paid on July 14, 2020. The Company is conserving its liquid resources to ensure resiliency against the pandemic and its possible effects over the medium term. As of December 31, 2020, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to Note 19 of the consolidated financial statements.

The top 20 stockholders as of December 31, 2020 are as follows:

Name	No. of Shares Held	% to Total
1. SM Investments Corporation	14,353,464,952	49.7017
2. PCD Nominee Corp. (Non-Filipino)	6,726,540,154	23.2920
3. PCD Nominee Corp. (Filipino)	1,203,163,412	4.1662
4. Harley T. Sy	690,048,248	2.3894
5. Henry Sy, Jr.	687,984,213	2.3823
6. Teresita T. Sy	661,356,934	2.2901
7. Elizabeth T. Sy	661,251,450	2.2897
8. Herbert T. Sy	661,037,924	2.2890
9. Hans T. Sy	655,650,971	2.2703
10. Syntrix Holdings, Inc.	312,726,835	1.0829
11. Sysmart Corporation	263,226,285	0.9115
12. Cutad, Inc.	19,694,544	0.0682
13. HSBB, Inc.	19,694,400	0.0682
14. Lucky Securities, Inc.	1,800,000	0.0062
15. Jose T. Tan &/or Pacita L. Tan	892,126	0.0031
16. Senen Mendiola	800,763	0.0028
17. Deborah Pe	781,909	0.0027
18. Chen Zan Xing	771,611	0.0027
19. Edwin Francis L. Tan	610,402	0.0021
20. Eric Ruben L. Tan	610,402	0.0021

The Company registered with the SEC the ₱15.0 billion fixed rate bonds issued on March 25, 2020. The issue consists of the 5-year or Series K Bonds amounting to ₱11.4 billion with a fixed interest equivalent to 4.8643% per annum due on 2025 and 7-year or Series L Bonds amounting to ₱3.6 billion with a fixed interest equivalent to 5.0583% per annum due on 2027.

The Company also registered with the SEC the ₱10.0 billion fixed rate bonds issued on February 5, 2021. The issue consists of the 2.5-year or Series M Bonds amounting to ₱5.0 billion with a fixed interest equivalent to 2.4565% per annum due on 2023 and 5-year or Series N Bonds amounting to ₱5.0 billion with a fixed interest equivalent to 3.8547% per annum due on 2026.

There are no other recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exemption transaction. The Company has no other registered debt securities. There are no existing or planned stock options. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

ITEM 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

2020

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

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

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

Revenue

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

Rent

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

Real Estate Sales

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

Cinema and Event Ticket Sales and Other Revenues

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

Costs and Expenses

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

Costs of Real Estate

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

Operating Expenses

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

Other Income (Charges)

Interest Expense

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

Interest, Dividend and Others - net

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

Provision for income tax

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

Net income attributable to Parent

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

Balance Sheet Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2019**SM Prime's Net Income up 18% in 2019 to P38.1 billion**

Financial and Operational Highlights

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

	Twelve months ended Dec 31				
	2019	% to Revenues	2018	% to Revenues	% Change
Profit & Loss Data					
Revenues	118,311	100%	104,081	100%	14%
Costs and expenses	61,619	52%	55,753	54%	11%
Operating Income	56,692	48%	48,327	46%	17%
Net Income	38,086	32%	32,173	31%	18%
EBITDA	66,814	56%	57,244	55%	17%
	Dec 31 2019	% to Total Assets	Dec 31 2018	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	667,280	100%	604,134	100%	10%
Investment Properties	410,640	62%	343,419	57%	20%
Total Debt	237,954	36%	222,811	37%	7%
Net Debt	203,354	30%	184,045	30%	10%
Total Equity	300,916	45%	275,303	46%	9%
	Dec 31				
	2019	2018			
Financial Ratios					
Debt to Equity	0.44 : 0.56	0.45 : 0.55			
Net Debt to Equity	0.40 : 0.60	0.40 : 0.60			
Return on Equity	0.13	0.12			
Debt to EBITDA	3.56	3.89			
Interest Coverage Ratio	7.56	7.59			
Operating Income to Revenues	0.48	0.46			
EBITDA Margin	0.56	0.55			
Net Income to Revenues	0.32	0.31			

Revenue

SM Prime recorded consolidated revenues of ₱118.31 billion in 2019, an increase of 14% from ₱104.08 billion in 2018, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱61.76 billion in 2019, an increase of 8% from ₱57.16 billion in 2018. The increase in rental revenue was due to rental rate escalations and expansion of leasable areas. Out of the total rental revenues, 87% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls opened in 2018, same-store rental growth is at 7%. Likewise, office rent increased due to the opening of Three E-Com Center and SM Southmall South Tower in 2018.

Real Estate Sales

SM Prime recorded a 24% increase in real estate sales from ₱35.87 billion in 2018 to ₱44.47 billion in 2019 primarily due to higher construction accomplishments of launched projects, including Cheerful, Green 2, Trees Ph3, Hope, Charm and Bloom and fast take-up of various Ready-For-Occupancy (RFO) projects, particularly those located within the Mall of Asia (MOA) and Makati Central Business District areas, fueled by Overseas Filipinos' remittances, international buyers and rising consumer disposable income. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales increased by 6% to ₱5.55 billion in 2019 from ₱5.22 billion in 2018 due to higher event ticket sales and the 15% increase in international movie sales led by the super blockbuster "Avengers: Endgame", which now holds the title as the highest grossing movie of all time in the Philippines. Other major blockbusters screened in 2019 include "Frozen II", "Hello, Love, Goodbye", "Captain Marvel", and "Aladdin". Major blockbusters screened in 2018 include "Avengers: Infinity War", "The Hows of Us", "Jurassic World: Fallen Kingdom", "Black Panther", and "Aquaman".

Other Revenues

Other revenues increased by 12% to ₱6.54 billion in 2019 from ₱5.83 billion in 2018. The increase was mainly due to higher income from sponsorships and advertising revenues, bowling and ice skating operations, increase in net merchandise sales from snackbars resulting from higher cinema ticket attendance and increase in sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱61.62 billion in 2019, an increase of 11% from ₱55.75 billion in 2018, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 17% to ₱20.79 billion in 2019 from ₱17.77 billion in 2018 primarily due to costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved from 50% in 2018 to 53% in 2019 as a result of improving cost efficiencies, tighter monitoring of construction costs and increase in selling prices of projects particularly, those located in the prime areas of MOA, Manila and Makati.

Operating Expenses

SM Prime's consolidated operating expenses increased by 7% to ₱40.82 billion in 2019 compared to ₱37.98 billion in 2018. Out of the total operating expenses, 72% is contributed by the malls where same-store mall growth in operating expenses is at 4%. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 17% to ₱8.83 billion in 2019 compared to ₱7.54 billion in 2018 mainly due to the retail bonds issued in May 2019 and March 2018 amounting to ₱10.0 billion and ₱20.0 billion, 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 and Dividend Income

Interest and dividend income decreased by 5% to ₱1.75 billion in 2019 from ₱1.83 billion in 2018. This account is mainly composed of interest and dividend income received from cash and cash equivalents and equity instruments at fair value through other comprehensive income.

Other income (charges) - net

Other charges – net decreased by 32% to ₱0.44 billion in 2019 from ₱0.65 billion in 2018. This account includes equity in net earnings from associates and joint ventures, forfeited tenants' and customers' deposits, foreign exchange gains and losses and hedging costs related to foreign currency obligations.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 15% to ₱10.37 billion in 2019 from ₱9.06 billion in 2018.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent in 2019 increased by 18% to ₱38.09 billion as compared to ₱32.17 billion in 2018.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱667.28 billion as of December 31, 2019, an increase of 10% from ₱604.13 billion as of December 31, 2018.

Cash and cash equivalents decreased by 11% from ₱38.77 billion to ₱34.60 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to payments for capital expenditure projects during the period and debt servicing, net of increase in the Company's cash flows from operations and proceeds from the issuance of bonds in May 2019 amounting to ₱10.0 billion.

Receivables and contract assets increased by 52% from ₱35.23 billion to ₱53.64 billion as of December 31, 2018 and December 31, 2019, respectively, due to high take-up of residential projects.

Real estate inventories increased by 17% from ₱37.58 billion to ₱43.95 billion as of December 31, 2018 and December 31, 2019, respectively, due to construction accomplishments for the period, net of cost of sold units.

Prepaid expenses and other current assets increased by 29% from ₱15.15 billion to ₱19.49 billion as of December 31, 2018 and December 31, 2019, respectively, due to deposits and advances to contractors related to construction projects and various prepayments.

Equity instruments at fair value through other comprehensive income decreased by 10% from ₱23.53 billion to ₱21.08 billion as of December 31, 2018 and December 31, 2019, respectively, due to sale of shares during the year, net of changes in fair values under this portfolio.

Investment properties increased by 20% from ₱343.42 billion to ₱410.64 billion as of December 31, 2018 and December 31, 2019, respectively, primarily due to ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls and commercial building construction. Also, the increase is attributable to landbanking and adoption of PFRS 16 Leases. In 2019, the Company adopted PFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019 which resulted to the recognition of right-of-use assets amounting to ₱21.66 billion as of December 31, 2019.

Deferred tax assets decreased by 17% from ₱1.08 billion to ₱0.90 billion as of December 31, 2018 and 2019, respectively. Deferred tax liabilities increased by 18% from ₱3.53 billion to ₱4.18 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent assets decreased by 34% from ₱80.91 billion to ₱53.56 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to subsequent reclassification of deposits for land to land held for future development under investment properties account.

Loans payable increased from ₱0.04 billion to ₱0.10 billion as of December 31, 2018 and December 31, 2019, respectively, due to availment of loans.

Accounts payable and other current liabilities increased by 14% from ₱61.77 billion to ₱70.13 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to payables to contractors and suppliers related to ongoing projects and customers' deposits.

Long-term debt increased by 7% from ₱222.77 billion to ₱237.85 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to the issuance of ₱10.00 billion retail bonds in May 2019 and new loan availments to fund capital expenditures requirements, net of payment of maturing loans.

Tenants' and customers' deposits increased by 16% from ₱18.68 billion to ₱21.65 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to the new malls and office buildings and increase in customers' deposits from residential buyers.

Liability for purchased land decreased by 30% from ₱6.04 billion to ₱4.21 billion as of December 31, 2018 and December 31, 2019, respectively, due to subsequent payments.

Derivative liabilities increased from ₱0.34 billion to ₱0.71 billion as of December 31, 2018 and December 31, 2019, respectively, mainly resulting from the net fair value changes on the cross currency swap transactions entered into in 2018.

Other noncurrent liabilities increased from ₱10.51 billion to ₱24.42 billion as of December 31, 2018 and December 31, 2019, respectively, due to adoption of PFRS 16 which resulted to the recognition of lease liabilities amounting to ₱11.15 billion as of December 31, 2019.

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

Interest-bearing debt to equity decreased to 0.44:0.56 as of December 31, 2019 from 0.45:0.55 as of December 31, 2018. Net interest-bearing debt to equity is steady at 0.40:0.60 as of December 31, 2019 and December 31, 2018, respectively.

ROE increased to 13% as of December 31, 2019 from 12% as of December 31, 2018.

Debt to EBITDA improved to 3.56:1 as of December 31, 2019 from 3.89:1 as of December 31, 2018 due to increase in consolidated operating income. Interest coverage ratio decreased to 7.56:1 as of December 31, 2019 from 7.59:1 as of December 31, 2018 and is attributed to interest expense from additional borrowings. EBITDA margin improved to 56% as of December 31, 2019 from 55% as of December 31, 2018.

Consolidated operating income to revenues improved to 48% as of December 31, 2019 from 46% as of December 31, 2018. Consolidated net income to revenues likewise improved to 32% as of December 31, 2019 from 31% as of December 31, 2018.

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.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

As at December 31, 2019 and 2018, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

SM Prime's malls business unit has seventy-four shopping malls in the Philippines with 8.5 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area.

SM Prime currently has forty-nine residential projects, thirty-nine of which are in Metro Manila and ten are outside Metro Manila.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of 695,000 square meters. NU Mall of Asia (NUMA) and Three E-Com Center were completed in September 2019 and September 2018, respectively.

SM Prime's hotels and convention centers business unit currently has a portfolio of four convention centers, three trade halls and eight hotels with over 1,900 rooms. This includes Park Inn by Radisson Iloilo and Park Inn by Radisson North EDSA which opened in April 2019 and September 2019, respectively.

2018**SM Prime's Net Income up 17% in 2018 to P32.2 billion****Financial and Operational Highlights**

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

	Twelve months ended Dec 31				
	2018	% to Revenues	2017	% to Revenues	% Change
Profit & Loss Data					
Revenues	104,081	100%	90,922	100%	14%
Costs and expenses	55,753	54%	50,293	55%	11%
Operating Income	48,327	46%	40,629	45%	19%
Net Income	32,173	31%	27,574	30%	17%
EBITDA	57,244	55%	49,037	54%	17%
	Dec 31 2018	% to Total Assets	Dec 31 2017	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	604,134	100%	538,418	100%	12%
Investment Properties	293,575	49%	273,084	51%	8%
Total Debt	222,811	37%	193,598	36%	15%
Net Debt	184,045	30%	148,495	28%	24%
Total Equity	275,303	46%	258,957	48%	6%
Dec 31					
Financial Ratios					
	2018	2017			
Debt to Equity	0.45 : 0.55	0.43 : 0.57			
Net Debt to Equity	0.40 : 0.60	0.36 : 0.64			
Return on Equity	0.12	0.11			
Debt to EBITDA	3.89	3.95			
Interest Coverage Ratio	7.59	8.96			
Operating Income to Revenues	0.46	0.45			
EBITDA Margin	0.55	0.54			
Net Income to Revenues	0.31	0.30			

Revenue

SM Prime recorded consolidated revenues of ₱104.08 billion in the year ended 2018, an increase of 14% from ₱90.92 billion in the year ended 2017, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱57.16 billion in 2018, an increase of 11% from ₱51.41 billion in 2017. The increase in rental revenue was primarily due to the new malls and expansions opened in 2017 and 2018 namely, SM CDO Downtown Premier, S Maison, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM City Urdaneta Central, SM City Telabastagan, SM City Legazpi and SM Center Ormoc with a total gross floor area of 0.53 million square meters. Out of the total rental revenues, 88% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls, same-store rental growth is at 8%. Rent from commercial operations also increased due to the opening of Three E-Com Center and SM Southmall South Tower in 2018.

Real Estate Sales

SM Prime recorded a 22% increase in real estate sales in 2018 from ₱29.43 billion to ₱35.87 billion primarily due to higher construction accomplishments of projects launched in 2015 to 2017 namely Shore 2, Fame, Coast, Spring, Shore 3 and S Residences and continued increase in sales take-up of various projects due to strong demand fueled by international buyers, Overseas Filipinos' remittances, and rising disposable income of the emerging middle class. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales increased by 9% to ₱5.22 billion in 2018 from ₱4.77 billion in 2017 due to higher gross box office receipts from international and local blockbuster movies shown in 2018 compared to 2017. The major blockbusters screened in 2018, accounting for 29% of gross ticket sales, include "Avengers: Infinity War", "The Hows of Us", "Jurassic World: Fallen Kingdom", "Black Panther", and "Aquaman". The major blockbusters screened in 2017 were "Beauty and the Beast", "Justice League", "Wonder Woman", "Thor: Ragnarok" and "The Revenger Squad" accounting for 23% of gross ticket sales.

Other Revenues

Other revenues increased by 10% to ₱5.83 billion in 2018 from ₱5.31 billion in 2017. The increase was mainly due to higher income from bowling and ice skating operations, sponsorships, opening of new amusement attractions particularly SM Skyranch Baguio and increase in net merchandise sales from snackbars. This account also includes amusement income from rides, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱55.75 billion for the year ended 2018, an increase of 11% from ₱50.29 billion in 2017, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 17% to ₱17.77 billion in 2018 from ₱15.15 billion in 2017 primarily due to costs related to higher recognized real estate sales, offset by result of improving cost efficiencies as a result of economies of scale, tighter monitoring and control of construction costs hence, leading to improved gross profit margin on real estate sales from 49% in 2017 to 50% in 2018.

Operating Expenses

SM Prime's consolidated operating expenses increased by 8% to ₱37.98 billion in 2018 compared to last year's ₱35.14 billion due to new mall openings. Out of the total operating expenses, 71% is contributed by the malls where same-store mall growth in operating expenses is at 4%. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower, including agency costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 38% to ₱7.54 billion in 2018 compared to ₱5.47 billion in 2017 due to the series of retail bonds issued in March 2018 and May 2017 amounting to ₱20 billion each 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 and Dividend Income

Interest and dividend income increased by 51% to ₱1.83 billion in 2018 from ₱1.21 billion in 2017. This account is mainly composed of interest and dividend income received from cash and cash equivalents, investments held for trading and AFS investments. The increase is due to higher average balance of cash and cash equivalents and higher dividends received in 2018 on available-for-sale investments.

Other income (charges) - net

Other charges – net increased by 54% to ₱0.65 billion in 2018 from ₱0.42 billion in 2017 due to foreign exchange and other incidental costs related to mall projects.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 16% to ₱9.06 billion in 2018 from ₱7.82 billion in 2017.

Net income attributable to Equity holders of the Parent

SM Prime's consolidated net income attributable to Equity holders of the Parent in the year ended December 31, 2018 increased by 17% to ₱32.17 billion as compared to ₱27.57 billion in 2017.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱604.13 billion as of December 31, 2018, an increase of 12% from ₱538.42 billion as of December 31, 2017.

Cash and cash equivalents decreased by 13% from ₱44.37 billion to ₱38.77 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to payments for capital expenditure projects during the period, net of increase in the Company's cash flows from operations and proceeds from long-term debt.

Financial assets at fair value through other comprehensive income were sold during the period.

Receivables and contract assets increased by 4% from ₱33.99 billion to ₱35.23 billion as of December 31, 2017 and December 31, 2018, respectively, due to increase in rental receivables from new malls and expansions and increase in sales of residential projects.

Condominium and residential units for sale decreased by 7% from ₱8.73 billion to ₱8.09 billion as of December 31, 2017 and December 31, 2018, respectively, due to faster sales take up of RFO units, particularly those projects located in the bay area.

Land and development increased by 35% from ₱58.67 billion to ₱79.33 billion as of December 31, 2017 and December 31, 2018, respectively, due to landbanking and construction accomplishments for the period, net of cost of sold units and transfers of RFO units to condominium and residential units for sale.

Investments in associates and joint ventures increased by 7% from ₱24.57 billion to ₱26.20 billion as of December 31, 2017 and 2018, respectively, due to increase in equity in net earnings of associates and joint ventures.

Equity instruments at fair value through other comprehensive income decreased by 24% from ₱31.11 billion to ₱23.53 billion as of December 31, 2017 and December 31, 2018, respectively, due to disposals and changes in fair values under this portfolio.

Investment properties increased by 8% from ₱273.08 billion to ₱293.57 billion as of December 31, 2017 and December 31, 2018, respectively, primarily due to ongoing new mall projects, ongoing commercial building construction, including the Four E-Com Center and the ongoing redevelopment of SM Mall of Asia and other existing malls. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects.

Derivative assets decreased by 76% from ₱3.55 billion to ₱0.85 billion as of December 31, 2017 and December 31, 2018, respectively, mainly resulting from the maturity of the \$350 million cross currency swap transaction. While the 57% decrease in derivative liabilities from ₱0.78 billion to ₱0.34 billion as of December 31, 2017 and December 31, 2018, respectively, mainly resulted from the net fair value changes on the principal only swap transaction and cross currency swap transaction entered into in 2016 to 2017.

Other noncurrent assets, which includes the noncurrent portion of receivables from sale of real estate, increased by 91% from ₱42.42 billion to ₱80.91 billion as of December 31, 2017 and December 31, 2018, due to additional bonds and deposits for real estate acquisitions and construction accomplishments of sold units as well as new sales for the period.

Loans payable decreased by 95% from ₱0.74 billion to ₱0.04 billion as of December 31, 2017 and December 31, 2018, respectively, due to payment of maturing loans.

Accounts payable and other current liabilities increased by 21% from ₱51.08 billion to ₱61.77 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, customers' deposits from residential buyers and liability for purchased land.

Long-term debt increased by 16% from ₱192.85 billion to ₱222.77 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to the issuance of ₱20.00 billion retail bonds in March 2018 and new loan availments to fund capital expenditures requirements, net of payment of maturing loans.

Tenants' and customers' deposits increased by 14% from ₱16.38 billion to ₱18.68 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to the new malls and office buildings and increase in customers' deposits from residential buyers.

Liability for purchased land increased to ₱6.04 billion from ₱2.17 billion as of December 31, 2018 and December 31, 2017, respectively, due to landbanking.

Deferred tax liabilities increased by 23% from ₱2.88 billion to ₱3.53 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent liabilities increased by 38% from ₱7.62 billion to ₱10.51 billion as of December 31, 2017 and December 31, 2018, respectively, due to increase in retention payable and output VAT on residential sales.

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

Interest-bearing debt to equity increased to 0.45:0.55 as of December 31, 2018 from 0.43:0.57 as of December 31, 2017 due to additional borrowings. Likewise, net interest-bearing debt to equity increased to 0.40:0.60 as of December 31, 2018 from 0.36:0.64 as of December 31, 2017 due to additional borrowings, net of payments, for capital expenditure and working capital requirements.

ROE increased to 12% as of December 31, 2018 from 11% as of December 31, 2017.

Debt to EBITDA improved to 3.89:1 as of December 31, 2018 from 3.95:1 as of December 31, 2017 due to increase in consolidated operating income. Interest coverage ratio decreased to 7.59:1 as of December 31, 2018 from 8.96:1 as of December 31, 2017 as a result of increase in interest expense from additional borrowings. EBITDA margin improved to 55% as of December 31, 2018 from 54% as of December 31, 2017.

Consolidated operating income to revenues improved to 46% as of December 31, 2018 from 45% as of December 31, 2017. Consolidated net income to revenues likewise improved to 31% as of December 31, 2018 from 30% as of December 31, 2017.

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.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

As at December 31, 2018 and 2017, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to P42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2019, the Company expects to incur capital expenditures of approximately ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has seventy-two shopping malls in the Philippines with 8.3 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area. For 2019, SM Prime is slated to open four new malls in the Philippines. By the end of 2019, the malls business unit will have seventy-six malls in the Philippines and seven malls in China with an estimated combined gross floor area of almost 10.0 million square meters.

SM Prime currently has forty-four residential projects in the market, thirty-five of which are in Metro Manila and nine are outside Metro Manila. For 2019, SM Prime is scheduled to launch between 15,000 to 18,000 residential units that includes high-rise buildings, mid-rise buildings and single detached house and lot projects. These projects will be located in Metro Manila and other key cities in the provinces.

SM Prime's Commercial Properties Group has eleven office buildings with a combined gross floor area of 623,000 square meters. Three E-Com Center, with gross floor area of almost 130,000 square meters, was recently launched in September 2018. SM Prime is set to launch the campus-office building named NU Tower, and the FourE-Com Center, both in the Mall of Asia Complex, Pasay City in 2019 and 2020, respectively.

SM Prime's hotels and convention centers business unit currently has a portfolio of six hotels with over 1,500 rooms, four convention centers and three trade halls. The Company is set to launch two new hotels this 2019 namely Park Inn by Radisson – Iloilo and Park Inn by Radisson – North EDSA.

ITEM 7. Financial Statements

Please see the attached consolidated audited financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

ITEM 8. Information on Independent Accountant and Other Related Matters

SGV & Co. is the external auditor for the current year is subject to re-appointment as the Company's external auditor for 2021 with the endorsement of the Audit Committee and approval of the Board of Directors. SGV's appointment for 2021 will be presented for confirmation of stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

The Audit Committee pursuant to its Charter recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. Also part of the Committee's duties and responsibilities is to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. Prior to commencement of audit, the Committee is mandated to discuss with the external auditor the nature, scope and approach, of the audit including coordination of audit effort with internal audit. The Company's Manual on Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditor and recommends to the Board the appointment, re-appointment or removal of the external auditor. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

Pursuant to SRC Rule 68, Paragraph 3(b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Ms. Belinda T. Beng Hui of SGV & Co. starting year 2011 and Mr. Sherwin V. Yason of SGV & Co. starting year 2016.

The Company and its subsidiaries paid SGV & Co. about ₱12.5 million for external audit services for both years 2020 and 2019. In 2020, the Company engaged SGV & Co. for ₱3.5 million for the review of the Interim Condensed Consolidated Financial Statements as at September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 and for the issuance of a comfort letter in respect of the proposed issuance of the second tranche of fixed rate Series M/N Bonds amounting to ₱10.0 billion. In 2019, the Company engaged SGV & Co. for ₱3.5 million for the review of the Interim Condensed Consolidated Financial Statements as at September 30, 2019 and for the nine-month periods ended September 30, 2019 and 2018 and for the issuance of a comfort letter in respect of the establishment of the proposed shelf registration of fixed rate bonds in the aggregate principal amount of ₱100.0 billion and the proposed issuance of the first tranche of fixed rate Series K/L Bonds amounting to ₱15.0 billion. Also in 2019, the Company paid SGV & Co. ₱2.4 million for the issuance of a comfort letter related to the issuance of the fourth and last tranche of fixed rate Series J Bonds amounting to ₱10.0 billion. There were no other significant professional services rendered by SGV & Co. during the period. Tax consultancy services are secured from third parties other than the external auditor.

PART III- CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS

Office	Name	Citizenship	Age
Chairman	Henry T. Sy, Jr.	Filipino	67
Vice Chairman and Lead Independent Director	Jose L. Cuisia, Jr.	Filipino	76
Independent Director	Gregorio U. Kilayko	Filipino	66
Independent Director	Joselito H. Sibayan	Filipino	62
Director and President	Jeffrey C. Lim	Filipino	59
Director	Hans T. Sy	Filipino	65
Director	Herbert T. Sy	Filipino	64
Director	Jorge T. Mendiola	Filipino	61
Adviser to the Board of Directors	Teresita T. Sy	Filipino	70
Adviser to the Board of Directors	Elizabeth T. Sy	Filipino	68
Corporate Secretary/Alternate Compliance Officer	Elmer B. Serrano	Filipino	53
Assistant Corporate Secretary and Alternate Corporate Information Officer	Arthur A. Sy	Filipino	51
Chief Finance Officer/Compliance Officer/Alternate Corporate Information Officer	John Nai Peng C. Ong	Filipino	51
Vice President - Internal Audit	Christopher S. Bautista	Filipino	61
Vice President - Finance/Alternate Compliance Officer/Corporate Information Officer	Teresa Cecilia H. Reyes	Filipino	46
Chief Risk Officer	Marvin Perrin L. Pe	Filipino	42
President, Malls	Steven T. Tan	Filipino	51
President, Residential (Primary)	Jose Mari H. Banzon	Filipino	60
EVP, Residential (Leisure)	Shirley C. Ong	Filipino	59
VP, Commercial	Russel T. Sy	Filipino	47
EVP, Hotels and Convention Centers	Ma. Luisa E. Angeles	Filipino	62

Board of Directors

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 (SMIC), Chairman and Chief Executive Officer of SM Development Corporation, Chairman of Pico de Loro Beach and Country Club Inc., and Vice Chairman of The National Grid Corporation of the Philippines. He holds a Bachelor's Degree in Management from De La Salle University. He has attended all thirteen (13) board meetings of the Company for the Year 2020.

Jose L. Cuisia, Jr.* has served as Vice Chairman and Independent Director of the Board of Directors of SM Prime since 1994. He was first appointed Lead Independent Director of the Company in February 2017 and has been reappointed in the positions for succeeding years. He served as the Ambassador of the Republic of the Philippines to the United States of America from April 2, 2011 until June 2016. Mr. Cuisia was also the Vice Chairman of Philam Life after having served the company as its President and Chief Executive Officer for 16 years. He was also Chairman of the Board for BPI-Philam Life Assurance Co., the Philam Foundation and Tower Club, Inc. Mr. Cuisia was also the Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of its Monetary Board from 1990-1993. He was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World

Bank. Prior to joining the BSP, he was Administrator and CEO of the Philippine Social Security System from 1986- 1990. Mr. Cuisia is also a Director of Bacnotan Consolidated Industries (now PHINMA Corporation); Independent Director of Century Properties Group & Manila Water Company, Inc. (all of which are publicly-listed companies). Likewise, he is also Chairman of the Board of The Covenant Car Company, Inc., FWD Life Insurance Company and Starr International Insurance (Philippine Branch). Ambassador Cuisia also served as Chairman of the Board of Trustees of educational institutions, Asian Institute of Management and De La Salle University. He is also a Convenor-Trustee of the Philippine Business for Education (PBE) and the Chairman of the Board of Trustees of the University of Asia & the Pacific. He is also elected to the Board of Trustees of the Makati Business Club, De La Salle Medical & Health Sciences Institute, De La Salle University –Dasmariñas, and Treasurer of the Ramon Magsaysay Awards Foundation. He also holds directorates in Adlemi Properties Inc., Five J’s Diversified Inc, JVC Corporation and Asian Breast Center, Inc. Mr. Cuisia is an alumnus of De La Salle University, where he graduated in 1967 with degrees in Bachelor of Arts in Social Science and Bachelor of Science in Commerce (magna cum laude). He finished his Masters degree in Business Administration-Finance at The Wharton School, University of Pennsylvania in 1970 as a University Scholar. Mr. Cuisia is a recipient of numerous awards and accolades including 2017 Signum Meriti for exemplary public service from De La Salle University; 2006 Distinguished La Sallian Award; Ten Outstanding Filipino (TOFIL) awardee on December 2016 by the JCI Senate and ANZA Foundation; the Order of the Sikatuna with the rank of Grand Cross by President Benigno Aquino III in 2016; Lifetime Contributor Award (public sector) by the Asia CEO Forum in 2015; “Joseph Wharton Award for Lifetime Achievement” by the prestigious Wharton Club of Washington, DC in May 2011; Management Association of the Philippines’ Management Man of the Year for 2007; Manuel L. Quezon Award for Exemplary Governance in 2006; Raul Locsin CEO of the Year Award in 2004; and Ten Outstanding Young Men (TOYM) Award for Domestic Banking in 1982. He has attended all board meetings and board committee meetings of the Audit Committee, Board Risk Oversight Committee and Corporate Governance Committee for the Year 2020.

Gregorio U. Kilayko* has been an Independent Director of SM Prime since 2008. He is the former Chairman of ABN Amro’s banking operations in the Philippines. He was the founding head of ING Baring’s stockbrokerage and investment banking business in the Philippines and served as a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. He is also currently an Independent Director in Belle Corporation, Philequity Fund and East West Banking Corporation. He took his Master’s degree in Business Administration at the Wharton School of the University of Pennsylvania. He has attended all board meetings and board committee meetings of the Board Risk Oversight Committee, Audit Committee, Corporate Governance Committee and Related Party Transactions Committee for the Year 2020.

Joselito H. Sibayan* has been an Independent Director of SM Prime since 2011. He has spent the past 34 years of his career in investment banking. From 1987 to 1994, after taking his Master’s degree of Business Administration from University of California in Los Angeles, he served as Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operations. He then moved to London in 1995 to run Natwest Market’s International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB’s Manila representative office in 1998, and later oversaw the transition of the office to branch status. He has attended all board meetings and board committee meetings of the Corporate Governance Committee, Related Party Transactions Committee and Audit Committee for the Year 2020.

** Independent director – The Independent Directors of the Company are Messrs. Jose L. Cuisia, Jr., Gregorio U. Kilayko and Joselito H. Sibayan. The Company has complied and will comply with the Guidelines set forth by Securities Regulation Code (SRC) Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The Company’s By-Laws incorporate the*

procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.

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. He has attended all thirteen (13) board meetings of the Company for the Year 2020.

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. He has attended all thirteen (13) board meetings of the Company for the Year 2020.

Herbert T. Sy has been a director of the SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairman of Supervalu Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM companies engaged in food retail for more than 30 years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University. He has attended all thirteen (13) board meetings of the Company for the Year 2020.

Jorge T. Mendiola has been a director of SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master's degree in Business Management from the Asian Institute of Management. He holds an A.B. Economics degree from Ateneo de Manila University. He has attended all board meetings and board committee meetings of the Audit Committee, Board Risk Oversight and Related Party Transactions Committee for the Year 2020.

Teresita T. Sy has served as an Adviser to the Board since May 2008. She was a Director from 1994 up to April 2008. She has worked with the Group for over 20 years and has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she is currently Chairperson of BDO Unibank, Inc. and Vice Chairperson of SMIC. She also holds board positions in several companies within the SM Group.

Elizabeth T. Sy was elected as an Adviser to the Board in April 2012. She serves as a member of the Executive Committee and Trust Committee of the Board of Directors of BDO Private Bank, Inc. She is also the Chairperson and President of SM Hotels and Conventions Corporation where she steers SM's continuous growth in the tourism, leisure and hospitality industry. She is also the Chairman of Nazareth School of National University. Ms. Sy likewise serves as Adviser to the Board of SMIC and Co-Chairperson of Pico De Loro Beach and Country Club. She graduated with a degree in Business Administration from Maryknoll College.

Members of the Board of Directors are given a standard per diem of P10,000 per Board meeting, except for the Chairman and Vice Chairman which are given P20,000 per Board meeting.

Elmer B. Serrano is the Corporate Secretary of SMPH and of SMIC since November 2014. He is a practicing lawyer specializing in Mergers & Acquisitions, Capital Markets and Banking and Finance. In 2020, he was named Asia Best Lawyer by the International Financial Law Review (IFLR). He is also consistently ranked as a leading lawyer by the Legal500 Asia Pacific and IFLR1000. Mr. Serrano is a director of 2GO Group, Inc. He is also the Corporate Secretary of Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank, Inc., and also serves as the Corporate Information Officer of BDO Unibank, Inc. and BDO Leasing and Finance, Inc. He is also Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines and PDS Group. Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

Atty. Arthur A. Sy is the Assistant Corporate Secretary of SMPH. He is the Senior Vice President for Legal Department of SMIC, where he also serves as the Assistant Corporate Secretary. He is likewise the currently appointed Assistant Corporate Secretary of Belle Corporation, Premium Leisure Corp. and 2Go Group, Inc. and the Corporate Secretary of various major companies within the SM Group and the National University. A member of the New York Bar, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo de Manila University, School of Law.

Executive Officers

John Nai Peng C. Ong is the Chief Finance Officer, Compliance Officer and a member of the Company's Executive Committee. He holds various board and executive positions in other SMPH's subsidiaries. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from Ateneo de Zamboanga University. He received his Master in Management from the Asian Institute of Management. Prior to joining the Company in 2014, he was an assurance partner in SGV & Co.

Christopher S. Bautista is the Vice President for Internal Audit (Chief Audit Executive). Prior to joining the Company in 1998, he was the Chief Finance Officer of a large palm oil manufacturer based in Jakarta, Indonesia and was a partner (principal) for several years of an audit and management consulting firm based also in Jakarta. He started his professional career as staff auditor of SGV & Co.

Teresa Cecilia H. Reyes is the Vice President for Finance and the Alternate Compliance and Corporate Information Officer. Prior to her joining the Company in June 2004 as a Senior Manager in the Finance Group, she was an Associate Director in the business audit and advisory group of SyCip Gorres Velayo & Co. (SGV). She graduated from De La Salle University with degrees in Bachelor of Science in Accountancy and Bachelor of Arts in Economics and placed 16th in the 1997 Certified Public Accountants board examinations.

Marvin Perrin L. Pe is the Chief Risk Officer and Vice President for Enterprise Risk Management. He holds a Bachelor of Science degree in Accountancy from Centro Escolar University. He has completed his Masters in Management Degree, with distinction, from the Asian Institute of Management. Before joining SM Prime Holdings, Inc., Mr. Pe was an Assurance Partner of SGV & Co.

Steven T. Tan is the President of SM Supermalls and handles mall properties in the Philippines and China. He took up Business Management at University of Santo Tomas and completed his Masters in Business Administration from Paris School of Management. Prior to joining the Company, Mr. Tan began his career in Howard Plaza Hotel at Taipei, Taiwan from 1990-1998 and moved to Shanghai, China to form part of the opening team of the Barcelo Grand Hotel. He returned to the Philippines in 2001 to work as Regional Director of Marketing and Communications for FilBarcelo, handling external affairs for the group. In 2004, he joined SM handling mall operations for The Podium and in January 2006, led the launch and operations of SM Mall of Asia.

Jose Mari H. Banzon is the President for Residential (Primary). He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University. Prior to joining SMDC in 2013, he was executive vice president and general manager of Federal Land, Inc. He had also worked in the corporate banking department of various financial institutions in the Philippines and Hong Kong.

Shirley C. Ong is the Business Unit Head for Residential (Leisure). She is also the Director of the Midlands Golf and Country Club. Before joining the Company, she was First Vice President for Business Development of Filinvest Alabang, Inc. from 1995 to 2009. She brings with her over 27 years of experience, 23 years of which has been in various areas of real estate from city development, office/residential, high rise development, residential village development including finance, marketing, sales and property management. She graduated cum laude with a bachelor's degree in Arts, Major in Economics from the University of Sto. Tomas.

Russel T. Sy is the Business Unit Head for Commercial. He holds a Bachelor of Science degree in Management Engineering from Ateneo de Manila University. He received his MBA from International Institute for Management Development in Lausanne, Switzerland. Prior to joining the Company in 2014, he was Chief Strategy Officer at TECOM Investments in Dubai, United Arab Emirates. He also holds certificates in Portfolio, Asset, and Property Management from the Center for Real Estate at Massachusetts Institute of Technology in Cambridge, MA, USA.

Ma. Luisa E. Angeles is the Business Unit Head for Hotels and Convention Centers. She holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She has 39 years of work expertise in the hotel management industry specifically in sales and marketing.

Aside from the Directors and Executive Officers enumerated above, there are no other employees expected to hold significant executive/officer position in the Company.

The Directors of the Company are elected at the Annual Stockholders' Meeting. Directors will hold office for a term of one (1) year or until the next succeeding annual meeting and until their respective successors have been elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Procedure for Nomination of Directors:

- Any stockholder of record, including a minority stockholder, as of Record Date may be nominated for election to the Board of Directors of SMPH.
- The Corporate Governance Committee passes upon, and deliberates on, the qualifications of all persons nominated to be elected to the Board of Directors of SMPH, and pre-screens nominees from the pool of candidates submitted by the nominating stockholders in accordance with the Company's By-laws and Manual of Corporate Governance. The Corporate Governance Committee shall prepare a Final List of Candidates containing information of the listed nominees, from the candidates who have passed the Guidelines, Screening Policies and Parameters for the nomination of directors. Only nominees qualified by the Corporate Governance Committee and whose names appear on the Final List of Candidates shall be eligible for election as director of the Company. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- In case of resignation, disqualification or cessation of directorship before the next annual stockholders' meeting, the vacancy shall be filled by the vote of at least a majority of the remaining directors, provided, the Board of Directors still constituting a quorum and only

after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation of directorship, upon the pre-qualification of the Corporate Governance Committee. Otherwise, the vacancy shall be filled by stockholders in a regular or special meeting called for that purpose. The director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

All new directors will undergo an orientation program soon after election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMPH's strategic plans, enterprise risks, group structures, business activities, compliance programs, and other Company policies but not limited to Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMPH's expense to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance. For Year 2020, all directors and key officers have attended the Annual Corporate Governance Training Programs conducted by Institute of Corporate Directors on October 23 and November 4. Each director and key officer has attended at least one training session. The 4-hour annual CG training conducted by the aforementioned providers covered the following topics:

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

Name	Date	Program	Provider
Henry T. Sy, Jr.	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Hans T. Sy	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Herbert T. Sy	November 4, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Gregorio U. Kilayko	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Joselito H. Sibayan	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Jose L. Cuisia, Jr.	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Jorge T. Mendiola	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Jeffrey C. Lim	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Elizabeth T. Sy	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors

Teresita Sy-Coson	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Elmer B. Serrano	October 23, 2020	2019 Corporate Governance Seminar of BDO Unibank, Inc.	Banco de Oro Unibank
Arthur A. Sy	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
John Nai Peng C. Ong	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Marvin Perrin L. Pe	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Alexander D. Pomento	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Christopher S. Bautista	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Steven T. Tan	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Jose Mari M. Banzon	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Shirley C. Ong	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Ma. Luisa E. Angeles	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors
Russel T. Sy	October 23, 2020	Annual Corporate Governance Training Program	Institute of Corporate Directors

Succession Planning:

The Company follows an established framework in succession planning, which involves the linking of strategic goals and workforce requirements, the analysis of continuity issues and gaps in the long-term, the identification of talent pools, and the development, implementation and monitoring of succession strategies based on the considerations identified.

The Board, through the Corporate Governance Committee, is responsible for assessing the leadership needs of the company to ensure the selection of qualified leaders that are diverse and a good fit for the organization's mission and goals, and have the necessary skills for the organization. In evaluating candidates, a high level of competency, experience and stature are used as standards. Furthermore, the maturity of character and ability to effectively assimilate into the SM culture are critical.

The Corporate Governance Committee uses a Board Matrix to ensure that the Board has an appropriate mix of directors to fulfill its roles and responsibilities and respond to the needs of

the organization based on the evolving business environment and strategic direction. The Company's Board Matrix sets out the mix of attributes, skills, competencies and experience, affiliations the Board currently has and is looking for to complement its existing composition. Its structure reflects the areas relevant to the Company's strategic objectives, as well as other areas of general relevance to the composition of the Board.

Further, the Company adopts the retirement age for its directors and key officers aligned with SM Investments Corporation retirement policy.

A testament of SM Prime's succession framework is its President, Mr. Jeffrey Lim. Mr. Lim joined the Company in 1994 and was groomed to become a member of the Board and was appointed as President in October 2016. On another note, SM Prime's non-executive director, Mr. Jorge T. Mendiola started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011.

The Company is also a participant in the SM Corporate and Management Companies Employer Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Board Evaluation:

The Board, through the Corporate Governance Committee, facilitates the annual self-assessment of the performance of the Board as a whole, its Committees, the Board Chairman and individual directors.

Self-evaluation forms were provided to the directors. The evaluation covered the following criteria:

1. Individual characteristics as a Board member – Specifies the qualifications and abilities a director shall possess; this includes among others, strategic vision, time availability, commitment, intellectual independence, ability to ask tough questions, contribution to the group, and continuous self-education and development
2. Collective Board Committee rating – Includes among others, balanced participation of directors, ability to access information necessary to perform its functions, and fulfillment of its duties and responsibilities as embodied in their respective Committee charter
3. Chairperson's role – Specifies the qualities and responsibilities of the Board and Committee Chairman
4. President's role - Specifies the qualifications and abilities of the President which includes among others, determination of Company's strategic direction and formulate and implement its strategic plan on the direction of the business, oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan, possesses good working knowledge of the Company's industry and market and keep up-to-date with its core business purpose etc.

Further, performance assessment is also conducted for SM Prime's Management Team composed of the Company President, Chief Compliance Officer (CCO), Chief Risk Officer (CRO) and Chief Audit Executive (CAE).

The Chairman of the Corporate Governance Committee, Board Risk Oversight Committee and Audit Committee evaluates the Company's CCO, CRO and CAE, respectively. On the other hand, the Board, through the Chairman of the Executive Committee, conducts an assessment for the performance of the Company President.

All evaluations are based on the duties and responsibilities of each concerned key officer as listed in the Revised Manual on Corporate Governance.

In 2019, the Company engaged the services of Institute of Corporate Directors, aims to assess the Board's Structure and Composition, Board member's understanding of their Responsibilities and Duties, Processes that support the Board's functions, and Dynamics of the Board. This was done through questionnaires with quantitative and qualitative questions accomplished by each member of the Board. The process was also supported by individual interviews with all the members of the Board which were completed from September to October 2019.

The following are the results of the evaluation as stated in its formal report;

"The Board of Directors of SM Prime Holdings Inc. (SMPH), based on ICD's evaluation, is a highly functioning Board committed to implement Corporate Governance Best Practices. SMPH is a model for other Philippine publicly listed companies. The Board Evaluation validates and supports the consistent high rating SMPH received in the ASEAN Corporate Governance Scorecard (ACGS)."

The results of the assessment including the recommendations to further strengthen the Board's function were presented by the Corporate Governance (CG) Committee in its meeting last February 17, 2020. The CG Committee will take the lead to address the action items and will monitor its progress.

All SMPH directors are expected to exercise due discretion in accepting and holding directorships outside of the Company. The directors notify the Board prior to accepting directorship in another company. Further, in accordance with the Revised Manual on Corporate Governance, non-executive and independent directors may hold a maximum of five (5) board seats in publicly-listed companies simultaneously. The Chief Executive Officer and other executive directors shall submit themselves to a maximum limit of two (2) board seats in corporate Boards of other publicly-listed companies outside the SM Group. In any case, the capacity of directors to service with diligence shall not be compromised.

The following are directorships held by SMPH Directors and Executive Officers in other reporting companies, in the last five years:

Henry T. Sy, Jr.

<i>Name of Corporation</i>	<i>Position</i>
SM Investments Corporation	Vice Chairman

Jose L. Cuisia, Jr.

<i>Name of Corporation</i>	<i>Position</i>
PHINMA Corporation.....	Director
Manila Water Company, Inc.....	Independent Director

<i>Name of Corporation</i>		<i>Position</i>
Century Properties Group, Inc.		Independent Director
<i>Gregorio U. Kilayko</i>		
<i>Name of Corporation</i>		<i>Position</i>
Belle Corporation.		Independent Director
East West Banking Corporation.		Independent Director
<i>Joselito H. Sibayan</i>		
<i>Name of Corporation</i>		<i>Position</i>
Apex Mining Corporation.		Independent Director
A Brown Company, Inc.		Director
<i>Hans T. Sy</i>		
<i>Name of Corporation</i>		<i>Position</i>
China Banking Corporation.		Chairman
SM Investments Corporation.		Adviser to the Board
<i>Herbert T. Sy</i>		
<i>Name of Corporation</i>		<i>Position</i>
China Banking Corporation.		Director
SM Investments Corporation.		Adviser to the Board
<i>Teresita T. Sy</i>		
<i>Name of Corporation</i>		<i>Position</i>
BDO Unibank, Inc.		Chairperson
SM Investments Corporation.		Vice Chairperson
<i>Elizabeth T. Sy</i>		
<i>Name of Corporation</i>		<i>Position</i>
SM Investments Corporation.		Adviser to the Board
<i>Elmer B. Serrano</i>		
<i>Name of Corporation</i>		<i>Position</i>
2Go Group, Inc.		Director
DFNN, Inc.		Director

Board Committees

The members of the Audit Committee are:

JOSE L. CUISIA, JR.	-	Chairman (Independent Director)
JOSELITO H. SIBAYAN	-	Member (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The committee met four (4) times in 2020, with 100% attendance in all meetings.

The members of the Corporate Governance Committee are:

JOSELITO H. SIBAYAN	-	Chairman (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JOSE L. CUISIA, JR.	-	Member (Independent Director)

The Committee met three (3) times in 2020 with 100% attendance in all meetings.

The members of the Risk Oversight Committee are:

GREGORIO U. KILAYKO	-	Chairman (Independent Director)
JOSE L. CUISIA, JR.	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The Committee had four (4) meetings in 2020, with 100% attendance in all meetings.

The members of the Related Party Transactions Committee are:

JOSELITO H. SIBAYAN	-	Chairman (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The Committee met once in 2020, with 100% attendance.

The members of the Executive Committee are:

HANS T. SY	-	Chairman
HENRY T. SY, JR.	-	Member
HERBERT T. SY	-	Member
ELIZABETH T. SY	-	Member
JEFFREY C. LIM	-	Member
JOHN NAI PENG C. ONG	-	Member

Mr. Jose L. Cuisia, Jr. is the Company's Lead Independent Director.

The Corporate Governance Committee, confirmed by the Board, qualified the following nominees for election as members of Board of Directors for 2021-2022 at the forthcoming Annual Stockholders' Meeting:

Darlene Marie B. Berberabe	-	Independent Director
J. Carlitos G. Cruz	-	Independent Director
Amando M. Tetangco, Jr.	-	Independent Director
Jeffrey C. Lim	-	Director
Jorge T. Mendiola	-	Director
Hans T. Sy	-	Director
Henry T. Sy, Jr.	-	Director
Herbert T. Sy	-	Director

The Independent Director-nominees have been nominated by the following stockholders of the Company, shown opposite their names:

Darlene Marie B. Berberabe	-	Johann Stephen G. Nicdao
J. Carlitos G. Cruz	-	Mary Rose P. Natavio
Amando M. Tetangco, Jr.	-	Gizelle C. Mendoza

The above nominating stockholders are not related to nominees Messrs. Tetangco and Cruz and Ms. Berberabe.

The Company has complied with the Guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-laws of the Company.

The nominee Independent Directors have also each executed sworn Certifications on Qualifications and Disqualification of Independent Directors, copies of which are here attached as Annex.

The Company has complied with the Guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-laws of the Company.

As to officers for 2021-2022, below is the list of nominees which will be presented at this year's organizational meeting of the Board of Directors:

Henry T. Sy, Jr.	Chairman
Jeffrey C. Lim	President
John Nai Peng C. Ong	Chief Finance Officer/Compliance Officer/ Corporate Information Officer
Elmer B. Serrano	Corporate Secretary/Alternate Compliance Officer
Arthur A. Sy	Assistant Corporate Secretary/ Alternate Corporate Information Officer
Marvin Perrin L. Pe	Chief Risk Officer
Christopher S. Bautista	Vice President – Internal Audit
Steven T. Tan	President, Malls
Jose Mari H. Banzon	President, Residential (Primary)
Shirley C. Ong	EVP, Residential (Leisure)
Russel T. Sy	VP, Commercial
Ma. Luisa E. Angeles	EVP, Hotels and Convention Centers

Family Relationships

Ms. Teresita T. Sy, Ms. Elizabeth T. Sy, Mr. Henry T. Sy, Jr., Mr. Hans T. Sy, Mr. Herbert T. Sy and Mr. Harley T. Sy are sons and daughters of the late Mr. Henry Sy, Sr. All other directors and officers are not related to each other either by consanguinity or affinity.

Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five (5) years up to the date of this report that are material to an evaluation of the ability or integrity of any director or any member of senior management of the Company:

- (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading

market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. Compensation of Directors and Executive Officers

Aside from regular standard per diems, all directors do not receive regular annual salaries from the Company. The following are the most highly compensated executive officers:

Name and Position
Jeffrey C. Lim President
John Nai Peng C. Ong Chief Finance Officer
Steven T. Tan President, Malls
Jose Mari H. Banzon President, Residential (Primary)
Shirley C. Ong Head, Residential (Leisure)

Summary Compensation Table (In Million Pesos)

	Year	Salary	Bonus
President & 4 Most	2021 (estimate)	138	23
Highly Compensated	2020 (actual)	138	23
Executive Officers	2019 (actual)	138	23
All other officers* as a	2021 (estimate)	382	64
group unnamed	2020 (actual)	382	64
	2019 (actual)	382	64

**Managers & up*

In 2020, incumbent directors of SMPH received the following amount of fees as compensation for their performance of duties and functions as members of the Board of Directors of the Company:

Board of Directors	Total Compensation per Director
Jose L. Cuisia, Jr. (Independent Director)	₱ 5,200,000
Gregorio U. Kilayko (Independent Director)	₱ 3,100,000
Joselito H. Sibayan (Independent Director)	₱ 3,100,000
Henry T. Sy, Jr.	₱ 120,000
Hans T. Sy	₱ 60,000
Herbert T. Sy	₱ 60,000
Jorge T. Mendiola	₱ 100,000
Jeffrey C. Lim	₱ 60,000

These fees include per diem received by the directors for their attendance in meetings of the Board.

The total amount of fees for 2020 allocated among directors does not exceed 10% of the total income of the Company before tax for 2019 in accordance with the Company's By-laws and relevant laws and regulations.

There are no outstanding warrants or options held by directors and officers of the Company. There are also no actions to be taken with regard to election, any bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners as of December 31, 2020

The following are the owners of the Company common stock in excess of 5% of total outstanding shares:

Title of Securities	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount and Nature of Direct Record/Beneficial Ownership ("r" or "b")	Percent of Class (%)
Common	SM Investments Corporation (SMIC) (Parent Company)¹ One Ecom Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City	SMIC²	Filipino	14,353,464,952 (b)	49.7017
-do-	PCD Nominee Corp. (PCNC)³ 37F Tower 1, The Enterprise Center, Ayala Ave., Makati City	PCNC Participants⁴	Filipino – 4.17% Non-Filipino –23.77%	8,067,609,523 (r)	27.9357

¹ The following are the individuals holding the direct and indirect beneficial ownership of SMIC: Henry T. Sy, Jr.-6.35%, Hans T. Sy-8.20%, Herbert T. Sy-8.20%, Harley T. Sy-7.27%, Teresita T. Sy-7.09% and Elizabeth T. Sy-5.90%.

² Jose T. Sio is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairmen of SMIC and they have the power to vote the common shares of SMIC in SMPH.

³ PCNC holds legal title to shares lodged in the Philippine Depository & Trust Corp (PDTC). Beneficial owners retain the power to decide on how their lodged shares are to be voted. There are no beneficial owners under PCNC which own more than 5% shares of stock of the Company.

⁴ PCNC is not related to the Company. PCNC is a nominee company which holds legal title to shares of lodged in PDTC.

(5) Security Ownership of Management as of December 31, 2020

Title of Securities	Name of Beneficial Owner of Common Stock	Citizenship Filipino (F)	Amount and Nature of Beneficial Ownership (D) Direct (I) Indirect			Class of Securities Voting (V)	Percent of Class
			December 31, 2020	December 31, 2019	% of Change		
Common	Jose L. Cuisia, Jr.	F	497,661 (D&I)	497,661 (D&I)	-	V	0.0017
-do-	Teresita T. Sy	F	661,356,934 (D&I)	661,356,934 (D)	-	V	2.2901
-do-	Henry T. Sy, Jr.	F	688,565,213 (D&I)	688,565,213 (D&I)	-	V	2.3843
-do-	Hans T. Sy	F	675,747,814 (D&I)	675,733,814 (D&I)	0.0021	V	2.3399
-do-	Herbert T. Sy	F	661,037,924 (D&I)	661,037,924 (D)	-	V	2.2890
-do-	Elizabeth T. Sy	F	661,251,450 (D&I)	661,251,450 (D)	-	V	2.2897
-do-	Gregorio U. Kilayko	F	202,580 (D&I)	202,580 (D&I)	-	V	0.0007
-do-	Joselito H. Sibayan	F	1,375 (I)	1,375 (I)	-	V	0.0000
-do-	Jorge T. Mendiola	F	703,167 (D&I)	703,167 (D&I)	-	V	0.0024
-do-	Jeffrey C. Lim	F	50,000 (I)	50,000 (I)	-	V	0.0002
-do-	Christopher S. Bautista	F	37,500 (I)	37,500 (I)	-	V	0.0001
-do-	Steven T. Tan	F	84,800 (I)	84,800 (I)	-	V	0.0003
-do-	Teresa Cecilia H. Reyes	F	100,000 (I)	100,000 (I)	-	V	0.0003
	All directors and executive officers as a group		3,349,636,418	3,349,622,418			11.5988

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

There were no matters submitted to a vote of stockholders during the fourth quarter of the calendar year covered by this report.

Directors and key executive officers are required to report to the Compliance Officer all dealings in SMPH shares within three (3) business days from the date of trading.

ITEM 12. Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. In addition, the Company also has outstanding borrowings/ placements from/ to related banks. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within 30 to 90 days. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended December 31, 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In compliance with regulations of the SEC, specifically, SEC Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies), SMPH has adopted a Revised Related Party Transactions Policy which incorporated rules on material related party transactions of the Company. A copy of the Policy is available in the Company's website. The Policy mainly provides that the Company's Board of Directors shall ensure that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulation to protect the interests of the Company's shareholders and other stakeholders. All material individual related party transactions are referred to the Chief Risk Officer for review and

endorsement to Related Party Committee prior to approval by at least two-thirds (2/3) vote of the Board of Directors with at least a majority of the independent directors approving the transaction.

There are no other transactions undertaken or to be undertaken by the Company in which any director or executive officer, nominee for election as director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

Please refer to Note 20 of the attached 2020 consolidated financial statements.

PART IV- CORPORATE GOVERNANCE

ITEM 13. Corporate Governance

A significant contributor to the Company's continued success is the commitment of its directors, officers and employees to foster a culture of fairness, integrity, accountability and transparency at all levels within the organization. Through the compliance of SM Prime with SEC's Code of Corporate Governance and establishment of the Company's Manual on Corporate Governance ("Manual"), various initiatives were launched in line with the best practices as contained in its Manual. There have been no deviations from the Manual since it was adopted. The Company certifies that its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by the Manual.

The Manual institutionalizes the principles of good corporate governance. It recognizes that adherence with the principles of good corporate governance should emanate from the Board of Directors. To this end, a director must act in a manner characterized by transparency, accountability and fairness. The Manual describes the general responsibilities and specific duties and functions of the Board, as well as those of the Board Committees, Corporate Secretary, and external and internal auditors. To effectively perform the Board's duties, the Company ensures that board meetings are scheduled before the start of the financial year and board papers for board of directors meetings are provided at least five (5) business days in advance of the board meeting by these By-laws, provided such matter does not require approval or consent of stockholders.

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

Further, the Company's By-laws states the Board of Directors corporate powers in the conduct of all businesses and control of the corporation's properties. This includes, among others, (1) to make or change rules and regulations not inconsistent with the Company By-Laws for the management of the corporation, (2) to incur indebtedness as the Board may deem necessary, and (3) to implement the By-laws and to act on any matter not covered by these By-laws, provided such matter does not require approval or consent of stockholders. The Company's revised By-laws also states that at least two-thirds of number of directors specified in the Articles of Incorporation shall constitute a quorum for the transaction of business at any meeting, and the act of the directors at any meeting where there is a quorum shall be valid as a corporate act.

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

Rights of Shareholders

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

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

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

Appraisal Right - Stockholders may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares pursuant to Section 81 of Revised Corporation Code of the Philippines. Procedures for the exercise of this right are provided in the Definitive Information Statement.

Apart from above mentioned rights, corporate acts such as amendments to the Company's constitution, authorization of additional shares, and the transfer of all or substantially all assets, which in effect results in the sale of the Company, shall also be approved by the vote of stockholders owning at least two-thirds of the capital stock issued and outstanding of the Company. The agenda enclosed in the Notice of Annual Stockholders' Meeting would include such corporate acts for the consideration and approval of the stockholders.

SM Prime is also committed to providing its stockholders and the public, timely and accurate information about the Company and its business. In accordance with this, SM Prime regularly updates its website and practices full and prompt disclosure of all material information. Moreover, the Investor Relations Department is tasked with a program of proactive, uniform and appropriate communication through full disclosure in compliance with the regulatory bodies and serves as the main avenue of communication between the Company and its various stakeholders.

The Investor Relations Department of the Company may be contacted through:

T: (632) 8831-1000

E: info@smprime.com

www.smprime.com

The Company stockholders also have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors. The Company complies with Sec.29 of the Revised Corporation Code of the Philippines, which states that compensation other than per diems may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock.

During the Annual Stockholders' Meeting, the stockholders ratify all acts of the Board and Management, including those pertaining to Board remuneration.

To operationalize the Manual and to continuously strengthen the Company's corporate governance culture, various efforts were done, which include, among others, (1) creation of policies, (2) conduct of classroom trainings and (2) cascade of e-Learning courses and email blasts relating to corporate governance matters.

The Company also adopted policies and guidelines to govern conflicts of interest, acceptance of gifts, insider trading and related party transactions, to name a few. In accordance with the Conflict of Interest Policy, all directors, officers and employees are required to disclose any financial or personal interest or benefit in any transaction involving the Company to ensure that potential conflicts of interest are immediately brought to the attention of Management. Further, a director with a material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberations of the same.

The Company also issued a policy to prohibit its directors, officers and employees from soliciting or accepting gifts in any form from any business partner, except for corporate giveaways, tokens or promotional items of nominal value, and adopted guidelines to prohibit its directors, officers and employees from buying or selling shares of stock of listed SM companies while in possession of material and confidential information. Furthermore, through the Related Party Transactions Policy, the Company is committed to transparency by practicing full disclosure of the details, nature, extent, and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. It is the Company's Related Party Transactions Committee who independently reviews and endorses all related party transactions such that these transactions are dealt on terms no less favorable to the company than those generally available to an unaffiliated third party under the same or similar circumstances. These rules supplement the existing corporate governance policies in the Manual on Corporate Governance and Code of Ethics.

Furthermore, the Human Resource Department's (HRD) orientation program gives new employees 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 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 the Company's Code of Ethics, Code of Discipline, Insider Trading Policy, Conflict of Interest Policy, and Guidelines on Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy), among others
- Disclosure Survey - to disclose each employees' affiliations, interests, relationships, and/or transactions which are relevant for full disclosure of all actual, apparent or possible conflicts of interest
- e-Learning Courses (self-paced learning) - to be familiarized with the provisions of the Code of Ethics and other specific policies in upholding corporate governance in the workplace

The Integrated Annual Corporate Governance Report (I-ACGR) highlights the Company's corporate governance practices and provides detailed information on SM Prime's Board of Directors, Management, policies and programs. This is publicly available in the corporate website.

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

PART V- EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

(b) Reports on SEC Form 17-C

Reports on Form 17-C (Current Report) have been filed during 2020.

INDEX TO EXHIBITS

Form 17-A

<u>No.</u>	<u>Page No.</u>
(3) Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5) Instruments Defining the Rights of Security Holders, Including Indentures	*
(8) Voting Trust Agreement	*
(9) Material Contracts	*
(10) Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13) Letter re Change in Certifying Accountant	*
(16) Report Furnished to Security Holders	*
(18) Subsidiaries of the Registrant <i>(Please refer to Note 2 of the accompanying Notes to the Consolidated Financial Statements for details)</i>	
(19) Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20) Consent of Experts and Independent Counsel	*
(21) Power of Attorney	*
(22) Additional Exhibits	*

* These Exhibits are either not applicable to the Company or require no answer.

SM PRIME HOLDINGS, INC.
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FORM 17-A, ITEM 7

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** These schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.*

SM PRIME HOLDINGS, INC.
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SM Prime Holdings, Inc.
10/F Mall of Asia Arena Annex Building,
Coral Way corner J.W. Diokno Boulevard,
Mall of Asia Complex, Pasay City 1300, Philippines

Statement of Management's Responsibility for Financial Statements

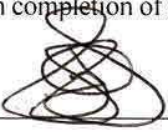
The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020,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

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

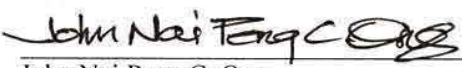
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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



Henry T. Sy, Jr.
Chairman

Jeffrey C. Lim
President

John Nai Peng C. Ong
Chief Finance Officer

Signed this 15th of February, 2021

SUBSCRIBED AND SWORN to before me this FEB 15 2021 at CITY OF MANILA,
affiants exhibiting to me their Philippine passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HENRY T. SY, JR.			
JEFFREY C. LIM			
JOHN NAI PENG C. ONG			

Doc. No. 113 ;
Page No. 23 ;
Book No. 18 ;
Series of 2021.


CHESTER T. BORDEOS
Notary Public for and in the City of Manila
Until 30 June 2021 under SC Resolution
En Banc dated 12/01/20 (B.M. 3795)
Attorney's Roll No. 41934; TIN 904-465-536
PTR No. 9827232; 01/05/21; Manila
IBP Life Roll No. 07903; 01/08/09; Albay
MCLE Compliance No. VI-0015889 ; 12-13-18

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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



Accounting for Lease Concession

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

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

Audit Response

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

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

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

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

Real Estate Revenue Recognition

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

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



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

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

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

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

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

Audit Response

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

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

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

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

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



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

Other Information

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

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

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

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

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

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

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

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

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



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

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

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

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



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

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

SYCIP GORRES VELAYO & CO.



Sherwin V. Yason
Partner

CPA Certificate No. 104921

SEC Accreditation No. 1514-AR-1 (Group A),

August 6, 2018, valid until August 5, 2021

Tax Identification No. 217-740-478

BIR Accreditation No. 08-001998-112-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20, 27 and 28)	₱30,661,614	₱34,599,959
Receivables and contract assets (Notes 8, 15, 20, 27 and 28)	58,944,930	53,636,921
Real estate inventories (Note 9)	43,691,877	43,946,109
Equity instruments at fair value through other comprehensive income (Notes 10, 20, 27 and 28)	568,146	659,077
Derivative assets (Notes 27 and 28)	2,747	—
Prepaid expenses and other current assets (Notes 11, 20, 27 and 28)	23,205,662	19,485,542
Total Current Assets	157,074,976	152,327,608
Noncurrent Assets		
Equity instruments at fair value through other comprehensive income - net of current portion (Notes 10, 20, 27 and 28)	16,131,568	20,420,959
Investment properties (Notes 13, 18 and 26)	436,159,081	410,639,578
Investments in associates and joint ventures (Note 14)	27,735,239	27,214,398
Property and equipment - net (Notes 12 and 26)	1,311,208	1,383,320
Deferred tax assets - net (Note 25)	831,546	903,845
Derivative assets - net of current portion (Notes 27 and 28)	—	826,315
Other noncurrent assets (Notes 15, 20, 24, 27 and 28)	83,115,307	53,563,651
Total Noncurrent Assets	565,283,949	514,952,066
	₱722,358,925	₱667,279,674
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20, 27 and 28)	₱10,900,000	₱100,000
Accounts payable and other current liabilities (Notes 17, 20, 27 and 28)	81,033,985	70,125,750
Current portion of long-term debt (Notes 18, 20, 27 and 28)	42,738,350	23,521,373
Derivative liabilities (Notes 27 and 28)	357,662	—
Income tax payable	957,906	1,509,657
Total Current Liabilities	135,987,903	95,256,780
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 27 and 28)	218,830,647	214,333,050
Tenants' and customers' deposits - net of current portion (Notes 17, 26, 27 and 28)	21,331,869	21,646,217
Liability for purchased land - net of current portion (Notes 17, 27 and 28)	1,251,227	4,214,234
Deferred tax liabilities - net (Note 25)	6,786,018	4,179,154
Derivative liabilities - net of current portion (Notes 27 and 28)	2,445,735	711,617
Other noncurrent liabilities (Notes 15, 17, 24, 27 and 28)	25,007,898	24,422,348
Total Noncurrent Liabilities	275,853,394	269,496,612
Total Liabilities (Carried Forward)	411,841,297	364,753,392

(Forward)

Date **APR 15 2021** TSIS

RECEIVED
RHEA ARAGON



	December 31	
	2020	2019
Total Liabilities (<i>Brought Forward</i>)	₱411,641,297	₱364,763,400
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 29)	33,166,300	33,166,300
Additional paid-in capital - net (Notes 5 and 19)	38,022,913	38,007,668
Cumulative translation adjustment	1,524,439	1,344,274
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	13,460,669	17,840,990
Net fair value changes on cash flow hedges (Note 28)	(1,769,030)	(1,328,167)
Remeasurement loss on defined benefit obligation (Note 24)	(587,796)	(913,390)
Retained earnings (Note 19):		
Appropriated	42,200,000	42,200,000
Unappropriated	186,251,267	173,583,191
Treasury stock (Notes 19 and 29)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	309,284,067	300,916,171
Non-controlling Interests (Note 19)	1,433,561	1,600,103
Total Equity	310,717,628	302,516,274
	₱722,358,925	₱667,279,674

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date **APR 15 2021** TSIS

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

(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Rent (Notes 13, 20 and 26)	₱32,013,024	₱61,759,921	₱57,162,796
Sales:			
Real estate	46,973,399	44,465,454	35,872,552
Cinema and event ticket	632,984	5,548,469	5,218,434
Others (Notes 20 and 21)	2,279,891	6,537,646	5,826,783
	81,899,298	118,311,490	104,080,565
COSTS AND EXPENSES (Note 22)	52,825,112	61,619,162	55,753,334
INCOME FROM OPERATIONS	29,074,186	56,692,328	48,327,231
OTHER INCOME (CHARGES)			
Interest expense (Notes 20, 23, 27 and 28)	(8,596,750)	(8,832,770)	(7,540,045)
Interest and dividend income			
(Notes 6, 7, 8, 10, 11, 15, 20 and 23)	1,207,227	1,746,406	1,828,776
Others - net (Notes 7, 14, 17, 18, 20 and 28)	779,078	(443,970)	(649,787)
	(6,610,445)	(7,530,334)	(6,361,056)
INCOME BEFORE INCOME TAX	22,463,741	49,161,994	41,966,175
PROVISION FOR INCOME TAX (Note 25)			
Current	1,761,051	9,282,069	8,534,428
Deferred	2,562,953	1,091,252	520,618
	4,324,004	10,373,321	9,055,046
NET INCOME	₱18,139,737	₱38,788,673	₱32,911,129
Attributable to:			
Equity holders of the Parent (Notes 19 and 29)	₱18,006,512	₱38,085,601	₱32,172,886
Non-controlling interests (Note 19)	133,225	703,072	738,243
	₱18,139,737	₱38,788,673	₱32,911,129
Basic/Diluted earnings per share (Note 29)	₱0.624	₱1.320	₱1.115
Dividend per share (Note 19)	₱0.185	₱0.350	₱0.350

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISIONDate **APR 15 2021** TSIS**RECEIVED**
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SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME	₱18,139,737	₱38,788,673	₱32,911,129
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 10)	(4,380,321)	1,635,574	(5,287,209)
Remeasurement gain (loss) on defined benefit obligation (Note 24)	329,172	(567,868)	(152,405)
	(4,051,149)	1,067,706	(5,439,614)
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	180,165	(611,725)	(154,746)
Net fair value changes on cash flow hedges (Note 28)	(440,863)	(486,069)	(530,669)
	(4,311,847)	(30,088)	(6,125,029)
TOTAL COMPREHENSIVE INCOME	₱13,827,890	₱38,758,585	₱26,786,100
Attributable to:			
Equity holders of the Parent (Notes 19 and 29)	₱13,688,396	₱38,058,471	₱26,050,908
Non-controlling interests (Note 5)	139,494	700,114	735,192
	₱13,827,890	₱38,758,585	₱26,786,100

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

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SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock (Notes 19 and 29)	Additional Paid-in Capital - Net (Notes 5 and 19)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	Net Fair Value Changes on Cash Flow Hedges (Note 28)	Remeasurement Loss on Defined Benefit Obligation (Note 24)	Retained Earnings (Note 18)		Treasury Stock (Notes 19 and 29)	Non-controlling Interests (Note 19)
							Appropriated	Unappropriated		Total Equity
At January 1, 2020	P33,166,300	P38,007,668	P1,344,274	P17,840,990	(P1,328,167)	(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P302,516,274
Net income for the year	-	-	-	-	-	-	-	18,006,512	-	18,006,512
Other comprehensive income (loss)	-	-	180,165	(4,380,321)	(440,863)	322,903	-	(4,318,116)	-	6,269
Total comprehensive income (loss) for the year	-	-	180,165	(4,380,321)	(440,863)	322,903	-	(5,342,658)	-	(5,342,658)
Cash dividends (Note 19)	-	-	-	-	-	-	-	4,222	-	4,222
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	-	-	-	2,691	-	-	-	(288,100)
At December 31, 2020	P33,166,300	P38,022,913	P1,524,439	P13,460,669	(P1,769,030)	(P587,796)	P42,200,000	P186,251,267	(P2,984,695)	P310,717,628
At January 1, 2019	P33,166,300	P39,953,218	P1,955,999	P19,084,597	(P842,098)	(P348,480)	P42,200,000	P143,118,153	(P2,984,695)	P279,077,962
Net income for the year	-	-	-	-	-	-	-	38,085,601	-	38,085,601
Transfer of uncalculated gain on equity instruments at fair value through other comprehensive income	-	-	-	(2,879,181)	-	-	-	2,879,181	-	-
Other comprehensive income (loss)	-	-	(611,725)	1,635,574	(486,069)	(564,910)	-	(27,130)	-	(30,088)
Total comprehensive income (loss) for the year	-	-	(611,725)	1,244,607	(486,069)	(564,910)	-	40,964,782	-	40,964,782
Cash dividends (Note 19)	-	-	-	-	-	-	-	(10,507,731)	-	(10,507,731)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	7,987	-	7,987
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest - net (Notes 2 and 5)	-	(1,945,550)	-	-	-	-	-	-	-	(633,700)
At December 31, 2019	P33,166,300	P38,007,668	P1,344,274	P17,840,990	(P1,328,167)	(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P302,516,274

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date **APR 15 2021** TSIS

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Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 19 and 29)	Additional Paid-in Capital - Net (Notes 5 and 19)	Net fair value changes of equity instruments at fair value through cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	Net Fair Value Changes on Cash Flow Hedges (Note 28)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 24)	Retained Earnings (Note 19)		Treasury Stock (Notes 19 and 29)	Non-controlling Interests (Note 19)	Total Equity
							Appropriated	Unappropriated			
At January 1, 2018	P13,166,300	P19,662,168	P2,110,745	P25,489,705	(P311,429)	(P199,126)	P42,200,000	P120,125,645	(P3,287,087)	P258,987,221	P267,873,914
Net income for the year	-	-	-	-	-	-	-	32,172,886	-	32,172,886	32,172,886
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	(1,117,899)	-	-	-	1,117,899	-	-	-
Other comprehensive income (loss)	-	-	(154,746)	(5,287,209)	(530,669)	(149,354)	-	(6,121,978)	-	(3,051)	(6,125,029)
Total comprehensive income (loss) for the year	-	-	(154,746)	(6,405,108)	(530,669)	(149,354)	-	33,280,785	-	26,050,908	26,786,100
Cash dividends (Note 19)	-	-	-	-	-	-	-	(10,307,331)	-	9,154	(10,307,311)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	9,154	-	(576,200)	(576,200)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	8,234	-	585,208	585,208
Sale of treasury shares held by subsidiary	-	282,816	-	-	-	-	-	-	302,392	585,208	887,608
Sale (acquisition) of non-controlling interests (Notes 2 and 5)	-	8,234	-	-	-	-	-	-	-	(300,717)	(292,483)
At December 31, 2018	P33,166,300	P19,953,218	P1,955,999	P19,084,597	(P842,098)	(P348,480)	P42,200,000	P143,118,153	(P2,984,695)	P275,302,994	P279,077,962

See accompanying Notes to Consolidated Financial Statements

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date **APR 15 2021** TSIS

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

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

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date **APR 15 2021** TSIS

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

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

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SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as the “Company”) are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

As at December 31, 2020, SMPH is 49.70% and 25.85% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

The registered office and principal place of business of the Parent Company is at 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.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 15, 2021.

2. Basis of Preparation

The accompanying consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit or loss (FVTPL) which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Company believes that its business would remain relevant despite the challenges posed by the coronavirus 2019 (COVID-19) pandemic. While the pandemic may adversely impact the short-term business results, long-term prospects remain attractive.



Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS, which include the availment of the reliefs granted by the SEC under Memorandum Circular No. 14, Series of 2018 and Memorandum Circular No. 3, Series of 2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

- *Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*
 - a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
 - b. Treatment of land in the determination of the percentage-of-completion (POC);
 - c. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and
 - d. Accounting for Common Usage Service Area (CUSA) charges
- *Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The consolidated financial statements also include the availment of relief under SEC Memorandum Circular No. 4, Series of 2020, to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*, (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued Memorandum Circular No. 34, Series of 2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another other (three) 3 years or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in Note 3 to the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Company	Country of Incorporation	Percentage of Ownership	
		2020	2019
<i>Mall</i>			
First Asia Realty Development Corporation	Philippines	74.2	74.2
Premier Central, Inc. and Subsidiary (PCI)	- do -	100.0	100.0
Consolidated Prime Dev. Corp.	- do -	100.0	100.0
Premier Southern Corp. (PSC)	- do -	100.0	100.0
San Lazaro Holdings Corporation	- do -	100.0	100.0
Southernpoint Properties Corp.	- do -	100.0	100.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	50.0	50.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	100.0	100.0
Affluent Capital Enterprises Limited and Subsidiaries (Affluent)*	British Virgin Islands (BVI)	-	100.0
Mega Make Enterprises Limited and Subsidiaries (Mega Make)*	- do -	-	100.0
Springfield Global Enterprises Limited	- do -	100.0	100.0



Company	Country of Incorporation	Percentage of Ownership	
		2020	2019
Simply Prestige Limited and Subsidiaries	- do -	100.0	100.0
SM Land (China) Limited and Subsidiaries (SM Land China)	Hong Kong	100.0	100.0
Rushmore Holdings, Inc.	Philippines	100.0	100.0
Prime Commercial Property Management Corp. and Subsidiaries (PCPMC)	- do -	100.0	100.0
Magenta Legacy, Inc.	- do -	100.0	100.0
Associated Development Corporation	- do -	100.0	100.0
Prime Metroestate, Inc. and Subsidiary (PMI)	- do -	100.0	100.0
SM Arena Complex Corporation	- do -	100.0	100.0
Mindpro Incorporated (Mindpro)	- do -	70.0	70.0
A. Canicosa Holdings, Inc.	- do -	100.0	100.0
AD Canicosa Properties, Inc.	- do -	100.0	100.0
Cherry Realty Development Corporation	- do -	100.0	100.0
Supermalls Transport Services, Inc. (STSI)	- do -	100.0	100.0
Residential			
SM Development Corporation and Subsidiaries (SMDC)	- do -	100.0	100.0
Highlands Prime Inc. (HPI)	- do -	100.0	100.0
Costa del Hamilo, Inc. and Subsidiary (Costa)	- do -	100.0	100.0
Commercial			
Tagaytay Resort Development Corporation	- do -	100.0	100.0
MOA Esplanade Port, Inc.	- do -	100.0	100.0
Premier Clark Complex, Inc.	- do -	100.0	100.0
SM Smart City Infrastructure and Development Corporation	- do -	100.0	-
Hotels and Convention Centers			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	100.0	100.0

*Entities folded under SM Land China through intra-group restructuring (Note 5)

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Parent Company.

The individual financial statements of the Parent Company and its subsidiaries, which are prepared for the same reporting period using their own set of accounting policies, are adjusted to the accounting policies of the Company when the consolidated financial statements are prepared. All intracompany balances, transactions, income and expenses, and profits and losses resulting from intracompany transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and when the Company has the ability to affect those returns through its power over the investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.



Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within equity section in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Existence of a Contract. The Company's primary document for a contract with a customer is a signed contract to sell or the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.

Measure of Progress. The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Operating Lease Commitments - as Lessor. The Company has entered into commercial property leases in its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.

Rent income amounted to ₱32,013 million, ₱61,760 million and ₱57,163 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 26).

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to ₱23,299 million which significantly reduced rental income. Such rental waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

Before January 1, 2019

Operating Lease Commitments - as Lessee. The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of



these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱1,730 million in December 31, 2018 (see Note 22).

On or after January 1, 2019

Determining the Lease Term of Contract. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate its lease contracts with extension and/or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Company typically exercises its option to renew its leases of various parcels of land since its lease term periods are generally covered by an automatic renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. Upon adoption of the Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including for its subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Company.

Estimates and Assumptions

The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Revenue Recognition Method and Measure of Progress. The Company concluded that revenue from sale of real estate is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Revenue from sale of real estate amounted to ₱46,973 million, ₱44,465 million and ₱35,873 million for the years ended December 31, 2020, 2019, and 2018, respectively, while the cost of real estate sold amounted to ₱20,578 million, ₱20,794 million and ₱17,769 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 22).

Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (or referred also in the consolidated financial statements as "Unbilled revenue from sale of real estate"). The Company maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for rent and other receivables and



vintage approach for receivable from sale of real estate (billed and unbilled) to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The allowance for ECLs amounted to ₱1,066 million and ₱1,054 million as at December 31, 2020 and December 31, 2019, respectively (see Note 8).

Net Realizable Value of Real Estate Inventories. The Company writes down the carrying value of real estate inventories when the net realizable value becomes lower than the carrying value due to changes in market prices or other causes. The net realizable value is assessed with reference to market price at the balance sheet date for similar completed property, less estimate cost to complete the construction and estimated cost to sell. The carrying value is reviewed regularly for any decline in value.

The carrying values of real estate inventories amounted to ₱43,692 million and ₱43,946 million as at December 31, 2020 and 2019, respectively (see Note 9).

Estimated Useful Lives of Property and Equipment and Investment Properties (except for Right-of-use Asset). The useful life of each of the Company's property and equipment and investment properties, excluding right-of-use asset (ROUA), is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment and investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties, excluding ROUA, amounted to ₱412,971 million and ₱390,356 million as at December 31, 2020 and 2019, respectively (see Notes 12 and 13).

Impairment of Other Nonfinancial Assets. The Company assesses at each reporting date whether there is an indication that an item of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding time deposits) may be impaired. Determining the value in use of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the consolidated financial position and performance.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.



There was no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2020. The aggregate carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding time deposits) amounted to ₱546,964 million and ₱490,388 million as at December 31, 2020 and 2019, respectively (see Notes 12, 13, 14 and 15).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized.

Deferred tax assets - net recognized in the consolidated balance sheets amounted to ₱832 million and ₱904 million as at December 31, 2020 and 2019, respectively (see Note 25).

Fair Value of Assets and Liabilities. The Company carries and discloses certain assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these assets and liabilities that are carried in the consolidated financial statements would directly affect consolidated statements of income and consolidated other comprehensive income.

The fair value of assets and liabilities are discussed in Notes 13 and 28.

Contingencies. The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance. It is possible, however, that future consolidated financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No provisions were made in relation to these proceedings.

On or after January 1, 2019

Estimating Incremental Borrowing Rate for Leases. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value in a similar economic environment. The Company estimates the IBR using the available market interest rates adjusted with the Company's credit rating.

3. Summary of Significant Accounting and Financial Reporting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020.



Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*, clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments will apply on future business combinations of the Company.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*, provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The Company adopted these amendments to its floating rate loans linked to United States Dollar (USD) London Inter-Bank Offered Rate (LIBOR) which the Company designated as hedged items in cash flow hedges using cross-currency swaps and interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to interest rate benchmark reforms.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*, provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Leases, COVID-19-Related Rent Concessions*, provide relief to the lessees for applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
 - The rent concession is a direct consequence of COVID-19;
 - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;



- Any reduction in lease payments affects only payments originally on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concessions in the same way it would account for a change that is not a lease modification, i. e., as a variable lease payment.

The amendments are effective for annual reporting periods on or after June 1, 2020.

The Company adopted the amendments beginning January 1, 2020. Adoption of these amendments for rent concessions on certain land leases of the Company due to COVID-19. Rental concession for the year ended December 31, 2020 was recorded as reduction to rent expense.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3 - On the Accounting of the Difference When the Percentage of Completion is Ahead of the Buyer's Payment.* PIC Q&A 2020-03 was issued by the PIC on September 30, 2020 aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

Future Changes in Accounting Policies and Disclosures

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*, provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
 - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
 - Relief from discontinuing hedging relationships
 - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply prospectively, however, the Company is not required to restate prior periods.

The following amendments to the hedge designation documentations (allowed until the end of the reporting period during which a change in the interest basis is made) will not result in the discontinuance of their hedge accounting: (1) designating RFR as the hedged risk; and



(2) description of the hedged item and/or hedging instrument to reflect the RFR. When the description of the hedged item is amended, amounts accumulated in cash flow hedge reserve are deemed to be based on RFR, i.e., amount will be released to profit or loss in the same period or periods in which the hedged RFR cash flows affect profit or loss.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*, intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*, prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*, permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.



- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The standard will be applicable to future accounting for modifications of financial liabilities of the Company.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*, removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*, clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The standard will affect the future classification of liabilities as current or noncurrent when there are future deferral of settlement of the Company's financial liabilities.

- PFRS 17, *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts



PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*. On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020, which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC.



After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Company availed of the deferral of adoption of the above specific provisions, except for land exclusion in determination of POC. Had these provisions been adopted, it would have impacted retained earnings, revenue from real estate sales, cost of real estate sold, other income and real estate inventories.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs).* In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023. Effective January 1, 2024, the real estate industry will adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The Company opted to avail of the relief as provided by the SEC. The adoption of the IFRIC Agenda Decision is not expected to have significant impact on the consolidated financial statements.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05).* On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Company availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. The adoption of this PIC Q&A is not expected to have significant impact on the consolidated financial statements.

As prescribed by SEC Memorandum Circular No. 34, Series of 2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Company's financial reporting during the period of deferral.



Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from acquisition date and are subject to an insignificant risk of change in value.

Determination of Fair Value

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.



The Company recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments):* The Company measures financial assets at amortized cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, receivables, cash in escrow (included under "Prepaid expenses and other current assets" account) and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱1,356 million and ₱2,413 million as at December 31, 2020 and 2019, respectively (see Note 28).

- *Financial assets at FVOCI (debt instruments):* The Company measures debt instruments at FVOCI if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
 - Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments. The carrying values of financial assets classified under this category amounted to ₱3 million and ₱826 million as at December 31, 2020 and 2019, respectively (see Note 28).

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in FVTPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.



- *Financial assets at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized in the consolidated statements of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investments in equity instruments under this category.

Classified under this category are the investments in shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱16,700 million and ₱21,080 million as at December 31, 2020 and 2019, respectively (see Note 28).

Modification of financial assets. The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded. The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or,
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying



amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets. The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company uses a provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach for treasury assets to calculate ECLs.

The Company applies provision matrix and has calculated ECLs based on lifetime ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of unit. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law, cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.



All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement. The Company classifies its financial liabilities in the following categories:

- *Financial liabilities at FVTPL.* Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income under “Others - net” account. Classified as financial liabilities at FVTPL are the Company’s derivative liabilities amounting to ₱2,803 million and ₱712 million as at December 31, 2020 and 2019, respectively (see Note 28).

- *Loans and borrowings.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the loans and borrowings are derecognized, as well as through the amortization process. Loans and borrowings are included under current liabilities if settlement is within twelve months from reporting period. Otherwise, these are classified as noncurrent liabilities.

Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants’ deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱257,361 million and ₱258,681 million as at December 31, 2020 and 2019, respectively (see Note 28).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.



Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Costs

Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments

Initial recognition and subsequent measurement. The Company uses derivative financial instruments, such as non-deliverable forwards, cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company only has hedges classified as cash flow hedges. These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.



Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks.

Changes in the fair value of the cross currency swaps, interest rate swaps and principal only swaps contracts are recognized in OCI and accumulated as a separate component of equity under “Net fair value changes on cash flow hedges”.

The Company designates only the elements of the cross currency swaps, interest rate swaps and principal only swaps contracts as hedging instruments to achieve its risk management objective. These elements are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Real Estate Inventories

Real estate inventories are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less costs to complete and the estimated cost to make the sale. Real estate inventories include properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- Land cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.



Prepaid Expenses and Other Current Assets

Other current assets consist of advances to suppliers and contractors, advances for project development, input tax, creditable withholding taxes, deposits, cash in escrow, prepayments, supplies and inventories and others. Advances to suppliers and contractors and advances for project developments are carried at cost. These represent advance payments to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances for project development represent advances made for the purchase of land and is stated initially at cost. Advances for project development are subsequently measured at cost, net of any impairment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance.

Property Acquisitions and Business Combinations

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises. Otherwise, the acquisition is accounted for as a business combination.

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Company will be identified as the acquirer, (b) determination of the acquisition date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the costs and expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled and final difference is recognized within equity.

Common Control Business Combinations

Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or



parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interests method. Under the pooling of interests method:

- The assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur and for the comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the consolidation had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the acquisition;
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired companies is considered as equity adjustment from business combinations, included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet; and
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Acquisition of Non-controlling Interests

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet.

Property and Equipment

The Company's property and equipment consist of land, building, equipment and ROUA. Property and equipment, except land and construction in progress, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.



Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years	
Buildings	10–25 years	
Leasehold improvements	5–10 years	or term of the lease, whichever is shorter
Data processing equipment	5–8 years	
Transportation equipment	5–6 years	
Furniture, fixtures and equipment	5–10 years	
ROUA – Office spaces	10–25 years	or term of the lease whichever is shorter

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal.

Investment Properties

These consist of commercial spaces/properties held for rental and/or capital appreciation, ROUA and land held for future development. These accounts are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, these accounts, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years	
Buildings and improvements	20–40 years	
Building equipment, furniture and others	3–15 years	
Building and leasehold improvements	5 years	or term of the lease, whichever is shorter
ROUA – land	Remaining lease term	



The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, property and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the period of retirement or disposal.

Transfers are made from investment property to inventories when, and only when, there is a change in use, as evidenced by an approved plan to construct and develop condominium and residential units for sale. Transfers are made to investment property from inventories when, and only when, there is change in use, as evidenced by commencement of an operating lease to a third party or change in the originally approved plan. The cost of property for subsequent accounting is its carrying value at the date of change in use.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in shares of stocks of associates and joint ventures are accounted for under the equity method of accounting.

Under the equity method, investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share in the net asset of the associate or joint venture. The consolidated statements of income reflect the share in the result of operations of the associate or joint venture under "Others-net" account. Where there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of income. Profit and losses resulting from transactions between the Company and the associate or joint venture



are eliminated to the extent of the interest in the associate or joint venture. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate or joint venture. An investment in associate or joint venture is accounted for using the equity method from the date when it becomes an associate or joint venture. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.
- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PFRS 9, from that date, provided the associate or joint venture does not become a subsidiary. Upon loss of significant influence or joint control over the associate or joint venture, the Company measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Company. The accounting policies of the associates and joint ventures conform to those used by the Company for like transactions and events in similar circumstances.

Other Noncurrent Assets

Other noncurrent assets consist of bonds and deposits, receivables from sale of real estate - net of current portion, land use rights, time deposits, deferred input tax and others. Other noncurrent assets are carried at cost.

Impairment of Nonfinancial Assets

The carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding time deposits) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The



recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Tenants' Deposits

Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Company's investment properties. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

Customers' Deposits

Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations to the real estate buyers are fulfilled.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as "Additional paid-in capital - net" account.

Retained Earnings

Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

Treasury Stock

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of own equity instruments.



Dividends

Dividends on common shares are recognized as liability and deducted from equity when declared and approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria, other than those disclosed in Note 2 to the consolidated financial statements, must also be met before revenue is recognized:

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Sale of Amusement Tickets and Merchandise. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services or the delivery of merchandise. Revenue from sale of amusement tickets and merchandise are included in the "Revenue - Others" account in the consolidated statement of income.

Dividend. Revenue is recognized when the Company's right as a shareholder to receive the payment is established. These are included in the "Interest and dividend income" account in the consolidated statement of income.

Management and Service Fees. Revenue is recognized when earned in accordance with the terms of the agreements.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Room Rentals, Food and Beverage, and Others. Revenue from room rentals is recognized on actual occupancy, food and beverage sales when orders are served, and other operated departments when the services are rendered. Revenue from other operated departments include, among others, business center, laundry service, and telephone service. Revenue from food and beverage sales and other hotel revenue are included under the "Revenue - Others" account in the consolidated statement of income.

Revenue and Cost from Sale of Real Estate. The Company derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/milestones



reached/time elapsed. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

Any excess of collections over the total of recognized installment real estate receivables is included in the contract liabilities (or referred also in the consolidated financial statements as “Unearned revenue from sale of real estate”).

Information about the Company's performance obligation. The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. one to three years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

The Company has a quality assurance warranty which is not treated as a separate performance obligation.

Cost of Real Estate Sold. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. These pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. This is reclassified as trade receivable from sale of real estate when the monthly amortization of the customer is already due for collection.

Contract liabilities. These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Company performs its obligation under the contract.



Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Costs and expenses” account in the consolidated statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company’s contract fulfillment assets mainly pertain to land acquisition costs (included under real estate inventories).

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract. The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs are demonstrating indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets.

Management Fees

Management fees are recognized as expense in accordance with the terms of the agreements.

General, Administrative and Other Expenses

Costs and expenses are recognized as incurred.

Pension Benefits

The Company is a participant in the SM Corporate and Management Companies Employer.



Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.



Foreign Currency Translation

The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling at reporting period and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statements of comprehensive income and are presented within the “Cumulative translation adjustment” account in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Effective beginning on or after January 1, 2019

Company as Lessee. The Company applies a single recognition and measurement approach for all the leases except for low-value assets and short-term leases. The Company recognizes lease liabilities to make lease payments and ROUA representing the right to use the underlying asset.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



The Company also recognized ROUA in property and equipment (office spaces) and investment properties (land lease and land use rights). Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated balance sheet. The Company recognizes ROUA at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of bridgeway, machineries and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

Effective before January 1, 2019

Company as Lessee. Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale. Borrowing costs are capitalized when it is probable that they will result in future economic



benefits to the Company. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting period.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting period.



Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Accounts payable and other current liabilities” account in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Prepaid expenses and other current assets” account in the consolidated balance sheets to the extent of the recoverable amount.

Business Segments

The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 4 to the consolidated financial statements.

Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares, if any.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Company’s financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Segment Information

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.



Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Inter-segment Transactions

Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.

Business Segment Data

	2020					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
	<i>(In Thousands)</i>					
Revenue:						
External customers	₱28,133,013	₱47,476,884	₱4,709,187	₱1,580,214	₱-	₱81,899,298
Inter-segment	129,575	-	69,958	2,672	(202,205)	-
	₱28,262,588	₱47,476,884	₱4,779,145	₱1,582,886	(₱202,205)	₱81,899,298
Segment results:						
Income (loss) before income tax	₱3,397,809	₱16,910,196	₱3,629,553	(₱1,019,638)	(₱454,179)	₱22,463,741
Provision for income tax	(1,053,609)	(3,089,875)	(180,520)	-	-	(4,324,004)
Net income	₱2,344,200	₱13,820,321	₱3,449,033	(₱1,019,638)	(454,179))	₱18,139,737
Net income (loss) attributable to:						
Equity holders of the Parent	₱2,210,183	₱13,821,113	₱3,449,033	(₱1,019,638)	(₱454,179)	₱18,006,512
Non-controlling interests	134,017	(792)	-	-	-	133,225
Segment assets	₱393,412,575	₱254,869,649	₱61,567,161	₱14,067,315	(₱1,557,775)	₱722,358,925
Segment liabilities	₱258,218,748	₱147,833,429	₱6,230,590	₱916,305	(₱1,557,775)	₱411,641,297
Other information:						
Capital expenditures	₱26,033,777	₱24,823,848	₱7,393,535	₱1,337,054	₱-	₱59,588,214
Depreciation and amortization	8,872,299	149,450	680,133	639,729	-	10,341,611



2019						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P63,540,287	P45,213,765	P4,510,820	P5,046,618	P-	P118,311,490
Inter-segment	85,072	-	74,100	13,662	(172,834)	-
	P63,625,359	P45,213,765	P4,584,920	P5,060,280	(P172,834)	P118,311,490
Segment results:						
Income before income tax	P30,418,637	P15,020,332	P3,661,683	P1,074,405	(P1,013,063)	P49,161,994
Provision for income tax	(7,020,933)	(2,428,262)	(658,358)	(265,768)	-	(10,373,321)
Net income	P23,397,704	P12,592,070	P3,003,325	P808,637	(P1,013,063)	P38,788,673
Net income attributable to:						
Equity holders of the Parent	P22,701,115	P12,585,587	P3,003,325	P808,637	(P1,013,063)	P38,085,601
Non-controlling interests	696,589	6,483	-	-	-	703,072
Segment assets	P388,653,151	P217,788,016	P51,340,770	P13,573,854	(P4,076,117)	P667,279,674
Segment liabilities	P237,486,362	P124,277,871	P5,982,687	P1,092,597	(P4,076,117)	P364,763,400
Other information:						
Capital expenditures	P29,283,828	P27,578,564	P10,216,823	P1,618,631	P-	P68,697,846
Depreciation and amortization	9,514,073	143,438	560,854	606,713	-	10,825,078
2018						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P59,188,798	P36,519,311	P3,504,224	P4,868,232	P-	P104,080,565
Inter-segment	88,489	-	73,856	85	(162,430)	-
	P59,277,287	P36,519,311	P3,578,080	P4,868,317	(P162,430)	P104,080,565
Segment results:						
Income before income tax	P27,413,548	P10,664,058	P2,864,711	P1,179,145	(P155,287)	P41,966,175
Provision for income tax	(6,816,792)	(1,448,652)	(510,274)	(279,328)	-	(9,055,046)
Net income	P20,596,756	P9,215,406	P2,354,437	P899,817	(P155,287)	P32,911,129
Net income attributable to:						
Equity holders of the Parent	P19,869,360	P9,204,559	P2,354,437	P899,817	(P155,287)	P32,172,886
Non-controlling interests	727,396	10,847	-	-	-	738,243
Segment assets	P366,324,387	P186,098,844	P40,308,522	P12,278,302	(P875,737)	P604,134,318
Segment liabilities	P212,781,100	P108,996,681	P3,163,510	P990,802	(P875,737)	P325,056,356
Other information:						
Capital expenditures	P28,991,530	P57,128,644	P4,213,470	P820,890	P-	P91,154,534
Depreciation and amortization	8,495,514	156,599	446,646	556,667	-	9,655,426

For the years ended December 31, 2020, 2019 and 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The main revenues of the Company are substantially earned from the Philippines.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

Seasonality

Except for the significant impact of COVID-19 pandemic to the Company's operations starting March 2020, there were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.



5. Acquisition of Non-controlling Interest and Business Combinations

Business Combination

In December 2020, the Parent Company entered into a Share Purchase Agreement with its wholly owned subsidiary, SM Land China, and transferred its 100% interest in Affluent and Mega Make in exchange for SM Land China's 1,000 ordinary shares and 1 ordinary share, respectively. The Company recorded the additional investment in SM Land China at the carrying value of the asset given up and treated the transaction as common control business combination.

Acquisition of Non-controlling Interest

In December 2020, the Company (through Landfactors Incorporated, a wholly owned subsidiary of SMDC) purchased additional 12,500 common shares of Greenmist Property Management Corporation for a total consideration of ₱2 million increasing its ownership from 91.67% to 100%. The transaction was accounted for as an equity transaction since there was no change in control.

In December 2019, the Parent Company acquired the remaining 49% stake in STSI for ₱25 million, increasing the total ownership of the Company to 100%.

In August 2019, the Parent Company acquired the remaining 40% of the outstanding common stock of PMI from SMIC for a total consideration of ₱4,106 million. The valuation of the non-controlling interest was based on the appraised values of the real estate assets of PMI as at January 25, 2019. The acquisition resulted to equity reserve adjustment, included under "Additional paid-in capital-net" account in the equity section of the consolidated balance sheets amounting to ₱1,946 million.

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 20)	₱12,484,610	₱4,564,399
Temporary investments (see Note 20)	18,177,004	30,035,560
	₱30,661,614	₱34,599,959

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective temporary investment rates.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱900 million, ₱1,304 million and ₱1,297 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).



7. Financial Assets at FVOCI

This account consisted of investments in listed common shares, which were disposed in 2018.

In 2018, mark-to-market loss on changes in fair value of financial assets at FVOCI amounting to ₱4 million was recognized in other comprehensive income.

Dividend income earned amounted to ₱18 million for the year ended December 31, 2018.

8. Receivables and Contract Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Trade (billed and unbilled):		
Sale of real estate*	₱97,140,164	₱66,604,837
Rent:		
Third parties	5,161,293	6,347,182
Related parties (see Note 20)	2,249,505	3,733,761
Others (see Note 20)	28,429	40,754
Nontrade	50,548	241,413
Accrued interest (see Note 20)	129,226	128,743
Others (see Note 20)	2,068,588	2,474,556
	106,827,753	79,571,246
Less allowance for ECLs	1,066,130	1,053,549
	105,761,623	78,517,697
Less noncurrent portion of trade receivables from sale of real estate (see Note 15)	46,816,693	24,880,776
	₱58,944,930	₱53,636,921

**Includes unbilled revenue from sale of real estate amounting to ₱86,631 million and ₱59,903 million as at December 31, 2020 and 2019, respectively.*

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are noninterest-bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertain to sold real estate inventories at various terms of payments, which are noninterest-bearing.

The Company assigned billed and unbilled receivables from sale of real estate on a without recourse basis to local banks amounting to ₱7,170 million and ₱7,689 million for the years ended December 31, 2020 and 2019, respectively (see Note 20).

The Company also has assigned billed and unbilled receivables from real estate on a with recourse basis to local banks with outstanding balance of ₱1,809 million and ₱1,986 million as at December 31, 2020 and 2019, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 4.25% to 4.50% both in 2020 and 2019. The fair value of the assigned receivables and liability from assigned receivables approximates their costs.

- Accrued interest and other receivables are normally collected throughout the financial period.



Interest income earned from receivables totaled ₱65 million, ₱92 million and ₱75 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

There is no allowance for ECLs on unbilled revenue from sale of real estate. The movements in the allowance for ECLs related to receivables from sale of real estate and other receivables are as follows:

	2020	2019
	<i>(In Thousands)</i>	
At beginning of year	₱1,053,549	₱1,034,040
Provision - net	12,581	19,509
At end of year	₱1,066,130	₱1,053,549

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱92,546,447	₱70,428,499
Past due but not impaired:		
Less than 30 days	1,476,075	3,000,288
31–90 days	2,162,134	2,890,044
91–120 days	3,692,283	650,958
Over 120 days	5,884,684	1,547,908
Impaired	1,066,130	1,053,549
	₱106,827,753	₱79,571,246

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations totaling ₱28,108 million and ₱11,424 million as at December 31, 2020 and 2019, respectively are expected to be recognized over the construction period ranging from one to five years.

9. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium Units for Sale	Residential Units and Subdivision Lots	Total
	<i>(In Thousands)</i>			
Balance as at December 31, 2018	₱29,486,964	₱7,939,941	₱148,198	₱37,575,103
Development cost incurred	22,263,906	—	—	22,263,906
Cost of real estate sold (see Note 22)	(14,632,001)	(6,006,765)	(155,594)	(20,794,360)
<i>(Forward)</i>				



	Land and Development	Condominium Units for Sale	Residential Units and Subdivision Lots	Total
<i>(In Thousands)</i>				
Transfers	(P4,089,397)	P3,947,179	P142,218	P–
Reclassifications from investment properties (see Note 13)	5,002,450	–	–	5,002,450
Translation adjustment and others	(100,990)	–	–	(100,990)
Balance as at December 31, 2019	37,930,932	5,880,355	134,822	43,946,109
Development cost incurred	18,139,127	–	–	18,139,127
Cost of real estate sold (see Note 22)	(18,447,010)	(2,057,496)	(73,900)	(20,578,406)
Transfers	(4,850,263)	4,849,029	1,234	–
Reclassifications from investment properties (see Note 13)	2,031,711	–	–	2,031,711
Translation adjustment and others	123,820	–	29,516	153,336
Balance as at December 31, 2020	P34,928,317	P8,671,888	P91,672	P43,691,877

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to P106,679 million and P74,238 million as at December 31, 2020 and 2019, respectively.

Condominium and residential units for sale pertain to completed projects. These are stated at cost as at December 31, 2020 and 2019.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling P1,745 million and P720 million as at December 31, 2020 and 2019, respectively.

10. Equity Instruments at FVOCI

This account consists of investments in:

	2020	2019
<i>(In Thousands)</i>		
Shares of stock:		
Listed (see Note 20)	P16,696,333	P21,076,655
Unlisted	3,381	3,381
	16,699,714	21,080,036
Less noncurrent portion	16,131,568	20,420,959
	P568,146	P659,077

- Listed shares of stock pertain to investments in publicly-listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

In August 2019, the Parent Company sold a portion of its listed shares to SMIC based on 30-day volume-weighted average price as of July 26, 2019 resulting to a realized gain amounting to P2,879 million directly recognized in retained earnings.

Dividend income from investments at FVOCI amounted to P197 million, P314 million and P394 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).



The movements in the “Net fair value changes of equity instruments at FVOCI” account are as follows:

	2020	2019
	<i>(In Thousands)</i>	
At beginning of the year	₱17,840,990	₱19,084,597
Unrealized loss due to changes in fair value - net of transfers	(4,380,321)	(1,243,607)
At end of the year	₱13,460,669	₱17,840,990

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Input and creditable withholding taxes	₱9,655,119	₱6,781,180
Advances and deposits	9,052,663	8,261,828
Prepaid taxes and other prepayments	3,839,114	3,905,472
Supplies and inventories	407,203	370,330
Cash in escrow and others (see Notes 20 and 27)	251,563	166,732
	₱23,205,662	₱19,485,542

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.
- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are noninterest-bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.
- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.
- Cash in escrow pertains to the amounts deposited in the account of an escrow agent as required by the Housing and Land Use Regulatory Board (HLURB) in connection with the incentive compliance provisions of the Urban Development and Housing Act (UDHA).

Interest income earned from the cash in escrow amounted to ₱2 million, ₱4 million and ₱2 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).



12. Property and Equipment - net

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	ROUA- Office spaces	Construction in Progress	Total
	<i>(In Thousands)</i>							
Cost								
Balance at December 31, 2018	₱249,324	₱1,821,876	₱314,751	₱90,813	₱687,164	₱—	₱1,557	₱3,165,485
Effect of PFRS 16 adoption (see Note 13)	—	—	—	—	—	10,290	—	10,290
Additions	13,220	42,768	34,128	9,401	36,716	—	381	136,614
Disposals/retirements	—	(3,827)	(312)	(3,967)	(149)	—	—	(8,255)
Reclassifications	—	1,830	—	—	—	—	(1,830)	—
Balance at December 31, 2019	262,544	1,862,647	348,567	96,247	723,731	10,290	108	3,304,134
Additions	10,312	44,289	30,183	5,650	20,298	—	8,357	119,089
Disposals/retirements	—	(7,543)	(455)	—	(705)	—	—	(8,703)
Reclassifications	—	6,564	—	—	—	—	(6,564)	—
Balance at December 31, 2020	₱272,856	₱1,905,957	₱378,295	₱101,897	₱743,324	₱10,290	₱1,901	₱3,414,520
Accumulated Depreciation and Amortization								
Balance at December 31, 2018	₱7,687	₱864,695	₱250,075	₱78,122	₱545,795	₱—	₱—	₱1,746,374
Depreciation and amortization (see Note 22)	3,017	100,283	28,974	3,634	44,313	2,420	—	182,641
Disposals/retirements	—	(3,827)	(301)	(3,924)	(149)	—	—	(8,201)
Balance at December 31, 2019	10,704	961,151	278,748	77,832	589,959	2,420	—	1,920,814
Depreciation and amortization (see Note 22)	4,274	104,434	25,787	5,968	41,324	3,398	—	185,185
Disposals/retirements	—	(1,937)	(421)	—	(329)	—	—	(2,687)
Balance at December 31, 2020	₱14,978	₱1,063,648	₱304,114	₱83,800	₱630,954	₱5,818	₱—	₱2,103,312
Net Book Value								
As at December 31, 2019	₱251,840	₱901,496	₱69,819	₱18,415	₱133,772	₱7,870	₱108	₱1,383,320
As at December 31, 2020	₱257,878	₱842,309	₱74,181	₱18,097	₱112,370	₱4,472	₱1,901	₱1,311,208



13. Investment Properties

The movements in this account are as follows:

	Land Held for Future Development	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
<i>(In Thousands)</i>							
Cost							
Balance as at December 31, 2018	₱49,844,246	₱66,877,711	₱224,775,902	₱39,780,170	₱—	₱38,740,171	₱420,018,200
Effect of PFRS 16 adoption	—	(145,995)	—	—	19,761,645	—	19,615,650
Additions	22,801,889	6,760,551	2,156,348	1,863,980	3,000,000	29,076,123	65,658,891
Reclassifications (see Note 9)	(1,803,370)	(3,173,524)	12,679,149	1,261,397	—	(13,966,102)	(5,002,450)
Translation adjustment	—	(67,417)	(1,976,026)	(157,843)	(556,102)	(69,322)	(2,826,710)
Disposals	—	(4,012)	(18,639)	(159,680)	(2,073)	(1,153)	(185,557)
Balance as at December 31, 2019	70,842,765	70,247,314	237,616,734	42,588,024	22,203,470	53,779,717	497,278,024
Additions	6,585,159	3,535,214	2,045,713	1,478,530	3,276,229	24,409,153	41,329,998
Reclassifications (see Note 9)	(1,829,378)	(628,379)	7,517,657	862,027	—	(7,953,638)	(2,031,711)
Translation adjustment	—	15,655	469,724	37,418	111,741	42,657	677,195
Disposals	(4,113,632)	(44,242)	(80)	(121,219)	—	—	(4,279,173)
Balance as at December 31, 2020	₱71,484,914	₱73,125,562	₱247,649,748	₱44,844,780	₱25,591,440	₱70,277,889	₱532,974,333
Accumulated Depreciation and Amortization							
Balance as at December 31, 2018	₱—	₱2,070,849	₱50,214,470	₱24,314,019	₱—	₱—	₱76,599,338
Depreciation and amortization (see Note 22)	—	229,686	6,807,228	3,055,683	549,840	—	10,642,437
Reclassifications	—	7,563	(7,563)	—	—	—	—
Translation adjustment	—	(35,053)	(355,546)	(88,474)	(4,416)	—	(483,489)
Disposals	—	(2,883)	(10,454)	(105,893)	(610)	—	(119,840)
Balance as at December 31, 2019	—	2,270,162	56,648,135	27,175,335	544,814	—	86,638,446
Depreciation and amortization (see Note 22)	—	236,598	7,024,320	2,349,180	546,328	—	10,156,426
Translation adjustment	—	12,180	111,470	25,372	5,042	—	154,064
Disposals	—	(26,301)	(7)	(107,376)	—	—	(133,684)
Balance as at December 31, 2020	₱—	₱2,492,639	₱63,783,918	₱29,442,511	₱1,096,184	₱—	₱96,815,252
Net Book Value							
As at December 31, 2019	₱70,842,765	₱67,977,152	₱180,968,599	₱15,412,689	₱21,658,656	₱53,779,717	₱410,639,578
As at December 31, 2020	71,484,914	70,632,923	183,865,830	15,402,269	24,495,256	70,277,889	436,159,081



In 2020, SMDC sold its 100% interest in Summerhills Estate Holdings, Inc. (SEHI), a wholly owned subsidiary of SMDC, for a total consideration of ₱80 million. SEHI's net assets totaled to ₱82 million, including land held for future development amounting to ₱4,114 million. The loss on disposal of subsidiary amounting to ₱2 million is recognized in the consolidated statement of income under "Others - net" account.

In 2019, the Company adopted PFRS 16 which resulted to the recognition of ROUA amounting to ₱19,626 million, including land use rights of ₱9,976 million previously presented as part of "other noncurrent assets". These were presented under "investment properties" and "property and equipment - net" accounts in the consolidated balance sheet as of January 1, 2019.

Portions of investment properties located in China with total carrying value of ₱1,738 million as at December 31, 2019 are mortgaged as collaterals to secure domestic borrowings which matured in June 2020 (see Note 18).

Consolidated rent income from investment properties amounted to ₱32,013 million, ₱61,760 million and ₱57,163 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Consolidated costs and expenses from investment properties, which generate income, amounted to ₱25,404 million, ₱34,060 million and ₱31,684 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Construction in progress includes shopping mall complex under construction and landbanking and commercial building constructions amounting to ₱70,278 million and ₱53,780 million as at December 31, 2020 and 2019, respectively.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱65,458 million and ₱55,155 million as at December 31, 2020 and 2019, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱22,641 million and ₱24,676 million as at December 31, 2020 and 2019, respectively.

Interest capitalized to the construction of investment properties amounted to ₱3,540 million, ₱3,143 million and ₱2,681 million for the years ended December 31, 2020, 2019 and 2018, respectively. Capitalization rates used range from 2.35% to 4.70%, from 2.35% to 5.13%, and from 2.35% to 5.04% for the years ended December 31, 2020, 2019 and 2018, respectively.

The most recent fair value of investment properties amounted to ₱1,305,810 million as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee. The significant assumptions used in the valuation are discount rates and capitalization rates of 4.00% to 6.00% with an average growth rate of 1.00% to 5.00%.

Investment properties are categorized under Level 3 fair value measurement.

The Company's management believes that there is no impairment loss on the Company's investment properties and there is no significant change in the fair value of the investment properties from that determined on September 30, 2018.



Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

The Company has no restriction on the realizability of its investment properties and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

14. Investments in Associates and Joint Ventures

Investments in Associates

This pertains mainly to investments in the following companies:

- Ortigas Land Corporation (OLC) (formerly OCLP Holdings, Inc.)
- Feihua Real Estate (Chongqing) Company Ltd. (FHREC)

On May 7, 2015, SMPH acquired 39.96% collective ownership interest in OLC, through acquisition of 100% interest in six (6) holding entities, for a total consideration of ₱15,433 million, which approximates the proportionate share of SMPH in the fair values of the identifiable net assets of OLC. OLC owns strategic residential, commercial and landbank areas in key cities in Metro Manila.

As at December 31, 2020, OLC's total assets, total liabilities and total equity amounted to ₱39,948 million, ₱30,008 million and ₱9,940 million, respectively. The carrying value of investment in OLC amounted to ₱17,835 million, which consists of its proportionate share in the net assets of OLC amounting to ₱4,063 million and fair value adjustments and others totaling ₱13,772 million.

As at December 31, 2019, OLC's total assets, total liabilities and total equity amounted to ₱40,023 million, ₱30,735 million and ₱9,288 million, respectively. The carrying value of investment in OLC amounted to ₱17,639 million, which consists of its proportionate share in the net assets of OLC amounting to ₱3,867 million and fair value adjustments and others totaling ₱13,772 million.

The share in profit, net of dividend received of OLC amounted to ₱196 million, ₱719 million and ₱727 million for the years ended December 31, 2020, 2019 and 2018, respectively. There is no share in other comprehensive income for the years ended December 31, 2020, 2019 and 2018.

On April 10, 2012, SMPH, through Tennant Range Corporation (TRC), entered into a Memorandum of Agreement with Trendlink Holdings Limited (THL), a third party, wherein FHREC, a company incorporated in China and 100% subsidiary of TRC, issued new shares to THL equivalent to 50% equity interest. In addition, THL undertakes to pay for the difference between cash invested and the 50% equity of FHREC and the difference between the current market value and cost of the investment properties of FHREC. Management assessed that FHREC is an associate of SMPH by virtue of the agreement with the shareholders of THL.

The carrying value of investment in FHREC amounted to ₱1,291 million and ₱1,276 million as at December 31, 2020 and 2019, respectively. This consists of the acquisition cost amounting to ₱282 million and ₱292 million and cumulative equity in net earnings amounting to ₱1,009 million and ₱984 million as at December 31, 2020 and 2019, respectively. The share in profit amounted to nil, nil and ₱61 million for the years ended December 31, 2020, 2019 and 2018, respectively. There is no share in other comprehensive income for the years ended December 31, 2020, 2019 and 2018.



Investment in Joint Ventures

On January 7, 2013, SMPH entered into Shareholders Agreement and Share Purchase Agreement for the acquisition of 51% ownership interest in the following companies (collectively, Waltermart):

- Winsome Development Corporation
- Willin Sales, Inc.
- Willimson, Inc.
- Waltermart Ventures, Inc.
- WM Development, Inc.

On July 12, 2013, the Deeds of Absolute Sale were executed between SMPH and shareholders of Waltermart. Waltermart is involved in shopping mall operations and currently owns 34 malls across Metro Manila and Luzon. The investment in Waltermart is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

The aggregate carrying values of investment in Waltermart amounted to ₱6,785 million and ₱6,675 million as at December 31, 2020 and 2019, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings, net of dividends received totaling ₱1,640 million and ₱1,530 million as at December 31, 2020 and 2019, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱110 million, ₱371 million and ₱326 million for the years ended December 31, 2020, 2019 and 2018, respectively.

In June 2016, SMDC entered into a shareholder's agreement through ST 6747 Resources Corporation (STRC) for the development of a high-end luxury residential project. Under the provisions of the agreement, each party shall have 50% ownership interest and is required to maintain each party's equal equity interest in STRC. The carrying value of investment in STRC amounted to ₱1,678 million and ₱1,500 million as at December 31, 2020 and 2019, respectively. The aggregate share in profit and total comprehensive income amounted to ₱178 million for the year ended December 31, 2020. The investment in STRC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control. The project was launched in 2019.

In 2016, PSC entered into a joint venture agreement through Metro Rapid Transit Services, Inc. (MRTSI) for the establishment and operation of a high quality public transport system. The investment in MRTSI is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control. The carrying values of investment in MRTSI amounted to ₱46 million and ₱79 million as at December 31, 2020 and 2019, respectively. These consist of the acquisition costs totaling ₱86 million and cumulative equity in net loss totaling ₱40 million and ₱7 million as at December 31, 2020 and 2019, respectively. There is no share in other comprehensive income for the years ended December 31, 2020 and 2019.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2020 and 2019.



15. Other Noncurrent Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Receivables from sale of real estate - net of current portion* (see Note 8)	₱46,816,693	₱24,880,776
Bonds and deposits	32,433,867	23,659,284
Time deposits (see Notes 20 and 28)	1,356,442	2,412,972
Deferred input tax	1,111,000	1,144,582
Land use rights and others (see Note 24)	1,397,305	1,466,037
	₱83,115,307	₱53,563,651

*Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 8).

Bonds and Deposits

Bonds and deposits consist of deposits to contractors and suppliers to be applied throughout construction and advances, deposits paid for leased properties to be applied at the last term of the lease and advance payments for land acquisitions which will be applied against the purchase price of the properties upon fulfillment by both parties of certain undertakings and conditions.

Time Deposits

Time deposits with various maturities within one year were used as collateral for use of credit lines obtained by the Company from related party banks. Interest income earned amounted to ₱43 million, ₱32 million and ₱42 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Land use rights and others

Included under “Land use rights and others” account are certain parcels of real estate properties planned for residential development in accordance with the cooperative contracts entered into by SMPH with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) in March 2007. The value of these real estate properties were not part of the consideration paid by SMPH to Grand China and Oriental Land. Accordingly, the assets were recorded at their carrying values under “Other noncurrent assets” account and a corresponding liability equivalent to the same amount, which is shown as part of “Other noncurrent liabilities” account in the consolidated balance sheets.

16. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱10,900 million and ₱100 million as at December 31, 2020 and 2019, respectively, with due dates of less than one year. These loans bear interest rates of 3.15% to 4.00% in 2020 and 4.30% in 2019.

Interest expense incurred from loans payable amounted to ₱189 million, ₱28 million and ₱21 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).



17. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
	(In Thousands)	
Trade:		
Third parties	₱37,994,767	₱33,593,152
Related parties (see Note 20)	490,247	98,765
Tenants' and customers' deposits* (see Note 26)	37,540,373	34,514,623
Lease liabilities	11,076,316	11,213,547
Accrued operating expenses:		
Third parties	9,863,058	9,270,065
Related parties (see Note 20)	407,443	455,154
Liability for purchased land	8,608,649	8,983,584
Deferred output VAT	8,228,236	4,797,328
Accrued interest (see Note 20)	2,237,044	1,991,323
Payable to government agencies	1,268,136	1,216,212
Nontrade	400,110	360,582
Liability from assigned receivables and others (see Note 8)	4,447,540	4,634,033
	122,561,919	111,128,368
Less noncurrent portion	41,527,934	41,002,618
	₱81,033,985	₱70,125,750

* Includes unearned revenue from sale of real estate amounting to ₱7,615 million and ₱6,023 million as at December 31, 2020 and 2019, respectively.

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are noninterest-bearing and are normally settled within a 30-day term.
- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses - third parties consist of:

	2020	2019
	(In Thousands)	
Payable to contractors	₱4,045,630	₱3,381,980
Utilities	2,532,449	2,888,920
Marketing and advertising and others	3,284,979	2,999,165
	₱9,863,058	₱9,270,065

- Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Company's investment properties. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. Customers' deposits mainly represent excess of collections from buyers over the related revenue recognized based on the percentage of completion method. This also includes nonrefundable reservation fees by prospective buyers which are to be applied against the receivable upon recognition of revenue. The amount of revenue recognized in 2020 and 2019 from amounts



included in unearned revenue from sale of real estate at the beginning of the year amounted to ₱3,689 million and ₱2,769 million, respectively.

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.
- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial period.
- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱11,009 million and ₱11,151 million as at December 31, 2020 and December 31, 2019, respectively (see Note 28). Interest on lease liabilities included under "Others - net" in the consolidated statements of income amounted to ₱323 million and ₱317 million as at December 31, 2020 and December 31, 2019, respectively.



18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					2020	2019
Parent Company					(In Thousands)	
Philippine peso-denominated loans						
Retail bonds	September 1, 2014 - March 25, 2020	March 1, 2020 - March 25, 2027	4.20% - 6.22%	Unsecured	₱99,964,260	₱100,000,000
Other bank loans	January 12, 2012 - December 14, 2020	January 12, 2022 - December 14, 2025	Floating BVAL + margin; Fixed 4.51% - 6.74%	Unsecured	31,548,000	22,048,400
U.S. dollar-denominated loans*	July 30, 2018 - November 10, 2020	October 2, 2022 - June 14, 2023	LIBOR + spread; quarterly	Unsecured	10,084,830	5,569,850
Subsidiaries						
Philippine peso-denominated loans	June 3, 2013 - December 29, 2020	June 3, 2020 - August 7, 2029	Floating BVAL + margin; Fixed - 3.61% - 6.37%	Unsecured	78,992,080	74,511,969
U.S. dollar-denominated loans**	March 21, 2016 - September 23, 2020	January 29, 2021 - April 5, 2024	LIBOR + spread; semi-annual/quarterly	Unsecured	39,669,574	34,179,449
China yuan renminbi-denominated loans	January 14, 2016 - October 16, 2017	June 1, 2020 - October 16, 2022	CBC rate less 10%; quarterly; Fixed - 5.85%	Unsecured/ Secured***	2,559,639	2,670,803
					262,818,383	238,980,471
Less debt issue cost					1,249,386	1,126,048
					261,568,997	237,854,423
Less current portion					42,738,350	23,521,373
					₱218,830,647	₱214,333,050

LIBOR – London Interbank Offered Rate

BVAL – Bloomberg Valuation Service

CBC – Central Bank of China

**Hedged against foreign exchange risks using cross-currency swaps*

***Hedged against foreign exchange and interest rate risks using cross-currency swaps, principal-only swaps and interest rate swaps*

****Long-term debt secured by portions of investment properties located in China matured in June 2020 (see Note 13)*



The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.80:0.20 and interest coverage ratio of not less than 2.50:1.00 and material change in ownership or control. As at December 31, 2020 and 2019, the Company is in compliance with the terms of its loan covenants.

The re-pricing frequencies of floating rate loans of the Company range from three to six months.

Interest expense incurred from long-term debt amounted to ₱8,224 million, ₱8,663 million and ₱7,451 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Debt Issue Cost

The movements in unamortized debt issue cost of the Company follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of the year	₱1,126,048	₱1,136,169
Additions	540,881	386,742
Amortization	(417,543)	(396,863)
Balance at end of the year	₱1,249,386	₱1,126,048

Amortization of debt issuance costs is recognized in the consolidated statements of income under “Others - net” account.

Repayment and Debt Issue Cost Schedule

The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱42,738,350	(₱416,274)	₱42,322,076
More than 1 year to 5 years	203,516,574	(813,111)	202,703,463
More than 5 years	16,563,459	(20,001)	16,543,458
	₱262,818,383	(₱1,249,386)	₱261,568,997

19. Equity

Capital Stock

As at December 31, 2020 and 2019, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2020 and 2019.



The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	—	₱—
April 22, 1994	—	6,369,378,049	5.35
May 29, 2007	10,000,000,000	—	—
May 20, 2008	—	912,897,212	11.86
October 14, 2010	—	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50

SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,395 as at December 31, 2020.

Additional Paid-in Capital - Net

Following represents the nature of the consolidated “Additional paid-in capital - net”:

	2020	2019
	<i>(In Thousands)</i>	
Paid-in subscriptions in excess of par value	₱33,549,808	₱33,549,808
Net equity adjustments from common control business combinations	9,309,730	9,309,730
Arising from acquisition of non-controlling interests (see Note 5)	(4,836,625)	(4,851,870)
As presented in the consolidated balance sheets	₱38,022,913	₱38,007,668

Retained Earnings

In 2020, the BOD approved the declaration of cash dividend of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020, ₱4 million of which was received by SMDC. This was paid on July 14, 2020. In 2019, the BOD approved the declaration of cash dividend of ₱0.35 per share or ₱10,108 million to stockholders of record as of May 8, 2019, ₱8 million of which was received by SMDC. This was paid on May 22, 2019. In 2018, the BOD approved the declaration of cash dividend of ₱0.35 per share or ₱10,108 million to stockholders of record as of May 9, 2018, ₱9 million of which was received by SMDC. This was paid on May 23, 2018.

As at December 31, 2020 and 2019, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2021, the Company expects to incur capital expenditures of approximately ₱80 billion.

The retained earnings account is restricted for the payment of dividends to the extent of ₱104,746 million and ₱91,773 million as at December 31, 2020 and 2019, respectively, representing the cost of shares held in treasury (₱2,985 million as at December 31, 2020 and 2019) and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures ₱101,761 million and ₱88,788 million as at December 31, 2020 and 2019, respectively. The accumulated equity in net earnings of subsidiaries is not available for dividend distribution until such



time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

Treasury Stock

As at December 31, 2020 and 2019, this includes 4,310 million reacquired capital stock and shares held by a subsidiary stated at acquisition cost of ₱2,985 million.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2020 and 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant related party transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2020	2019	2018	2020	2019		
(In Thousands)							
Ultimate Parent							
Rent income	₱54,752	₱46,314	₱45,391	₱–	₱–		
Rent receivable	–	–	–	4,426	4,846	Noninterest-bearing	Unsecured; not impaired
Management fee income	2,790	3,183	2,885	–	–		
Service income	48,000	57,600	57,600	–	–		
Service fee receivable	–	–	–	4,480	14,080	Noninterest-bearing	Unsecured; not impaired
Rent expense	92,484	113,152	105,583	–	–		
Accrued rent payable	–	–	–	–	(8)	Noninterest-bearing	Unsecured
Trade payable	11,887	7,955	6,539	(36,646)	(24,759)	Noninterest-bearing	Unsecured
Equity instruments at FVOCI	–	–	–	153,263	152,386		
Dividend income	621	1,332	1,198	–	–		
Bank and Retail Affiliates							
Cash and cash equivalents	118,698,095	123,976,281	160,983,099	17,670,812	21,375,689	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	10,067,227	17,103,118	16,079,276	–	–		
Rent receivable	–	–	–	2,221,901	3,712,435	Noninterest-bearing	Unsecured; not impaired
Service income	31,233	19,895	28,559	–	–		
Management fee income	–	256	999	–	–		
Management fee receivable	–	–	–	8,441	16,882	Noninterest-bearing	Unsecured; not impaired
Interest income	435,107	862,812	374,432	–	–		
Accrued interest receivable	–	–	–	12,049	51,668	Noninterest-bearing	Unsecured; not impaired
Receivable financed	7,170,156	7,689,986	1,663,822	–	–	Without recourse	Unsecured
Time deposits	–	30,375	–	1,356,442	2,412,972	Interest-bearing	Unsecured

(Forward)



	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2020	2019	2018	2020	2019		
(In Thousands)							
Loans payable and long-term debt	₱2,500,412	₱2,500,330	₱9,205,385	(₱10,538,976)	(₱12,277,815)	Interest-bearing	Unsecured
Interest expense	711,528	714,250	252,296	—	—		
Accrued interest payable	—	—	—	(53,452)	(57,229)	Noninterest-bearing	Unsecured
Rent expense	38	461	634	—	—		
Trade payable	225,008	—	38,510	(288,144)	(63,136)	Noninterest-bearing	Unsecured
Management fee expense	3,620	3,425	11,217	—	—		
Equity instruments at FVOCI	—	—	—	9,614,605	14,223,854		
Cash in escrow	25,952	149,038	157,719	144,209	117,985	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	108,029	186,098	225,357	—	—		
Other Related Parties							
Rent income	153,434	187,219	178,572	—	—		
Rent receivable	—	—	—	23,178	16,480	Noninterest-bearing	Unsecured; not impaired
Service income	86,038	92,823	77,579	—	—		
Service fee receivable	—	—	—	—	1,963	Noninterest-bearing	Unsecured; not impaired
Management fee income	2,404	15,491	6,859	—	—		
Management fee receivable	—	—	—	6,862	6,862	Noninterest-bearing	Unsecured; not impaired
Rent expense	5,638	8,602	8,311	—	—		
Accrued expenses	—	—	—	(407,443)	(455,146)	Noninterest-bearing	Unsecured
Trade payable	154,587	—	—	(165,457)	(10,870)	Noninterest-bearing	Unsecured
Dividend income	—	—	88,266	—	—		

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

Rent

The Company has existing lease agreements for office and commercial spaces with related companies (SM Retail (Retail Affiliates), BDO Unibank, Inc. (BDO) and China Banking Corporation (China Bank) (Bank Affiliates) and other affiliates).

Service Fees

The Company provides manpower and other services to affiliates.

Dividend Income

The Company's equity instruments at FVOCI of certain affiliates earn income upon the declaration of dividends by the investees.

Cash Placements and Loans

The Company has certain bank accounts and cash placements that are maintained with BDO and China Bank. Such accounts earn interest based on prevailing market interest rates (see Note 6).

The Company also availed of bank loans and long-term debt from BDO and China Bank and pays interest based on prevailing market interest rates (see Notes 16 and 18).

The Company also entered into financing arrangements with BDO and China Bank. There were no assigned receivables on a with recourse basis to BDO and China Bank in 2020 and 2019 (see Note 8).

Others

The Company, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash.



Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2020, 2019 and 2018 consist of short-term employee benefits amounting to ₱1,126 million, ₱1,179 million and ₱1,104 million, respectively, and post-employment benefits (pension benefits) amounting to ₱274 million, ₱182 million and ₱165 million, respectively.

21. Other Revenue

Details of other revenue follows:

	2020	2019	2018
	<i>(In Thousands)</i>		
Food and beverages	₱438,755	₱1,733,424	₱1,668,705
Net merchandise sales	223,432	973,897	902,730
Amusement and others	182,994	925,485	911,580
Advertising income	72,788	220,331	214,473
Bowling and ice skating fees	56,035	291,909	253,911
Others	1,305,887	2,392,600	1,875,384
	₱2,279,891	₱6,537,646	₱5,826,783

Others include service fees, parking terminal, sponsorships, commissions and membership revenue.

22. Costs and Expenses

This account consists of:

	2020	2019	2018
	<i>(In Thousands)</i>		
Cost of real estate sold (see Note 9)	₱20,578,406	₱20,794,360	₱17,769,208
Depreciation and amortization (see Notes 12 and 13)	10,341,611	10,825,078	9,655,426
Administrative (see Notes 20 and 24)	8,945,926	12,100,309	11,329,111
Marketing and selling	5,152,576	6,408,579	5,530,794
Business taxes and licenses	5,082,801	4,819,840	4,790,129
Insurance	611,317	542,349	518,168
Rent (see Notes 20 and 26)	564,602	1,255,788	1,729,671
Film rentals	355,055	3,048,427	2,829,629
Others	1,192,818	1,824,432	1,601,198
	₱52,825,112	₱61,619,162	₱55,753,334

Rent expense pertain to variable payments for various lease agreements.

Others include bank charges, donations, dues and subscriptions, services fees and transportation and travel.



23. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	2020	2019	2018
	<i>(In Thousands)</i>		
Interest income on:			
Cash and cash equivalents (see Note 6)	₱899,615	₱1,304,094	₱1,297,364
Time deposits (see Note 15)	43,101	32,149	42,160
Others (see Notes 8 and 11)	67,245	96,017	76,924
	₱1,009,961	₱1,432,260	₱1,416,448
Interest expense on:			
Long-term debt (see Note 18)	₱8,223,671	₱8,663,340	₱7,451,159
Loans payable (see Note 16)	189,244	28,055	21,054
Others	183,835	141,375	67,832
	₱8,596,750	₱8,832,770	₱7,540,045

24. Pension Benefits

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2020.

The following tables summarize the components of the pension plan as at December 31:

Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2020	2019	2018
	<i>(In Thousands)</i>		
Current service cost	₱446,968	₱327,853	₱296,007
Interest - net and others	34,321	(9,973)	(13,279)
	₱481,289	₱317,880	₱282,728

Net Pension Asset (included under "Other noncurrent assets" account)

	2020	2019
	<i>(In Thousands)</i>	
Fair value of plan assets	₱207,458	₱226,448
Defined benefit obligation	(115,900)	(149,375)
Effect of asset ceiling limit	(10,691)	(11,186)
Net pension asset	₱80,867	₱65,887

Net Pension Liability (included under "Other noncurrent liabilities" account)

	2020	2019
	<i>(In Thousands)</i>	
Defined benefit obligation	₱3,120,026	₱3,591,858
Fair value of plan assets	(2,682,509)	(2,876,419)
Net pension liability	₱437,517	₱715,439



The changes in the present value of the defined benefit obligation are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of the year	₱3,741,233	₱2,499,818
Actuarial loss (gain) on:		
Changes in financial assumptions	(420,558)	601,169
Experience adjustments	(390,767)	180,426
Changes in demographic assumptions	2,890	22,494
Current service cost	446,968	327,853
Interest cost and others	206,376	193,627
Benefits paid	(343,525)	(79,068)
Transfer from the plan	(6,691)	(5,086)
Balance at end of the year	₱3,235,926	₱3,741,233

The above present value of defined benefit obligation are broken down as follows:

	2020	2019
	<i>(In Thousands)</i>	
Related to pension asset	₱115,900	₱149,375
Related to pension liability	3,120,026	3,591,858
	₱3,235,926	₱3,741,233

The changes in the fair value of plan assets are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱3,102,867	₱2,451,424
Contributions	343,507	498,788
Interest income	172,683	204,775
Benefits paid from assets	(343,525)	(79,068)
Transfer from the plan	(6,691)	(5,086)
Remeasurement gain (loss)	(378,874)	32,034
Balance at end of year	₱2,889,967	₱3,102,867

The changes in the fair value of plan assets are broken down as follows:

	2020	2019
	<i>(In Thousands)</i>	
Related to pension asset	₱207,458	₱226,448
Related to pension liability	2,682,509	2,876,419
	₱2,889,967	₱3,102,867



The changes in the effect of asset ceiling limit are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Asset ceiling limit at beginning of year	₱11,186	₱15,148
Remeasurement gain	(1,123)	(5,137)
Interest cost	628	1,175
	₱10,691	₱11,186

The carrying amounts and fair values of the plan assets as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(In Thousands)</i>			
Cash and cash equivalents	₱42,936	₱42,936	₱18,228	₱18,228
Investments in:				
Common trust funds	1,147,925	1,147,925	1,237,861	1,237,861
Government securities	1,068,491	1,068,491	1,069,767	1,069,767
Debt and other securities	588,723	588,723	727,017	727,017
Equity securities	29,653	29,653	31,603	31,603
Other financial assets	12,239	12,239	18,391	18,391
	₱2,889,967	₱2,889,967	₱3,102,867	₱3,102,867

- Cash and cash equivalents includes regular savings and time deposits;
- Investments in common trust funds pertain to unit investment trust fund;
- Investments in government securities consist of retail treasury bonds which bear interest ranging from 2.63% to 6.25% and have maturities ranging from 2023 to 2025;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which bear interest ranging from 2.58% to 7.51% and have maturities ranging from 2021 to 2026;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.



The following table summarizes the outstanding balances and transactions of the pension plan with BDO, an affiliate, as at and for the years ended December 31:

	2020	2019
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱42,936	₱18,228
Interest income from cash and cash equivalents	960	5,314
Investments in common trust funds	1,147,925	1,237,861
Gain (loss) from investments in common trust funds	(72,170)	4

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	2020	2019	2018
Discount rate	3.0%–4.4%	5.5%–5.6%	7.4%–7.8%
Future salary increases	2.0%–9.0%	3.0%–9.0%	3.0%–9.0%

Remeasurement effects recognized in other comprehensive income at December 31 follow:

	2020	2019	2018
	<i>(In Thousands)</i>		
Actuarial (gain) loss	(₱429,561)	₱772,055	₱227,809
Remeasurement gain - excluding amounts recognized in net interest cost	(1,123)	(5,137)	(15,271)
	(₱430,684)	₱766,918	₱212,538

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 and 2019, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
2020	<i>(In Thousands)</i>	
Discount rates	50	(₱146,942)
	(50)	160,226
Future salary increases	100	311,481
	(100)	(270,495)
2019		
Discount rates	50	(₱170,376)
	(50)	185,129
Future salary increases	100	370,345
	(100)	(320,998)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2020 and 2019, respectively:

Year 2020	Amount
	<i>(In Thousands)</i>
2021	₱633,747
2022	228,286
2023–2024	556,135
2025–2030	2,005,553
Year 2019	Amount
	<i>(In Thousands)</i>
2020	₱579,542
2021	461,929
2022–2023	618,296
2024–2029	2,421,611

The Company expects to contribute about ₱432 million to its defined benefit pension plan in 2021.

The weighted average duration of the defined benefit obligation is 9.6 years and 9.4 years as of December 31, 2020 and 2019, respectively.

25. Income Tax

The current provision for income tax presented in the consolidated statements of income represents RCIT and MCIT.

The details of the Company's deferred tax assets and liabilities are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Deferred tax assets:		
Lease liabilities	₱1,993,521	₱2,019,512
NOLCO	965,328	413,026
Unrealized foreign exchange losses	408,353	408,342
Excess of fair value over cost of investment properties and others	331,415	347,763
Excess MCIT over RCIT	324,262	17,088
Provision for ECLs on receivables	122,272	105,450
Unamortized past service cost	17,624	27,895
Deferred rent income	–	4,073
Others	536,864	1,054,832
	4,699,639	4,397,981
Deferred tax liabilities:		
Unrealized gross profit on sale of real estate	(6,405,984)	(3,924,038)
Undepreciated capitalized interest, unrealized foreign exchange gains and others	(2,442,990)	(1,996,511)
Right-of-use assets	(1,595,884)	(1,597,089)

(Forward)



	2020	2019
Pension asset	(₱71,718)	(₱28,861)
Others	(137,535)	(126,791)
	(1,805,137)	(7,673,290)
Net deferred tax liabilities	(₱5,954,472)	(₱3,275,309)

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2020	2019
	<i>(In Thousands)</i>	
Deferred tax assets - net	₱831,546	₱903,845
Deferred tax liabilities - net	(6,786,018)	(4,179,154)
	(₱5,954,472)	(₱3,275,309)

As at December 31, 2020 and 2019, unrecognized deferred tax assets amounted to ₱184 million and ₱174 million, respectively, bulk of which pertains to NOLCO from SM China.

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations No. 25-2020 implementing Section 4(bbb) of “Bayanihan to Recover As One Act (“Bayanihan Act”)” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The Company has incurred NOLCO amounting to ₱2,085 million in taxable year 2020.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	2020	2019	2018
Statutory tax rate	30.0%	30.0%	30.0%
Income tax effects of:			
Equity in net earnings of associates and joint ventures	(0.9)	(0.9)	(0.9)
Availment of income tax holiday	(3.4)	(4.1)	(4.0)
Interest income subjected to final tax and dividend income exempt from income tax	(1.5)	(0.8)	(1.2)
Nondeductible expenses and others	(4.9)	(3.1)	(2.3)
Effective tax rates	19.3%	21.1%	21.6%

The Company’s certain real estate sales are registered with the Philippine Board of Investments as a new developer of low-cost mass housing projects. Under such registration, the Company is entitled to a three to four-year income tax holiday incentive for certain projects.

26. Lease Agreements

Company as Lessor

The Company’s lease agreements with its mall tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease



terms of five years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

Also, the Company's lease agreements with its commercial property tenants are generally granted for a term of one year, with the exception of some tenants, which are granted initial lease terms of 2 to 20 years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants pay either a fixed monthly rent or a percentage of sales, depending on the terms of the lease agreements, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating commercial property leases follow:

	2020	2019
	<i>(In Millions)</i>	
Within one year	₱6,263	₱3,630
After one year but not more than five years	14,102	12,802
After more than five years	6,648	7,747
	₱27,013	₱24,179

Consolidated rent income amounted to ₱32,013 million, ₱61,760 million and ₱57,163 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Company as Lessee

The Company also leases certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 10 to 50 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher.

Also, the Company has various operating lease commitments with third party and related parties. The noncancellable periods of the lease range from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

Depreciation expense on ROUA, interest expense on lease liabilities and rent expense on other leases amounting to ₱550 million, ₱323 million and ₱565 million, respectively, and ₱552 million, ₱317 million and ₱1,256 million, respectively, are recognized in the consolidated statements of income for the years ended December 31, 2020 and 2019, respectively (see Notes 12, 13, 17 and 22).

The maturity analysis of the undiscounted lease payments as at December 31, 2020 and December 31, 2019, respectively are presented in Note 27 to the consolidated financial statements.

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.



The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 28).

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2020 and 2019, after taking into account the effect of interest rate swaps, approximately 80% and 81%, respectively, of its long-term borrowings, are at a fixed rate of interest (see Note 28).



Interest Rate Risk

The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2020 and 2019:

	Interest Rate	2020					Total
		1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	
Floating Rate							
Philippine peso-denominated loans	BVAL+margin%	₱1,268,600	₱12,273,600	₱19,247,600	₱3,795,600	₱15,701,400	52,286,800
Less debt issue cost							219,732
							₱52,067,068
	Interest Rate	2019					Total
		1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	
Floating Rate							
Philippine peso-denominated loans	BVAL+margin%	₱1,325,100	₱3,150,100	₱8,235,100	₱18,209,100	₱15,241,000	46,160,400
China yuan renminbi-denominated loan	CBC rate less 10%	¥19,382	¥—	¥347,900	¥—	¥—	2,670,803
							48,831,203
Less debt issue cost							220,142
							₱48,611,061

BVAL – Bloomberg Valuation Services
CBC - Central Bank of China



Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax (In Thousands)
2020	100	(P34,417)
	50	(17,209)
	(100)	34,417
	(50)	17,209
2019	100	(P35,221)
	50	(17,611)
	(100)	35,221
	(50)	17,611

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary assets amounted to US\$25 million (P1,179 million) as at December 31, 2020 and US\$33 million (P1,655 million) as at December 31, 2019.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were P48.02 to US\$1.00 and P50.64 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2020 and 2019, respectively.

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of \$	Effect on Income Before Tax (In Thousands)
2020	1.50	P9,210
	1.00	6,140



	Appreciation (Depreciation) of \$	Effect on Income Before Tax
		(In Thousands)
	(1.50)	(P9,210)
	(1.00)	(6,140)
2019	1.50	12,254
	1.00	8,169
	(1.50)	(12,254)
	(1.00)	(8,169)

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to P30,662 million and P568 million, respectively, as at December 31, 2020 and P34,600 million and P659 million, respectively, as at December 31, 2019 (see Notes 6 and 10). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2020			
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	Total
	(In Thousands)			
Loans payable	P10,956,069	P-	P-	P10,956,069
Accounts payable and other current liabilities*	63,449,508	-	-	63,449,508
Long-term debt (including current portion)	51,645,867	228,715,038	17,274,810	297,635,715
Derivative liabilities	357,662	2,445,735	-	2,803,397
Liability for purchased land - net of current portion**	-	1,251,227	-	1,251,227
Tenants' deposits - net of current portion	-	21,023,323	54,549	21,077,872
Lease liabilities	655,840	2,636,354	22,131,323	25,423,517
Other noncurrent liabilities***	-	4,397,581	794,710	5,192,291
	P127,064,946	P260,469,258	P40,255,392	P427,789,596



	2019			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	(In Thousands)			
Loans payable	P100,000	P–	P–	P100,000
Accounts payable and other current liabilities*	55,618,612	–	–	55,618,612
Long-term debt (including current portion)	30,199,771	209,574,775	95,275,297	335,049,843
Derivative liabilities	–	711,617	–	711,617
Liability for purchased land - net of current portion	–	4,214,234	–	4,214,234
Tenants' deposits - net of current portion**	–	20,797,637	–	20,797,637
Lease liabilities	662,887	2,625,786	22,943,876	26,232,549
Other noncurrent liabilities***	–	8,184,737	–	8,184,737
	P86,581,270	P246,108,786	P118,219,173	P450,909,229

* Excluding nonfinancial liabilities and lease liabilities amounting to P17,585 million and P14,507 million as at December 31, 2020 and 2019, respectively.

** Excluding residential customers' deposits amounting to P254 million and P849 million as at December 31, 2020 and 2019, respectively.

*** Excluding nonfinancial liabilities and lease liabilities amounting to P19,815 million and P5,086 million as at December 31, 2020 and 2019, respectively.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 8, 10 and 11).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 28. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

As at December 31, 2020 and 2019, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 8). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

High Quality. Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.



As at December 31, 2020 and 2019, the credit quality of the Company's financial assets is as follows:

	2020			Total
	Neither Past Due nor Impaired High Quality	Standard Quality	Past Due but not Impaired	
(In Thousands)				
Financial assets at amortized cost				
Cash and cash equivalents*	₱30,560,051	₱—	₱—	₱30,560,051
Receivables**	129,226	1,328,309	13,215,176	14,672,711
Cash in escrow (included under “Prepaid expenses and other current assets”)	144,209	—	—	144,209
Time deposits (included under “Other noncurrent assets”)	1,356,442	—	—	1,356,442
Financial assets at FVTPL				
Derivative assets	2,747	—	—	2,747
Financial assets at FVOCI				
Equity instruments	16,696,333	3,381	—	16,699,714
	₱48,889,008	₱1,331,690	₱13,215,176	₱63,435,874

* Excluding cash on hand amounting to ₱102 million

** Excluding nonfinancial assets amounting to ₱44,272 million

	2019			Total
	Neither Past Due nor Impaired		Past Due but not Impaired	
	High Quality	Standard Quality		
(In Thousands)				
Financial assets at amortized cost				
Cash and cash equivalents*	₱34,399,825	₱—	₱—	₱34,399,825
Receivables**	128,743	10,632,459	8,089,198	18,850,400
Cash in escrow (included under “Prepaid expenses and other current assets”)	117,985	—	—	117,985
Time deposits (included under “Other noncurrent assets”)	2,412,972	—	—	2,412,972
Financial assets at FVTPL				
Derivative assets	826,315	—	—	826,315
Financial assets at FVOCI				
Equity instruments	21,076,655	3,381	—	21,080,036
	₱58,962,495	₱10,635,840	₱8,089,198	₱77,687,533

* Excluding cash on hand amounting to ₱200 million

** Excluding nonfinancial assets amounting to ₱34,787 million

Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI in the consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.



The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2020 and 2019) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

2020		
	Change in Equity Price	Effect on Equity
		<i>(In Millions)</i>
Equity instruments at FVOCI	+1.19%	₱53
	-1.19%	(53)
2019		
	Change in Equity Price	Effect on Equity
		<i>(In Millions)</i>
Equity instruments at FVOCI	+2.86%	₱133
	-2.86%	(133)

Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using the following gearing ratios as at December 31:

Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	2020	2019
	<i>(In Thousands)</i>	
Loans payable	₱10,900,000	₱100,000
Current portion of long-term debt	42,738,350	23,521,373
Long-term debt - net of current portion	218,830,647	214,333,050
Total interest-bearing debt (a)	272,468,997	237,954,423
Total equity attributable to equity holders of the parent	309,284,067	300,916,171
Total interest-bearing debt and equity attributable to equity holders of the parent (b)	₱581,753,064	₱538,870,594
Gearing ratio (a/b)	47%	44%



Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2020	2019
	<i>(In Thousands)</i>	
Loans payable	₱10,900,000	₱100,000
Current portion of long-term debt	42,738,350	23,521,373
Long-term debt - net of current portion	218,830,647	214,333,050
Less cash and cash equivalents	(30,661,614)	(34,599,959)
Total net interest-bearing debt (a)	241,807,383	203,354,464
Total equity attributable to equity holders of the parent	309,284,067	300,916,171
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	₱551,091,450	₱504,270,635
Gearing ratio (a/b)	44%	40%

28. Financial Instruments

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2020				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>				
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱2,747	₱2,747	₱—	₱2,747	₱—
Financial assets at amortized cost:					
Time deposits (included under “Other noncurrent assets - net”)	1,356,442	1,356,442	—	1,356,442	—
Financial assets at FVOCI:					
Equity instruments	16,699,714	16,699,714	16,696,333	—	3,381
	₱18,058,903	₱18,058,903	₱16,696,333	₱1,359,189	₱3,381
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱2,803,397	₱2,803,397	₱—	₱2,803,397	₱—
Loans and borrowings:					
Liability for purchased land - net of current portion	1,251,227	1,204,295	—	—	1,204,295
Long-term debt - net of current portion	218,830,647	214,950,879	—	—	214,950,879
Lease liability - net of current portion	11,009,422	11,009,422	—	—	11,009,422
Tenants’ deposits - net of current portion	21,077,872	20,772,115	—	—	20,772,115
Other noncurrent liabilities*	5,192,291	5,147,613	—	—	5,147,613
	₱260,164,856	₱255,887,721	₱—	₱2,803,397	₱253,084,324

*Excluding nonfinancial liabilities amounting to ₱8,806 million as at December 31, 2020.



December 31, 2019					
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱826,315	₱826,315	₱—	₱826,315	₱—
Financial assets at amortized cost:					
Time deposits (included under “Other noncurrent assets”)	2,412,972	2,412,972	—	2,412,972	—
Financial assets at FVOCI:					
Equity instruments	21,080,036	21,080,036	21,076,655	—	3,381
	₱24,319,323	₱24,319,323	₱21,076,655	₱3,239,287	₱3,381
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱711,617	₱711,617	₱—	₱711,617	₱—
Loans and borrowings:					
Liability for purchased land - net of current portion	4,214,234	3,895,885	—	—	3,895,885
Long-term debt - net of current portion	214,333,050	210,364,038	—	—	210,364,038
Lease liability - net of current portion	11,151,217	11,151,217	—	—	11,151,217
Tenants’ deposits - net of current portion	20,797,637	20,598,862	—	—	20,598,862
Other noncurrent liabilities*	8,184,737	7,973,701	—	—	7,973,701
	₱259,392,492	₱254,695,320	₱—	₱711,617	₱253,983,703

*Excluding nonfinancial liabilities amounting to ₱5,086 million as at December 31, 2019.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3;

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Derivative Instruments. The fair values are based on quotes obtained from counterparties.

Equity Instruments at FVOCI. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.



Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 1.24% to 4.67% and from 2.96% to 6.48% as at December 31, 2020 and 2019, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used was 3.72% to 4.44% and 6.95% to 6.99% as at December 31, 2020 and 2019, respectively.

Tenants' Deposits, Liability for Purchased Land, Lease Liabilities and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 2.13% to 8.03% and 4.41% to 7.86% as at December 31, 2020 and 2019, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, cash in escrow, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.



Financial Instruments Accounted for as Cash Flow Hedges

The table below shows information on the Company's cross currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated loans.

Year			Outstanding	Agreed			Aggregate Fair Value	
Obtained	Maturity	Hedged Loan	Notional Amount	Equivalent	Receive	Pay	2020	2019
			<i>(In Thousands)</i>				<i>(In Thousands)</i>	
2020	2022	Four - year term loans	\$100,000	₱4,828,000	3 months LIBOR+margin%	2.88%	(₱40,795)	₱—
2020	2024	Four - year term loans	\$150,000	₱7,277,500	3 months LIBOR+margin%	3.64% - 3.70%	(206,455)	—
2019	2024	Five - year term loans	\$286,000	¥1,919,208	3 months LIBOR+margin%	3.86% - 3.97%	(778,539)	368,426
2018	2023	Five - year term syndicated loans	\$110,000	₱5,865,700	3 months LIBOR+margin%	6.37% - 6.39%	(1,109,138)	(711,617)
2018	2022	Five - year term loans	\$100,000	¥671,715	3 months LIBOR+margin%	4.95% - 5.43%	(310,808)	2,117
							(₱2,445,735)	(₱341,074)



Principal only Swaps. In 2016 and 2017, SM Land (China) Limited entered into principal only swap transactions to hedge the foreign currency exposures amounting to \$420 million of five-year term syndicated loans and advances obtained on January 11, 2016 to March 22, 2016 and January 11-17, 2017 (see Note 18). Under the principal only swap, it effectively converted the hedged US dollar-denominated loans and advances into China renminbi-denominated loans.

As at December 31, 2020 and 2019, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US\$270 million which were fixed to US\$:¥ exchange rates ranging from 6.458 to 6.889 and will mature on January 29, 2021. The outstanding principal swaps has a fair value of negative ¥300 million as at December 31, 2020 and ¥387 million as at December 31, 2019.

Interest Rate Swaps. In 2017 and 2016, SM Land (China) Limited entered into US\$ interest rate swap agreement with notional amount of US\$150 million and US\$270 million, respectively. Under the agreement, SM Land (China) Limited effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan (see Note 18). Interest rate swaps agreement with the notional amount of US\$150 million matured in April 2019. Fair value of the outstanding interest rate swaps amounted to negative ¥55 million as at December 31, 2020 and positive ¥69 million as at December 31, 2019.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2020.

Cumulative fair value changes recognized in equity under other comprehensive income from the matured interest rate swaps amounting to nil and ¥18 million gain was recognized in the consolidated statements of income for the years ended December 31, 2020 and 2019.

Below is the maturity profile of derivative financial instruments accounted for as cash flow hedges as at December 31, 2020 and 2019:

Hedge Instruments*	2020			Total
	Within 1 year	2 to 3 years	4 to 5 years	
	(amounts in thousands)			
Cross currency swaps	USD–	USD460,000	USD286,000	USD746,000
Principal only swaps	270,000	–	–	270,000
Interest rate swaps	270,000	–	–	270,000
	USD540,000	USD460,000	USD286,000	USD1,286,000

Hedge Instruments*	2019			Total
	Within 1 year	2 to 3 years	4 to 5 years	
	(amounts in thousands)			
Cross currency swaps	USD–	USD110,000	USD386,000	USD496,000
Principal only swaps	–	270,000	–	270,000
Interest rate swaps	–	270,000	–	270,000
	USD–	USD650,000	USD386,000	USD1,036,000

*Notional amounts of hedge instruments are US dollar-denominated.

Assessment of Hedge Effectiveness

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency swaps, principal only swaps and interest rate swaps match the terms of the hedged items (i.e., notional amount and expected payment date). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the cross-currency swaps, principal only swaps and interest rate swaps are identical to the hedged risk components. To test the



hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments and the counterparties' credit risk differently impacting the fair value movements of the hedging instruments.

Hedge Effectiveness Results

The fair value of the outstanding cross-currency swaps, principal only swaps and interest rate swaps amounting to negative ₱2,801 million as at December 31, 2020 and positive ₱115 million as at December 31, 2019, respectively, was taken to equity under other comprehensive income. For the years ended December 31, 2020 and 2019, no ineffectiveness was recognized in the consolidated statement of income. Foreign currency translation arising from the hedged loan amounting to ₱2,474 million gain in 2020, ₱477 million loss in 2019 and ₱2,247 million gain in 2018 was recognized under other comprehensive income. Foreign exchange gain equivalent to the same amounts were recycled from equity to the consolidated statement of income during the same year.

Derivative Financial Instruments Accounted for as Not Designated as Hedges

Forward Swaps. In 2018, SM Land (China) Limited entered into forward swap transactions to cap the foreign currency exposures on its U.S. dollar-denominated three-year term syndicated loans (the hedged loans) obtained on March 14, 2018 to May 25, 2018 (see Note 18). Fair value changes from the matured swaps in 2019, amounting to ₱22 million gain, was recognized in the consolidated statement of comprehensive income.

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱114,698	₱517,925
Net changes in fair value during the year	(2,915,348)	(109,736)
Fair value of settled derivatives	—	(293,491)
Balance at end of year	(₱2,800,650)	₱114,698

29. EPS Computation

Basic/diluted EPS is computed as follows:

	2020	2019	2018
	<i>(In Thousands, Except Per Share Data)</i>		
Net income attributable to equity holders of the parent (a)	₱18,006,512	₱38,085,601	₱32,172,886
Common shares issued	33,166,300	33,166,300	33,166,300
Less weighted average number treasury stock (see Note 19)	4,309,888	4,309,888	4,311,949
Weighted average number of common shares outstanding (b)	28,856,412	28,856,412	28,854,351
Earnings per share (a/b)	₱0.624	₱1.320	₱1.115



30. Change in Liabilities Arising from Financing Activities

Movements in loans payable, long-term debt and lease liabilities accounts are as follows (see Notes 16, 17 and 18):

	2020			2019		
	Loans Payable	Long-term Debt	Lease Liabilities	Loans Payable	Long-term Debt	Lease Liabilities
	<i>(In Thousands)</i>					
Balance at beginning of year	₱100,000	₱237,854,423	₱11,213,547	₱39,400	₱222,771,886	₱—
Effect of PFRS 16 adoption	—	—	—	—	—	11,293,984
Availments	36,500,000	54,903,912	—	580,000	41,813,638	—
Payments	(25,700,000)	(28,993,349)	(85,013)	(519,400)	(25,466,777)	(80,437)
Cumulative translation adjustment	—	366,233	—	—	(1,823,229)	—
Foreign exchange movement	—	(2,443,642)	—	—	548,786	—
Loan refinancing	—	—	—	—	—	—
Others	—	(118,580)	(52,218)	—	10,119	—
Balance at end of year	₱10,900,000	₱261,568,997	₱11,076,316	₱100,000	₱237,854,423	₱11,213,547

There are no non-cash changes in accrued interest and dividends payable. Others include debt issue cost additions and rental concession on certain land leases due to COVID-19.

31. Other Matters

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The general features of the CREATE bill are the following:

- Reduction in current income tax rate effective July 1, 2020;
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023;
- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020; and
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%.

As at February 15, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and its Subsidiaries (the "Company") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated February 15, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Sherwin V. Yason

Partner

CPA Certificate No. 104921

SEC Accreditation No. 1514-AR-1 (Group A),

August 6, 2018, valid until August 5, 2021

Tax Identification No. 217-740-478

BIR Accreditation No. 08-001998-112-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021



Annex I

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

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2020

Unappropriated retained earnings as at January 1, 2020	₱170,367,434,940
Adjustments for:	
Non-actual/unrealized income, net of applicable tax:	
Equity in net earnings of subsidiaries, associates and joint ventures	(104,710,606,269)
Treasury stock	(2,613,650,429)
	<u>(107,324,256,698)</u>
Unappropriated retained earnings as at January 1, 2020, available for dividend declaration	63,043,178,242
 Net income closed to retained earnings in 2020	 17,628,322,425
Adjustments for:	
Non-actual/unrealized income, net of applicable tax:	
Equity in net earnings of subsidiaries, associates and joint ventures	(15,360,484,426)
Net income actually earned in 2020	<u>2,267,837,999</u>
 Less: Cash dividends in 2020	 <u>(5,342,657,852)</u>
 Retained earnings as at December 31, 2020	
available for dividend declaration	<u><u>₱59,968,358,389</u></u>

Schedule A

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

Financial Assets

As at December 31, 2020

(Amounts in Thousands except for Number of Shares)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet as at December 31, 2020	Income Received and Accrued
Financial Assets at Amortized Cost*			
Temporary investments:			
Banco de Oro (BDO)	PHP 13,406,506	PHP 13,406,506	
China Banking Corporation (CHIB)	PHP 316,532	316,532	
China Merchants Bank	RMB 277,000	2,037,999	
Industrial and Commercial Bank of China	RMB 200,400	1,474,422	
Bank of East Asia Ltd	RMB 115,000	846,101	
China Industrial Bank	RMB 6,000	44,144	
Others	PHP 51,300	51,300	
Time deposits on hold:			
BDO	PHP 1,300,000	1,300,000	
CHIB	PHP 56,442	56,442	
Cash in escrow:			
CHIB	PHP 137,899	137,899	
BDO	PHP 6,310	6,310	
		PHP 19,677,655	PHP 938,366
Financial Assets at FVPL			
Tagaytay Midlands Golf Club, Inc.	33 shares	PHP 21,902	
The Country Club at Tagaytay Highlands	7 shares	1,400	
Tagaytay Highlands International Golf Club Inc	1 share	804	
Derivative assets	PHP 3	3	
		PHP 24,109	PHP 0
Financial Assets at FVOCI			
BDO Unibank, Inc.	90,024,395 shares	PHP 9,614,605	
Ayala Corporation	7,690,430 shares	6,359,986	
Shang Properties, Inc.	189,550,548 shares	513,682	
SM Investments Corporation	146,104 shares	153,263	
Republic Glass Holdings Corporation	14,230,000 shares	43,402	
Picop Resources, Inc.	40,000,000 shares	8,200	
Philippine Long Distance Telephone Company	253,270 shares	2,533	
Export & Industry Bank	7,829,000 shares	2,036	
Prime Media Holdings, Inc.	500,000 shares	430	
Benguet Corporation	266,757 shares	827	
Others	964 shares	750	
		PHP 16,699,714	PHP 197,266
		PHP 36,401,478	PHP 1,135,632

*Excluding cash on hand and in banks.

Schedule C

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

As at December 31, 2020

(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
SM Land (China) Limited and Subsidiaries	₱6,125,544	2,163,446	(₱507,820)	₱—	₱—	₱7,781,170	₱7,781,170
San Lazaro Holdings Corporation	1,361,697	60	(7)	—	—	1,361,750	1,361,750
Costa del Hamilo, Inc. and Subsidiary	850,750	9,636	(16,382)	—	—	844,004	844,004
SM Development Corporation and Subsidiaries	654,322	214,141	(215,512)	—	—	652,951	652,951
Premier Central, Inc.	372,387	346,218	(88,499)	—	—	630,106	630,106
Prime_Commercial Property Management Corporation and Subsidiaries	156,058	314,432	(41,726)	—	—	428,764	428,764
Mindpro Inc.	325,920	1,434	(1,127)	—	—	326,227	326,227
SM Prime Holdings, Inc. (Parent)	424,633	3,889,836	(4,172,818)	—	—	141,651	141,651
SM Hotels and Conventions Corp. and Subsidiaries	67,473	619,131	(616,009)	—	—	70,595	70,595
Associated Development Corporation	169,500	—	(114,750)	—	—	54,750	54,750
SM Arena Complex Corporation	19,782	39,538	(9,797)	—	—	49,523	49,523
Tagaytay Resort and Development Corporation	36,521	—	—	—	—	36,521	36,521
First Asia Realty Development Corporation	65,893	27,406	(64,518)	—	—	28,781	28,781
Consolidated Prime Dev. Corp.	22,545	88,547	(92,415)	—	—	18,677	18,677
Premier Southern Corp.	17,551	116,018	(115,542)	—	—	18,027	18,027
Southernpoint Properties Corp.	11,218	61,218	(65,574)	—	—	6,862	6,862
First Leisure Ventures Group Inc.	2,538	3,474	—	—	—	6,012	6,012
CHAS Realty and Development Corporation and Subsidiaries	5,588	25,353	(28,796)	—	—	2,145	2,145
MOA Esplanade Port, Inc.	1,482	644	—	—	—	2,126	2,126
Prime Metroestate, Inc. and Subsidiary	532	481	(174)	—	—	839	839
Highlands Prime Inc.	643	—	(643)	—	—	—	—
Supermalls Transport Services, Inc.	6,981	16,411	(23,392)	—	—	—	—
	₱10,699,558	₱7,937,424	(₱6,175,501)	₱—	₱—	₱12,461,481	₱12,461,481

Schedule H

SM PRIME HOLDINGS, INC.

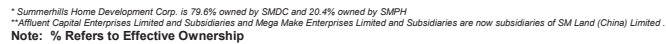
Capital Stock

As at December 31, 2020

(Shares in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued as Shown Under Related Balance Sheet Caption	Number of Shares Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common	40,000,000	33,166,300	28,879,232	16,202,238	3,349,636	9,327,358

Annex III



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and its Subsidiaries (the "Company") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 15, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2020 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Partner

CPA Certificate No. 104921

SEC Accreditation No. 1514-AR-1 (Group A),
August 6, 2018, valid until August 5, 2021

Tax Identification No. 217-740-478

BIR Accreditation No. 08-001998-112-2020,
November 27, 2020, valid until November 26, 2023

PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021



Annex IV

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2020

Ratio	Formula	December 31, 2020	December 31, 2019
Current ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	1.16	1.60
Acid - Test Ratio	$\frac{\text{Total current assets less inventory and prepaid expenses}}{\text{Total current liabilities}}$	0.66	0.93
Solvency Ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.75	1.83
Debt-to-equity ratio	$\frac{\text{Total interest-bearing liabilities}}{\text{Total equity attributable to equity holders of the parent}}$	47:53	44:56
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity attributable to equity holders of the parent}}$	2.34	2.22
Interest rate coverage ratio	$\frac{\text{Earnings before interest, income taxes depreciation and amortization (EBITDA)}}{\text{Interest expense}}$	4.57	7.56
Return on equity	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average equity attributable to equity holders of the parent}}$	6%	13%
Return on assets	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average investment properties and inventories}}$	4%	9%
Net income margin	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total revenue}}$	22%	32%
Other ratios:			
Debt to EBITDA	$\frac{\text{Total interest-bearing liabilities}}{\text{EBITDA}}$	6.94	3.56
Net debt-to-equity ratio	$\frac{\text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}{\text{Total equity attributable to equity holders of the parent}}$	44:56	40:60

**SCHEDULE FOR LISTED COMPANIES WITH A RECENT
OFFERING OF SECURITIES TO THE PUBLIC**

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Retail Bond – Series K and L Bonds
As of December 31, 2020

(1) Gross and Net Proceeds as Disclosed in the Final Prospectus

Gross Proceeds	₱15,000,000,000
Estimated Expenses	(242,098,391)
Net Proceeds	<u>₱14,757,901,609</u>

(2) Actual Gross and Net Proceeds

Gross Proceeds	₱15,000,000,000
Actual Expenses	(180,615,165)
Net Proceeds	<u>₱14,819,384,835</u>

(3) Each Expenditure Item where the Proceeds were Used

The net proceeds was used to finance capital expenditures of the following:

Projects	Amounts in million
SM City Tuguegarao	₱2,455
SM City Grand Central	1,672
SM City Roxas	1,527
SM City Sta. Rosa Expansion	1,481
SM City Tanza	1,187
SM City Sto. Tomas	1,123
SM City Bataan	1,095
SM City Sorsogon	992
SM City Daet	784
SM Sta. Rosa Yulo	608
SM City Urdaneta Central 3L Expansion	479
SM San Jose Nueva Ecija	432
SM Bagumbong, North Caloocan	260
SM City Masinag Carpark Building	204
SM Center San Pedro	155
SM City Butuan	150
Sucab Building B Redevelopment	122
SM City Masinag Exp Bridgeline Redevelopment	55
NU Baliwag	35
SM Zamboanga	3
TOTAL	<u>₱14,819</u>

(4) As of December 31, 2020, ₱14,819 million was used in financing capital expenditures for the expansion and construction of mall projects.

Republic of the Philippines)
Pasig City, Metro Manila) S.S.

CERTIFICATION

I, **ELMER B. SERRANO**, of legal age, Filipino, and with office address at the 33rd Floor, The Orient Square, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **SM Prime Holdings, Inc.** (the **Corporation**), a corporation organized and existing under and by virtue of the laws of the Philippines, with office address at 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.

2. Based on corporate records and as of this date, none of the directors, independent directors and officers of the Corporation named in the Information Statement (SEC Form 20-IS) has been elected or appointed to, and is presently occupying a position in any government agency, bureau, department, or office.

3. I am issuing this Certificate in compliance with the requirement of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this MAR 05 2021 at Pasig City.


ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 05 2021 at Pasig City, affiant exhibited to me his [REDACTED]

Doc No. 218;
Page No. 048;
Book No. I;
Series of 2021.


KRISTINE RBONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31, 2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Amando M. Tetangco, Jr.**, Filipino, of legal age and a resident of [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of SM Prime Holdings, Inc. (the "Corporation").
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
St. Luke's Medical Center	Trustee/Director	August 2017 to present
Tan Yan Kee Foundation	Trustee	December 2017 to present
Manila Hotel	ID	August 2018 to present
Toyota Motor Philippines	ID	March 2019 to present
Converge ICT	ID	June 17, 2020 to present
CIBI Information, Inc.	ID	June 26, 2020 to present
Belle Corporation	ID	December 4, 2017 to present
Foundation for Liberty and Prosperity	Trustee	May 20, 2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

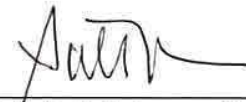
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

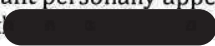
OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
See Note ¹ below		

6. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

¹ A criminal and administrative case (OMB-C-C-13-0092) against me with the Ombudsman was dismissed on May 13 2015. The dismissal was elevated to the Court of Appeals (CA) (CA-G.R. SP No. 144038), which sustained the dismissal on May 15, 2017. The CA's resolution was assailed with the Supreme Court (SC) (G.R. 234696) upon the filing of a Petition for Review dated November 29, 2017. As of the date of signing of this Certification, I have not received information that the SC has given due course to the said petition.

Done, this _____ day of MAR 05 2021, at Pasig City


Amando M. Tetangco, Jr.

SUBSCRIBED AND SWORN to before me this _____ day of MAR 05 2021 at Pasig City
affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card
with 

Doc. No. 220;
Page No. 045;
Book No. J;
Series of 2021;


KRISTINE R. BONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31, 2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Darlene Marie B. Berberabe, Filipino, of legal age and a resident of [REDACTED], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SM Prime Holdings, Inc.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BCDA (GOCC)	Consultant to the Chairman	2018 – present
Palm Concepcion Power Corporation	Director (BOD)	2018 – present
PA Alvarez	Director (BOD)	2018 – present
Katapult Digital Corp.	Co-Founder and Director (BOD)	2017 – present
UP College of Law	Senior Lecturer	2018 – present
Phil. Heart Association	Trustee	2017- present
UP Law Alumni Foundation	Trustee	2019 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SM Prime Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not Applicable		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of SM Prime Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Signature page follows

Done, this _____ day of MAR 05 2021, at Pasig City.

Darlene Marie B. Berberabe
Darlene Marie B. Berberabe

SUBSCRIBED AND SWORN to before me this _____ day of MAR 05 2021 at Pasig City,
affiant personally appeared before me and exhibited to me her Driver's License issued at LTO NCR on
August 13, 2018.

Doc. No. 219 ;
Page No. 45 ;
Book No. I ;
Series of 2021 ;

Kristine A. Bongcaron
KRISTINE A. BONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31, 2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **J. Carlitos G. Cruz**, Filipino, of legal age and a resident of [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SM Prime Holdings, Inc.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Transnational Diversified Group, Inc.	Independent Director	1 month
Federal Land, Inc.	Independent Director	Less than a month
Solar Philippines Power Project Holdings, Inc.	Independent Director	Less than a month
Makati Business Club	Board of Trustee	1 year & 6 months
Philippines-Thailand Business Council	Co-Chair	4 years
Association of CPAs in Public Practice	Member	10 years
Management Association of the Philippines	Member	20 years
Philippine Institute of Certified Public Accountants	Member	38 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the SM Prime Holdings, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not Applicable		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of SM Prime Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Signature page follows

Done, this _____ day of MAR 05 2021, at Pasig City


J. Carlitos G. Cruz
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAR 05 2021 at Pasig City,
affiant personally appeared before me and exhibited to me his Philippine Passport No issued at
[REDACTED]

Doc. No. 221 ;
Page No. 46 ;
Book No. 1 ;
Series of 2021 ;


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SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 19 and 29)	Additional Paid-in Capital - Net (Notes 5 and 19)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	Net Fair Value Changes on Cash Flow Hedges (Note 28)	Remeasurement Loss on Defined Benefit Obligation (Note 24)	Retained Earnings (Note 19)		Treasury Stock (Notes 19 and 29)	Total	Non-controlling Interests (Note 19)	Total Equity
							Appropriated	Unappropriated				
At January 1, 2020	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990	(₱1,328,167)	(₱913,390)	₱42,200,000	₱173,583,191	(₱2,984,695)	₱300,916,171	₱1,600,103	₱302,516,274
Net income for the year	—	—	—	—	—	—	—	18,006,512	—	18,006,512	133,225	18,139,737
Other comprehensive income (loss)	—	—	180,165	(4,380,321)	(440,863)	322,903	—	—	—	(4,318,116)	6,269	(4,311,847)
Total comprehensive income (loss) for the year	—	—	180,165	(4,380,321)	(440,863)	322,903	—	18,006,512	—	13,688,396	139,494	13,827,890
Cash dividends (Note 19)	—	—	—	—	—	—	—	(5,342,658)	—	(5,342,658)	—	(5,342,658)
Cash dividends received by a subsidiary	—	—	—	—	—	—	—	4,222	—	4,222	—	4,222
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(288,100)	(288,100)
Acquisition of non-controlling interest - net (Notes 2 and 5)	—	15,245	—	—	—	2,691	—	—	—	17,936	(17,936)	—
At December 31, 2020	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628
At January 1, 2019	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597	(₱842,098)	(₱348,480)	₱42,200,000	₱143,118,153	(₱2,984,695)	₱275,302,994	₱3,774,968	₱279,077,962
Net income for the year	—	—	—	—	—	—	—	38,085,601	—	38,085,601	703,072	38,788,673
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	—	—	—	(2,879,181)	—	—	—	2,879,181	—	—	—	—
Other comprehensive income (loss)	—	—	(611,725)	1,635,574	(486,069)	(564,910)	—	—	—	(27,130)	(2,958)	(30,088)
Total comprehensive income (loss) for the year	—	—	(611,725)	(1,243,607)	(486,069)	(564,910)	—	40,964,782	—	38,058,471	700,114	38,758,585
Cash dividends (Note 19)	—	—	—	—	—	—	—	(10,507,731)	—	(10,507,731)	—	(10,507,731)
Cash dividends received by a subsidiary	—	—	—	—	—	—	—	7,987	—	7,987	—	7,987
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(633,700)	(633,700)
Acquisition of non-controlling interest - net (Notes 2 and 5)	—	(1,945,550)	—	—	—	—	—	—	—	(1,945,550)	(2,241,279)	(4,186,829)
At December 31, 2019	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990	(₱1,328,167)	(₱913,390)	₱42,200,000	₱173,583,191	(₱2,984,695)	₱300,916,171	₱1,600,103	₱302,516,274



	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 19 and 29)	Additional Paid-in Capital - Net (Notes 5 and 19)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	Net Fair Value Changes on Cash Flow Hedges (Note 28)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 24)	Retained Earnings (Note 19)		Treasury Stock (Notes 19 and 29)	Total	Non-controlling Interests (Note 19)	Total Equity
							Appropriated	Unappropriated				
At January 1, 2018	₱33,166,300	₱ 39,662,168	₱2,110,745	₱25,489,705	(₱311,429)	(₱199,126)	₱42,200,000	₱120,125,945	(₱3,287,087)	₱258,957,221	₱3,916,693	₱262,873,914
Net income for the year	—	—	—	—	—	—	—	32,172,886	—	32,172,886	738,243	32,911,129
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	—	—	—	(1,117,899)	—	—	—	1,117,899	—	—	—	—
Other comprehensive income (loss)	—	—	(154,746)	(5,287,209)	(530,669)	(149,354)	—	—	—	(6,121,978)	(3,051)	(6,125,029)
Total comprehensive income (loss) for the year	—	—	(154,746)	(6,405,108)	(530,669)	(149,354)	—	33,290,785	—	26,050,908	735,192	26,786,100
Cash dividends (Note 19)	—	—	—	—	—	—	—	(10,307,731)	—	(10,307,731)	—	(10,307,731)
Cash dividends received by a subsidiary	—	—	—	—	—	—	—	9,154	—	9,154	—	9,154
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(576,200)	(576,200)
Sale of treasury shares held by subsidiary	—	282,816	—	—	—	—	—	—	302,392	585,208	—	585,208
Sale (acquisition) of non-controlling interests (Notes 2 and 5)	—	8,234	—	—	—	—	—	—	—	8,234	(300,717)	(292,483)
At December 31, 2018	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597	(₱842,098)	(₱348,480)	₱42,200,000	₱143,118,153	(₱2,984,695)	₱275,302,994	₱3,774,968	₱279,077,962

See accompanying Notes to Consolidated Financial Statements.





PRIME



Inspiring Resilience

Integrated Report 2020

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

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

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

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

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

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

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

Cover Photo:
SM Mall of Asia's iconic globe reflects the message on #SafeMallingatSM

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



We are SM Prime

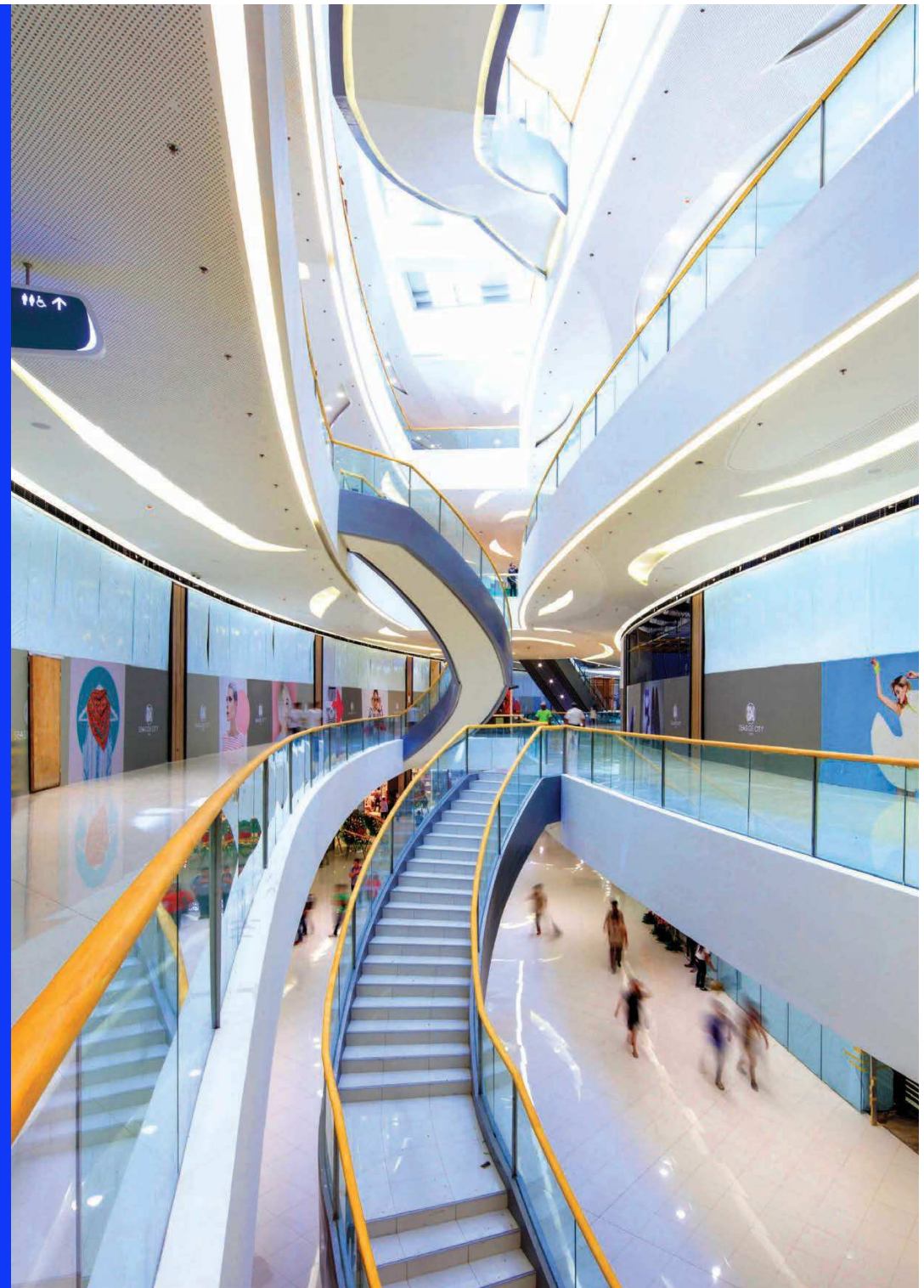
004	Our Story
051	Securing our Stakeholders
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Our Story

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

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

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



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

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

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

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

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

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

Mission

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

What We Stand For

Integrity
Hardwork
Innovation
Teamwork
Sustainability

Integrated Approach to the Value Creation Process

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

Inputs



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



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



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



- Water consumption: 12M cum
- Greenhouse gas emissions: 968,778 MT CO2
- Solid waste management: 94.7M kg
- Marine Protected Areas (MPA)



- Number of employees: 9,576
- Diverse and inclusive workplace
- Engagement platforms
- COVID-19 response



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

Key Capitals

Our Vision

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

External Factors

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

Strategic Focus Areas

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

Business Activities

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

Our Mission

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

Outputs



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



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



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



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



- 1:1 ratio of men:women in top management
- PHP 13.7M budget spent on employee learning and development
- PHP 999.6M for employee compensation during the quarantine period
- PHP 6.6M worth of safety supplies provided to employees
- 70-20-10 blended learning approach on COVID-19 response



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



Financial Capital



Manufactured Capital



Intellectual Capital



Natural Capital

Outcomes

Business viability to ensure the funding of future projects

Funds to build new projects and trigger business growth

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

Urbanization and increased economic activity in provincial areas

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

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

Reduced carbon footprint and cost-savings

Safe communities around our properties

Marine diversity conservation and management

Accelerated employee growth and the assurance of business continuity

Nurtured employees that work with a happy heart

Improved quality of life, health and safety of employees

Livelihood preservation

Strong multi-sector relationships



Human Capital



Social & Relationship Capital



Board of Directors



Herbert T. Sy

Mr. Herbert T. Sy
Non-Executive Director

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

Mr. Jorge T. Mendiola
Non-Executive Director

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



Jorge T. Mendiola

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

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

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

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



Jose L. Cuisia, Jr.

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

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



Henry T. Sy, Jr.

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



Jeffrey C. Lim

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

Mr. Henry T. Sy, Jr.
Chairman

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



Gregorio U. Kilayko

Mr. Jeffrey C. Lim
Executive Director and President

Jeffrey C. Lim was appointed President of SM Prime in October 2016 and has been reappointed since then. He is a member of the Company's Executive Committee. He was elected to the Board of Directors of SM Prime in April 2016. He concurrently holds various board and executive positions in other 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 multinational company and for SGV & Co.

Mr. Gregorio U. Kilayko
Independent Director

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



Hans T. Sy

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

Mr. Hans T. Sy
Non-Executive Director

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



Joselito H. Sibayan

Mr. Joselito H. Sibayan
Independent Director

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

Corporate Executives

HENRY SY, SR. (†)
Chairman Emeritus

HENRY T. SY, JR.
Chairman

JEFFREY C. LIM
President

HANS T. SY
Chairman of the Executive Committee

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

CHRISTOPHER S. BAUTISTA
Chief Audit Executive

MARVIN PERRIN L. PE
Chief Risk Officer

STEVEN T. TAN
Head, Malls

JOSE MARI H. BANZON
Head, Residential (Primary)

SHIRLEY C. ONG
Head, Residential (Leisure)

RUSSEL T. SY
Head, Commercial Properties

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

ELMER B. SERRANO
Corporate Secretary

ARTHUR A. SY
Assistant Corporate Secretary

From Left to Right:

HANS T. SY
Chairman of the Executive Committee

HENRY T. SY, JR.
Chairman

JEFFREY C. LIM
President



Chairman's Message (102-14)

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

To Our Valued Shareholders,

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

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

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

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

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

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

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

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

Continuous Service and Development

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

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

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

Facility for our frontliners and travelers coming into Metro Manila.

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

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

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

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

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

Work Together, Heal as One

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

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

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

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

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

Mabuhay ang Pilipinas! Mabuhay tayong mga Filipino!



Henry T. Sy, Jr.
Chairman

Vice Chairman and Lead Independent Director's Statement

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

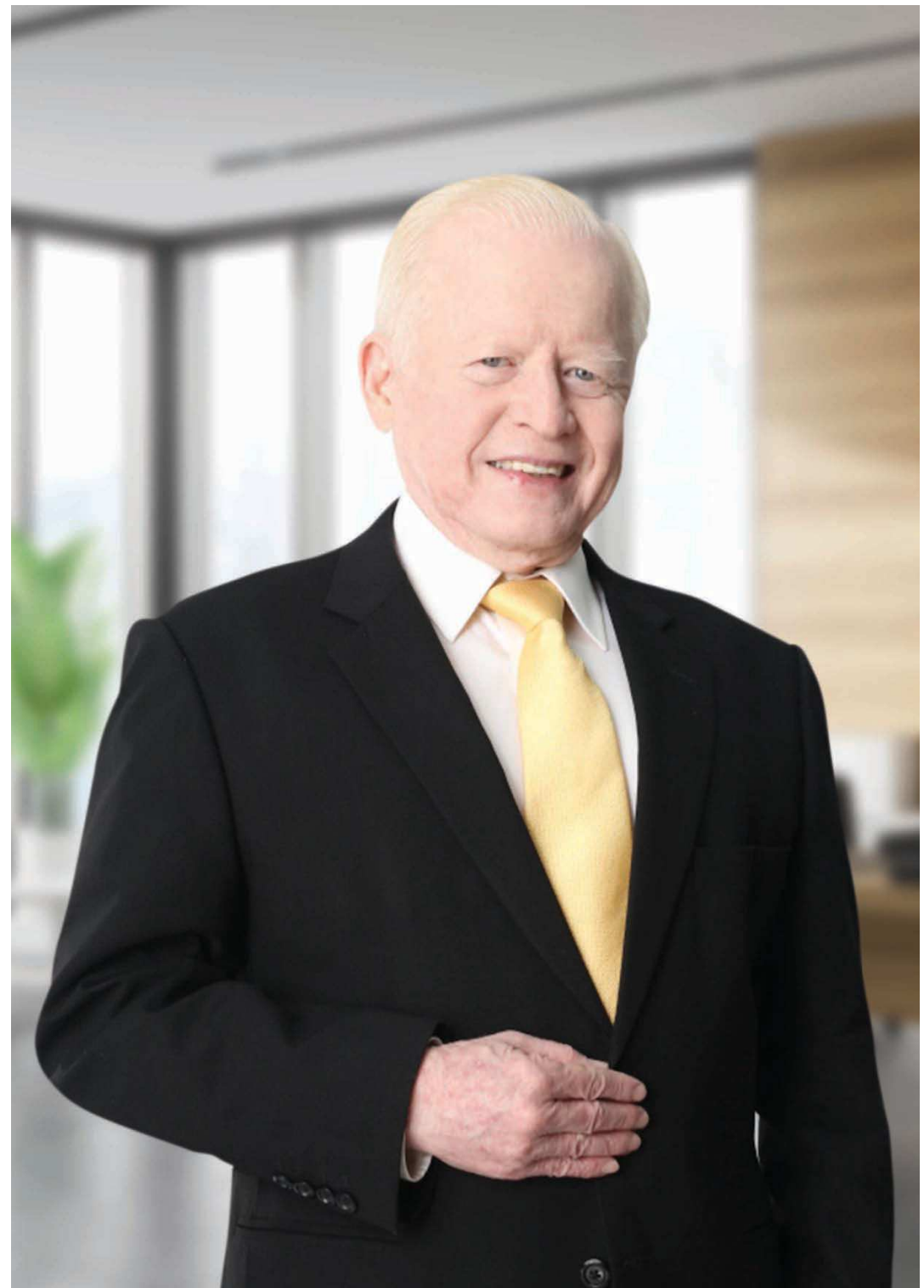
In 1994, SM Prime had PHP2.26B in revenues, PHP1.01B in net income, and PHP15.4B in total assets. By 2019, these key result areas reached a phenomenal PHP118B, PHP38B, and PHP667B respectively. Today, SM Prime is the second largest company in the Philippine Stock Exchange, thanks to the dedication of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

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

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



Ambassador Jose L. Cuisia, Jr.



President's Report (102-14)

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

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

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

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

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



Continuous Sustainable Operation

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

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

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

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

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

Pursuing Excellence and Innovation in the Midst of Challenges

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

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

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

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

Committed to Bounce Back

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

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

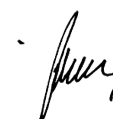
To our devoted employees and Management, thank you for your hard work and sacrifices for the Company. You mean a lot to the fulfillment of SM Prime's vision of

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

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

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

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



Jeffrey C. Lim
President

Sustainable Leadership

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

A History of Change

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

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

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

Resilient Investments

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

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

Hans has long believed in going green as he saw the growing potential gains of these sustainable assets. Water catchment basins underneath the malls act as





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

reservoirs and serve the same purpose of keeping the surrounding community safe, preserving capital assets without compromising the natural environment.

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

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

Partnerships for the Environment and More

Being in a position of influence and reach, it was only natural for Hans to advocate sustainability and disaster risk resilience among the property

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

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

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

Continuing Advocacies

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

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

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

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

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



Our Commitments

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

Focus on Sustainability

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

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

Board Statement

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

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

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

We also commit to the following:

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

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

Sustainability Council



Materiality

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

Report Content

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

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

Priority of ESG Material Issues

Environment	• Energy efficiency • Waste management • Climate change and emission reduction	• Biodiversity • Construction and operational waste
Social and Labor	• Employment • Stakeholder engagement • Occupational health and safety	• Supply chain management • Diversity • Human rights
Governance	• Compliance • Business ethics • Products and services	

SM PRIME'S PATH TO SUSTAINABLE DEVELOPMENT

JOB CREATION

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



MALL OF ASIA

Facilitates Economic Development

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



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

Provides Inclusive Economic Opportunities

Disaster Risk Reduction and Resilience

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



Sustainable Operations

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



Operationalizes Risk-informed Investments

Promotes Environmental Responsibility

Supporting Communities

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



Enriching Lives

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

Creates Positive Community Impact

Drives Sustainable Development

Our Four Sustainability Pillars (102-16)

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



Our Reporting Process (102-16)

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



Step 1: Capability Building

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

Step 2: Materiality Assessment

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

Step 3: Management Review

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

Step 4: Data Gathering

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

Stakeholder Engagement

(102-6, 102-9, 10 2-40, 102-42, 102-43)

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

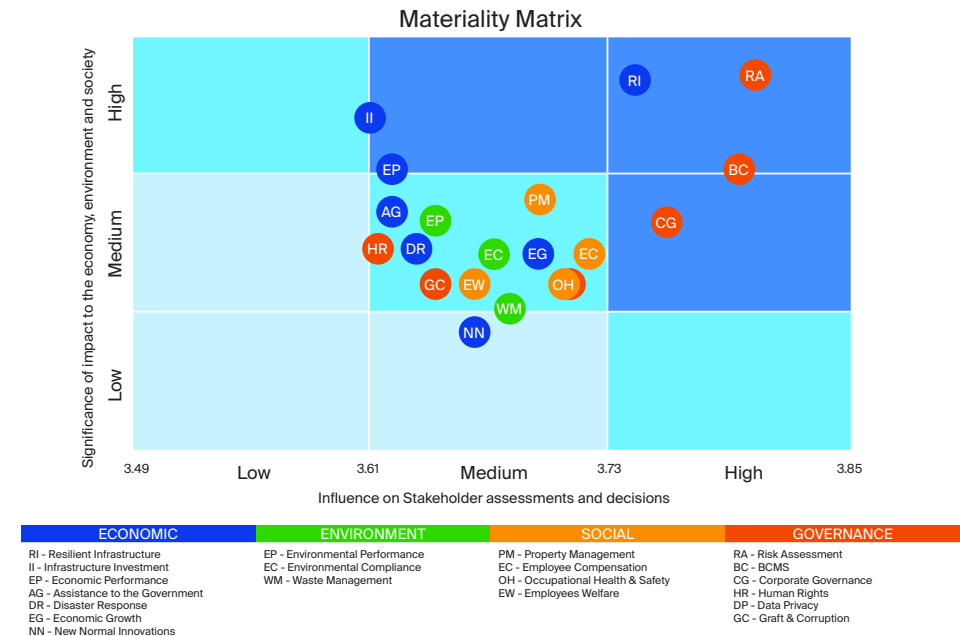
Stakeholders Group	Impact and Significance
 Clients/Customers • Clients/Customers • Unit Owners • Tenants	We deliver world-class lifestyle cities that evolve with the ever-changing needs of our tenants, customers and home owners. In line with sustainable development, these stakeholders receive an elevated form of service.
 Shareholders • Investors	We prioritize the optimization of shareholder returns and aim to preserve good corporate governance. Financial and sustainability reporting is transparent and provides proactive and timely communication of data.
 Company • Employees • Management • Principals	The health and safety, skills, welfare and professional development of our workforce are essential to our Company's performance. We endeavor to develop their potential to drive innovation, productivity and organizational excellence.
 Business Partners • Third-party Service Providers • Sellers/Brokers • Contractors • Ride Partners	We ensure that our supply chain partners prioritize our policies and standards on environmental conservation, work site safety and workers' health and wellbeing. With our reach and influence, we strive to reduce our overall carbon footprint.
 Community/NGO • Communities • Condominium Associations • Sector Partners	Our properties create positive influence in the communities and their surroundings. Through multi-sector collaboration, volunteerism, sustainability, resilience and inclusive programs, we effect change.
 Government Sector • Local Government Units • Government Agencies	Public-private partnerships enhance our contribution to nation-building. To this end, our resources remain accessible and available to all sectors of society, whenever needed.
 Media Partners	By engaging actively with our media and communication partners, we are able to communicate factual, positive and inspiring news as well as share our advocacies, promote our brand and address any gaps in information.

Materiality Assessment

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

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

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



Organizational Resilience

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

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

Leadership

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

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

Culture

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

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

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

Infrastructure

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

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

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

Process

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

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



Leadership

An engaged and dynamic leadership that drives the organization towards resiliency



Culture

A culture that is built to be disaster ready

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

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

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

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



Process

Processes that evolve with the changing times



Infrastructure

Infrastructures built to last

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

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

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

Business Continuity Management System

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

01

BCMS
High-Level
Management Training

02

BCMS
Document Review &
Approval

03

Exercising &
Testing of
Business
Continuity Plans (BCP)

04

BCMS Internal
Audit

05

BCMS
External Audit
(TÜV SÜD) Surveillance Audit

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

Climate-Related Disclosures

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

Governance

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

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

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

Strategy

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

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

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

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

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

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

Risk Management

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

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

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

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

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



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

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

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

Metrics

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

9,620 MWh generated power
from solar panels on roof decks

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

Water recycling facilities
saved 3.4M cubic meters of water

70% of SM Malls
in the Philippines are ISO 22301 BCMS Certified

50,970 kg of office documents
were collected in the recycling program

22 rainwater catchment basins
divert floodwaters from communities

SM Prime's Climate-Related Risks and Opportunities

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

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

Our People

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

	More than 900M pesos paid as salaries while employees were at home during the Emergency Community Quarantine (ECQ) period	
	Adherence to DOLE, DOH, IATF and LGU guidelines on workplace sanitation and working conditions	
	5 additional paid leaves for COVID-19 confirmed or exposed employees, Work from Home Arrangement for 301 employees	
	136 education and information campaigns against COVID-19 released through SM LIFE app, SM Announcements and emails	
	8,367 employees have company-provided health insurance	
	3.6M worth of safety supplies provided to employees, employees including free rapid test PCR testing for confirmed COVID-19 cases and those with exposure	
	All malls and offices have clinics duly manned by nurses and retainer doctors, mental health services are made available to employees	
	56 % of managerial and executive positions are held by women	
	60 % of entire workforce is composed of women	
	13.7 Million spent on training of employees resulting to 82 learning sessions and 3 hours average training per employee	
	46 employees are licensed Food Safety Compliance Officers	
	Public-private partnerships with Bureau of Fire Protection resulted in the training of 1,300 employees and 3rd party providers as fire brigade members while the Office of Civil Defense (OCD) trained 180 employees for disaster preparedness and response.	 
	509 Employees given training / orientation on Pollution Control	 



Financial Capital



Manufactured Capital



Intellectual Capital



Natural Capital



Human Capital



Social and Relationship Capital

Our Environment

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

	All administration offices and Foodcourt areas are provided with clean drinking fountain for free use of employees and customers	
	Ten malls (7 in the Philippines, 3 in China) have solar panels on their roofdecks with combined capacity of 9,620 Megawatt hour	
	SM Prime adopted the cities of Cagayan de Oro and Naga through the Adopt-a-City Program of the National Resilience Council to help in the risk reduction and long-term resiliency of said LGUs	
	1,665 mall tenants were oriented on SM Business Continuity Planning (SM BCP)	
	9 climate related disaster advisories were released to SM Prime employees through the SM LIFE app	
	Partnered with USAID and PPRCI for AWESM Seas Campaign which generated 260,973 social media engagements and reach an audience of 1.5M	
	35,800 kgs of trash were recovered during the annual coastal clean up during Coastal Clean-up	
	326,359 liters of used cooking oil by tenants were hauled and responsibly disposed	
	3 Marine Protected Areas (MPAs) in Hamilo Coast are regularly patrolled to prevent illegal fishing	
	An additional 157 Olive Ridley sea turtle hatchlings were released	
	51,600 various tree species planted by SM Supermalls employees in Benguet Province	
	30,000 native trees and 50,000 mangroves planted in Hamilo Coast	
	4 flora and 8 fauna listed in the IUCN Red List of Threatened Species are preserved in Hamilo Coast in partnership with World Wide Fund for Nature (WWF) Philippines	 

Our Community

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

	Employment of 15,401 sales agents and 3rd party service providers	
	All 3rd party service providers received PHP 5,000.00 during ECQ	
	Malls and offices have breastfeeding stations for customers and employees that breastfeed or pump breast milk for their children	
	"The Good Guys" weekend market set up at SMDC condominiums for the residents	
	80% of the workforce in Pico de Loro are from the nearby communities	
	SM Hotels and Convention Centers (SMHCC) promote sustainable tourism and agriculture by having organic herbs and vegetables from the Adopt-a-Farm initiative	
	SM Malls are venues for festivals and tourism activities of LGUs and the Department of Tourism	
	11,870 MSMEs are tenants of SM Supermalls or 1.2% of the total MSMEs in the country	
	2,000 retired senior citizens have been employed for the malls' Community Service Program	
	26,000 participants in on-ground events nationwide for Happy Walk for Down Syndrome and Angels Walk for Autism	
	All SM Malls have PWD ramps and comfort rooms for people with special needs	
	Free parking for general public during calamities.	
	101.4M kg of solid waste were composted, reused, recycled and collected by accredited waste haulers	
	Green Procurement of assets and other inventory	
	1 fire truck donated to Bureau of Fire Protection	



Financial Capital



Manufactured Capital



Intellectual Capital

Our Business

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

	PHP 100B retail bond offering over three years for the construction and expansion of properties of which 10% of CAPEX is allocated to disaster risk reduction	
	3 properties LEED Gold Certified: Conrad Hotel, SM Aura Premier, ThreeE-com Center	
	18 km bike lane in SM Mall of Asia and 1.6 km in SM Seaside; 2.1 hectare bike trail at SM Pullian	
	Sustainable features were incorporated in 2 newly-opened malls (SM City Butuan and SM City Mindpro), Park Inn Clark Extension, Park Inn Bacolod and Larson Place	
	53 Supermalls with BCMS accreditation (ISO 22301 compliant)	
	51 tonnes of office documents were recycled	
	496k or less 28% in electricity consumption and 6.8M cum or less 36% in water consumption via proper resource management and operational controls	
		
	4 awards in strong governance	
	4.5M customers availed of free WIFI access in the malls	
	SM Prime as National Secretariat of UNDRR ARISE - Philippines; 1 SM executive on the ARISE Global Board	
	USAID partnership in the AweSM Seas Campaign	
	US Embassy and Dela Salle University for Green Film Festival	
	Bureau of Fire Protection for fire brigade training and safety campaigns	
	DENR for environment related programs	
	WWF for conservation efforts in Hamilo Coast	
	National Resilience Council for Adopt-a-City Program	
	Department of Education for educational outreach program	
	Autism Society of the Philippines, and Down Syndrome Society of the Philippines for SM CARES Programs	



Natural Capital



Human Capital



Social and Relationship Capital

Awards and Accolades

SM Prime Holdings Inc.

Grand Stevie - Organization of the Year 2020 Stevie Awards Asia-Pacific SM Prime Holdings, Inc.	Bronze Award for Most Exemplary Employer 2020 Stevie Awards International Business Award SM Prime Holdings, Inc.	4-Golden Arrow Recognition 2019 ASEAN Corporate Governance Scorecard Recognition Night SM Prime Holdings, Inc.
Philippines Best Employer Brand Award Employer Branding Institute SM Prime Holdings, Inc.	Gold Award for "Pride in My Purpose" (PR Tool) Silver Award for 2018 Sustainability Report (PR Tool) 55th Anvil Awards SM Prime Holdings, Inc.	ASEAN Top 20 Publicly Listed Companies ASEAN Asset Class Publicly Listed Companies 2019 ASEAN Corporate Governance Awards SM Prime Holdings, Inc.
10th Asian Excellence Award Asia's Best CEO (Investor Relations) Jeffrey C. Lim	Asia's Best CSR Best Corporate Communications Best Investor Relations Company in the Philippines SM Prime Holdings, Inc.	Asia's Best CSR Best Corporate Communications Best Investor Relations Company in the Philippines SM Prime Holdings, Inc.

Malls

Brand of the Year World Branding Awards SM Supermalls	Award Silver Award for Most Valuable Corporate Response SM Supermalls	Silver Award for SM Supermalls Employee Transformation Journey SM Supermalls Bronze Award for Innovation in Community Relations or Public Service Communications SM Supermalls: Juan Fun Adventure
Platinum Award Reader's Digest Most Trusted Brand Reader's Digest SM Supermalls	Bronze Award for Most Exemplary Employer SM Supermalls	Bronze Award for Innovation in Branded Entertainment SM City Bicutan: Heart Beats GLOW
Gold Award - Most Bicycle Friendly Commercial Establishments Mobility Awards SM Mall of Asia SM City Marikina	2020 Stevie Awards Asia Pacific Grand Stevie for Most Honored Organization SM Supermalls	Bronze Award for Innovation in Social Media Marketing SM Seaside City Cebu: SM Seaside Stickers SM Supermalls: How SM Super-malls Resparked Na- tionwide In-terest for Mother's Day at the Peak of Election Season
Silver Award - Most Effective Planning, research, and evaluation in consumer commu- nications AMEC Awards SM Supermalls	Gold Award for Innovation in Consumer Products & Services SM Supermalls' Enjoy a New Way of Mailing with SAM the Robot	Bronze Award for Innovation in Consumer Events S Maison: World Chocolate Fair SM Supermalls: A Culinary Jour-ney in South Luzon SM Supermalls: SM Superkids Day 2019 SM City Batangas' Chefs Show-down SM Supermalls: Milk Tea Party
Circle of Excellence for Wellness Company of the Year Asia CEO Awards SM Supermalls	Gold Award for Innovation in Energy & Sustainability SM City Baguio: Greening Project	Bronze Award for Innovation in Entertainment Events SM Mall of Asia: Grand Festival of Lights SM City Tarlac: It's A Small World SM City Tarlac: Castaway
Best Customer Experience Initiative - Mall Owners' Category World Retail Awards SM Supermalls: SM Superkids Day	Silver Award for Innovation in Energy & Sustainability SM City Maricao: E-illumART	Bronze Award for Innovation in Lifestyle Videos SM Supermalls: Self-Love Campaign
Gold Award - Brand of the Year 2020 World Branding Awards SM Cinema	Silver Award for Innovation in Living, Learning, and Working Environments SM By the Bay: Coastal Clean Up	Bronze Award for Innovation in Living, Learning, and Working Environments SM City Balinguay: ART-IC HUENIVERSE
12th Global CSR Awards	Silver Award for Innovation in Public Affairs Communications SM Supermalls' Filipina Beauty Barbie	Bronze Award for Innovation in Energy & Sustainability SM City Tarlac: Belenismo Sa Tarlac
Best Country Award for overall CSR Excellence in the Philippines SM Cares	Silver Award for Innovation in the Use of Events SM Supermalls' Unplugged & Play	Bronze Award for Innovation in Public Relations Videos SM Supermalls: SM for SMEs Campaign
Gold Award for CSR Leadership SM Cares	Silver Award for Innovation in Branded Entertainment SM Supermalls' A Game of Thrones Experience	Bronze Award for Innovation in Community Relations or Public Service Communications SM Cinema "Into the Moors", A special exhibit for children with special needs SM Cinema "Kids Watch for Free": Championing Filipino families through movie watching
Silver Award for Best Environmental Excellence SM Supermalls	Silver Award for Innovation in Entertainment Events SM Mall of Asia: Grand Mascot Parade 2020 SM City Baguio: Experience Codillera Fun SM City Pampanga: Glitter City	Bronze Award for Innovation in Entertainment Events SM Cinema "Into the Movieverse", bringing the cinema experience into the real world 55th Anvil Awards
Bronze Award for Best Community Programme SM Supermalls	Silver Award for the Innovative Use of Technology in Customer Service > All Other Industries SM Supermalls	
2020 Stevie Awards International Business Award		
Silver Award for Most Valuable Corporate Response SM Supermalls 2020 Stevie Awards International Business	Silver Award for Innovation in Human Resources Management, Planning & Practice > All Other Industries SM Supermalls	

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

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

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

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

SM Cares

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

Residences (Primary)

8th Property Guru Philippines	Highly Commended Best High-End Condo Development for Metro Manila S Residences	Highly Commended Best Condo Interior Design S Residences
Property Awards Best Developer SM Development Corp	Highly Commended Best Mid-End Condo Development for Metro Manila Leaf Residences	Highly Commended Best Landscape Architectural Design S Residences
Best Lifestyle Developer SM Development Corp	Highly Commended Best Affordable Condo Development for Metro Manila Bloom Residences Field Residences Vine Residences	Highly Commended Best Condo Interior Design Sail Residences Shore 3 Residences
Best Mid-End Condo Development (Metro Manila) Charm Residences	Highly Commended Best Condo Development for Luzon Green 2 Residences Hope Residences	Special Recognition in CSR SMDC The Good Guys Community Relations
Best Condo Development (Luzon) Park Residences	Highly Commended Best Condo Development for Visayas Smile Residences Style Residences	18th Philippine Quill Awards
Best Lifestyle Development Fern at Grass Residences	Highly Commended Best Lifestyle Development S Residences Sail Residences	Winner for Community Management: Community Relations SMDC Happynings
Best Condo Architectural Design Sail Residences	Highly Commended Best Condo Architectural Design S Residences	Winner for Community Management: CSR COVIDComms 2020: The Good Guys Campaign

Residences (Leisure)

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

Hotels and Convention Centers

Agoda's 2020 Customer Review Award	Loved by Guest Awards with a rating 8.4 Park Inn by Radisson Clark	Chinese Cuisine, Country World Restaurant Awards 2020 China Blue by Jereme Leung
2020 Customer Review Award with a rating of 8.9 Radisson Blu Cebu	Loved by Guest Awards with a rating 8.2 Pico Sands Hotel	Luxury Contemporary Hotel, Regional World Luxury Awards 2020 Conrad Manila
2020 Customer Review Award with a rating of 8.7 Park Inn by Radisson North Edsa	Philippine Tatler Top 20 Best Restaurant China Blue by Jereme Leung	Luxury Scenic Setting, Continent World Restaurant Awards 2020 China Blue by Jereme Leung
2020 Customer Review Award with a rating of 8.5 Park Inn by Radisson Clark Pico Sands Hotel	Best Restaurant for 2020 Taza Fresh Table at Taal Vista Hotel Veranda at Taal Vista Hotel	Philippines' Best Hotel Spa World Spa Awards 2020 Conrad Spa
2020 Customer Review Award with a rating of 8.3 Park Inn by Radisson Davao Taal Vista Hotel	TripAdvisor Travellers' Choice Awards 2020 Best Restaurant for 2020 Taza Fresh Table at Taal Vista Hotel Veranda at Taal Vista Hotel	Philippines' Best MICE Hotel 2020 World MICE Awards 2020 Conrad Manila
ASEAN Green Hotel Award ASEAN MICE Hotel Award ASEAN TOURISM STANDARDS AWARDS Conrad Manila	TripAdvisor Travellers' Choice Awards 2020 Travellers' Choice Award Conrad Manila C Lounge at Conrad Manila China Blue by Jereme Leung at Conrad Manila Conrad Spa at Conrad Manila Feria Restaurant at Radisson Blu Cebu Park Inn by Radisson Clark Radisson Blu Cebu SMX Convention Center Manila	Philippines' Leading Conference Hotel 2020 World Travel Awards Conrad Manila
Booking.com's Traveller Review Awards 2020	Traveller Review Award 9 out of 10 Conrad Manila	Recommended Award Forbes Travel Guide Conrad Manila
Traveller Review Award 8.9 out of 10 Park Inn by Radisson North Edsa	Traveler Review Award 8.5 out of 10 Park Inn by Radisson Clark	SGS Disinfection Monitored, Cleaning Checked Mark SGS Park Inn by Radisson North Edsa
Hotels.com Loved by Guest Award 2020	Loved by Guest Awards with a rating 8.4 Park Inn by Radisson Davao	Certificate of Appreciation World Wide Fund (WWF) for Nature Philippines Maria Eulalia Magallanes, VP SMHCC

Securing our Stakeholders

This is the year in review according to SM Prime's response and relief efforts in light of the COVID-19 pandemic.

Employees organize donations in the SM Warehouse



COVID-19 Initiatives



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

160k tested at the
Mega Swabbing Facility

492M worth of support
given by SM MOA Arena

Total of 156 beds
in 3 donated EQFs

1,000 employed via
the SM Riders program

23.30B waived in
tenant rental relief



Sanitation services conducted at The Podium

Safe malling at SM Supermalls



SM Prime Human Resources

Championing our brand champions

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

SM Supermalls

A community of people helping people

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

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

#SafeMallAtSM

thorough health and safety protocols in our malls

#DineInSM

partnering with RestoPH for dining with stringent health and safety standards

#SafeHandsAtSM

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

Farmers' Produce

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

#SMforSMEs

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

SM Riders Program

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

SM Malls Online

providing omnichannel services for an uninterrupted SM Experience

SM Personnal Shopper Program

making omnichannel services personal, especially for those with special needs



SM MOA Arena as the Mega Swabbing Facility

SM Curbside Pick-Up Stations

convenient pick-up points with minimal contact

SM Viber Community

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

SM Engineering Design, and Development Emergency Quarantine Facilities

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

SM EDD in action at an EQF



SM Mall of Asia Arena Transforming into an Arena of Hope

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



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

Commercial Properties Group Forward Looking

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

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

Tagaytay Highlands Safe Haven amid the Crisis

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

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

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



The Good Guys Market at
SMDC residences

SM Hotels and Convention Centers Sustainably Safe

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

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

SM Development Corporation Within and Beyond Boundaries

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

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

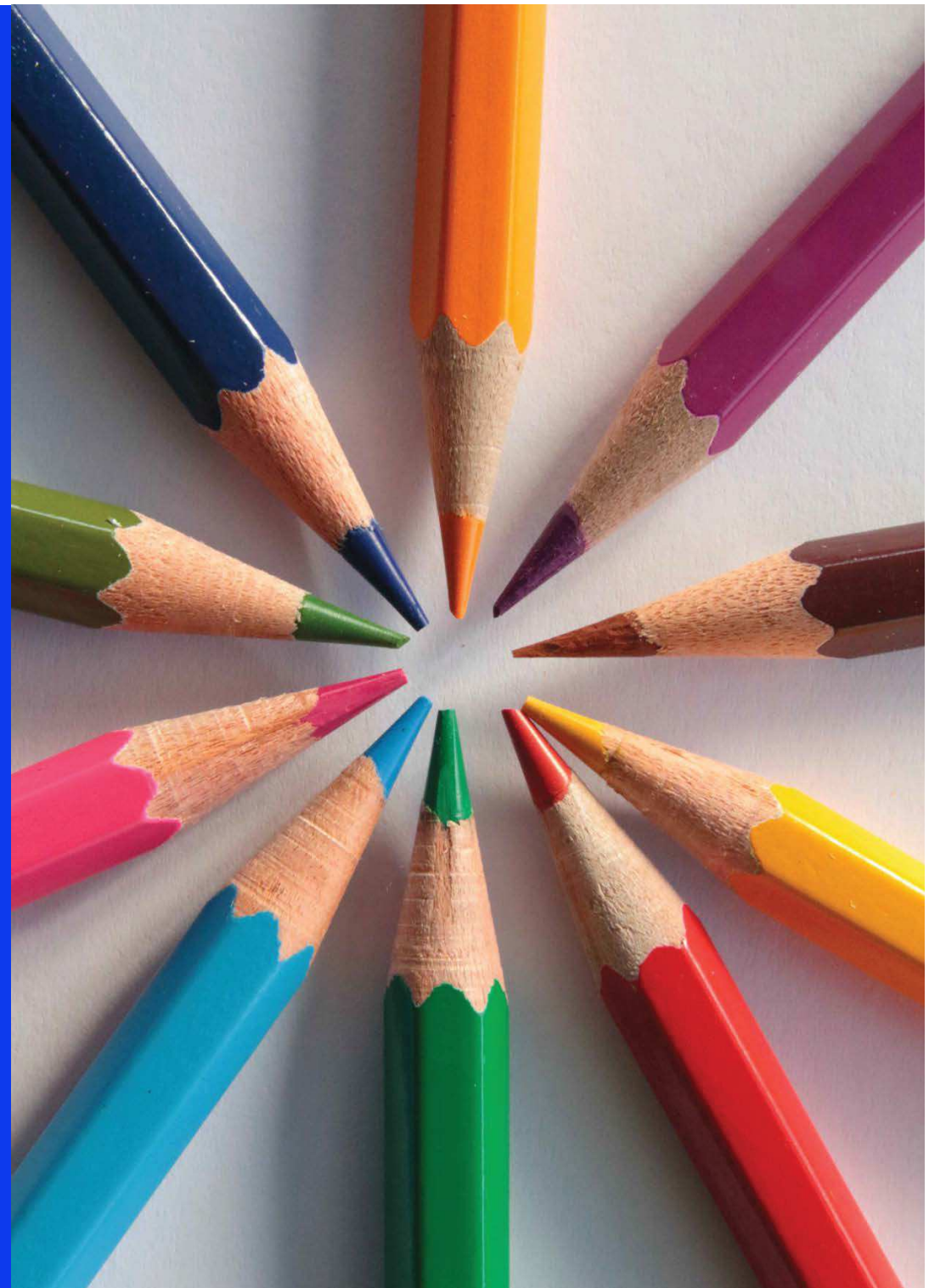
As part of the Protect Our Community initiative, SMDC donated face shields and vitamins to the Philippine National Police.

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

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

Our 6 Capitals: Prime Assets and Ideas

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



Financial Capital

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

Financial Capital

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

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

*in PHP billions

Economic Value

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

	Material Issues	Risks/Challenges	Opportunities
Financial performance	Economic growth and performance	Highly impacts the vested interests of shareholders, employees and suppliers	- Capable of giving back to society through donations for the marginalized sectors and supporting the national government during the COVID-19 pandemic - Embarking on public-private partnerships for environmental conservation and disaster risk reduction capability building - Extending financial support to our MSME partners, including their recovery campaigns

Casting the Net

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

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

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

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



Financial Highlights

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

722.36B

Total Assets

309.28B

Total Equity

47:53

Debt to Equity ratio

1,111.85B

Market Capitalization

18.01B

Net Income

0.624

Earnings per share
in PHP

Performance Overview

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

Overview of our Business Segments (102-7)

Malls



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

76	Malls in the Philippines
7	Malls in China
9.9M	sqm total Gross Floor Area
404	Cinema Screens
28.3B	Total Revenue
6.7B	Operating Income
393.4B	Total Assets

Residences



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

71	Residential Projects
155,524	Residential Units (since 2003)
47.5B	Total Revenue
19.9B	Operating Income
254.9B	Total Assets

Offices



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

12	Official Buildings
0.70M	sqm total Gross Floor Area
4.8B	Total Revenue
3.9B	Operating Income
61.6B	Total Assets

Hotels and Convention Centers



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

8	Hotels
1,961	Hotel Rooms
5	Convention Centers
3	Trade Halls
1.6B	Total Revenue
(914M)	Operating Income
14.1B	Total Assets

Malls**Metro Manila**

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

Luzon

Bacoor
Pampanga
Lucena
Baguio
Marilao
Dasmariñas
Batangas
Molino
Sta. Rosa
Clark
Lipa
Taytay
Rosales
Baliwag
Naga

Rosario
Tarlac
San Pablo
Calamba
Masinag
Olongapo
San Fernando Downtown
Cauayan
Angono
Megacentro Cabanatuan
San Mateo
Cabanatuan
San Jose Del Monte
Trece Martires
Cherry Antipolo
Tuguegarao Downtown
Pulilan
Lemery
Imus
Urdaneta Central
Telabastagan
Legazpi
Olongapo Central
Center Dagupan
Puerto Princesa

Visayas

Cebu
Iloilo
Bacolod
Consolacion
Seaside City Cebu
Ormoc

Mindanao

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

China

Xiamen
Jinjiang
Chengdu
Suzhou
Chongqing
Zibo
Tianjin

Project List

Residential**SM Development Corporation****Metro Manila**

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

Luzon

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

Visayas

Style Residences
Smile Residences

Mindanao

Lane Residences

Costa Del Hamilo Inc.**Luzon**

Carola
Jacana
Miranda
Myna
Freia

Highlands Prime Inc.**Luzon**

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

Offices**Metro Manila**

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

Luzon

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

Hotels**Metro Manila**

Conrad Manila
Park Inn by Radisson North EDSA

Luzon

Taal Vista
Pico Sands
Park Inn by Radisson Clark

Visayas

Radisson Blu Cebu
Park Inn by Radisson Iloilo

Mindanao

Park Inn by Radisson Davao

Convention Centers**Metro Manila**

Megatrade Hall
SMX Convention Center Manila
SMX Convention Center Aura

Luzon

Olongapo City Convention Center

Visayas

Cebu Trade Hall
SMX Convention Center Bacolod
Sky Hall Seaside Cebu

Mindanao

SMX Convention Center Davao

MSME Assistance

Kasama ng SM: Helping MSMEs Bounce Back Better

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

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

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

65%
of our mall tenants are MSMEs

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

SOY YUMMY



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

YAMANG BUKID



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

RIBSHACK



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

BIKE PLUS



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

“It was a leap of faith to open at SM, but we never looked back. We have to close some branches due to the pandemic but all our SM branches will definitely remain open”

Manufactured Capital

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

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

SM Prime's architectural strategies for Green Buildings are:

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

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

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

New Malls

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

Green Building Initiatives

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

Sustainable Design	Features
Energy Saving	• Natural lighting through the use of clerestory windows • Reduction of electricity consumption through the use of LED lighting across the mall areas
Water Management	• Addressing the flooding in the area as part of a resilient design through a rain water catchment which acts as a retention and storage and at the same time serves as reservoir for recycled water
Amenities for sustainable living	• A Materials Recovery Facility (MRF) where recyclable materials are sorted and segregated
Inclusive Design	• Ergonomic design that promotes universal access using PWD ramps, parking provision and lifts in accordance with the accessibility law to the accessibility law • Bicycle parking racks which promote a sustainable form of transport and at the same time help improve the health of the communities in the area
Site Optimization	• Part of the design conceptualization utilizes pre-engineering reports where site, vicinity, hazards, soil condition, and traffic flow are considered in the design • Building setbacks as required by regulatory codes and orientation are complied with and considered in the mall design • Landscape softscape species selection that are not high in maintenance, at the same time contributes in the air filtration

	Material Issues	Risks/Challenges	Opportunities
Green Buildings	Green infrastructure and sustainable designs	Considering the cost, warranties and performance efficiencies of new materials, technology and processes, the cost overruns and time delay can be a huge difference	• Competitive advantage • Core principles of green design are on energy and water management • The lower operation and maintenance cost is attractive to tenants, condominium owners and other clients, and improves the budget and asset value

Sustainable Living at SMDC

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

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

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

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

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

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

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



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

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



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

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

Intellectual Capital

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

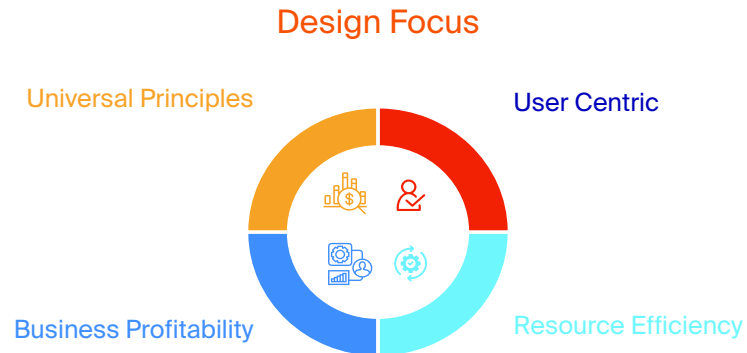
SM Prime's intellectual capital includes tacit knowledge, systems and procedures. The branding, technology and innovations of our Company also contribute to the business' reputation as an established yet progressive entity.

Design Focus

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

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

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



Sustainable Design Strategies

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

	Material Issues	Risks/Challenges	Opportunities
Sustainable Design Strategies	Green infrastructure and sustainable designs	- Compliance to varied standards and changing needs of the public - Complex procedures and unclear requirements to obtain approval of local regulatory bodies - Lack of availability of green and sustainable materials in the local market	Award-winning innovations
Trace Together	COVID-19 response and data privacy	The supporting digital infrastructure must be flawless	Sets the standard yet capable of being replicated and recalibrated to serve other purposes
Virtual Office	Business Continuity and employee welfare	- Possible loss or damage to equipment - Increasing physical investments	Moving towards an agile working office for even better productivity



Trace Together

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

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

60,445

unique form submissions daily

More than 12 million

forms collected

Implemented in 15,629

locations across SM properties



Virtual Office

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

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

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



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

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

Environmental Capital

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

Material Issues

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



Climate Change and Energy

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



Waste Management

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



Water

- Water Management Water accessibility and security
- Water demand from general public



Biodiversity

- Ecosystem interrelationship with the well-being of the community

Policies

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

Objectives

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

Method and Action Plan

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

Stakeholder Engagement

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

Life Cycle

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

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

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

LIFE CYCLE CONSIDERATIONS

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



Feasibility

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



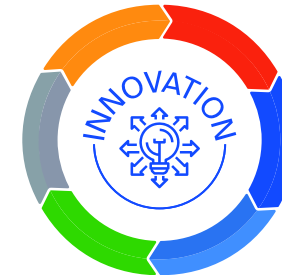
Planning & Design

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



Stakeholder Engagement

Communicate with our people, the government, and community partners



Construction



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



Re-development

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

Operations & Maintenance



- Embed sustainable operations
- Track and evaluate performance

Committed to Environmental Stewardship

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

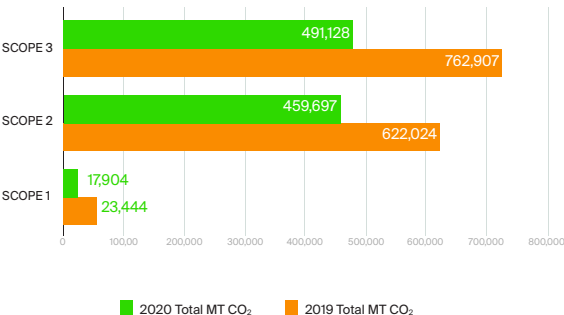
SM Prime is aware that emissions contribute to climate change, therefore the greenhouse gas (GHG) emissions' three classifications are included in this report.

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

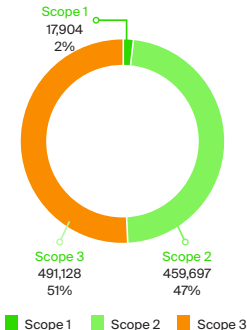
SM Prime's GHG emissions are derived from the following:

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

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



Total 2020 MT CO₂



GHG Total Emissions

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



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

Design Focus Guidelines

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

Risk Management of Environmental Aspects and Impacts

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

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

Environmental Stewardship

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

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

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

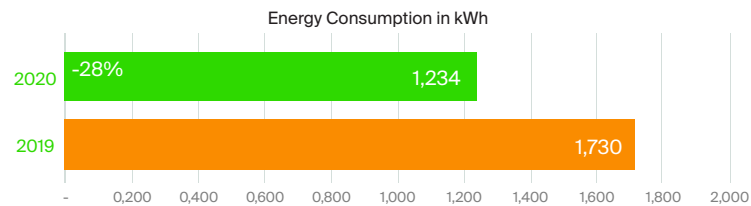
The core activities of SM Prime's business, property development and asset management are energy intensive, with electricity constituting a significant proportion of our operating expenditure. SM Prime recognizes that improved energy performance can provide rapid benefits for an organization by maximizing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

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

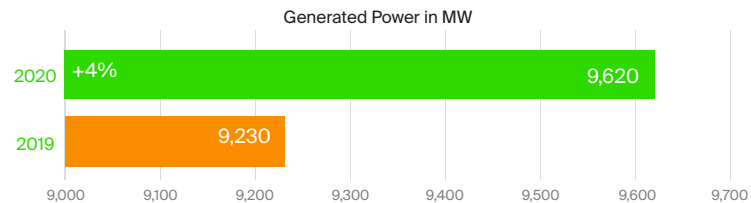
The enhancement of building management systems using the Focus EBAS provides monitoring and control capabilities to operate and optimize the components of the air conditioning system remotely.

Energy Consumption within the Organization (302-1)

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

**Renewable Energy** (302-4)

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



9,620
Mega watt hour
Generated Power

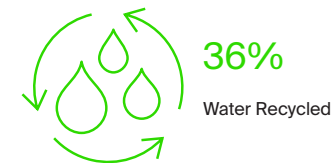
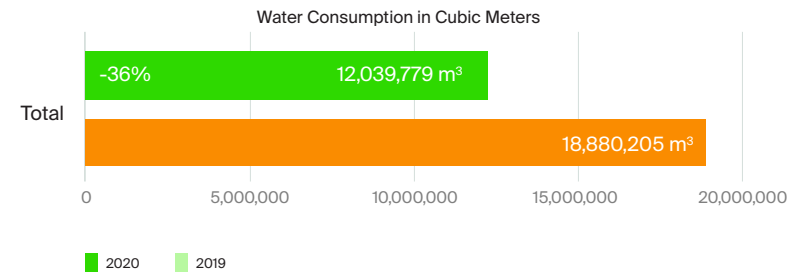
=

3,200+
Homes Monthly

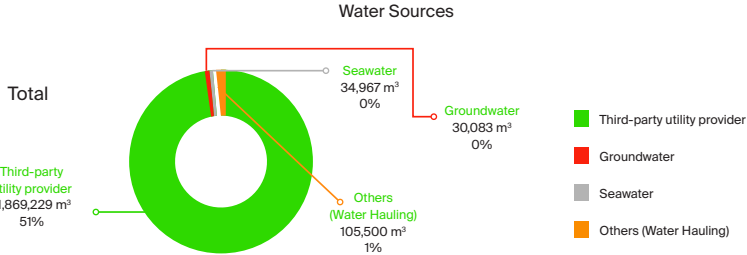
Water (103-1, 103-2, 103-3, 303-1, 303-3, 303-4, 303-5)

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

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



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

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

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

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

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

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

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

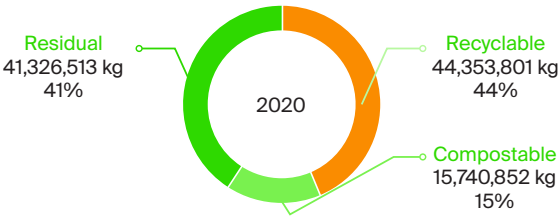
SM Prime has intensified our campaign on solid waste management in compliance with existing DENR Administrative Orders No. 2001-34 (Implementing Rules and Regulations of Republic Act No. 9003) and the revised DENR Administrative Order No. 2013-22 (Revised Procedures and Standards for the Management of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

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

Generated Solid Waste

Classification of the solid waste gathered in our properties

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



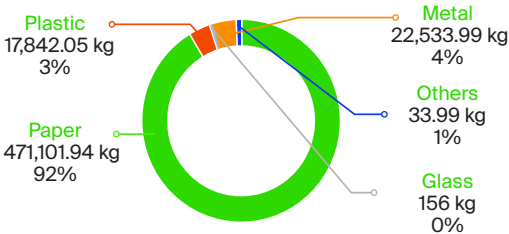
Solid Waste Management Programs

The manner of handling of the solid waste by our properties

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

Trash to Cash Recycling Market

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



Paper Recycling Initiative

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

Hazardous Waste (306-4)

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

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

Pollution Control Officer (PCO) Training

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

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

Air Quality

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

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

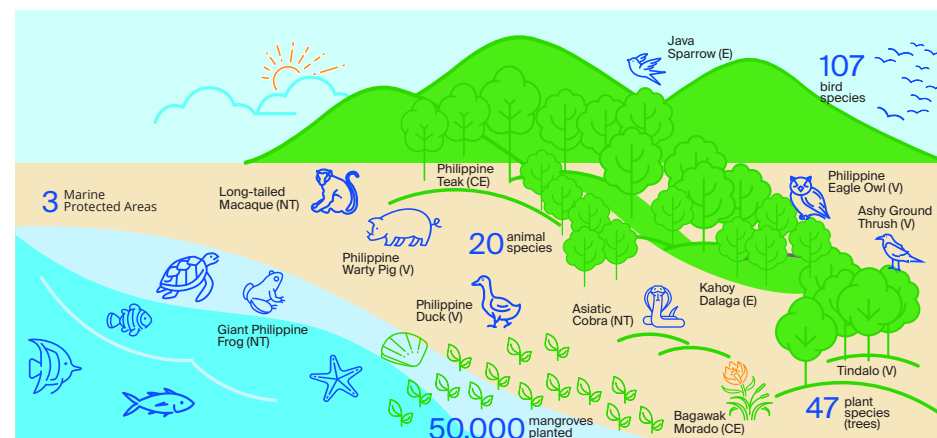
Green Transport

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

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

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

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



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

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

How Sustainability Changed our Customer Experience

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

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



We replaced plastic with bamboo and bio-degradable straws, and our food takeout packages are now all eco-friendly. We also introduced QR Codes for menus, reducing paper use and making them contactless and safer given the COVID-19 situation.



The Sustainable Diner

In the front of house, we moved to online check-in and check-out, also lessening paper use.

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

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



Sustainable Bathroom Amenities

Human Capital (103-1, 103-2)

Top Management Commitment and Staff Involvement

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

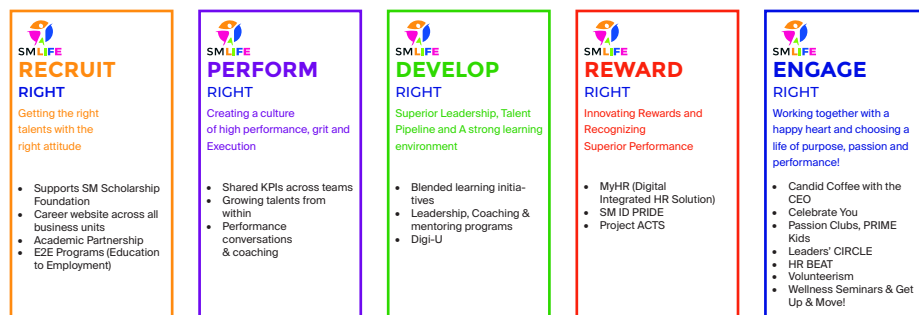
The Human Resource division of SM Prime regards the workforce and the workplace as crucial assets to the delivery of our Company's mission and vision. By innovating human capital strategies, we are able to adapt to the radical shifts in customer needs and the market landscape. The evolving businesses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

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

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

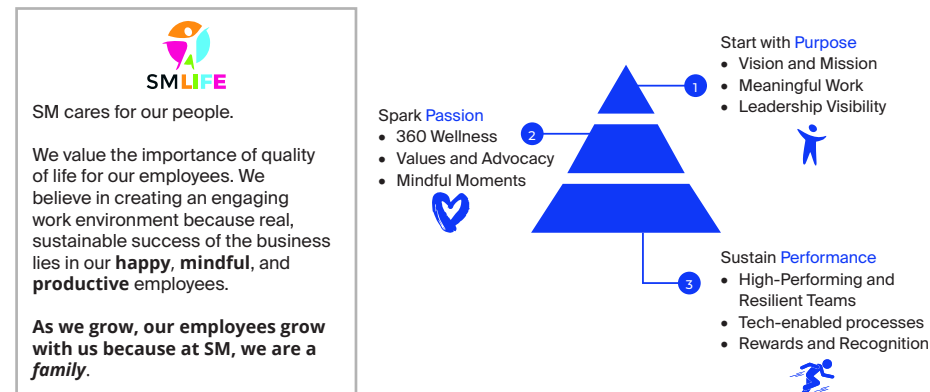
Transforming and Making Things Happen: The SM LIFE Signature Talent Management Experience

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



Employee Value Proposition

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



People Strategy (401-1, 401-3, 405-1, 413-1)

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

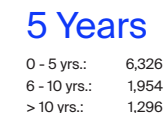
Staff Strength



Generation



Average Tenure

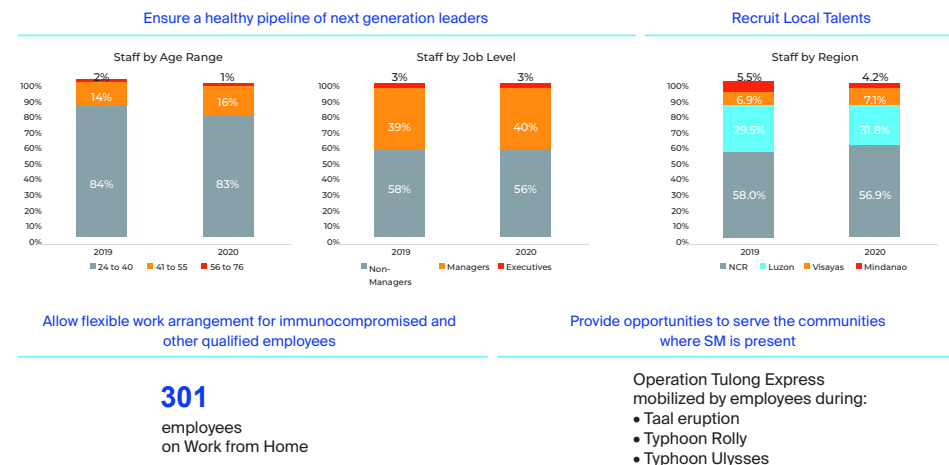


1. Diverse and Inclusive Workplace

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

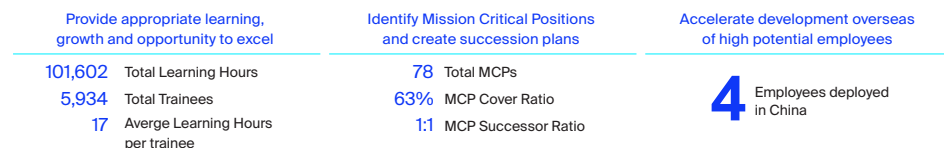
Establish, track, and create awareness on gender diversity





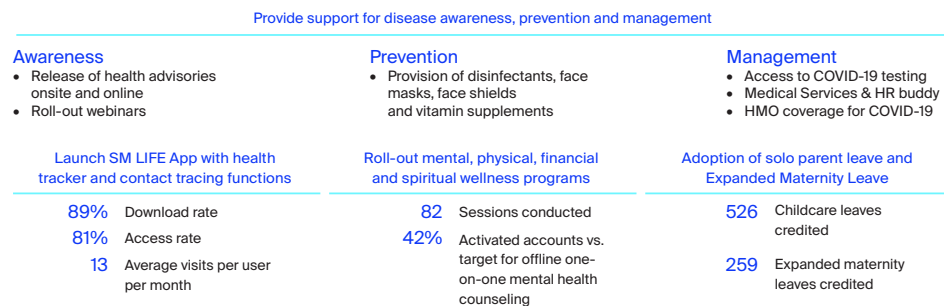
2. Talent Building and Leadership Planning

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



3. Safety, Health and Well-being

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



Occupational Safety And Healthy Environment

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

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

Our OSH program is as follows:

1. Compliance

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

2. Risk Management of OSH Hazard

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

3. Trainings and Awareness

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

4. Measures to Mitigate Serious Diseases

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

5. Staff Wellness

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

6. Tenants and Community

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

Human Rights and Labor Practices

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

1. Anti-Workplace Discrimination

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

2. Diversity and Inclusion

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

3. Re-employment Opportunities

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

4. Positive Work Environment

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

5. Fair Remuneration

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

6. Job Security

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

7. Security Practices

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

8. Customer Privacy

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

9. Supply Chain Management

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

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

Social and Relationship Capital

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

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

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

Our Stakeholders

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

- **Community/NGO (Communities, Condominium Corporations and Sector Partners)** - Aside from local and regional memberships, SM Prime is a signatory to the United Nations Global Compact and member of the United Nations Office for Disaster Risk Reduction ARISE Private Sector Alliance for Disaster Risk Reduction.

Social Integration

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

Social and Relationship Capital Framework

Policies

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

Corporate Governance

Program Directors manage the CSR Programs:

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

Part of Employees Volunteerism Program

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

Strategic Goals

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

Action Plan

Programs

Align community investment with business and interests of stakeholders e.g. shareholders, consumers, employees and the community

Employee Volunteerism

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

Progress Management

- Set meaningful targets and key performance indicators when planning community investment initiatives in addition to measuring input, e.g. donation amount, time invested by staff and impact of donations
- Collaborate with credible, experienced and established organizations to build programs that will have long-term sustainable impact on the beneficiaries.

Brand Building

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

Impact

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

Raising Public Awareness

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

Advocating Volunteerism

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

Community Development and Value

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

Committees	Key Programs/Initiatives	Impact
Persons with Disabilities	- Sensitivity Training and Regular Orientation for Mall Front Liners - Angels Walk for Autism - Happy Walk for Down Syndrome - Emergency Preparedness for PWDs and Senior Citizens	- The events advocate awareness, acceptance and inclusion for all persons with autism and down syndrome. - Trainings would better prepare our frontliners in handling people with special needs.
Environment	- Trash To Cash - Green Film Festival - Regular Bay Clean-up and International - Coastal Clean-up - Earth Day	- The Trash To Cash Recycling Market aims to educate the community responsible solid waste management. - The Green Film Festival is an information and education program that aims to educate the youth about environmental issues such as climate change, biodiversity and recycling solid waste.
Women and Breastfeeding Mothers	- Breastfeeding Station in all SM Malls nationwide - Hakab Na! (Latch On) - Pink Ribbon Day for Breast Cancer	- Promotes awareness on the importance of breastfeeding - Promotes breast cancer awareness
Senior Citizens	- Community Service Programs for Senior Citizens - Emergency Preparedness for PWDs and Senior Citizens - Walk For Life	- Engaging elderly by providing them opportunities to be productive in the mall - Walk For Life aims to promote healthy and productive aging
Children and Youth	- Adoption Consciousness Month - Support for UNICEF Philippines' Project WASH - Global Youth Summit	- Provides a channel for the youth to play an active role in community and nation building - Promotes the Department of Social Welfare and Development's programs on adoption - Promotes water, sanitation and hygiene among children



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

Bike-Friendly SM Project

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

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

We began by putting a total of 18 kilometers of shared and dedicated bike lanes at the SM Mall of Asia, along with hundreds of bike racks, vending machines, and service repair stations at the MOA complex. The Bike-Friendly SM project was rolled out in stages nationwide. Highlights include SM Seaside Cebu's 1.6km of shared and dedicated bike lanes; a 2.1-hectare bike trail at SM Center Pulilan; SM City Marikina's bike lanes and free vehicle parking for customers with bikes, to name a few. Across all SM Supermalls, there are now more than 522 bike racks and more than 80 repair stations nationwide.

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

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

SM Cares under the New Normal

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

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

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

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

Senior Citizens
The program promotes the well-being and active lifestyle of senior citizens

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

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

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

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



Sharing the Bears of Joy with medical frontliners

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

20,000
Bears of Joy donated

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

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

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

25,000+
Angels Walk Attendees



Angels Walk for Autism, Jan. 26, 2020

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

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

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



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

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

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



NRC: Strengthening Collaboration for National Resilience ⁽¹⁰²⁻¹³⁾



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

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

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

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

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

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

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

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

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

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

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

Four Priority Areas

Small and Medium Enterprises

(Re)-Insurance

Investors and Investment

Resilient Infrastructure

Work Themes

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



The Practice of Good Governance

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

Corporate Governance

(102-10, 103-1, 203-1)

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

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

Governance Structure

The Board of Directors

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

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

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

Board Committees

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

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

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

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

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

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

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

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

B. The Audit Committee

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

Audit Committee

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

C. The Risk Oversight Committee

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

Risk Oversight Committee

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

D. The Corporate Governance Committee

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

Corporate Governance Committee

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

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

Directorship in other Reporting Companies

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

E. The Related Party Transactions Committee

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

The Related Party Transactions Committee

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

Board Remuneration

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

Board Support

Corporate Secretary

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

Chief Compliance Officer

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

Chief Audit Executive

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

Chief Risk Officer

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

Board Diversity

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

Board Composition

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

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

Nomination and Election of Board of Directors (102-24)

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

Board Independence

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

Board Performance and Attendance

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

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

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

Board Evaluation (102-28)

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

Board Training and Orientation

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

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

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

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

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

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

Code of Ethics

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

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

Related Policies and Programs

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

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

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

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

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

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

Enterprise Risk Management (102-30)

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

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

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

Disclosure and Transparency (102-33)

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

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

The Annual Stockholders' Meeting

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

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

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

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

Rights, Roles and Protection of Stakeholders

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

Rights of Shareholders

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

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

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

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

Employee Welfare

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

Business Continuity

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

Training and Employee Development

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

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

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

E: corpGovernance@smprime.com

Global Guidance

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

Internationally Recognized Frameworks Topics and Boundary



Material Topic GRI xx-xx	Topics Boundary Internal and External	Management Approach Reference (GRI 103)
Economic		
Economic Performance	SM Prime	Financial Capital, pg. 61
Market Presence	Investors	Financial Capital, pg. 70
Indirect Economic Impacts	Community	Financial Capital, pg. 70
Anti-corruption	Employees, Investors	Financial Capital, pg. 114
Environment		
Materials	SM Prime	
Energy	SM Prime	Environmental Capital, pg. 81
Water	SM Prime	Environmental Capital, pg. 84
Biodiversity	SM Prime/Biodiversity	Environmental Capital, pg. 87
Emissions	SM Prime	Environmental Capital, pg. 81
Effluents and Wastes	SM Prime	Environmental Capital, pg. 85
Environment Compliance		
Social		
Employment	SM Prime	Human Capital
Labor/Management Relations	SM Prime	
Occupational Safety and Health	SM Prime	Human Capital, pg 94
Anti-Workplace Discrimination	SM Prime	Human Capital, pg 95
Diversity and Inclusion	SM Prime	Human Capital, pg 95
Supply Chain Management	SM Prime/Contractors/Supplies	Human Capital, pg 95
Customer Privacy	SM Prime	Human Capital, pg 95
Social Integration	SM Prime	Social and Relationship, pg 98
Raising Public Awareness	Community	Social and Relationship, pg 99
Community Development and Value	Community	Social and Relationship, pg 99



United Nations
Global Compact

10 Principles

Principles

Disclosure

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



SENDAI FRAMEWORK
FOR DISASTER RISK REDUCTION 2015-2030

Seven Global Targets

GRI Content Index

(102-55)



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

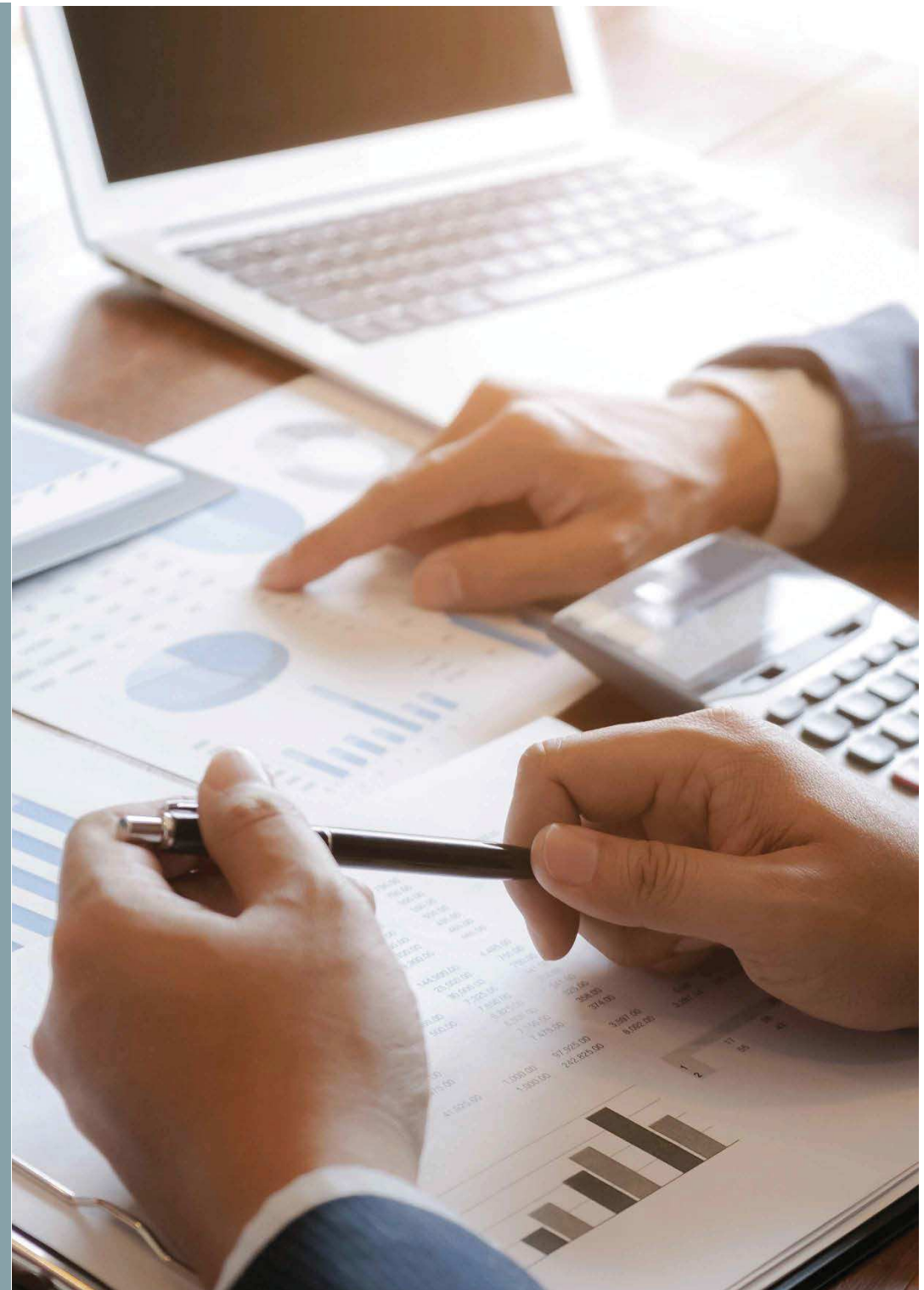
GRI Standard	Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Organizational Profile		
	102-1 Name of the organization	p. 3	
	102-2 Activities, brands, products, and services	p. 3	
	102-3 Location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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**SM Prime Net Income is ₱18.0 billion
as it waives rental to tenants of ₱23.3 billion throughout quarantine**

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

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

Revenue

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

Rent

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

Real Estate Sales

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

Cinema and Event Ticket Sales and Other Revenues

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

Costs and Expenses

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

Costs of Real Estate

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

Operating Expenses

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

Other Income (Charges)*Interest Expense*

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

Interest, Dividend and Others - net

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

Provision for income tax

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

Net income attributable to Parent

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

Balance Sheet Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement of Management's Responsibility for Financial Statements

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

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

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

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

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



Henry T. Sy, Jr.
Chairman



Jeffrey C. Lim
President



John Nai Peng C. Ong
Chief Finance Officer

Signed this 15th of February, 2021

Report of the Audit Committee

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

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

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

Profile/Qualifications of the Members of Audit Committee:

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

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

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

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

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

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

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



Jose L. Cuisia, Jr.
Chairman



Joselito H. Sibayan
Member



Gregorio U. Kilayko
Member



Jorge T. Mendiola
Member

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Accounting for Lease Concession

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

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

Audit Response

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

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

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

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

Real Estate Revenue Recognition

The Company's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas:

(1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

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

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

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

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

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

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

Audit Response

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

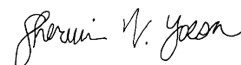
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

SYCIP GORRES VELAYO & CO.



Sherwin V. Yason
Partner

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

February 15, 2021

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

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

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

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

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

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

	Equity Attributable to					Equity Holders of the Parent						
	Capital Stock	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income	Net Fair Value Changes on Cash Flow Hedges	Remeasurement Loss on Defined Benefit Obligation	Retained Earnings (Note 19)		Treasury Stock	Total	Noncontrolling Interests	Total Equity
	(Notes 19 and 29)	(Notes 5 and 19)		(Note 10)	(Note 28)	(Note 24)	Appropriated	Unappropriated	(Notes 19 and 29)		(Note 19)	
At January 1, 2020	P33,166,300	P38,007,668	P1,344,274	P17,840,990	(P1,328,167)	(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P300,916,171	P1,600,103	P302,516,274
Net income for the year	-	-	-	-	-	-	-	18,006,512	-	18,006,512	133,225	18,139,737
Other comprehensive income (loss)	-	-	180,165	(4,380,321)	(440,863)	322,903	-	-	-	(4,318,116)	6,269	(4,311,847)
Total comprehensive income (loss) for the year	-	-	180,165	(4,380,321)	(440,863)	322,903	-	18,006,512	-	13,688,396	139,494	13,827,890
Cash dividends (Note 19)	-	-	-	-	-	-	-	(5,342,658)	-	(5,342,658)	-	(5,342,658)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	4,222	-	4,222	-	4,222
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(288,100)	(288,100)
Acquisition of non-controlling interest - net (Notes 2 and 5)	-	15,245	-	-	-	2,691	-	-	-	17,936	(17,936)	-
At December 31, 2020	P33,166,300	P38,022,913	P1,524,439	P13,460,669	(P1,769,030)	(P587,796)	P42,200,000	P186,251,267	(P2,984,695)	P309,284,067	P1,433,561	P310,717,628
At January 1, 2019	P33,166,300	P39,953,218	P1,955,999	P19,084,597	(P842,098)	(P348,480)	P42,200,000	P143,118,153	(P2,984,695)	P275,302,994	P3,774,968	P279,077,962
Net income for the year	-	-	-	-	-	-	-	38,085,601	-	38,085,601	703,072	38,788,673
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	(2,879,181)	-	-	-	2,879,181	-	-	-	-
Other comprehensive income (loss)	-	-	(611,725)	1,635,574	(486,069)	(564,910)	-	-	-	(27,130)	(2,958)	(30,088)
Total comprehensive income (loss) for the year	-	-	(611,725)	(1,243,607)	(486,069)	(564,910)	-	40,964,782	-	38,058,471	700,114	38,758,585
Cash dividends (Note 19)	-	-	-	-	-	-	-	(10,507,731)	-	(10,507,731)	-	(10,507,731)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	7,987	-	7,987	-	7,987
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(633,700)	(633,700)
Acquisition of non-controlling interest - net (Notes 2 and 5)	-	(1,945,550)	-	-	-	-	-	-	-	(1,945,550)	(2,241,279)	(4,186,829)
At December 31, 2019	P33,166,300	P38,007,668	P1,344,274	P17,840,990	(P1,328,167)	(P913,390)	P42,200,000	P173,583,191	(P2,984,695)	P300,916,171	P1,600,103	P302,516,274

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

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

	Equity Attributable to					Equity Holders of the Parent						
	Capital Stock	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income	Net Fair Value Changes on Cash Flow Hedges	Remeasurement Gain (Loss) on Defined Benefit Obligation	Retained Earnings (Note 19)		Treasury Stock	Total	Noncontrolling Interests	Total Equity
							Appropriated	Unappropriated				
	(Notes 19 and 29)	(Notes 5 and 19)		(Note 10)	(Note 28)	(Note 24)			(Notes 19 and 29)		(Note 19)	
At January 1, 2018	₱33,166,300	₱39,662,168	₱2,110,745	₱25,489,705	(₱311,429)	(₱199,126)	₱42,200,000	₱120,125,945	(₱3,287,087)	₱258,957,221	₱3,916,693	₱262,873,914
Net income for the year	-	-	-	-	-	-	-	32,172,886	-	32,172,886	738,243	32,911,129
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	(1,117,899)	-	-	-	1,117,899	-	-	-	-
Other comprehensive income (loss)	-	-	(154,746)	(5,287,209)	(530,669)	(149,354)	-	-	-	(6,121,978)	(3,051)	(6,125,029)
Total comprehensive income (loss) for the year	-	-	(154,746)	(6,405,108)	(530,669)	(149,354)	-	33,290,785	-	26,050,908	735,192	26,786,100
Cash dividends (Note 19)	-	-	-	-	-	-	-	(10,307,731)	-	(10,307,731)	-	(10,307,731)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	9,154	-	9,154	-	9,154
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(576,200)	(576,200)
Sale of treasury shares held by subsidiary	-	282,816	-	-	-	-	-	-	302,392	585,208	-	585,208
Sale (acquisition) of non-controlling interests (Notes 2 and 5)	-	8,234	-	-	-	-	-	-	-	8,234	(300,717)	(292,483)
At December 31, 2018	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597	(₱842,098)	(₱348,480)	₱42,200,000	₱143,118,153	(₱2,984,695)	₱275,302,994	₱3,774,968	₱279,077,962

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

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

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

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

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

Corporate Information

COMPANY HEADQUARTERS

SM Prime Holdings, Inc.
10th Floor, Mall of Asia Arena Annex Building
Coral Way cor. J.W. Diokno Boulevard
Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A
Pasay City 1300 Philippines

INVESTOR RELATIONS

T: (632) 8831-1000
E: info@smprime.com
www.smprime.com

STOCKHOLDER INQUIRIES

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

BDO TRUST AND INVESTMENTS GROUP

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

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



SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City _____ on _____.

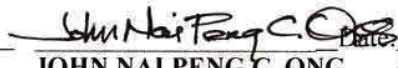
SM PRIME HOLDINGS, INC.

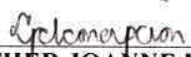
Pursuant to the requirements of the Securities Regulations Code, this annual report has been signed by the following persons in their capacities and on the dates indicated.

By:


JEFFREY C. LIM
President

Date:


JOHN NAI PENG C. ONG
Chief Finance Officer


LESTER JOANNE L. CONCEPCION
Assistant Vice President - Finance

Date: 4/5/2021


ELMER B. SERRANO
Corporate Secretary

Date:

SUBSCRIBED AND SWORN to before me this APR 12 2021 at PASIG CITY, affiants exhibiting to me their passports and tax identification, as follows:

NAME	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
JEFFREY C. LIM			
JOHN NAI PENG C. ONG			
LESTER JOANNE L. CONCEPCION			
ELMER B. SERRANO			

Doc. No. 463

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Book No. 1

Series of 2021.


VICTOR ENRIQUE G. BOLINAO

Appointment No. 196 (2020-2021)

Notary Public

Until December 31, 2021

Attorney's Roll No. 74263

33rd Floor, The Orient Square

F. Ortigas, Jr. Road, Ortigas Center, Pasig City

PTR Receipt No. 7233542; 01.05.21; Pasig City

IBP Receipt No. 137825; 01.05.21; RSM

Admitted to the Bar July 8, 2020