

2021 SMPH Non-Executive Directors' Regular Meeting

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

Mr. Amando M. Tetangco, Jr., being the Board's lead independent director, chaired the meeting last December 6, 2021.

1. Meeting with the Company's External Auditor, SyCip Gorres Velayo & Co. (SGV)

Members of the SGV present:

Belinda T. Beng-Hui, Audit Signing Partner
Wilson P. Tan, Country Managing Partner
Benigno F. Leongson, Audit Partner
Juan Miguel P. Machuca, Audit Partner
Jackson E. Apostol, Senior Manager - Assurance
Mary Claire D. Pogeyed, Senior Director – Assurance

SGV reported that the interim ongoing audit per audit plan is ongoing. SGV affirmed that it completed the walkthrough, test of controls and expected to meet its target deadline for completion of audit and discussion on the results to the Management within the month of December.

SGV confirmation that there are no issues with Management or Internal Audit which they would like to bring to the attention of the Non-Executive Directors. SGV confirmed that there are no issues as regards to communication and cooperation.

SGV provided an update on the new accounting policies that were adopted for the year. Philippine Interpretations Committee Question & Answer (PIC Q&A) has issued accounting guidelines affecting the real estate industry. Effective January 2021, there are three (3) items adopted by the Company. These are (1) accounting on common usage service area (CUSA), (2) accounting for sales cancellation and (3) treatment of uninstalled materials in the calculation of percentage of completion (POC). SGV also reported that there are still other items that were deferred by PIC up to 2023.

SGV informed that it will include in their review the Company's compliance to Anti- Money Laundering Act (AMLA) as the real estate developers were included in the covered persons by virtue of Republic Act No. 11521.

Further, SGV discussed that International Accounting Standards Board (IASB) may issue standards on sustainability reporting comprehensive global baseline of sustainability-related disclosure standards and common framework. IASB is expected to release the draft by first quarter of 2022.

After the discussion, SGV left the meeting to allow the meeting of non-executive directors with the Management.

2. Meeting with Chief Audit Executive, Chief Compliance Officer, and Chief Risk Officer

Internal Audit – Audit Department team updated the non-executive directors that all audit findings are monitored through periodic monitoring of the recommendations/action plans in addressing these issues within the timeframe agreed with the accountable units of the various business units. Chief Audit Executive pointed out that controls are also continuously improved to ensure its effectiveness. The Management stressed that it is strictly monitoring and accelerating the timelines of the proposed action plans to address cybersecurity-related issues as noted in the internal audit.

Compliance and Risk - The Internal Audit affirmed that it shall include in its 2022 audit plan the Company's compliance with new laws and regulations covering real estate.

The “new normal” was also an area of concern, because despite the improving vaccination rates, the situation is definitely not going to return to how it was 2 years ago. The Management assured that the Company has adapted well to the new normal, and that they must just continue to follow through the adjustments made.

The Management also reported that almost 100% of their employees have been vaccinated, and that those who are not vaccinated are prevented only by their medical conditions. As for boosters, this would depend on when each employee has been vaccinated, as booster shots are only allowed around 6 months after vaccination as of now.

Financial Statements – The Chief Finance Officer reported that the subsidiaries are compliant with the submissions of financial reports requirement to ensure consolidation of full year results. Subsidiaries comply consistently with the monthly, quarterly, and yearly deadlines for to submit their numbers, and that the team will not be accepting any adjustments past the deadline.

Digitalization – The Management reported that online shopping is becoming more popular. The Company decided to increase the budget for their *omnichannel* for their mall tests.