

# COVER SHEET

SEC Registration Number

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Company Name

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S	U	B	S	I	D	I	A	R	I	E	S																		

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

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Form Type

1	7	-	A
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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

-
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Company's Telephone Number/s

8857-0100
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Mobile Number

-
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No. of Stockholders

1,254 (as of March 31, 2022)
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Annual Meeting  
Month/Day

04/27
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Fiscal Year  
Month/Day

12/31
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Frederic C. DyBuncio
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Email Address

-
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Telephone Number/s

8857-0100
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Mobile Number

-
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Contact Person's Address

10 <sup>th</sup> Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300
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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.

SEC Number 16342

**SM INVESTMENTS CORPORATION**

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(Company's Full Name)

**10th Floor,  
One E-Com Center, Harbor Drive,  
Mall of Asia Complex, CBP-1A  
Pasay City, 1300**

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(Company's Address)

**8857-0100**

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(Telephone Number)

**December 31**

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(Year Ending)  
(month & day)

**SEC Form 17-A  
Annual Report**

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Form Type

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Amendment Designation (If applicable)

**December 31, 2021**

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Period Ended Date

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(Secondary License Type and File  
Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**
2. SEC Identification Number **0000016342** 3. BIR Tax Identification No. **169-020-000**
4. Exact name of registrant as specified in its charter **SM INVESTMENTS CORPORATION**
5. **PHILIPPINES** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. **10<sup>th</sup> Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City** **1300**  
Address of principal office Postal Code
8. **(632) 8857-0100 / fax (632) 8857-0132**  
Registrant's telephone number, including area code
9. \_\_\_\_\_  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
<b>COMMON SHARES, P 10 PAR VALUE</b>	<b>1,204,582,867</b>

11. Are any or all of these securities listed on a Stock Exchange.  
Yes [] No []  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
**Philippine Stock Exchange, 1,204,582,867, P10 par value, common shares**
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 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:  
**P547,784,197,175.00 as of December 31, 2021**

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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. Business**

SM Investments Corporation (“SMIC”) is the holding company of the SM Group with interests in Retail, Property and Banking. Its Retail arm, SM Retail Inc., operates department stores under the SM Store brand, and several food retail formats including Supermarkets, Hypermarkets, Savemore and Alfamart Stores. It also operates specialty stores focused on DIY, furniture, appliances and toys among others. Its Property arm, SM Prime Holdings Inc., is engaged in building and operating shopping malls both in the Philippines and China. It is also engaged in Residential property development under its SM Development Corporation subsidiary, commercial property development, as well as various hotels and convention centers. The Banking Group is comprised of BDO Unibank, Inc., the country’s largest bank by resources, and China Banking Corporation. SMIC also has Equity Investments in other sectors such as premium commercial buildings, leisure, logistics, food manufacturing and mining.

The Group takes an integrated approach to creating shared value for all its stakeholders and to applying global Environmental, Social and Governance (ESG) best practices across its businesses. The SM Group seeks alignment of its sustainability programs to the 17 United Nations Sustainable Development Goals, and is a signatory of the UN Global Compact’s 10 Principles. It publishes its report following the International Integrated Reporting Framework, in reference to GRI Standards and the Task Force for Climate Related Disclosures.

#### **Business of Issuer**

**SM Retail** currently has 68 department stores located in Mero Manila and key provincial cities. Of these, 65 stores are based inside SM malls and 3 stores in Makati, Cubao, and Quiapo are stand-alone stores.

#### **Non-Food Retail**

In 2021, 2 new stores were opened in Caloocan and Camarines Norte. These new stores contributed an additional 19,640 sqm, bringing the gross selling area (GSA) of The SM Store to 837,335 sqm.

#### **Food Retail**

**SM Supermarket** is a large format anchor tenant in SM malls. It has been in operation since 1985 and currently has 61 stores nationwide totaling to 371,268 sqm of GSA with each store carrying 30,000 to 35,000 SKUs. In 2021, it opened two stores in Caloocan and Camarines Norte.

**SM Hypermarket** is a large format food retailer store with both stand-alone and in-mall locations. It has been in operation since 2001 and provides a shopping experience that combines the features of a supermarket with those of a department store. There are currently 52 stores in operation totaling 334,037 sqm of GSA with each store carrying over 35,000 SKUs.

**Savemore** is a mid-sized format introduced in 1998. It is located in community malls or as a stand-alone store. Savemore is a neighborhood format, providing food and grocery items in residential locations with extended opening hours. Savemore introduced a smaller-sized format called Savemore Express which are below 1,000 sqm in size and carries a more concentrated selection of fast-moving SKUs. Among SM Retail's Food formats, Savemore has the largest footprint with 565,380 sqm of GSA across 214 stores as of end-2021. Savemore stores carry 20,000 to 25,000 SKUs, while Savemore Express carry below 20,000 SKUs. In 2021, they opened 7 stores nationwide.

**Waltermart** is a mid-sized format that provides food and non-food shopping as an anchor tenant in Waltermart community malls, located primarily in Luzon. SM Retail acquired a controlling stake in Waltermart in 2013. It has 73 Department Stores and Supermarkets as at end-2021, with an aggregate GSA of 195,745 sqm. In 2021, they opened 2 department stores and 4 supermarkets in the areas of Cavite, Rizal and Metro Manila.

**Alfamart** is a small format minimart grocery store situated primarily in residential neighborhoods and offering a range of essential groceries with supermarket pricing. It is a joint venture with Indonesia-based minimart operator, PT Sumber Alfaria Trijaya Tbk, which started operations in the Philippines in 2014. Alfamart Philippines has a network of 1,207 stores as of end-2021, mostly located outside Metro Manila, each carrying up to 4,000 SKUs. In 2021, they opened 202 new stores within Metro Manila, Bataan, Olongapo, Batangas, Rizal, Bulacan, Pampanga, Nueva Ecija and Laguna.

### **Property**

SM Prime Holdings, Inc. ("SM Prime") is one of the largest integrated property developers in Southeast Asia that develops innovative and sustainable lifestyle cities, comprising malls, residences, offices, hotels and convention centers. It was incorporated in the Philippines in 1994 and SMIC has a 49.7% effective ownership in the company.

### **Malls**

SM Prime's mall business unit operates and maintains modern commercial shopping malls. Its main sources of revenue include rental income from leased shopping spaces, cinema ticket sales and other amusement income. SM Prime has 78 malls in the Philippines with a total gross floor area (GFA) of 8.9 million sqm and 7 shopping malls in China with a total GFA of 1.3 million sqm.

In 2021, SM Prime's mall business unit opened 2 new malls in the Philippines namely, SM City Daet and SM City Grand Central. The Company also opened MOA Square, the commercial space beside the SM Mall of Asia which houses the first IKEA store in the Philippines and the biggest IKEA in the world. These new malls and expansion project added around 305,000 sqm of GFA.

### **Residential**

SM Prime's residential development arm, SM Development Corporation ("SMDC"), derives development revenues largely from the sales of condominium units. As of December 31, 2021, the primary residential business unit had 61 residential projects in the market worth PHP652 billion.

SMDC's primary residential business unit typically launches 15,000 to 20,000 units annually, including high-rise, mid-rise and single detached housing. Projects are located in Metro Manila and key provincial cities.

In secondary residential business, SM Prime also owns leisure and resort developments including properties in the vicinity of Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas. It is also the developer of Pico de Loro Cove residential community within Hamilo Coast.

### **Commercial**

SM Prime's commercial properties business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila. As of December 31, 2021, the Company has twelve office buildings with a combined GFA of approximately 0.7 million sqm. These are located in the cities of Quezon, Pasay, Makati, Taguig and Las Pinas. Their assets outside Metro Manila are located in Clark in Pampanga, Taytay in Rizal, and Sta. Rosa in Laguna.

### **Hotels and Convention Centers**

SM Prime's hotel and convention centers business unit manages nine hotels located in Tagaytay City, Batangas, Pampanga, Cebu City, Davao City, Pasay City, Iloilo City, Quezon City and Bacolod City with more than 2,200 rooms. It also operates five convention centers located in the Mall of Asia Complex in Pasay City, SM Lanang Premier in Davao City, SM Aura in Taguig City, SM City Bacolod in Bacolod City, and SM City Olongapo Central in Zambales, and two trade halls located in SM Megamall and SM Seaside City Cebu.

### **Financial Services**

**BDO Unibank, Inc.** ("BDO") is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including lending, deposit-taking, foreign exchange, brokering, trust and investments, credit cards, corporate cash management and remittances. Through its local subsidiaries, it offers leasing and financing, investment banking, private banking, rural banking, life insurance, insurance brokerage and stock brokerage services. BDO has one of the largest distribution networks of over 1,500 operating branches and more than 4,400 ATMs nationwide.

BDO is the country's largest bank in terms of consolidated resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network.

As at end-2021, BDO had a strong balance sheet with total resources of PHP3.6 trillion.

SMIC has an effective ownership of 45.3% in BDO.

**The China Banking Corporation** ("China Bank") was incorporated in 1920 as among the first privately owned banks in the Philippines. It has historical strength in catering to the Chinese-Filipino commercial sector, as well as local corporate and retail banking segments. China Bank offers a complete range of deposit, lending, international and investment products. Through its local subsidiaries, it offers investment banking, securities broking,

insurance broking, and thrift bank services. China Bank services its customers through its 637 bank branches with over 1,000 ATMs nationwide.

The Bank boasts a strong balance sheet, with total resources at PHP1.1 trillion as at end-2021.

SMIC has an effective stake of 22.5% in China Bank.

### **Equity Investments**

SMIC invests in ventures that capture high growth opportunities in the emerging Philippine economy, looking for market leaders that offer synergies, attractive returns and cash flows.

**Belle Corporation** (“Belle”) is a developer of tourism and leisure destinations in the Philippines. Its principal asset is the City of Dreams Manila in PAGCOR Entertainment City by Manila Bay, which is leased on a long-term basis to Melco Resorts and Entertainment (Philippines) Corporation (“Melco”). In addition to lease income, Belle is accorded a share in revenues or earnings from City of Dreams Manila’s gaming operations through the operating agreement between its 79.8%-owned subsidiary, Premium Leisure Corp. (“PLC”), and Melco.

South of Metro Manila, Belle owns significant real estate assets and develops premium residential resort projects around Tagaytay City. Among its exclusive destinations are the club and golf facilities and residential communities of Tagaytay Highlands and Tagaytay Midlands, as well as a further 800 hectares intended for future development.

SMIC’s effective ownership in Belle is 26.4%.

**Atlas Consolidated Mining & Development Corporation** (“Atlas Mining”) is primarily engaged in metallic mineral exploration and mining.

It operates the Toledo copper mine in the province of Cebu through its wholly-owned subsidiary Carmen Copper Corporation (“Carmen Copper”). The Toledo copper mine is one of the Philippines’ largest exporters of copper concentrate and also markets by-products from copper concentrate processing such as magnetite and pyrite.

Atlas Mining also has a stake in the nickel laterite mining project of Berong Nickel Corporation (“Berong Nickel”) in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

SMIC effectively owns 34.1% of Atlas Mining.

**NEO Group** features a portfolio of seven commercial office buildings certified green under the BERDE green building rating system and certified net zero carbon under the EDGE Zero Carbon and Advancing Net Zero Philippines programs. With a total GFA of 256,707 sqm and a tenant base that includes top-tier local and multinational companies, all seven buildings are located within the largest and only Philippine Economic Zone Authority (PEZA) certified IT park in Bonifacio Global City.

Occupancy as of December 31, 2021 is 96.52%

SMIC effectively owns 95% of the first five buildings, and 34% in the remaining two buildings in the NEO portfolio.

**2GO Group, Inc.** (“2GO”) is a shipping and logistics provider that synergizes its various businesses in shipping, freight forwarding, warehousing and express delivery services to provide total solutions to its customers.

As of 2021, SMIC holds 52.9% effective ownership of 2GO.

**Philippine Urban Living Solutions** (“PULS”) is a dormitory developer and operator specializing in the development of rental housing communities under the MyTown brand. It provides affordable living spaces to young urban professionals within walking distance of the central business districts of Metro Manila. It currently has 16 buildings in operation with 2 more buildings under development.

SMIC effectively owns 71.3% in PULS.

**CityMall Commercial Centers Inc.** (“CityMalls”) is a mall developer and operator that specializes in developing community malls in second and third cities across the Philippines. SMIC acquired a 34.0% stake in CityMalls in 2014 with the balance owned by Double Dragon Properties Corporation.

**Goldilocks** is the largest bakeshop chain in the Philippines with over 895 stores and selected operations overseas. Now on its 56<sup>th</sup> year, Goldilocks continues to provide its customers with a wide array of baked goods and home cooked food.

SMIC effectively owns 74.1% in Goldilocks.

**Airspeed** is an end-to-end logistics solutions and express courier company that has been in the industry for over 35 years. They provide freight solutions management that offers a wide range of transport options via air, sea or land. Airspeed also has capabilities to do customized logistics, warehousing and distribution, and customs clearance.

SMIC effectively owns 35.0% in Airspeed.

### **Competition**

The Company’s subsidiaries compete with other local 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 complementing businesses of the individual subsidiaries has further reinforced each subsidiary’s preparedness to face stiff competition in the coming years.

### **Suppliers**

The Company and its subsidiaries have a broad range of suppliers, both local and foreign.

### **Customers / Clients**

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

### **Transactions With and/or Dependence on Related Parties**

See *Note 21* (Related Party Disclosures) of the Notes to the Consolidated Financial Statements.

### **Governmental regulations and environmental laws**

The Company and its subsidiaries meet all governmental, environment, health and safety requirements. The Company has not experienced significant governmental, environment, health or safety problems.

### **Employees**

As of December 31, 2021, the Parent Company had 383 regular employees. Its employees are not subject to any Collective Bargaining Agreements.

### **Risks**

SMIC Enterprise Risk Management approach 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 Executive Committee provides 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. The Board Risk Oversight Committee is updated on status of risk management and improvement plans of the 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 technology risk officer through continuous risk assessments, threats to assets are identified, vulnerability to and likelihood of occurrence are evaluated and potential impacts 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.

## **ITEM 2. Properties**

The Company and its subsidiaries own and lease several tracts of land for shopping malls, commercial, residential and other development.

Leased properties intended for future development have lease terms ranging from 15 to 50 years. Some contracts provide for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rental rates for the said properties. Please refer to *Note 26* of the accompanying Notes to the Consolidated Financial Statements for further details on Lease Agreements. Other real properties that the Company intends to acquire are still under review depending on factors such as demographics and accessibility to public transport.

**ITEM 3. Legal Proceedings**

The Company and its subsidiaries are not involved in any discussion of legal material proceedings.

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

There were no matters submitted to a vote of security holders 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

#### Market Information

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

Stock Prices	<b>2020</b>				<b>2021</b>			
		<u>High</u>		<u>Low</u>		<u>High</u>		<u>Low</u>
1 <sup>st</sup> Quarter	P	1,079.0	P	667.0	P	1,079.0	P	958.0
2 <sup>nd</sup> Quarter		997.0		780.0		1,019.0		900.0
3 <sup>rd</sup> Quarter		975.5		836.5		1,025.0		910.5
4 <sup>th</sup> Quarter		1,100.0		864.0		1,038.0		932.0

As of December 31, 2021, the closing price of the Company’s shares of stock is P943.00/share.

#### Stockholder and Dividend Information

The number of stockholders of record as of December 31, 2021 was 1,261. As of December 31, 2021, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to P274.7 billion, representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries.

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board determines the dividend payout taking into consideration the Company’s operating results, cash flows, capital investment needs and debt servicing requirements. Since its listing in 2005 the Company has been able to declare annual cash dividends equivalent to 30% of prior year consolidated earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within 30 days from the date of declaration.

In 2021 and 2020, the Company declared dividends of P5,119.5 million, equivalent to 85% and 50% of 2020 and 2019 earnings, respectively, of SMIC Parent Company to preserve capital, given the uncertainty brought about by the COVID-19 pandemic.

The cash dividends pertaining to the 2021 earnings will be discussed and determined at the next Board Meeting on April 27, 2022.

On April 28, 2021, the BOD approved the declaration of cash dividends of 42.5% of the par value or P4.25 per share for a total amount of P5,119.5 million in favor of stockholders on record as at May 13, 2021. This was paid on May 27, 2021.

On June 24, 2020, the BOD approved the declaration of cash dividends of 42.5% of the par value or P4.25 per share for a total amount of P5,119.5 million in favor of stockholders on record as at July 9, 2020. This was paid on July 23, 2020.

On April 24, 2019, the BOD approved the declaration of cash dividends of 91.2% of the par value or P9.12 per share for a total amount of P10,985.8 million in favor of stockholders on record as at May 9, 2019. This was paid on May 23, 2019.

The top 20 stockholders as of December 31, 2021 are as follows:

	<b><u>Name</u></b>	<b><u>No. of Shares Held</u></b>	<b><u>% to Total</u></b>
1	PCD Nominee Corp (Non-Filipino)	406,923,630	33.78%
2	PCD Nominee (Filipino)	375,478,473	31.17%
3	Herbert T. Sy	98,753,008	8.20%
4	Harley T. Sy	87,604,771	7.27%
5	Hans T. Sy	75,839,675	6.30%
6	Syntrix Holdings, Inc.	46,875,000	3.89%
7	Sysmart Corporation	28,925,745	2.40%
8	Teresita T. Sy	25,440,508	2.11%
9	Henry Sy Foundation, Inc.	22,500,000	1.87%
10	Tansmart Holdings, Inc.	27,500,000	1.87%
11	Felicidad T. Sy Foundation, Inc.	11,250,000	0.93%
12	Susana Fong	452,998	0.04%
13	Elizabeth T. Sy	376,126	0.03%
14	Value Plus, Inc.	152,119	0.01%
15	Henry T. Sy, Jr.	150,281	0.01%
16	Belle Corporation	48,877	0.00%
17	Bernadette S. Go	39,402	0.00%
18	Hector Yap Dimacali	39,102	0.00%
19	Hans Sy Fao Wonderfoods Corp.	39,102	0.00%
20	Henry III Tamesis Sy	34,375	0.00%

The securities below were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

- (1) On June 10, 2014, SMIC issued US\$350 million senior bonds which bear a fixed interest rate of 4.875% per annum, payable semi-annually in arrears. The bonds will mature on June 10, 2024. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to 10.1 (l) of RA No. 8799. The underwriter is Citigroup Global Markets Limited and Standard Chartered Bank and the total underwriting fees and expenses amounted to US\$1.749 million.

There is no recent acquisition, business combination or other reorganization that has an effect on the amount and percentage of present holdings of the Company's common equity.

## ITEM 6. Management’s Discussion and Analysis or Plan of Operation

### Calendar Years Ended December 31, 2021 and 2020

#### Results of Operation (amounts in billion pesos)

	12 / 31 / 2021	12 / 31 / 2020	% Change
<b>Revenues</b>	<b>P 428.1</b>	<b>P 394.2</b>	<b>8.6%</b>
Cost and Expenses	351.8	336.3	4.6%
<b>Income from Operations</b>	<b>76.3</b>	<b>57.9</b>	<b>32%</b>
Other Charges	14.9	16.5	-10.1%
Provision for Income Tax	8.7	7.1	23%
<b>Net Income After Tax</b>	<b>52.7</b>	<b>34.3</b>	<b>54%</b>
Non-controlling Interests	14.2	10.9	30%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 38.5</b>	<b>P 23.4</b>	<b>65%</b>

SM Investments Corporation and Subsidiaries (the Group) reported a higher *Net Income Attributable to Owners of the Parent* at P38.5 billion and *Revenues* at P428.1 billion compared to 2020.

Banking contributed 51% to net income with Property accounting for 25%, Retail contributing 17% and Portfolio investments the remaining 7%.

#### Retail

SM Retail reported *Revenues* of P303.9 billion, 2.4% higher than 2020. The Food Stores reported sales of P191.9 billion, 3% lower than 2020 which registered sales that reflect the effect of pantry loading when customers were buying in advance of the anticipated lockdown. The non-Food stores reported an 11% growth in sales driven by The SM Stores, SM Appliances and Our Home stores.

SM Retail generated P9.6 billion of net income on P303.9 billion revenues in 2021. The Food Stores registered a 31% increase in net income, Specialty Stores at 77% and the SM Stores at 79%. The general improvement in profitability is attributable to sustained growth in sales particularly for the SM Stores and Specialty Stores, aggressive cost management, rental concessions received from various lessors as well as the adoption of CREATE.

#### Property

SM Prime reported *Revenues* of P82.3 billion and *Net income* of P21.8 billion, 1% and 21% higher than 2020, respectively.

The Philippine malls reported *Revenues* of P24.1 billion, 2% higher than 2020, reflecting the impact of more relaxed mobility restrictions especially in the last quarter

of 2021. The China malls, on the other hand, reported Revenues of P5.9 billion, 28% higher than 2020. The results compare with pre-pandemic levels as the country recovered more quickly from the COVID-19 outbreak.

SMDC reported Revenues of P45.9 billion, 3% lower than 2020. SMDC's sales take-up reached P98.9 billion in 2021.

### Banking

BDO reported a *Net income* of P42.8 billion, 51% higher than 2020. BDO's full year profits were buoyed by an 11% increase in non-interest income and normalized provisions. This reflects the Bank's operational resiliency notwithstanding COVID-19 related headwinds depressing loan activity for much of 2021.

China Bank, on the other hand, reported a *Net income* of P15.1 billion, 25% higher than 2020. Interest expense dropped 44% with continued prudent management, resulting in a net interest income of P38.3 billion, up 13%.

### Profit & Loss Statement - Account Analysis

*Merchandise Sales*, which increased by 4.4% to P302.6 billion from P289.7 billion in 2020, accounted for 71% of total revenues in 2021. The increase includes the P7.9 billion sales of 2GO and GBI from the time that they became subsidiaries of SMIC.

As of December 31, 2021, there were 3,215 SM Retail stores in operation: 68 *SM Stores*, 61 *SM Supermarkets*, 214 *Savemore* stores, 52 *SM Hypermarkets*, 73 *WalterMart* stores, 1,207 Alfamart stores, 1 Mindpro store and 1,539 Specialty stores. In addition, there were 1,074 specialty stores under SM Retail's associate companies including Uniqlo and Watsons, among others. The new stores that were opened in 2021 include 202 Alfamart stores, 26 Ace Hardware stores and 82 Watsons stores.

*Real Estate Sales* decreased by 4.1% to P45.1 billion from P47.0 billion in 2020. Revenues are recognized in the books based on percentage of completion of the pertinent residential projects.

*Rent Revenues*, derived mainly from the mall operations of SM Prime, increased by 10.2% to P29.6 billion from P26.9 billion in 2020. The increase reflects the impact of more relaxed mobility restrictions especially in the last quarter of 2021.

As of December 31, 2021, there were 85 malls in operation, 78 in the Philippines with total GFA of 9.0 million square meters and 7 in China with total GFA of 1.3 million square meters.

*Equity in Net Earnings of Associate Companies and Joint Ventures* increased by 57% to P26.8 billion from P17.0 billion in 2020 mainly coming from BDO and China Bank.

*Shipping, logistics and other services* of P5.7 billion represent a portion of 2GO's revenues from the time it became a subsidiary of SMIC.

*Cinema Ticket Sales, Amusement and Others* decreased by 54% to P0.5 billion from P1.1 billion in 2020. This is attributable to the continuing strict restrictions in the operation of cinemas and other leisure areas throughout 2021 whereas 2020 was for the most part of Quarter 1 2020, operating on pre-pandemic terms.

*Royalty, Management and Service Fees* increased by 11.6% to P4.4 billion from P3.9 billion in 2020 reflecting the general improvement in business conditions.

*Other Revenues* which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, increased by 59.2% to P12.8 billion from P8.0 billion in 2020.

*Selling, General and Administrative Expenses* increased by 2.5% to P97.9 billion from P95.5 billion in 2020 due mainly to the scaled-down operation of certain retail stores and malls and efforts to control costs through rationalization of operations. 2021 includes the cost and expenses of 2GO and GBI from the time they became subsidiaries of SMIC.

*Income from Operations* increased by 32% to P76.3 billion from P57.9 billion in 2020. *Operating Margin* and *Net Margin* in 2021 is at 17.8% and 12.3%, respectively.

*Other Charges (net)* decreased by 10.1% to P14.9 billion from P16.5 billion in 2020. *Interest Expense* increased to P18.8 billion from P18.0 billion in 2020 due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* decreased by 9.6% to P2.2 billion from P2.4 billion in 2020 due mainly to lower average balance of cash and time deposits. These were partially offset by the P0.7 billion increase in *Gain on disposal of investment and properties-net* and P0.3 billion increase in *Gain on fair value changes on derivatives-net* in 2021. *Foreign Exchange Gain-net and others* increased to P0.8 billion from P0.2 billion in 2020. The PHP to USD foreign exchange rate amounted to PHP51.00 : USD1.00 in 2021 from PHP48.02 : USD1.00 in 2020.

*Provision for Income Tax* increased by 23.2% to P8.7 billion from P7.1 billion 2020 due mainly to the adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) that was signed into law by the President of the Republic of the Philippines on March 26, 2021, which provides for the retroactive application to July 01, 2020 of the lower corporate income tax rate

*Non-controlling interests* increased by 30% to P14.2 billion from P10.9 billion in 2020 due mainly to the improved net income of partly-owned subsidiaries.

**Financial Position**  
(amounts in billion pesos)

	12 / 31 / 2021	12 / 31 / 2020	% Change
Current Assets	P 302.1	P 254.5	18.7%
Noncurrent Assets	1,039.5	970.0	7.2%
<b>Total Assets</b>	<b>P 1,341.6</b>	<b>P 1,224.5</b>	<b>9.6%</b>
Current Liabilities	P 259.3	P 240.0	8.0%
Noncurrent Liabilities	469.9	419.8	11.9%
<b>Total Liabilities</b>	<b>729.2</b>	<b>659.8</b>	<b>10.5%</b>
<b>Total Equity</b>	<b>612.4</b>	<b>564.7</b>	<b>8.4%</b>
<b>Total Liabilities and Equity</b>	<b>P 1,341.6</b>	<b>P 1,224.5</b>	<b>9.6%</b>

Total *Assets* increased by 9.6% to P1,341.6 billion from P1,224.5 billion in 2020. Likewise, total *Liabilities* increased by 10.5% to P729.2 billion from P659.8 billion in 2020.

Current Assets

*Current Assets* increased by 18.7% to P302.1 billion from P254.5 billion in 2020.

*Cash and Cash Equivalents* increased by 13.5% to P88.7 billion from P78.2 billion in 2020 due mainly to investments, capital expenditures and debt servicing.

*Receivables and Contract Assets* increased by 23% to P74.6 billion from P60.5 billion in 2020 due mainly to higher receivables from real estate buyers and shipping and logistics (see Note 5 of the consolidated financial statements).

*Inventories* increased by 20% to P86.8 billion from P72.1 billion. The increase includes P1.8 billion of merchandise inventory which is partly attributable to the inventories of 2GO and GBI (see Note 5 of the consolidated financial statements), P2.3 billion of land and development - current portion, and P10.6 billion of condominium and residential units for sale.

*Other Current Assets* increased by 18.3% to P51.1 billion from P43.2 billion in 2020 due mainly to higher prepaid taxes and nontrade receivables.

Noncurrent Assets

*Noncurrent Assets* increased by 7.2% to P1,039.5 billion from P970.0 billion in 2020.

*Investments in Associate Companies and Joint Ventures* increased by 3.0% to P305.1 billion from P296.3 billion in 2020. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by

dividends received, share in comprehensive loss of its associate companies, and the effect of business combination discussed in Note 5 of the consolidated financial statements.

*Property and Equipment* increased by 48% to P38.6 billion from P26.1 billion. The increase includes the property and equipment of 2GO and GBI (see Note 5 of the consolidated financial statements).

*Investment Properties* increased by 6.5% to P463.8 billion from P435.5 billion in 2020 due mainly to land banking and ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

*Other Noncurrent Assets* increased by 6.1% to P119.2 billion from P112.3 billion in 2020 due mainly to higher bonds and deposits and receivable from real estate buyers.

### Liabilities

*Interest-bearing debt* increased by 11.8% to P464.1 billion from P415.0 billion in 2020 due to net loan availments in 2021. The increase includes the interest-bearing debt of 2GO (see Note 5 of the consolidated financial statements).

*Accounts Payable and Other Current Liabilities* increased by 9.9% to P164.0 billion from P149.2 billion in 2020 due mainly to higher trade payables and accruals in 2021. The increase includes the trade payables and accruals of 2GO and GBI (see Note 5 of the consolidated financial statements).

*Dividends Payable* decreased by 19% to P3.1 billion from P3.8 billion in 2020. This represents dividends due to minority stockholders of certain subsidiaries.

*Derivative Liabilities* decreased by 46% to P3.1B from P5.8 billion in 2020 representing the net change in the net fair value and maturity of swap transactions.

*Deferred Tax Liabilities* increased by 25% to P15.8 billion from P12.6 billion in 2020 reflecting the net change in unrealized gross profit on sale of real estate and appraisal increment resulting from business combination. The increase includes the deferred tax liabilities of 2GO and GBI (see Note 5 of the consolidated financial statements).

*Tenants' Deposits and Others* increased by 2.6% to P48.9 billion from P47.6 billion in 2020. This account includes deferred output VAT related to sales of residential projects and deposits from residential buyers and tenants in new malls and office buildings.

### Equity

Total *Equity* increased by 8.4% to P612.4 billion from P564.7 billion in 2020.

*Equity Attributable to Owners of the Parent* increased by 8.1% to P436.4 billion from P403.8 billion in 2020. This increase resulted mainly from the P38.5 billion net income reduced by P5.1 billion dividends declared in 2021 that is reflected in *Retained earnings*, *Net Fair value Changes on Cash Flow Hedges* which decreased to loss of P1.0 billion from P2.7 billion in 2020 and *Cumulative Translation Adjustment* which increased to P2.2 billion from P0.9 billion in 2020. These were partly offset by the 8.1% decrease in

*Net Unrealized Gain on Financial Assets* to P15.2 billion from P16.5 billion in 2020 due to lower market valuation of certain investments and 37% increase in *Remeasurement loss on Defined Benefit Asset/Obligation* to P8.3 billion from P6.1 billion in 2020.

*Non-controlling Interests* increased by 9.4% to P176.0 billion from P160.9 billion in 2020 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

#### *Impact of COVID-19 to the Group's operations*

The Group's 2021 results reflect the continuing impact of COVID-19 on the Group's businesses although at a lesser scale.

SM Prime's malls in the Philippines continue to feel the impact of mobility restrictions for the most part of 2021. Processes to manage costs and initiatives to generate more revenues continue to be implemented. The Philippine malls show encouraging recovery especially in the last quarter of 2021 whereas SM Prime's malls in China have gone back to pre-pandemic operations.

COVID-19 did not have any significant impact on SM Prime's offices business since its primary tenants are business process outsourcing (BPO) offices which continued to operate under normal conditions throughout the year.

SM Prime made adjustments to the construction and sales operations of its residential business to align with the pandemic related restrictions. It continues to build up its inventory to support revenue targets for the succeeding years. Reservation sales are sustained and expected to pick up in 2022. The credit quality of receivables is within a reasonable level.

SM Prime's hotels have started to operate at higher capacities and show increasing occupancy rates in the last quarter of 2021.

BDO and China Bank have been operating at normal levels and continue to generate profits even with higher provisions from possible credit losses compared to 2019, before the pandemic set in.

The SM Retail stores demonstrated resilience and high adaptability to the COVID economic environment. Efforts to make its operations more efficient, make shopping more convenient for its customers and grow its digital channels continue. Sales increased significantly in the last quarter of 2021.

## Key Performance Indicators

The key financial ratios of the Group follow:

	12/ 31 / 2021	12 / 31 / 2020
Current Ratio	1.2	1.1
Acid Test Ratio	0.6	0.6
Solvency Ratio	10.1%	8.0%
Asset to Equity	2.2	2.2
Debt - Equity Ratios:		
On Gross Basis	43 : 57	42 : 58
On Net Basis	38 : 62	37 : 63
Return on Equity	9.1%	6.0%
Return on Assets	4.1%	2.9%
Revenue Growth	8.6%	-21%
Net Margin	12.3%	8.7%
Net Income Growth	65%	-48%
EBITDA ( <i>In Billions of Pesos</i> )	97.0B	76.6B
Interest Cover	5.2x	4.3x

*Current Ratio* slightly increased to 1.2 from 1.1 in 2020 due to the 18.7% increase in *Current Assets* vs. 8.0% decrease in *Current Liabilities*.

*Solvency Ratio* increased to 10.1% from 8.0% in 2020 due to the 38% increase in *Net income after tax* and depreciation vs. 10.5% increase in *Total Liabilities*.

*Gross Debt - Equity Ratio* increased to 43:57 from 42:58 in 2020 due to the 11.8% increase in gross debt with only 8.4% increase in Equity.

*Net Debt - Equity Ratio* increased to 38:62 from 37:63 in 2020 due to the P49.1 billion increase in gross debt with only P12.9 billion increase in cash and cash equivalents or increase in net debt by only P36.2 billion. In 2020, net debt increased by P38.3 billion.

*Return on Equity* increased to 9.1% from 6.0% due to the 65% increase in net income attributable to owners of the parent vs. 8.6% increase in average equity.

*Return on assets* increased to 4.1% from 2.9% due to the 54% increase in net income after tax vs 8.5% increase in average assets.

*Revenue Growth* increased to 8.6% from -21% in 2020 due mainly to the 4.4% increase in Merchandise sales, 57% increase in *Equity in Net Earnings*, 10.2% increase in *Rent income* and 59% increase in *Other Revenues*. In 2020, all sources of revenues, except for *Real Estate Sales*, had negative growth.

*Net Margin* and *Net Income Growth* increased to 12.3% and 65% from 8.7% and -48%, respectively.

*EBITDA* increased by 26% due to the P18.4 billion increase in income from operations and P1.9 billion increase in depreciation.

Interest Cover increased to 5.2x from 4.3x in 2020 due to the 26% increase in EBITDA vs.4.1% increase in interest expense.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio  $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio  $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio  $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
  - a. Gross Basis  $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity + Total Interest-bearing Debt}}$
  - b. Net Basis  $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth  $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin  $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth  $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets  $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA Income from Operations + Depreciation & Amortization
12. Interest Cover  $\frac{\text{EBITDA}}{\text{Interest Expense}}$

## Expansion Plans / Prospects in 2022

In 2022, expansion and construction of malls, residential and commercial properties, opening of new retail stores across the various formats, mainly in the Retail Food Group, and selectively in the Retail Non-Food Group, as well as expansion of the Group's logistics capacity will continue.

Investments in new business ventures would be pursued as opportunities arise.

## Calendar Years Ended December 31, 2020 and 2019

### Results of Operation (amounts in billion pesos)

Accounts	12 / 31 / 2020	12 / 31 / 2019	% Change
<b>Revenues</b>	<b>P 394.2</b>	<b>P 502.0</b>	<b>-21.5%</b>
Cost and Expenses	336.3	396.5	-15.2%
<b>Income from Operations</b>	<b>57.9</b>	<b>105.5</b>	<b>-45.1%</b>
Other Charges	16.5	18.8	-12.7%
Provision for Income Tax	7.1	17.2	-58.7%
<b>Net Income After Tax</b>	<b>34.3</b>	<b>69.5</b>	<b>-50.6%</b>
Non-controlling Interests	10.9	24.9	-56.0%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 23.4</b>	<b>P 44.6</b>	<b>-47.5%</b>

*SM Investments Corporation and Subsidiaries (the Group)* reported a *Net Income Attributable to Owners of the Parent* of P23.4 billion, 47.5% lower than 2019, and *Revenues* of P394.2 billion, 21.5% lower than 2019. These results reflect the adverse impact of COVID-19.

There is continuing recovery in economic activity and business volumes with the steady easing of community quarantine measures in the major business areas in the country and the consumers adjusting to the new normal living conditions. In the second half of the year, profitability improved across Retail, Property and Banking as retail stores and the malls have fully opened in time for the holiday season.

### Retail

SM Retail reported a net income of P4.1 billion, 66.8% lower than 2019 and revenues of P296.8 billion, 19.1% lower than 2019.

Notable is the revenue growth of Food Retail at 7.2% to P200.0 billion despite the challenging business environment in 2020. Double-digit sales growth was reported by Savemore at 10.8%, Waltermart at 18.4% and Alfamart at 23.9%.

### Property

SM Prime reported a net income of P18.0 billion, 52.7% lower than 2019 and revenues of P81.9 billion, 30.8% lower than 2019.

In 2020, SM Prime's Philippine mall business reported revenues of P23.6 billion, down from P57.8 billion in 2019. Rent income of local malls of P21.8 billion is 55% of the P48.4 billion in 2019.

Two new malls were launched in 2020, *SM City Butuan* and *SM City Mindpro* in Mindanao.

SM Prime's residential business, led by SM Development Corporation (SMDC), reported a 6.1% growth in revenues to P46.5 billion from P43.7 billion in 2019 and 10% growth in reservation sales to P99.0 billion from P90.0 billion in 2019.

### Banking

BDO reported a net income of P28.2 billion, 36% lower than 2019. This is primarily due to the P23.8 billion provision for impairment losses taken up in anticipation of a possible increase in non-performing loans as a result of the COVID-19 pandemic.

China Bank reported a net income of P12.1 billion, 20% higher than 2019. This is despite huge provisions for probable credit losses of P6.3 billion, 3.4x of 2019.

Banking accounted for 55% of net income from core businesses, followed by Property at 33% and Retail at 12%.

### Profit & Loss Statement - Account Analysis

*Merchandise Sales*, which decreased by 18.2% to P289.7 billion from P354.1 billion in 2019, accounts for 73.5% of total revenues in 2020. The decrease is attributable mainly to the temporary closure of certain retail stores during the enhanced community quarantine (ECQ) and modified ECQ (MECQ) periods particularly in the 2<sup>nd</sup> quarter.

As of December 31, 2020, *SM Retail* had 3,019 stores in operation. Its stores portfolio includes 66 *SM Stores*, 59 *SM Supermarkets*, 209 *Savemore* stores, 52 *SM Hypermarkets*, 71 *WalterMart* stores, 1,012 *Alfamart* stores, and 1,550 *Specialty* stores.

*Real Estate Sales* increased by 5.7% to P47.0 billion from P44.5 billion in 2019. The increase is attributable to sales take-up and construction accomplishments of ongoing projects including *Shore 3*, *Bloom*, *Vine*, *Fame* and *Lane* as well as various Ready-For-Occupancy (RFO) projects, particularly those located in Mandaluyong and Pasay. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion. *SM Residences* continued its sales momentum by using various digital sales platforms and offering flexible payment terms to its buyers.

*Rent Revenue*, derived mainly from the mall operations of SM Prime, decreased by 47.8% to P26.9 billion from P51.6 billion in 2019. The decrease is due to the temporary

closure of malls as well as other businesses during the ECQ and MECQ periods. In 2020, waived rentals and other charges amounted to P23.3 billion.

As of December 31, 2020, *SM Prime* had 76 malls in the Philippines with total GFA of 8.6 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

*Equity in Net Earnings of Associate Companies and Joint Ventures* decreased by 34.6% to P17.0 billion from P26.0 billion in 2019 mainly representing the decrease in net income of BDO.

*Cinema Ticket Sales, Amusement and Others* decreased by 85.8% to P1.1 billion from P7.7 billion in 2019. This is attributable to the suspension of operations of the cinemas starting March 15, 2020 relative to the closure of malls during the ECQ and MECQ periods. With strict safety measures in place, the cinemas have slowly resumed operations starting October 2020.

*Royalty, Management and Service Fees* decreased by 46.4% to P3.9 billion from P7.3 billion in 2019 relative to the drop in business volume.

*Other Revenues* which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, decreased by 21.3% to P8.0 billion from P10.2 billion in 2019 due to the closure of certain retail stores and malls during the ECQ and MECQ periods.

*Selling, General and Administrative Expenses* decreased by 15.7% to P95.5 billion from P113.3 billion in 2019 due mainly to the scaled-down operation of certain retail stores and malls during the ECQ period and efforts to control costs through rationalization of operations.

*Income from Operations* decreased by 45.1% to P57.9 billion from P105.5 billion in 2019. *Operating Margin* and *Net Margin* is at 14.7% and 8.7%, respectively.

*Other Charges (net)* decreased by 12.7% to P16.5 billion from P18.8 billion in 2019. *Interest Expense* decreased by 7.6% to P18.0 billion from P19.5 billion in 2019 due mainly to new debt availments for working capital and capital expenditure requirements. An *Impairment Loss on Investments* amounting to P1.0 billion was recognized in 2020 relative to the impairment test done on the Group's investments. *Interest Income* decreased by 37.2% to P2.4 billion from P3.9 billion in 2019 due mainly to lower average daily balance of cash and time deposits. *Foreign Exchange Gain - net* and others decreased by 72% to P155.2 million from P561.7 million in 2019. The PHP to USD foreign exchange rate amounted to PHP48.02 : USD1.00 in 2020 and PHP50.64 : USD1.00 in 2019.

*Provision for Income Tax* decreased by 58.7% to P7.1 billion from P17.2 billion in 2019 due mainly to lower taxable income. The effective income tax rate is 17.1% in 2020 and 19.8% in 2019.

*Non-controlling interests* decreased by 56.0% to P10.9 billion from P24.9 billion in 2019 due mainly to the decrease in net income of partly-owned subsidiaries.

**Financial Position**  
(amounts in billion pesos)

Accounts	12 / 31 / 2020	12 / 31 / 2019	% Change
Current Assets	P 254.5	P 248.4	2.5%
Noncurrent Assets	970.0	895.8	8.3%
<b>Total Assets</b>	<b>P 1,224.5</b>	<b>P 1,144.2</b>	<b>7.0%</b>
Current Liabilities	P 240.0	P 196.7	22.0%
Noncurrent Liabilities	419.8	411.3	2.1%
<b>Total Liabilities</b>	<b>659.8</b>	<b>608.0</b>	<b>8.5%</b>
<b>Total Equity</b>	<b>564.7</b>	<b>536.2</b>	<b>5.3%</b>
<b>Total Liabilities and Equity</b>	<b>P 1,224.5</b>	<b>P 1,144.2</b>	<b>7.0%</b>

Total *Assets* increased by 7.0% to P1,224.5 billion from P1,144.2 billion in 2019. Likewise, total *Liabilities* increased by 8.5% to P659.8 billion from P608.0 billion in 2019.

Current Assets

*Current Assets* increased by 2.5% to P254.5 billion from P248.4 billion in 2019.

*Cash and Cash Equivalents* increased by 2.6% to P78.2 billion from P76.2 billion in 2019 due mainly to payments for trade, investments, capital expenditures and debt servicing. The net cash flow from operations decreased by P33.7 billion or 50.8% as a result of the drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

*Receivables and Contract Assets* increased by 12.9% to P60.5 billion from P53.6 billion in 2019 due mainly to the increase in real estate sales and some delay in the collection of certain receivables relative to the Group's adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020.

*Inventories* decreased by 6.6% to P72.1 billion from P77.1 billion resulting from the P4.8 billion decrease in merchandise inventory and P3.0 billion decrease in land and development - current partly offset by the P2.7 billion increase in condominium and residential units for sale.

*Other Current Assets* increased by 6.0% to P43.2 billion from P40.7 billion in 2019 due mainly to higher prepaid taxes and other prepayments.

### Noncurrent Assets

*Noncurrent Assets* increased by 8.3% to P970.0 billion from P895.8 billion in 2019.

*Financial assets at FVOCI* increased by 12.6% to P27.3 billion from P24.2 billion due mainly to new investments and increase in market values in 2020.

*Right-of-use (ROU) Assets - Net* increased by 11.5% to P42.0 billion from P37.7 due mainly to P7.5 billion new and renewed leases, offset by P3.2 billion amortization and lease terminations.

*Investments in Associate Companies and Joint Ventures* increased by 5.4% to P296.3 billion from P281.0 billion in 2019. The increase mainly represents the equity in net earnings of the Group's associate companies of P17.0 billion, partly offset by P4.4 billion dividends and share in the comprehensive income of its associate companies.

*Investment Properties* increased by 5.4% to P435.5 billion from P413.0 billion in 2019 due mainly to land banking and ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

*Other Noncurrent Assets* increased by 33.1% to P112.3 billion from P84.4 billion in 2019 due mainly to the increase in receivable from real estate buyers and additional bonds and deposits for real estate acquisitions and construction.

### Current Liabilities

*Current Liabilities* increased by 22.0% to P240.0 billion from P196.7 billion in 2019.

*Bank Loans* increased by 28.9% to P24.1 billion from P18.7 billion in 2019 due to new loan availments, partly offset by payments.

*Accounts Payable and Other Current Liabilities* increased by 5.5% to P149.2 billion from P141.5 billion in 2019 due mainly to the increase in payable to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits and non-trade payables.

*Income Tax Payable* decreased by 19.1% to P2.6 billion from P3.3 billion in 2019 due mainly to lower income in 2020.

*Current Portion of Long-term Debt* increased by 106.8% to P60.1 billion from P29.1 billion in 2019 due mainly to the reclassification of maturing loans from noncurrent.

*Dividends Payable* decreased by 8.9% to P3.8 billion from P4.2 billion in 2019. This represents dividends due to minority stockholders of certain subsidiaries.

### Noncurrent Liabilities

*Noncurrent Liabilities* increased by 2.1% to P419.8 billion from P411.3 billion in 2019.

*Long-term Debt - Net of Current Portion* increased by 1.0% to P330.7 billion from P327.4 billion in 2019 due mainly to new debt availments partly offset by reclassification of maturing debts to current.

*Deferred tax liabilities* increased by 31.4% to P12.6 billion from P9.6 billion in 2019 due mainly to unrealized gross profit on sale of real estate for income tax purposes.

*Tenants' Deposits and Others* increased by 1.9% to P47.6 billion from P46.7 billion in 2019. This account includes deferred output VAT related to sale of residential projects and deposits from residential buyers and tenants in new malls and office buildings.

### Equity

Total *Equity* increased by 5.3% to P564.7 billion from P536.2 billion in 2019.

*Equity Attributable to Owners of the Parent* increased by 5.5% to P403.8 billion from P382.6 billion in 2019. This increase resulted mainly from the (a) P18.3 billion net increase in Retained Earnings representing the 2020 net income of P23.4 billion offset by P5.1 billion dividend declaration, (b) *Net Unrealized Gain on Financial Assets at FVOCI* which increased by 14.6% to P16.5 billion from P14.4 billion in 2019 due mainly to the appreciation in market value of certain investments of the Group, and (c) *Remeasurement loss on defined benefit asset/obligation* which decreased by 29.7% to P6.1 billion from P8.6 billion in 2019 as a result of the 2020 valuation of the Group's retirement plans. These were partly offset by the (a) *Net Fair value Changes on Cash Flow Hedges* which decreased to P2.7 billion from P1.4 billion in 2019, and (b) *Cumulative Translation Adjustment (CTA)* which decreased to P0.9 billion from P1.3 billion in 2019. The latter is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso and includes the group's share in the CTA of its associates.

*Non-controlling Interests* increased by 4.8% to P160.9 billion from P153.5 billion in 2019 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

### Impact of COVID-19 to the Group's operations

The impact of COVID-19 to the Group's businesses is manifested in the operating results for the year 2020. Consolidated revenues dropped 21.5% and consolidated net income attributable to owners of the parent dropped 47.5%.

During the quarantine period, certain stores and malls of the Group had to temporarily stop operations. This resulted in the 18.2% decline in Merchandise sales and 47.8% decline in Rent revenues in 2020. To assist its mall tenants, SM Prime granted waivers on rent and/or extended rental discounts that totaled to P23.3 billion as at yearend 2020.

COVID-19 did not have any significant impact on SM Prime's offices business since its primary tenants are business process outsourcing (BPO) offices which were allowed by the Philippine's Inter-Agency Task Force (IATF) to continue to operate throughout the quarantine period.

Select hotels of the Group, Conrad Manila, Park Inn Clark, Park Inn North EDSA and Park Inn Iloilo remained operational during the quarantine period as these hotels catered to BPO employees and returning overseas Filipino workers/seafarers. The Group's biggest events center, the Mall of Asia Arena, was converted into a Mega Swabbing Facility in partnership with various government agencies. With the easing of quarantine measures throughout the country, SM Prime's hotels have started to commence operations.

In anticipation of potential delinquencies on loans due to the economic impact of COVID-19 on certain sectors, the Group's banks took significantly higher provisions in 2020: BDO with P30.2 billion, 4.9x higher than 2019 and China Bank with P8.9 billion, 3.5x higher than 2019.

The Group's receivables from real estate sales increased by P30.5 billion or 45.7% from yearend 2019. This is the result of the adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the DHSUD circular extending the grace period for the payment of loan amortizations that matured during the ECQ period. Efforts to collect these receivables are continuing. The Group believes that the credit quality of its Receivables as of end December 2020 is within reasonable levels.

The net cash flow from operations decreased by P32.4 billion or 45.3% to P39.2 billion as a result of the significant drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

To support the Group's operational and capital expenditure requirements, (1) the Group availed an additional P44.5 billion of debt, net availment, and, (2), SMIC Parent and SM Prime lowered their dividend payout in 2020 to P5.1 billion from P11.0 billion and P5.3 billion from P10.5 billion in 2019, respectively.

As at December 31, 2020, the Group has more than adequate unused credit lines and access to the domestic corporate bond market that can be tapped to meet its current maturing obligations, as necessary.

As at December 31, 2020, the Group expended around P55.6 billion for capital investments in investment properties, land and development and property and equipment.

The Group expects its businesses to be back to pre-pandemic level of operations in the next 2 to 3 years.

## Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2020	12 / 31/ 2019
Current Ratio	1.1	1.3
Acid Test Ratio	0.6	0.7
Solvency Ratio	8.0%	14.6%
Asset to Equity	2.2	2.1
Debt - Equity Ratios:		
On Gross Basis	42 : 58	41 : 59
On Net Basis	37 : 63	36 : 64
Revenue Growth	-21.5%	11.5%
Net Margin	8.7%	13.8%
Net Income Growth	-47.5%	20.2%
Return on Equity	6.0%	11.9%
Return on Assets	2.9%	6.2%
EBITDA ( <i>In Billions of Pesos</i> )	76.6B	124.8B
Interest Cover	4.3x	6.4x

*Current Ratio* decreased to 1.1 from 1.3 in 2019 due mainly to the 2.5% increase in *Current Assets* vs. 22.0% increase in *Current Liabilities*.

*Acid Test Ratio* decreased to 0.6 from 0.7 in 2019 due mainly to the 6.7% increase in quick assets vs. 22.0% increase in *Current Liabilities*.

*Solvency Ratio* decreased to 8.0% from 14.6% in 2019 due mainly to the 40.2% decrease in *Net income after tax* and depreciation vs. 8.5% increase in *Total Liabilities*.

*Asset to Equity Ratio* increased to 2.2 from 2.1 in 2019 due mainly to the higher increase in *Total Assets* of 7.0% compared to only 5.3% of *Total Equity*.

*Gross Debt - Equity Ratio* increased to 42:58 in 2020 due mainly to the increase in gross debt of P39.8 billion.

*Net Debt - Equity Ratio* increased to 37:63 due mainly to the 10.6% increase in gross debt and only 1.9% increase in cash and cash equivalents.

*Revenue Growth* decreased to -21.5% from 11.5% in 2019 due mainly to the significant drop in merchandise sales, rental revenues and equity in net earnings of associates and joint ventures.

The drop in *Net Income* of 47.5%, *Return on equity* of 6.0% and *Return on assets* of 2.9% reflect the effect of COVID-19 on the Group results.

The -38.6% drop in EBITDA reflects the significant drop in revenues.

Interest Cover decreased to 4.3x from 6.4x in 2019 due to the 38.6% decrease in EBITDA vs. only 7.6% decrease in interest expense.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio  $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio  $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio  $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
  - a. Gross Basis  $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity} + \text{Total Interest Bearing Debt}}$
  - b. Net Basis  $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth  $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin  $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth  $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets  $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA  $\text{Income from Operations} + \text{Depreciation \& Amortization}$
12. Interest Cover  $\frac{\text{EBITDA}}{\text{Interest Expense}}$

## Expansion Plans / Prospects in 2021

In 2021, expansion and construction of malls, residential, commercial as well as hotels will continue. We will pursue land banking as opportunities arise.

We plan to open new retail stores across our various formats mainly in the Food Group, and selectively in the Non-Food Group.

## Calendar Years Ended December 31, 2019 and 2018

### Results of Operation (amounts in billion pesos)

Accounts	12 / 31 / 2019	12 / 31 / 2018	% Change
<b>Revenues</b>	<b>P 502.0</b>	<b>P 449.8</b>	<b>11.6%</b>
Cost and Expenses	396.5	363.2	9.2%
<b>Income from Operations</b>	<b>105.5</b>	<b>86.6</b>	<b>21.8%</b>
Other Charges	18.8	12.4	51.0%
Provision for Income Tax	17.2	15.6	10.2%
<b>Net Income After Tax</b>	<b>69.5</b>	<b>58.6</b>	<b>18.6%</b>
Non-controlling Interests	24.9	21.5	15.8%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 44.6</b>	<b>P 37.1</b>	<b>20.2%</b>

*SM Investments Corporation and Subsidiaries (the Group)* reported P44.6 billion *Net Income Attributable to Owners of the Parent*, 20.2% higher than 2018, and P502.0 billion *Revenues*, 11.6% higher than 2018.

*Income from Operations* increased by 21.8% to P105.5 billion from P86.6 billion in 2018. *Operating Margin* and *Net Margin* is at 21.0% and 13.8%, respectively.

*Merchandise Sales*, which grew by 9.4% to P354.1 billion from P323.7 billion in 2018, accounts for 70.5% of total revenues in 2019. The increase is attributable to the opening of 2 *SM Stores*, 2 *SM Supermarkets*, 9 *Savemore* stores, 1 *SM Hypermarkets*, 8 *WalterMart* stores, 228 *Alfamart* stores, and 162 *Specialty* stores.

The sales contribution of Non-food and Food group is 48:52 in 2019 and 2018.

As of December 31, 2019, *SM Retail* had 2,799 stores nationwide, namely: 65 *SM Stores*, 58 *SM Supermarkets*, 201 *Savemore* stores, 52 *SM Hypermarkets*, 60 *WalterMart* stores, 754 *Alfamart* stores, and 1,609 *Specialty* stores.

*Real Estate Sales* increased by 23.7% to P44.5 billion from P36.0 billion in 2018 due primarily to higher construction accomplishments of launched projects which include *Cheerful*, *Green 2*, *Trees Ph3*, *Hope*, *Charm*, and *Bloom Residences* and continued increase in sales take-up of various projects, particularly those located in Mall of Asia and Makati Central Business District. Actual construction of projects usually starts

within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion.

*Rent Revenue*, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 8.4% to P51.6 billion from P47.6 billion in 2018. The increase is primarily due to rental rate escalations and expansion of leasable areas. Excluding the new malls, same-mall rental growth is at 7%. Rentals from commercial operations also increased due to the full year revenue of Three E-Com Center and SM Southmall South Tower which opened in 2018.

As of December 31, 2019, *SM Prime* had 74 malls in the Philippines with total GFA of 8.5 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

*Equity in Net Earnings of Associate Companies and Joint Ventures* increased by 35.9% to P26.0 billion from P19.2 billion in 2018 due mainly to the increase in net income of bank, retail, and property associates.

*Management and Service Fees* increased by 15.2% to P7.3 billion from P6.4 billion in 2018.

*Dividend Income* increased by 13.9% to P480.5 million from P421.9 in 2018 million due to higher dividends received from investees in 2019.

*Other Revenues*, which comprise mainly of income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, increased by 10.0% to P10.2 billion from P9.3 billion in 2018.

*Operating Expenses* increased by 6.4% to P113.3 billion from P106.4 billion in 2018 due mainly to additional operating expenses associated with new or renovated retail stores and malls and new real estate projects.

*Other Charges (net)* increased by 51.0% to P18.8 billion from P12.4 billion in 2018. *Interest Expense* increased by 17.7% to P19.5 billion from P16.6 billion in 2018 due mainly to new debt availments for working capital and capital expenditure requirements. An *Impairment Loss on Investments* amounting to P4.0 billion was recognized in 2019 relative to the impairment test done on the Group's investments. *Interest Income* increased by 3.4% to P3.9 billion from P3.8 billion in 2018 while *Foreign Exchange Gain (Loss) - net* increased by 407.8% to a gain of P561.7 million from a loss of P182.5 million in 2018. The PHP to USD foreign exchange rate amounted to PHP50.64 : USD1.00 in 2019 and PHP52.58 : USD1.00 in 2018.

*Provision for Income Tax* increased by 10.2% to P17.2 billion from P15.6 billion in 2018 due mainly to increase in taxable income. The effective income tax rate is 19.8% in 2019 and 21.0% in 2018.

*Non-controlling interests* increased by 15.8% to P24.9 billion from P21.5 billion in 2018 due mainly to the increase in net income of partly-owned subsidiaries.

## **Financial Position**

(amounts in billion pesos)

<b>Accounts</b>	<b>12 / 31 / 2019</b>	<b>12 / 31 / 2018</b>	<b>% Change</b>
Current Assets	P 248.4	P 241.7	2.7%
Noncurrent Assets	895.8	818.9	9.4%
<b>Total Assets</b>	<b>P 1,144.2</b>	<b>P 1,060.6</b>	<b>7.9%</b>
Current Liabilities	P 196.7	P 212.7	-7.5%
Noncurrent Liabilities	411.3	355.6	15.6%
<b>Total Liabilities</b>	<b>608.0</b>	<b>568.3</b>	<b>7.0%</b>
<b>Total Equity</b>	<b>536.2</b>	<b>492.3</b>	<b>8.9%</b>
<b>Total Liabilities and Equity</b>	<b>P 1,144.2</b>	<b>P 1,060.6</b>	<b>7.9%</b>

Total *Assets* increased by 7.9% to P1,144.2 billion from P1,060.6 billion in 2018. Likewise, total *Liabilities* increased by 7.0% to P608.0 billion from P568.3 billion in 2018.

#### Current Assets

*Current Assets* increased by 2.7% to P248.4 billion from P241.7 billion in 2018.

*Cash and Cash Equivalents* decreased by 3.9% to P76.2 billion from P79.3 billion in 2018 due mainly to payments for investments and capital expenditures, net of proceeds from loans.

*Merchandise Inventories* increased by 4.2% to P33.2 billion from P31.8 billion in 2018 due mainly to store openings in 2019.

*Receivables and Contract Assets* increased by 58.8% to P53.6 billion from P33.8 billion in 2018 due mainly to the 69.6% increase in receivables from real estate buyers resulting from the high take-up of residential projects of SM Prime.

*Other Current Assets* increased by 20.4% to P84.7 billion from P70.3 billion in 2018 due mainly to the increase in current portion of Land and development arising from development costs on ongoing projects and higher prepaid taxes and other prepayments.

#### Noncurrent Assets

*Noncurrent Assets* increased by 9.4% to P895.8 billion from P818.9 billion in 2018.

*Financial assets* decreased by 9.3% to P24.2 billion from P26.7 billion due mainly to the disposal of certain financial assets.

*Investments in Associate Companies and Joint Ventures* increased by 8.2% to P281.0 billion from P259.8 billion in 2018. The increase mainly represents equity in net

earnings of associates and investments in new associates, partly offset by dividends received in 2019.

*Property and Equipment* increased by 6.5% to P24.7 billion from P23.2 billion due mainly to new stores in 2019.

*Investment Properties* increased by 9.3% to P338.1 billion from P309.3 billion in 2018 due mainly to ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls. The increase is also attributable to landbanking initiatives.

*Land and Development* increased by 39.0% to P74.9 billion from P53.9 billion in 2018 due mainly to landbanking and construction accomplishments during the period.

*Other Noncurrent Assets* decreased by 26.9% to P84.4 billion from P115.4 billion in 2018. The decrease is attributable to the reclassification of land use rights to *Right-of-Use (ROU) Assets* related to the adoption of *PFRS 16, Leases* and the application of deposits to various land purchases during the year.

#### Current Liabilities

*Current Liabilities* decreased by 7.5% to P196.7 billion from P212.7 billion in 2018.

*Bank Loans* decreased by 0.9% to P18.7 billion from P18.9 billion in 2018 due to net payments during the period, partly offset by new loan availments.

*Accounts Payable and Other Current Liabilities* increased by 13.4% to P141.5 billion from P124.8 billion in 2018 mainly from higher business volume.

*Income Tax Payable* decreased by 10.1% to P3.3 billion from P3.6 billion in 2018 due mainly to higher tax payments and lower income tax for the period.

*Current Portion of Long-term Debt* decreased by 52.7% to P29.1 billion from P61.5 billion in 2018 due mainly to payments during the period

*Dividends Payable* increased by 7.6% to P4.2 billion from P3.9 billion in 2018. This represents dividends due to minority stockholders of certain subsidiaries.

#### Noncurrent Liabilities

*Noncurrent Liabilities* increased by 15.6% to P411.3 billion from P355.6 billion in 2018.

*Long-term Debt - Net of Current Portion* increased by 7.1% to P327.4 billion from P305.6 billion in 2018 due mainly to new debt availments, partly offset by payments.

*Lease Liabilities - Net of Current Portion* amounting to P27.6 billion is the initial measurement of future lease payments discounted at present value, net of amortization for the year. A corresponding *Right-of-use (ROU) Assets - Net* of P37.7 billion was recognized, net of depreciation and accrued rent that was previously set up under PAS 17. These two accounts were recognized and presented separately in the consolidated

balance sheet relative to the Group's adoption of *PFRS 16, Leases*, effective January 1, 2019.

*Tenants' Deposits and Others* increased by 13.2% to P46.7 billion from P41.3 billion in 2018 due mainly to new malls and office buildings and increase in deposits from residential buyers.

### Equity

Total *Equity* increased by 8.9% to P536.2 billion from P492.3 billion in 2018.

*Equity Attributable to Owners of the Parent* increased by 8.3% to P382.6 billion from P353.4 billion in 2018. This increase resulted mainly from the (a) P35.3 billion net increase in Retained Earnings due mainly to the P44.6 billion *Net Income Attributable to Owners of the Parent*, net of P11.0 billion dividend declaration in 2019, and (b) *Net Unrealized Gain on Financial Assets at Fair Value* which increased by 22.6% to P14.4 billion from P11.7 billion in 2018 due mainly to the appreciation in market value of certain investments of the Group. These were partially offset by the (a) *Re-measurement loss on defined benefit asset/obligation* which increased by 318.4% to P8.6 billion from P2.1 billion in 2018 as a result of the valuation of the Group's retirement plan, (b) Net Fair value Changes on Cash Flow Hedges which decreased to a loss of P1,406.0 million in 2019 from a gain of P62.4 million in 2018, and (c) *Cumulative Translation Adjustment (CTA)* which decreased to P1.3 billion from P2.0 billion in 2018. The latter is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso and includes the group's share in the CTA of associates.

*Non-controlling Interests* increased by 10.5% to P153.5 billion from P138.9 billion in 2018 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

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

## Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2019	12 / 31/ 2018
Current Ratio	1.3	1.1
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	41 : 59	44 : 56
On Net Basis	36 : 64	36 : 64
Revenue Growth	11.5%	13.0%
Net Margin	13.8%	13.0%
Net Income Growth	20.2%	12.6%
Return on Equity	11.9%	10.9%
EBITDA ( <i>In Billions of Pesos</i> )	124.8B	101.8B
Interest Cover	6.4x	6.1x

*Current Ratio* increased to 1.3 from 1.1 in 2018 due mainly to the 2.7% increase in *Current Assets* vs 7.5% decrease in *Current Liabilities*.

*Asset to Equity Ratio* decreased to 2.1 from 2.2 in 2018 due mainly to the higher increase in *Total Equity* of 8.9% compared to only 7.9% of *Total Assets*.

*Gross Debt - Equity Ratio* decreased to 41:59 in 2019 due mainly to the 2.8% decrease in gross loans. *Net Debt - Equity Ratio* remained at 36:64 in both periods resulting mainly from the 27.5% decrease in cash and cash equivalents.

*Revenue Growth* decreased to 11.5% from 13.0% in 2018 due mainly to higher growth of *Sales* and *Rent* in 2018.

*Net Income Growth* increased to 20.2% from 12.6% in 2018 and *Net Margin* increased to 13.8% from 13.0% in 2018 due mainly to lower growth of cost and expenses in 2019.

Return on equity increased to 11.9% from 10.9% in 2018 due mainly to the higher net income growth in 2019.

EBITDA increased by 22.7% to P124.8 billion from P101.8 billion in 2018 due mainly to the 21.8% increase in income from operations and 27.8% increase in depreciation.

Interest Cover increased to 6.4x from 6.1x in 2018 due to the 22.7% increase in EBITDA with only 15.8% increase in *Interest Expense*.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio  $\frac{\text{Total Assets}}{\text{Total Equity}}$
3. Debt – Equity Ratio
  - a. Gross Basis  $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity} + \text{Total Interest Bearing Debt}}$
  - b. Net Basis  $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
4. Revenue Growth  $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
5. Net Margin  $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
6. Net Income Growth  $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
7. Return on Equity  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA Income from Operations + Depreciation & Amortization
9. Interest Cover  $\frac{\text{EBITDA}}{\text{Interest Expense}}$

## **Expansion Plans / Prospects in 2020**

The Parent Company as well as its major business segments, Property and Retail, have appropriated certain portions of Retained Earnings to cover expansion plans which include corporate projects, expansions, new development projects, land acquisitions and/or investment in new business ventures.

These projects would be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

## **ITEM 7. Financial Statements**

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

## **ITEM 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

There were no changes in and disagreements with accountants on accounting and financial disclosure.

## **Independent Public Accountants, External Audit Fees and Services**

Sycip, Gorres, Velayo & Company (**SGV & Co.**) is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

SRC Rule 68, Part 3 (b) (ix), *Rotation of External Auditors*, states that the key audit partners, which include the engagement partner or signing partner, shall comply with the provisions on long association of personnel (including partner rotation) with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines (the Code). The Code prescribes that an individual shall not act in any of the engagement partner, engagement quality control reviewer, other key audit partner role or a combination of such roles, for a period of more than seven cumulative years. The Company engaged Ms. Julie Christine O. Mateo of SGV & Co. for the examination of the Company's financial statements starting 2016. Previously, the Company engaged Ms. Belinda Beng Hui, Mr. Ramon D. Dizon, Ms. Melinda G. Manto, and Mr. Joel M. Sebastian of SGV & Co. for the examination of the Company's financial statements from 2013 to 2015, 2008 to 2012, 2006 to 2007, and 2001 to 2005, respectively.

The fees of SGV & Co. for the audit of SMIC Parent Company's annual financial statements in connection with the statutory and regulatory filings for the years ended December 31, 2021 and 2020 amounted to ₱2.4 million. Services rendered include the audit of yearend financial statements and supplementary schedules for submission to SEC and assistance in the preparation of annual income tax returns. The professional fees rendered by SGV & Co. for the review of the Group's financial statements in connection with its bond issuance amounted to P5.0 million in 2021 and 2020. The non-audit fees for the independent validation of voting during the Annual Stockholders' Meeting and other tax related studies amounted to P0.9 million in 2021 and 2020.

The Audit Committee recommended to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approved the Committee's recommendation.

The members of the Audit Committee are:

1. Tomasa H. Lipana - Chairman (Independent Director)
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

	<b>Feb 24</b>	<b>May 3</b>	<b>Aug 2</b>	<b>Nov 5</b>	<b>Nov 17</b>
Tomasa H. Lipana	√	√	√	√	√
Alfredo E. Pascual	√	√	√	√	√
Jose T. Sio	√	√	√	√	√

The members of the Risk Management Committee are:

1. Robert G. Vergara - Chairman (Independent Director)
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

	<b>August 2</b>	<b>November 5</b>
Robert G. Vergara	√	√
Alfredo E. Pascual	√	√
Jose T. Sio	√	√

## PART III- CONTROL AND COMPENSATION INFORMATION

### ITEM 9. Directors and Executive Officers of the Registrant

(a) The incumbent Directors and Executive Officers of the Company are as follows:

<b>Officers</b>	<b>Name</b>	<b>Age</b>	<b>Citizenship</b>
Chairman	Jose T. Sio	82	Filipino
Vice Chairperson	Teresita T. Sy	71	Filipino
Vice Chairman	Henry T. Sy, Jr.	68	Filipino
President & Chief Executive Officer	Frederic C. DyBuncio	62	Filipino
Executive Director	Harley T. Sy	62	Filipino
Lead Independent Director	Alfredo E. Pascual	73	Filipino
Independent Director	Tomas H. Lipana	73	Filipino
Independent Director	Robert G. Vergara	61	Filipino
Treasurer/EVP-Treasury, Finance and Planning	Erwin G. Pato	49	Filipino
Senior Vice President - Finance	Franklin C. Gomez	52	Filipino
Senior Vice President - Legal and Assistant Corporate Secretary	Arthur A. Sy	52	Filipino
Chief Risk & Compliance Officer and Senior Vice President	Wellington Palmero	61	Filipino
Vice President - Internal Audit	Anastacio C. Balubar II	51	Filipino
Corporate Secretary	Elmer B. Serrano	54	Filipino

### MANAGEMENT

#### **Board of Directors**

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified.

The following are the business experience/s of the Company's incumbent Directors during the last five years:

**Jose T. Sio** is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.

**Teresita T. Sy** is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank,

Inc. (“BDO”) and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

**Henry T. Sy, Jr.** is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. 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 graduated with a Management degree from De La Salle University.

**Frederic C. DyBuncio** is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master’s degree in Business Administration program at the Asian Institute of Management.

**Harley T. Sy** is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group, and Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

**Alfredo E. Pascual\*** is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia and held board directorships at ADB’s investee companies in China, India, and the Philippines. Mr. Pascual was a finance professor at the Asian Institute of Management. Currently, he is an independent director at other publicly-listed companies and a trustee at nonprofits and other organizations. He is the President of the Management Association of the Philippines and the global Association of Former Employees of ADB. He finished his MBA and BS in Chemistry (cum laude) from UP.

**Tomasa H. Lipana\*** is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, a government owned and controlled corporation. Previously, she was an independent director of Goldilocks Bakeshop Inc., Inter-

Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation for the last 5 years. She is a fellow and trustee of the Institute of Corporate Directors. She is also a trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.

**Robert G. Vergara\*** is an Independent Director of SMIC. He was recently appointed as an Independent Director of Metro Pacific Hospital Holdings, Inc. (MPHHI). He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. He also sits as an Independent Director of STI Education Systems Holdings, Inc. since July 27, 2017. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated magna cum laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

*\* Independent director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. 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.*

### **Period of Directorship**

<b><u>Name</u></b>	<b><u>Period Served</u></b>
Jose T. Sio	2005 to present
Teresita T. Sy	1979 to present
Henry T. Sy, Jr.	1979 to present
Frederic C. DyBuncio	2017 to present
Harley T. Sy	1993 to present
Alfredo E. Pascual	2017 to present
Tomasa H. Lipana	2016 to present
Robert G. Vergara	2019 to present



Director	Jan. 20	Feb. 26	Mar. 18	Apr. 28	May 5	Aug. 4	Nov. 10	Nov. 17	%
	Special	Regular	Special	Regular / Organizational	Special	Regular	Regular	Special	
Tomasa H. Lipana	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual	√	√	√	√	√	√	√	√	100
Robert G. Vergara	√	√	√	√	√	√	√	√	100

### **Nomination of Directors**

The Corporate Governance Committee created by the Board under its Corporate Governance Manual has reviewed the credentials of, and qualified the following for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

1. Jose T. Sio
2. Teresita T. Sy
3. Henry T. Sy, Jr.
4. Frederic C. DyBuncio
5. Harley T. Sy
6. Tomasa H. Lipana (Independent Director)
7. Alfredo E. Pascual (Independent Director)
8. Robert G. Vergara (Independent Director)

Tony Ong King nominated to the Board, for inclusion in the Final List of Candidates for Independent Director, the following stockholders:

1. Tomasa H. Lipana
2. Alfredo E. Pascual
3. Robert G. Vergara

Tony Ong King, Tomasa H. Lipana, Alfredo E. Pascual, and Robert G. Vergara *are not* related either by consanguinity or affinity, nor has any other professional / business dealings with each other.

The Company has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company last April 27, 2006.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified. The abovementioned nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The procedure for nomination of directors shall be as follows:

- \* Nomination of all directors shall be reviewed and qualified by the Corporate Governance Committee prior to the stockholders' meeting.
- \* The Corporate Governance Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of Independent Directors and which list shall contain all the information about these nominees.
- \* Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- \* In case of resignation, disqualification or cessation of Independent Directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.
- \* The Corporate Governance Committee is composed of the following members, all of whom are Independent Directors:
  1. Alfredo E. Pascual - Chairman (Independent Director)
  2. Tomasa H. Lipana - Member (Independent Director)
  3. Robert G. Vergara - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2021:

	<b>February 24</b>	<b>March 12</b>	<b>April 26</b>
Alfredo E. Pascual	√	√	√
Tomasa H. Lipana	√	√	√
Robert G. Vergara	√	√	√

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMIC's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy, and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMIC's expense to promote relevance and effectivity and to keep them abreast of the latest developments in corporate directorship and good governance.

## **Officers**

**Erwin G. Pato** is the Treasurer and Executive Vice President for Treasury, Finance and Planning of SMIC. Prior to joining SMIC in January 2020, he was formerly the Head of Treasury of Temasek Holdings Pte Ltd. He spent over 20 years of Treasury leadership experience in various industries spanning investment houses, local and regional banks, global consumer finance companies, industrial companies, and government owned global investment companies. Mr. Pato holds a Bachelor of Arts Degree major in Economics from Ateneo de Manila University.

**Franklin C. Gomez** is the Senior Vice President for Finance of SMIC. Prior to joining SMIC in 2013, he spent over 20 years at Unilever where he held several senior positions, his last being Finance Director and Chief Financial Officer of Unilever Indonesia since May 2009. His previous senior posts in the same company include Chief Financial Officer at Unilever Philippines; Innovation and Learning Director at the Finance Excellence Centre in London; and Finance Director of Selecta Wall's Ice Cream, Philippines. Mr. Gomez holds a Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Accountancy from the De La Salle University, Manila.

**Arthur A. Sy** is the Assistant Corporate Secretary and Senior Vice President for Legal Department of SMIC. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation, Premium Leisure Corp., and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major companies within the SM Group of Companies and is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from Ateneo de Manila University, School of Law.

**Wellington Palmero** is the Senior Vice President, Chief Risk, and Compliance Officer of SMIC. Prior to joining SMIC, he was the Head of Citibank Compliance Service Center. He has also worked in several financial institutions and spent most of his working career with Goldman Sachs Hong Kong and New York. Mr. Palmero holds a Master's Degree in Business Administration from the University of Western Ontario.

**Anastacio C. Balubar II** is the Vice President for Internal Audit of SMIC. He is a Certified Public Accountant with 29 years of international and multi-cultural audit experience, having worked in the Philippines and Dubai, UAE with various large conglomerates involved in key sectors such as airline, real estate/property development, hospitality and leisure, shopping malls, and retail amongst others. He managed overseas audit assignments in Asia, UK, USA, and Middle East. As a seasoned audit professional, he considers himself a catalyst for change and advocates transparent leadership, strong corporate governance, and business excellence. He graduated from Pamantasan ng Lungsod ng Maynila (University of the City of Manila) with a Bachelor's Degree in Business Administration, Major in Accounting and obtained key certifications in various audit subjects as well as leadership and management masterclass.

**Elmer B. Serrano** is the Corporate Secretary 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, and also serves as the Corporate Information Officer of BDO Unibank 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.

### **Period of Officership**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Period Served</u></b>
Frederic C. DyBuncio	President and Chief Executive Officer	2017 to present
Erwin G. Pato	Treasurer and EVP-Treasury, Finance and Planning	2021 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Arthur A. Sy	Assistant Corporate Secretary and Senior Vice President - Legal	2017 to present
Wellington Palmero	Chief Risk & Compliance Officer and Senior Vice President	2017 to present
Anastacio C. Balubar II	Vice President - Internal Audit	2017 to present
Elmer B. Serrano	Corporate Secretary	2014 to present

### **Directorships in Other Reporting Companies**

Other than Atty. Elmer B. Serrano who is also a director of 2GO Group, Inc., the Officers do not hold any directorships in other reporting companies during the last five years.

### **Nomination of Officers:**

Incoming officers will be appointed at the organizational meeting to be held immediately after the Annual Stockholders' Meeting.

### **(b) Significant Employees**

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

### **(c) Family Relationships**

Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy, and Harley T. Sy are siblings. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

**(d) Certain Relationships and Related Transactions**

There are no known related party transactions other than those described in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference. There are no other elements of related party transactions that are considered necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions, other than those disclosed in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

The members of the Related Party Transactions Committee are:

- 1. Alfredo E. Pascual - Chairman (Independent Director)
- 2. Robert G. Vergara - Member (Independent Director)
- 3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meeting held as of December 2021:

	<b>November 5</b>
Alfredo E. Pascual	√
Robert G. Vergara	√
Jose T. Sio	√

**(e) Involvement in Legal Proceedings**

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

- (1) 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;
- (2) 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;
- (3) 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
- (4) 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.
- (5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

## ITEM 10. Compensation of Directors and Executive Officers

### (a) Executive compensation

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and executive officers of the Company are as follows:

#### Name and Position

1. Harley T. Sy  
Executive Director\*
2. Frederic C. DyBuncio  
President and Chief Executive Officer\*
3. Elizabeth Anne C. Uychaco  
Senior Vice President - Corporate Services\*
4. Franklin C. Gomez  
Senior Vice President - Finance\*
5. Erwin G. Pato  
Treasurer and EVP\*

#### Summary Compensation Table (in million pesos)

	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
* President and four Most Highly Compensated Executive Officers	2022 (estimate)	135	23	-
	2021	135	23	-
	2020	132	22	-
All other Officers and Directors as a group	2022 (estimate)	405	65	-
	2021	382	63	-
Unnamed	2020	413	72	-

### b) Compensation of Directors

#### Board Remuneration

Each members of the Board of Directors received the following remuneration as Directors for the year 2021:

<u>Name</u>	<u>Total (PHP)</u>
1. Jose T. Sio	5,400,000.00
2. Teresita T. Sy	5,400,000.00
3. Henry T. Sy Jr.	5,400,000.00
4. Harley T. Sy	5,400,000.00
5. Frederic C. DyBuncio	5,400,000.00
6. Tomasa H. Lipana	5,400,000.00
7. Alfredo E. Pascual	5,400,000.00
8. Roberto G. Vergara	5,400,000.00

Above-mentioned amounts include total fees and *per diems* received by the directors for their attendance in the meetings of the Board. There is no distinction on the fee for a committee chairman and member. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus, or other forms of emoluments.

Except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before income tax of the Company during the preceding year.

The Board, through the Compensation Committee, designates the amount of remuneration and provides oversight over remuneration of Management and other key personnel, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully and will ensure that compensation is consistent with the Company's culture, strategy and control environment. The Committee decides, determines and approves, by a majority vote of all its members, matters relating to the compensation, remuneration and benefits of the Company's officers and directors. The Committee meets at least twice a year or as often as it considers necessary.

### **Employment Contract**

There are no special contracts of employment between the Company and the named directors and executive officers, as well as special compensatory plans or arrangements, including payment to be received from the Company with respect to any named director or executive.

### **Terms and Conditions of Appointment**

The above-named executive officers have their respective letters of appointment indicating their job descriptions, functions, and obligations, among others.

### **Board Evaluation and Assessment**

To ensure optimum Board performance, the Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. The Committee also ensures that every three (3) years, the assessment is supported by an external facilitator. In 2021, the Company engaged the services of an accredited third party service provider, Institute of Corporate Directors, to facilitate the Board Evaluation. Elements of the Board evaluation included the Board Structure and Composition, the Board Roles and Accountabilities, the Board Processes and the Board Dynamics. The results of the evaluation are being discussed and presented to the Board through the Corporate Governance Committee.

Through the annual evaluation process, directors identify areas for improvement, such as:

1. The quality and timeliness of information provided to them;
2. The frequency and conduct of regular, special or committee meetings;
3. Directors' access to Management, the Corporate Secretary and Board Advisors;
4. Other forms of assistance that they may need in the performance of their duties; and,

5. Identify areas of continuing education on corporate governance topics they require.

Directors are asked to rate the performance of the collective Board, the Board Committees, themselves as directors, the Company's Chairman of the Board, the President, and key officers. The detailed Board Evaluation Form can be found in the Company's website.

Criteria for Board and Management Ratings are as follows:

1. Collective Board Rating – relates to:
  - Board Overall Composition – whether the Board is balance and have diversity, knowledge and competencies, qualification, background and experience
  - Board Efficiency and Importance – their overall performance, decision making, discussion on short and long term goals, business strategy and plans, risk handling, follow ups of business plans, strategy, plans and budgets, promotion of good governance principles, policies and mechanisms
  - Board Meetings and Participation
2. Board Committees Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year:
  - Audit Committee
  - Compensation Committee
  - Corporate Governance Committee
  - Related Party Transaction Committee
  - Risk Management Committee
3. Individual Directors' Self-rating – relates to how the Directors assess their independence, participation and expertise
4. Officers Rating – relates to how well the following officer demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices:
  - Chairman of the Board,
  - President/CEO,
  - Chief Audit Executive,
  - Chief Compliance Officer,
  - Chief Risk Officer.
5. Overall Comments and Suggestions

### **Retirement Plan**

In compliance with Republic Act 7641, amending Article 301 of the Labor Code, the Company has established a private retirement benefit plan for all its regular employees with benefits such as early retirement pay upon reaching the age of 50 years with at least 10 years of service, regular retirement pay upon reaching the age of 60 years or more with 5 years of service, and such other benefits as contained in the Retirement Plan of the Company.

Except as provided in the plan described above, there are no other agreements or arrangements pursuant to which officers and directors of the Company may be entitled to receive any cash or non-cash compensation, or any benefits or payments in case of termination of employment or a change in control of the Company.

### **Pension Benefits**

The SM Group has a benefit pension plans covering all regular and permanent employees. The assets of the Pension Plan are held by a trustee bank, BDO. The investing decisions of the Pension Plan are made by the Board of Trustees of said Plan. The SM Group expects to contribute about ₱1,085.0 million to its Pension Plan in 2022.

### **Options, Warrants or Rights to Purchase Securities**

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

The members of the Compensation Committee are:

1. Teresita T. Sy - Chairperson
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

	<b>April 26</b>	<b>November 5</b>
Teresita T. Sy	√	√
Alfredo E. Pascual	√	√
Jose T. Sio	√	√

## **ITEM 11. Security Ownership of Certain Record and Beneficial Owners as of December 31, 2021**

- (a) As of December 31, 2021, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizen-ship</b>	<b>No. of Shares Held</b>	<b>Per- cent ( % )</b>
Common	Teresita T. Sy (Director and Vice Chairperson) Forbes Park, Makati City	Same as the Record Owner	Filipino	85,781,495 <sup>1</sup>	7.12%

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizen-ship</b>	<b>No. of Shares Held</b>	<b>Per-cent (%)</b>
-do-	Henry T. Sy, Jr. (Director and Vice Chairman) Forbes Park, Makati City	Same as the Record Owner	Filipino	76,843,995 <sup>1</sup>	6.38%
-do-	Harley T. Sy (Executive Director) Forbes Park, Makati City	Same as the Record Owner	Filipino	87,945,758 <sup>1</sup>	7.30%
-do-	Hans T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,110,123 <sup>1</sup>	8.23%
-do-	Herbert T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,093,995 <sup>1</sup>	8.23%
-do-	Elizabeth T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	71,363,804 <sup>1</sup>	5.92%
-do-	PCD Nominee Corp. (Filipino)	Various clients <sup>2</sup>	Filipino	375,478,473	31.17 %
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients <sup>2</sup>	Foreign	406,923,630	33.78 %

<sup>(1)</sup> These comprise both certificated and scripless shares.

<sup>(2)</sup> Other than disclosed above, the Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

### Security Ownership of Management as of December 31, 2021

<b>Title of Securities</b>	<b>Name of Beneficial Owner of Common Stock</b>	<b>Amount and Nature of Beneficial Ownership (D) direct / (I) indirect</b>		<b>Citizen-ship</b>	<b>Percent of Class</b>
Common	Teresita T. Sy	P857,814,950	D	Filipino	7.12%
Common	Henry T. Sy, Jr.	768,439,950	D	Filipino	6.38%
Common	Harley T. Sy	879,457,580	D	Filipino	7.30%
Common	Jose T. Sio	210	D	Filipino	0.00%
Common	Frederic C. DyBuncio	100	D	Filipino	0.00%
Common	Tomasa H. Lipana	1,500	D	Filipino	0.00%
Common	Alfredo E. Pascual	100	D	Filipino	0.00%

<b>Title of Securities</b>	<b>Name of Beneficial Owner of Common Stock</b>	<b>Amount and Nature of Beneficial Ownership (D) direct / (I) indirect</b>	<b>Citizen-ship</b>	<b>Percent of Class</b>
Common	Robert G. Vergara	1,000 D	Filipino	0.00%
Common	Franklin C. Gomez	98,000 D	Filipino	0.00%
Common	Erwin G. Pato	0	Filipino	0.00%
Common	Wellington L. Palmero	0	Filipino	0.00%
Common	Anastacio C. Balubar II	0	Filipino	0.00%
Common	Arthur A. Sy	0	Filipino	0.00%
Common	Elmer B. Serrano	0	Filipino	0.00%
		P2,505,813,390		20.80%

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

**(b) Change in Control**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

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

**ITEM 12. Certain Relationships and Related Transactions**

Please refer to Item 1, Transactions With and/or Dependence on Related Parties, page 6.

## **PART IV- CORPORATE GOVERNANCE**

### **ITEM 13. CORPORATE GOVERNANCE**

SM Investments Corporation (SMIC) values good corporate governance and recognizes it as an essential component in the success and the achievement of the Company's long term growth. The Company is dedicated to foster a culture of fairness, accountability and transparency at all levels within the organization. These principles are embedded in every aspect of the Company's operations and its dealings with various stakeholders.

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

SMIC's Board is composed of eight (8) directors, three (3) of whom are non-executive independent directors. None of them served the Company as a consultant, adviser, officer or employee. As required by the Company's Manual on Corporate Governance (the "Manual"), independent directors are independent of Management and do not have substantial shareholdings or material relations that could potentially impede the performance of their independent judgment.

To ensure optimum Board performance, the Company conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. Through the evaluation process, directors identify areas for improvement, such as the quality and timeliness of information provided to them; the frequency and conduct of regular, special or committee meetings; directors' access to management, the Corporate Secretary and Board Advisors; as well as other forms of assistance that they may need in the performance of their duties. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised. In addition, the Board is asked to identify areas of continuing education on corporate governance topics they require.

The Company ensures that the Board and key officers are kept abreast of governance related developments through regular education programs. SMIC also facilitates annual training programs for the directors and officers of its subsidiaries and affiliates within the SM Group of Companies. These Group-wide training programs are conducted by providers accredited by the Securities and Exchange Commission (SEC).

SMIC's Board Committees (namely the Executive Committee, Audit Committee, Corporate Governance Committee, Compensation Committee, Risk Management Committee and Related Party Transactions Committee) are each guided by their respective Board Committee Charters which outline their purpose, composition, duties and responsibilities. All Board Committees' Charters are reviewed periodically. SMIC maintains a Manual and Code of Ethics (the "Code"), which embodies the principles of good corporate governance expected throughout the organization.

SMIC ensures that its directors, officers and employees are familiar with and adhere to this Code. The Code defines SMIC's compliance system and identifies the roles and responsibilities of the Board and Management in relation to corporate governance. It contains the Company's policies on disclosures and transparency, the communication and

training programs related to corporate governance and the rights and protection of stakeholders.

There have been no deviations from the Manual since it was adopted. SMIC certifies that the Company, 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 Code highlights the importance of integrity in the Company's dealings with its investors, creditors, customers, contractors, suppliers, regulators, employees and other relevant groups. It also outlines the Company's duties with regard to its employees, shareholders and the communities it operates in. The Manual is reviewed regularly and updated as the need arises and may be accessed via the Company's website.

In accordance with the Code, SMIC has established various governance-related policies, including the Conflict of Interest Policy, which requires SMIC personnel to disclose annually any actual or potential conflict of interest to the Company, and the Insider Trading Policy which prohibits directors, officers and employees from trading the Company's shares five (5) days before and two (2) trading days after the disclosure of any material stock price-sensitive information. Other existing governance related policies include the Guidelines on Acceptance of Gifts, Guidelines on Placement of Advertisements, Related Party Transactions Policy, Policy on Vendor Selection and Purchase of Goods and Services and the Policy on Accountability, Integrity and Vigilance which is SMIC's whistleblowing policy. SMIC's corporate governance-related policies and programs are regularly disseminated throughout the organization and are made public via the Company's website. SMIC ensures that its stakeholders receive timely and accurate information on all facets of its business through its website and other disclosures.

SMIC's website has a separate corporate governance section that features subsections on its policies, programs and other relevant developments. SMIC also ensures that its shareholders are provided with periodic reports, including relevant information on its directors and officers and their shareholdings and dealings with the Company. SMIC will continue to support the initiatives of regulators and advocacy groups to enhance and promote corporate governance standards, while also further strengthening its own corporate governance culture.

## PART V- EXHIBITS AND SCHEDULES

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

(a) Exhibits - See accompanying Index to Exhibits (page 54).

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C (Current Report) have been filed during the last six months period covered by this report on the following items:

1. Notice of Analysts'/Investors' Briefing on August 4, 2021
2. Press Release - SM Investments Nets PHP20BN in 1H while Continuing to Invest in Long-term Expansion
3. Material Information/Transaction - Acquisition of Shares in Goldilocks Bakeshop Inc.
4. Notice of Analysts'/Investors' Briefing on November 10, 2021
5. Material Information/Transaction - Early Redemption of SMIC Series G Bonds Due 2023
6. Press Release – SM Investments Net Income Grows 79% to PHP27 Billion in Nine-Month Period
7. Material Information/Transaction - Proposed Issuance of Fixed-Rate Retail Bonds
8. Material Information/Transaction - Submission of Application for Proposed Issuance of Fixed-Rate Retail Bonds

(c) Sustainability Report – See accompanying Report (Annex A-1)

INDEX TO EXHIBITS

Form 17-A

<b>No.</b>		<b>Page No.</b>
(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	55
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

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

**EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT**


Please refer to *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.


## SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Pasig City on April 26, 2022.

By:

### SM INVESTMENTS CORPORATION


  
**FREDERIC C. DYBUNCIO**  
President and CEO

  
**FRANKLIN C. GOMEZ**  
Senior Vice President - Finance

  
**ELMER B. SERRANO**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this April 26, 2022, affiants exhibiting to me their evidence of identity as follows:

Doc. No.: 210 ;  
Page No.: 43 ;  
Book No.: VI ;  
Series of 2022.

  
**GINO PAULO O. UY**  
Appointment No. 170 (2019/2020)  
Notary Public for Pasig City, Pateros and San Juan  
Until December 31, 2020  
(Extended until June 30, 2022 SC En Banc B.M. No. 3795)  
Attorney's Roll No. 61567  
33rd Floor, The Orient Square  
F. Ortigas, Jr. Road, Ortigas Center, Pasig City  
PTR Receipt No. 8131813; 01.05.22; Pasig City  
IBP Receipt No. 171897; 01.04.22; RSM  
MCLE Compliance No. VI-0011985; 04.14.22

REPUBLIC OF THE PHILIPPINES )  
 ) S.S.

**CERTIFICATION**

I, **ERWIN G. PATO**, Filipino, of legal age, and with office address at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, after being duly sworn to in accordance with law, depose, state and certify that:

1. I am the duly elected Treasurer and Executive Vice President of SM Investments Corporation, a corporation duly organized and existing under the laws of the Philippines, with principal office address at 10<sup>th</sup> Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City.
2. Submitted herewith is an excel copy of the Special Forms for Financial Statements of Investments Companies and Publicly-held Companies (PHFS1 for Parent Company or PHFS2 for the Consolidated) for the calendar year ended December 31, 2021 containing the basic and material data as stated in the scanned copies of the accompanying audited financial statements.
3. This Certification is issued in compliance with Section 27 of R.A. 8792 otherwise known as the "Electronic Commerce Act", and Section 37 of its Implementing Rules and Regulations as required by the Securities and Exchange Commission with respect to the filing of audited financial statements and supplementary schedules.

IN WITNESS WHEREOF, I hereunto affix my signature this MAR 15 2022 at MAKATI CITY.

  
**ERWIN G. PATO**  
Affiant

SUBSCRIBED AND SWORN TO before me on the date and place stated above, affiant exhibiting to me his

Doc No. 299 ;  
Page No. 60 ;  
Book No. 81 ;  
Series of 2022.

  
ATTY. REINIER S. QUIAMEÑO  
NOTARY PUBLIC  
UNTIL JUNE 30, 2022  
PTR NO. 8852958 / 01.05.22 / MAKATI CITY  
IBP NO. 195907 / 01.04.22 / TARLAC CITY  
TRN 238-251-699 ROLL NO. 62263  
MCLE NO. VI - 0025079 / 03.29.19

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
TEL. NO.: 8857-0100 FAX NO.: 8857-0132  
COMPANY TYPE : HOLDING COMPANY PSIC: 68110

**Table 1. Balance Sheet**

FINANCIAL DATA	Dec-21 ( in P'000 )	Dec-20 ( in P'000 )
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8)</b>	<b>1,341,586,674</b>	<b>1,224,523,735</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	<b>302,057,339</b>	<b>254,511,008</b>
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	<b>88,744,225</b>	<b>78,159,197</b>
A.1.1.1 On hand	<b>1,813,539</b>	<b>1,340,167</b>
A.1.1.2 In domestic banks/entities	<b>71,466,036</b>	<b>64,193,507</b>
A.1.1.3 In foreign banks/entities	<b>15,464,650</b>	<b>12,625,523</b>
A.1.2 Financial Assets other than Cash/Trade Receivables/investments accounted for using the Equity Method (A.1.2.1 + A.1.2.2 + A.1.2.3 + A.1.2.4)	<b>858,274</b>	<b>599,158</b>
A.1.2.1 Short-term placements or investments in securities issued by domestic entities:	<b>547,041</b>	<b>568,146</b>
A.1.2.1.1 National Government	-	-
A.1.2.1.2 Public Financial Institutions	-	-
A.1.2.1.3 Public Non-Financial Institutions	-	-
A.1.2.1.4 Private Financial Institutions	<b>547,041</b>	<b>568,146</b>
A.1.2.1.5 Private Non-Financial Institutions	-	-
A.1.2.2 Short-term placements or investments in securities issued by foreign entities	-	-
A.1.2.3 Others, specify	-	-
Time deposits	<b>311,233</b>	<b>31,012</b>
A.1.2.4 Allowance for decline in market value ( <b>negative entry</b> )	-	-
A.1.3 Trade and Other Receivables (A.1.3.1 + A.1.3.2)	<b>74,599,491</b>	<b>60,526,230</b>
A.1.3.1 Due from domestic entities (A.1.3.1.1 + A.1.3.1.2 + A.1.3.1.3 + A.1.3.1.4)	<b>74,599,491</b>	<b>60,526,230</b>
A.1.3.1.1 Due from customers (trade)	<b>72,745,833</b>	<b>57,241,339</b>
A.1.3.1.2 Due from related parties	<b>617,465</b>	<b>1,180,589</b>
A.1.3.1.3 Others, specify	-	-
Management fees / Dividends	<b>2,559,380</b>	<b>3,170,432</b>
A.1.3.1.4 Allowance for doubtful accounts/bad debts/probable losses ( <b>negative entry</b> )	<b>(1,323,187)</b>	<b>(1,066,130)</b>
A.1.3.2 Due from foreign entities, specify	-	-
A.1.3.2.5 Allowance for doubtful accounts/bad debts/probable losses ( <b>negative entry</b> )	-	-
A.1.4 Inventories (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4)	<b>86,767,188</b>	<b>72,056,045</b>
A.1.4.1 Raw materials and supplies	-	-
A.1.4.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)	-	-
A.1.4.3 Finished goods/factory supplies	-	-
A.1.4.4 Merchandise/Condominium units for sale/Land and development - current	<b>86,767,188</b>	<b>72,056,045</b>
A.1.5 Other Current Assets	<b>51,088,161</b>	<b>43,170,378</b>

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS1, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
TEL. NO.: 8857-0100 FAX NO.: 8857-0132  
COMPANY TYPE: HOLDING COMPANY PSIC: 68110

**Table 1. Balance Sheet**

FINANCIAL DATA	Dec-21 ( in P'000 )	Dec-20 ( in P'000 )
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8+ A.2.9+ A.2.10)	38,555,519	26,087,448
A.2.1 Land (incl. land for future plant expansion, unused land and improvements)	1,729,542	-
A.2.2 Building and improvements including leasehold improvement	44,793,059	36,491,282
A.2.3 Machinery and equipment (on hand and in transit)	12,876,881	11,244,832
A.2.4 Store equipment and improvements	2,660,943	4,173,568
A.2.5 Data processing equipment	10,030,976	8,908,732
A.2.6 Furniture, fixtures and office equipment	11,784,685	11,050,626
A.2.7 Transportation equipment, Vessels in operation, Containers and Reefer Vans	10,071,986	1,055,873
A.2.8 Others, specify		
Construction in progress	1,804,917	4,509,885
A.2.9 Appraisal increase, specify	-	-
A.2.10 Accumulated Depreciation (negative entry)	(57,197,470)	(51,347,350)
A.3 Investments accounted for using equity method (A.3.1 + A.3.2 + A.3.3)	305,072,026	296,265,722
A.3.1 Investments in associate companies and joint ventures	305,072,026	296,265,722
A.3.2 Equity in foreign branches/subsidiaries/affiliates	-	-
A.3.3 Others, specify	-	-
A.4 Investment properties	463,765,374	435,466,724
A.5 Investments excluding that which is recorded in current assets (net of allowance for decline in value) (A.5.1 +A.5.2)	76,628,530	70,613,711
A.5.1 Others, specify		
Financial assets at FVOCI	27,946,993	27,278,240
Right-of-use assets	44,775,919	41,979,029
Time deposits	3,905,618	1,356,442
A.5.2 Allowance for doubtful accounts, net of current portion (negative entry)	-	-
A.6 Intangibles	31,615,767	24,588,503
A.7 Long-term receivables	-	-
A.7.1 Long-term receivables (net of current portion)	-	-
A.7.1. From domestic entities, specify	-	-
A.8 Other Assets (A.8.1 + A.8.2 + A.8.3)	123,892,119	116,990,619
A.8.1 Long-term notes	5,371,668	4,999,359
A.8.2 Bonds and deposits	59,598,624	56,259,937
A.8.3 Others, specify		
Land use rights	353,626	353,217
Deferred tax assets	4,732,558	4,671,969
Deferred input VAT	2,092,464	1,804,670
Escrow fund	132,460	132,460
Receivables from real estate buyers	49,518,978	46,816,693
Derivative assets	965,006	-
Defined benefit asset	753,637	546,515
Others	373,098	1,405,799
<b>B. LIABILITIES (B.1 + B.2 + B.3 + B.4)</b>	<b>729,146,749</b>	<b>659,795,837</b>
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3)	259,249,163	239,956,794
B.1.1 Trade and Other Payables to Domestic Entities	163,974,670	149,231,108
B.1.1.1 Trade	93,232,308	82,599,493
B.1.1.2 Payables to subsidiaries	-	-
B.1.1.3 Due to related parties	872,591	823,779
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders	-	-
B.1.1.5 Accruals	21,898,163	15,826,465

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

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 CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
 TEL. NO.: 8857-0100 FAX NO.: 8857-0132  
 COMPANY TYPE: HOLDING COMPANY PSIC: 68110

**Table 1. Balance Sheet**

FINANCIAL DATA	Dec-21 (in P'000)	Dec-20 (in P'000)
B.1.1.6 Others, specify		
Nontrade	10,797,606	14,474,774
Tenants and customers' deposits	13,770,713	12,411,589
Subscription payable	1,966,477	2,021,790
Gift checks redeemable and others	4,619,686	6,981,937
Payable to government agencies	6,345,264	4,722,145
Payable arising from acquisition of land	7,918,778	7,357,422
Lease liabilities	2,553,084	2,011,714
B.1.2 Trade and Other Payables to Foreign Entities, specify	-	-
B.1.3 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)		
Dividends declared and not paid at balance sheet date	3,110,847	3,829,207
Derivative liabilities	-	-
Portion of Long-term debt due within one year	63,706,559	60,121,438
Any other current liability in excess of 5% of Total Current Liabilities, specify:		
Bank loans (Financial institutions)	26,232,427	24,126,000
Income tax payable	2,224,660	2,649,041
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.4.1 + B.4.2 + B.4.3 + B.4.4 + B.4.5)	374,155,880	330,731,798
B.2.1 Domestic Public Financial Institutions	23,434,320	22,377,284
B.2.2 Domestic Public Non-Financial Institutions	-	-
B.2.3 Domestic Private Financial Institutions	255,099,153	200,796,129
B.2.4 Domestic Private Non-Financial Institutions	10,016,237	48,041,384
B.2.5 Foreign Financial Institutions	85,606,170	59,517,001
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	-	-
B.4 Other Liabilities (B.6.1 + B.6.2)	95,741,706	89,107,245
B.4.1 Deferred tax liabilities	15,796,870	12,614,979
B.4.2 Others, specify		
Tenant's deposits and others	45,372,001	45,520,831
Defined benefit liability	3,511,226	2,103,271
Lease liabilities	31,061,609	28,868,164
<b>C. MINORITY INTEREST</b>	<b>176,003,184</b>	<b>160,894,953</b>
<b>D. EQUITY (D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)</b>	<b>436,436,741</b>	<b>403,832,945</b>
D.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (D.1.1+D.1.2+D.1.3)	27,900,000	27,900,000
D.1.1 Common shares (2,790,000,000 shares @ P10 par value)	27,900,000	27,900,000
D.1.2 Preferred Shares (10,000,000 shares @ P10 par value)	100,000	100,000
D.1.3 Others	-	-
D.2 Subscribed Capital Stock (no. of shares, par value and total value) (D.2.1 + D.2.2 + D.2.3)	12,045,829	12,045,829
D.2.1 Common shares (1,204,582,867 @ P10 par value)	12,045,829	12,045,829
D.2.2 Preferred Shares	-	-
D.2.3 Others	-	-
D.3 Paid-up Capital Stock (D.3.1 + D.3.2)	12,045,829	12,045,829
D.3.1 Common shares	12,045,829	12,045,829
D.3.2 Preferred Shares	-	-
D.4 Additional Paid-in capital	75,827,181	75,823,506
D.5 Others, specify		
Net unrealized gain on financial assets at FVOCI	15,171,942	16,506,435
Equity adjustments from common control transactions	(5,424,455)	(5,424,455)
Cumulative translation adjustment	2,193,170	895,922
Net fair value changes on cash flow hedges	(980,127)	(2,741,387)
Remeasurement loss on defined benefit asset/obligation	(8,317,835)	(6,066,075)
D.6 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus	-	-
D.7 Retained Earnings (D.7.1 + D.7.2)	345,946,422	312,818,556
D.7.1 Appropriated	37,000,000	37,000,000
D.7.2 Unappropriated	308,946,422	275,818,556
D.8 Head / Home Office Account (for Foreign Branches only)	-	-
D.9 Cost of Stocks Held in Treasury (negative entry)	(25,386)	(25,386)
<b>TOTAL LIABILITIES AND EQUITY (B + C + D)</b>	<b>1,341,586,674</b>	<b>1,224,523,735</b>

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
TEL. NO.: 8857-0100 FAX NO.: 8857-0132  
COMPANY TYPE : HOLDING COMPANY PSIC: 68110

**Table 2. Income Statement**

FINANCIAL DATA	Dec-21 ( in P'000 )	Dec-20 ( in P'000 )	Dec-19 ( in P'000 )
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3)</b>	<b>405,253,675</b>	378,714,639	476,587,021
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	<b>383,521,939</b>	364,750,661	457,901,295
A.2 Other Revenue (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5)	<b>17,180,202</b>	11,967,981	17,549,095
A.2.1 Rental Income from Land and Buildings	-	-	-
A.2.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)	-	-	-
A.2.3 Sale of Real Estate	-	-	-
A.2.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)	-	-	-
A.2.5 Others, specify	<b>17,180,202</b>	11,967,981	17,549,095
Gain on sale of financial assets at FVPL	-	-	27,812
Royalty, management and service fees	<b>4,394,077</b>	3,936,537	7,348,479
Others	<b>12,786,125</b>	8,031,444	10,172,804
A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4)	<b>4,551,534</b>	1,995,997	1,136,631
A.3.1 Interest Income	<b>2,201,191</b>	2,436,015	3,881,156
A.3.2 Dividend Income	<b>586,703</b>	430,696	480,513
A.3.3 Gain / (Loss) from selling of Assets, specify	<b>672,121</b>	<b>(19,373)</b>	193,878
Gain on disposal of investments and properties - net	<b>672,121</b>	<b>(19,373)</b>	193,878
A.3.4 Others, specify	<b>1,091,519</b>	<b>(851,341)</b>	<b>(3,418,916)</b>
Foreign exchange gain (loss) - net and others	<b>773,776</b>	155,162	561,705
Gain on fair value changes on derivatives - net	<b>317,743</b>	<b>(6,503)</b>	6,379
Impairment loss on investments	-	<b>(1,000,000)</b>	<b>(3,987,000)</b>
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>			
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	-	-	-
B.1.1 Direct Material Used	-	-	-
B.1.2 Direct Labor	-	-	-
B.1.3 Other Manufacturing Cost / Overhead	-	-	-
B.1.4 Goods in Process, Beginning	-	-	-
B.1.5 Goods in Process, End (negative entry)	-	-	-
B.2 Finished Goods, Beginning	-	-	-
B.3 Finished Goods, End (negative entry)	-	-	-
<b>C. COST OF SALES (C.1 + C.2 + C.3 + C.4)</b>	<b>253,912,085</b>	240,829,180	283,241,273
C.1 Purchases (Merchandise) and Effect of Business Combination	<b>229,541,796</b>	215,440,140	263,755,950
C.2 Merchandise Inventory, Beginning	<b>28,352,564</b>	33,157,622	31,836,333
C.3 Merchandise Inventory, End (negative entry)	<b>(30,185,662)</b>	<b>(28,352,564)</b>	<b>(33,157,622)</b>
C.4 Cost of Real Estate Sold and Services	<b>26,203,387</b>	20,583,982	20,806,612
<b>D. GROSS PROFIT (A - B - C)</b>	<b>151,341,590</b>	137,885,459	193,345,748

Control No.: \_\_\_\_\_  
 Form Type: PHFS2

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
 TEL. NO.: 8857-0100 FAX NO.: 857-0132  
 COMPANY TYPE : HOLDING COMPANY PSIC: 68110

**Table 2. Income Statement**

FINANCIAL DATA	Dec-21 ( in P'000 )	Dec-20 ( in P'000 )	Dec-19 ( in P'000 )
<b>E. OPERATING EXPENSES (E.1 + E.2 + E.3)</b>	<b>97,879,839</b>	95,482,554	113,257,931
E.1 Selling or Marketing Expenses	4,263,815	3,826,199	6,803,530
E.2 Administrative Expenses	93,616,024	91,656,355	106,454,401
E.3 Other Expenses, specify	-	-	-
<b>F. FINANCE COSTS (F.1 + F.2 + F.3)</b>	<b>18,759,841</b>	18,023,610	19,511,745
F.1 Interest	18,759,841	18,023,610	19,511,745
F.2 Amortization	-	-	-
F.3 Other interests, specify	-	-	-
<b>G. Share of Income (Losses) of Associates and Joint Ventures accounted for using the Equity Method</b>	<b>26,768,811</b>	17,036,367	26,038,426
<b>H. Net Income (Loss) Before Tax ( D - E - F + G )</b>	<b>61,470,721</b>	41,415,662	86,614,498
<b>I. Income Tax Expense (negative entry)</b>	<b>(8,739,083)</b>	<b>(7,090,620)</b>	<b>(17,170,184)</b>
<b>J. Income After Tax</b>	<b>52,731,638</b>	34,325,042	69,444,314
<b>K. Non-controlling Interest (negative entry)</b>	<b>(14,231,748)</b>	<b>(10,935,092)</b>	<b>(24,876,070)</b>
<b>L. Net Income (Loss - negative entry) from Ordinary Activities (J - K)</b>	<b>38,499,890</b>	23,389,950	44,568,244
<b>M. Extraordinary Items</b>	-	-	-
<b>N. Net Income (Loss - negative entry) for the Year (L + M)</b>	<b>38,499,890</b>	23,389,950	44,568,244
<b>0 Earnings (Loss) Per Share</b>			
O.1 Basic	31.96	19.42	37.00
O.2 Diluted	31.96	19.42	37.00

Control No.:  
Form Type: PHFS2

## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
 TEL. NO.: 8857-0100 FAX NO.: 8857-0132  
 COMPANY TYPE: HOLDING COMPANY PSIC: 68110

Table 3. Cash Flow Statements

FINANCIAL DATA	Dec-21 ( in P'000 )	Dec-20 ( in P'000 )	Dec-19 ( in P'000 )
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss) Before Tax and Extraordinary Items	61,470,721	41,415,662	86,614,498
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>			
Equity in net earnings of associate companies and joint ventures	(26,768,811)	(17,036,367)	(26,038,426)
Depreciation and amortization	20,696,369	18,763,579	19,370,843
Interest expense	18,759,841	18,023,610	19,511,745
Interest Income	(2,201,191)	(2,436,015)	(3,881,156)
Impairment loss on investment	-	1,000,000	3,987,000
Provisions - net	(4,277,758)	1,620,414	2,609,386
Dividend income	(586,703)	(430,696)	(480,513)
Unrealized foreign exchange loss - net	(490,845)	(124,982)	220,432
Gain on disposal of investments and properties - net	(672,121)	19,373	(193,878)
Gain on sale of financial assets at FVPL	-	-	(27,812)
Gain on fair value changes on derivatives - net	(317,743)	6,503	(6,379)
Decrease (Increase) in:			
Receivables	(2,788,404)	(6,930,842)	(2,848,713)
Inventories	(37,303,043)	(16,077,988)	(21,514,263)
Other current assets	(6,836,921)	(2,313,171)	(8,187,276)
Increase (Decrease) in:			
Accounts payable and other current liabilities	35,531,070	11,163,508	21,611,185
Income tax paid	(7,402,297)	(7,035,228)	(16,576,112)
Others, specify:			
Tenant's deposits and others	1,330,169	(397,461)	(2,498,565)
<b>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</b>	<b>48,142,333</b>	<b>39,229,899</b>	<b>71,671,996</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Financial assets at FVOCI and FVPL	-	-	3,814,634
Property and equipment	365,861	58,896	343,228
Investment properties	914,962	3,197	117,429
Additions to:			
Investment properties	(42,155,574)	(38,415,299)	(42,295,103)
Property and equipment	(10,449,085)	(6,096,154)	(7,446,414)
Investments in associate companies and joint ventures	(358,120)	(390,350)	(5,330,780)
Financial assets at FVOCI and FVPL	(1,427)	(3,124,660)	(3,261,682)
Decrease (increase) in:			
Time deposits	(2,829,397)	1,056,006	25,111,241
Other noncurrent assets	12,084,333	(11,145,362)	(1,543,199)
Dividends received	5,180,690	4,751,956	5,558,665
Purchase consideration, net of cash from acquisition of subsidiaries	(5,684,648)	-	327,140
Interest received	2,018,965	2,439,829	4,048,370
<b>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</b>	<b>(40,913,440)</b>	<b>(50,861,941)</b>	<b>(20,556,471)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of:			
Long-term debt	129,529,420	75,253,912	52,895,468
Bank loans	52,175,839	82,880,520	25,266,865
Payments of:			
Long-term debt	(92,624,775)	(36,158,696)	(64,799,259)
Bank loans	(53,324,257)	(77,464,985)	(21,376,865)
Others, specify (negative entry):			
Interest paid	(18,034,064)	(17,142,063)	(22,606,473)
Dividends paid	(9,653,454)	(10,158,925)	(20,510,816)
Lease liabilities	(4,630,284)	(3,838,044)	(2,854,295)
Proceeds from maturity of derivatives	-	-	395,722
Re-issuance by a subsidiary of treasury shares	-	-	-
Effect of exchange rate changes on cash and cash equivalents	(82,290)	205,746	(625,313)
<b>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</b>	<b>3,356,135</b>	<b>13,577,465</b>	<b>(54,214,966)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>10,585,028</b>	<b>1,945,423</b>	<b>(3,099,441)</b>
Cash and Cash Equivalents			
Beginning of year	78,159,197	76,213,774	79,313,215
End of year	88,744,225	78,159,197	76,213,774

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CURRENT ADDRESS: 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City  
TEL. NO.: 8857-0100  
COMPANY TYPE: HOLDING COMPANY

FAX NO.: \_\_\_\_\_  
8857-0132  
PSIC: 68110

Table 4. Consolidated Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)									
	Capital Stock	Additional Paid-in Capital	Equity adjustment	Cumulative translation adjustment	Net Fair Value Changes on Cash Flow Hedges	Unrealized mark to market gain	Remeasurement loss on defined benefit asset/liability	Treasury Shares	Retained Earnings	TOTAL
<b>A. Balance, End Dec-19</b>	12,045,829	75,815,923	(5,424,455)	1,308,228	(1,406,026)	14,399,640	(8,633,269)	(25,386)	294,546,591	382,627,075
A.1 Correction of Errors	-	-	-	-	-	-	-	-	-	-
A.2 Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-
<b>B. Restated Balance</b>	12,045,829	75,815,923	(5,424,455)	1,308,228	(1,406,026)	14,399,640	(8,633,269)	(25,386)	294,546,591	382,627,075
<b>C. Surplus</b>	-	-	-	-	-	-	-	-	-	-
C.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-
C.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	2,107,659	-	-	-	2,107,659
C.3 Currency Translation Differences	-	-	-	(412,306)	(1,335,361)	-	-	-	-	(1,747,667)
C.4 Other Surplus (specify)	-	-	-	-	-	-	-	-	-	-
C.4.1 Remeasurement loss	-	-	-	-	-	-	2,567,194	-	-	2,567,194
C.4.2 Transactions with noncontrolling interests	-	7,583	-	-	-	-	-	-	864	7,583
C.4.3 Realized gain on sale of financial assets at FVOCI	-	-	-	-	-	(864)	-	-	-	-
<b>D. Net Income (Loss) for the Period</b>	-	-	-	-	-	-	-	-	23,389,950	23,389,950
<b>E. Dividends (negative entry)</b>	-	-	-	-	-	-	-	-	(5,118,849)	(5,118,849)
<b>F. Appropriations for (specify)</b>	-	-	-	-	-	-	-	-	-	-
<b>G. Issuance of Capital Stock</b>	-	-	-	-	-	-	-	-	-	-
G.1 Common Stock	-	-	-	-	-	-	-	-	-	-
G.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-
G.3 Others	-	-	-	-	-	-	-	-	-	-
<b>H. Balance, End Dec-20</b>	12,045,829	75,823,506	(5,424,455)	895,922	(2,741,387)	16,506,435	(6,066,075)	(25,386)	312,818,556	403,832,945
H.1 Correction of Errors	-	-	-	-	-	-	-	-	-	-
H.2 Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-
<b>I. Restated Balance</b>	12,045,829	75,823,506	(5,424,455)	895,922	(2,741,387)	16,506,435	(6,066,075)	(25,386)	312,818,556	403,832,945
<b>J. Surplus</b>	-	-	-	-	-	-	-	-	-	-
J.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-
J.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	(1,587,668)	-	-	-	(1,587,668)
J.3 Currency Translation Differences	-	-	-	1,297,248	1,761,260	-	-	-	-	3,058,508
J.4 Other Surplus (specify)	-	-	-	-	-	-	-	-	-	-
J.4.1 Remeasurement loss	-	-	-	-	-	-	(2,251,760)	-	-	(2,251,760)
J.4.2 Transactions with non-controlling interests	-	3,675	-	-	-	-	-	-	-	3,675
J.4.3 Realized loss on sale of financial assets at FVOCI	-	-	-	-	-	253,175	-	-	(253,175)	-
<b>K. Net Income (Loss) for the Period</b>	-	-	-	-	-	-	-	-	38,499,890	38,499,890
<b>L. Dividends (negative entry)</b>	-	-	-	-	-	-	-	-	(5,118,849)	(5,118,849)
<b>M. Appropriations for (specify)</b>	-	-	-	-	-	-	-	-	-	-
<b>N. Issuance of Capital Stock</b>	-	-	-	-	-	-	-	-	-	-
N.1 Common Stock	-	-	-	-	-	-	-	-	-	-
N.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-
N.3 Others	-	-	-	-	-	-	-	-	-	-
<b>O. Balance, End Dec-21</b>	12,045,829	75,827,181	(5,424,455)	2,193,170	(980,127)	15,171,942	(8,317,835)	(25,386)	345,946,422	436,436,741

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**From:** eafs@bir.gov.ph <eafs@bir.gov.ph>  
**Sent:** Thursday, April 7, 2022 9:52 AM  
**To:** Helen Grace D. Dela Cruz  
**Cc:** Helen Grace D. Dela Cruz  
**Subject:** (EXTERNAL)Your BIR AFS eSubmission uploads were received

**CAUTION:** External Email "Do NOT click on the links or open the attachments unless you recognize the sender and that the content is safe."

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Hi SM INVESTMENTS CORPORATION,

**Valid files**

- EAFS000169020TCRTY122021-01.pdf
- EAFS000169020TCRTY122021-02.pdf
- EAFS000169020RPTTY122021.pdf
- EAFS000169020TCRTY122021-03.pdf
- EAFS000169020ITRTY122021.pdf
- EAFS000169020AFSTY122021.pdf
- EAFS000169020OHTY122021.pdf

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- <None>

Transaction Code: **AFS-0-9AD56FGG09EDC969GN3YY4TSV06DAA6EC5**

Submission Date/Time: **Apr 07, 2022 09:52 AM**

Company TIN: **000-169-020**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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10/F One E-com Center  
Harbor Drive, Mall of Asia Complex  
Pasay City 1300 Philippines

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines are 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 Group'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 Group or cease operations, or has no realistic alternative but to do so.

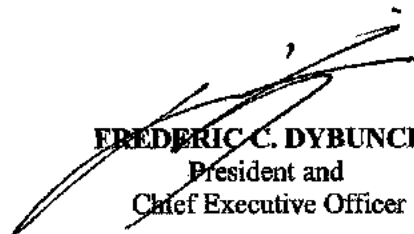
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 the Group in accordance with 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.



**JOSE T. SIO**  
Chairman of the Board



**FREDERIC C. DYBUNCIO**  
President and  
Chief Executive Officer



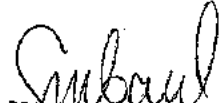
**ERWING G. PATO**  
Treasurer and  
Executive Vice President

Signed this 28<sup>th</sup> day of February 2022

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY )

SUBSCRIBED AND SWORN to before this FEB 28 2022 at PASIG CITY, affiants  
exhibiting to me their Taxpayer Identification Number ID, as follows:

DOC No. 256  
PAGE No. 52  
BOOK No. XVI  
SERIES of 2022

  
**MASHER S. BAUL**  
Notary Public for and in the Cities of Pasig,  
San Juan and in  
the Municipalities of Pateros  
Appointment No. 118 (2020-2021)  
Commission expires on 31 December 2021\*  
Suite 1105, 11th Floor, Prestige Tower Condominium  
Ortigas Center, F. Ortigas Jr., Pasig City Metro Manila  
Roll of Attorney No. 63521  
IBP No. 012891-Lifetime/04-02-2014/Manila City  
PTR No. 8131511/01-12-2022/Pasig City  
MCLE Compliance No. VI-0017845; February 14, 2019  
\*until June 30, 2022, per B.M. No. 3795

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

						1	6	3	4	2
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**COMPANY NAME**

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D
			S	U	B	S	I	D	I	A	R	I	E	S															

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l	o	f		A	s	i	a		C	o	m
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0

Form Type	Department requiring the report	Secondary License Type, If Applicable													
<table border="1" style="display: inline-table; text-align: center;"> <tr><td>A</td><td>A</td><td>C</td><td>F</td><td>S</td></tr> </table>	A	A	C	F	S	<table border="1" style="display: inline-table; text-align: center;"> <tr><td> </td><td> </td><td> </td><td> </td></tr> </table>					<table border="1" style="display: inline-table; text-align: center;"> <tr><td> </td><td> </td><td> </td><td> </td></tr> </table>				
A	A	C	F	S											

**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
-	8857-0100	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,261	04/27	12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	-	8857-0100	-

**CONTACT PERSON'S ADDRESS**

<b>10<sup>th</sup> Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300</b>
---

**NOTE 1 :** 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.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SM Investments Corporation  
10th Floor, One E-Com Center  
Harbor Drive, Mall of Asia Complex  
CBP-1A, Pasay City 1300

### Opinion

We have audited the consolidated financial statements of SM Investments Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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.



### ***Recoverability of Goodwill***

As at December 31, 2021, the Group reported ₱24,627.3 million goodwill attributable mainly to SM Prime Holdings, Inc., Supervalve, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated and others. The Group performed an annual testing per cash generating unit (CGU) to assess whether goodwill might be impaired. Management's process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic such as revenue growth rate. Given the significant management estimates and assumptions, and the uncertainty of internal and external factors, including future market circumstances, this is considered as a key audit matter.

The assumptions, sensitivities and results of the annual impairment testing are disclosed in Note 16 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in assessing the methodologies and assumptions used by the Group in calculating each CGU's recoverable amount. For the fair value less cost of disposal calculations, we evaluated the approach used by the Group and tested the calculations performed with reference to the observable market prices and allowable costs for disposing the asset. For the value-in-use calculations, we assessed the prospective financial information (PFI) for each CGU by understanding the Group's approach to develop the PFI and evaluating the key assumptions used such as revenue growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU, industry outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We also involved our internal specialist in recalculating the discount rates used for each CGU. We tested the parameters used in the determination of the discount rate against market data. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions.

### ***Accounting for Investments in Associate Companies***

As at December 31, 2021, the Group's investments in associate companies amounted to ₱295,741.7 million, representing 28.4% and 22.0% of the Group's total noncurrent assets and total assets, respectively. The investments in associate companies are accounted for under the equity method and considered for impairment if there are indicators that such investments may be impaired. Given the magnitude of the carrying amount and share in equity on investments in associate companies, significant management judgments and estimates made by the associate companies in determining expected credit loss and valuation of financial instruments, as well as the significant management judgments and estimates applied in determining the recoverable amount of these investments, we consider this matter significant to our audit.

The details of these investments are disclosed in Note 13 to the consolidated financial statements.



### *Audit Response*

We obtained relevant financial information of the associate companies and recomputed the Group's share in equity in net earnings. For investments with indicators of possible impairment, we obtained management's impairment analysis and gained an understanding of their impairment assessment process. We discussed the current and projected financial performance of the associate companies with management and assessed whether these were reflected in the impairment analysis. We also involved our internal specialist in assessing the Group's methodology and assumptions used in calculating the associate companies' recoverable amount. We assessed the PFI for the CGU by understanding the Group's approach to develop the PFI and evaluating the key assumptions used such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others. For growth rate, we compared it with the long-term average growth rate for the products or industries. We compared the other key assumptions such as gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others against the historical performance of the associate companies, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We also involved our internal specialist in recalculating the discount rates used for each CGU. We tested the parameters used in the determination of the discount rates against market data. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions.

For the material associate company audited by other auditor, we sent audit instructions to the other auditor to perform an audit on the relevant financial information of the associate company for the purpose of the Group's consolidated financial statements. Our audit instructions detailed the other auditor's scope of work, risk assessment, audit strategy and reporting requirements. We discussed with the other auditor their key audit areas, including areas of significant judgments and estimates, planning and execution of audit procedures, and results of their work for the year ended December 31, 2021.

We reviewed the working papers of the other auditor and obtained relevant conclusion statements related to their audit procedures. We focused on the other auditor's procedures on the review of the classification and measurement of financial assets, considering disposals of investment securities classified under the hold-to-collect business model, valuation of financial instruments, and testing of the expected credit loss model updated for the impact of the coronavirus pandemic.

### ***Real Estate Revenue and Cost Recognition***

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



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

Effective January 1, 2021, the Group adopted PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02). In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, on the real estate project which requires technical determination by the Group'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 Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

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

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

#### *Audit Response*

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

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

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



For the application of the output method, in determining revenue from sale of real estate, we obtained an understanding of the Group's processes for determining the POC, including implementation of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02), and performed tests of the relevant controls. We obtained the certified POC reports prepared by the third-party project managers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

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

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

#### ***Existence and Completeness of Merchandise Inventories***

As at December 31, 2021, the merchandise inventories of the Group amounted to ₱30,185.7 million, representing 10.0% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the merchandise inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this a key audit matter.

The disclosures about inventories are included in Note 11 to the consolidated financial statements.

#### ***Audit Response***

We obtained an understanding of the Group's inventory process and performed test of controls for selected stores and warehouses. We visited selected warehouses and stores and observed the physical inventory counts. We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports reflect the results of the inventory count. We traced the last documents used for shipping, receiving, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained the reconciliations performed by management and tested the reconciling items. We performed testing, on a sampling basis, of the Group's rollforward or rollback procedures on inventory quantities from the date of physical inventory count to the financial reporting date.

We also reviewed the working papers of other auditor on merchandise inventories, specifically on the observation and testing of physical inventory counts, testing of compilation procedures and the reconciliation of the physical inventory count to the general ledger and financial reports.



### *Accounting for Business Combinations*

The Group acquired additional 22.4% of 2GO Group, Inc. (2GO) in April and June 2021 for a total consideration of ₱4,693.0 million and additional 40.0% of Goldilocks Bakeshop, Inc. (GBI) in August 2021 for a total consideration of ₱4,039.6 million, thereby obtaining control over 2GO and GBI as of the acquisition dates. The previously held interests in 2GO and GBI were revalued based on the acquisition dates fair values which resulted to a total remeasurement loss of ₱7,358.1 million. The total goodwill recognized in 2GO and GBI based on the final purchase price allocation performed was ₱6,548.6 million. We consider the accounting for these acquisitions as a key audit matter because it required significant management judgment and estimation in identifying the underlying acquired assets and liabilities and in determining their fair values, specifically the acquired property and equipment, and in determining the fair values of previously held interests.

The Group's disclosures about increased ownership in 2GO and GBI and the purchase price allocations are disclosed in Note 5 to the consolidated financial statements.

### *Audit Response*

We read the purchase agreements covering the acquisitions, the considerations paid and the final purchase price allocations. We evaluated the identification of 2GO and GBI's underlying assets and liabilities based on our understanding of 2GO and GBI's business and management's explanations on the rationale for the acquisitions. We assessed the competence, capabilities and objectivity of the external appraisers who valued the property and equipment by considering their qualifications, experience and reporting responsibilities. We compared the key assumptions used such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. We recomputed the remeasurement loss of previously-held interests based on the acquisition-date fair values. We also reviewed the presentation and the disclosures of the transactions in the consolidated financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is



necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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 Group 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.

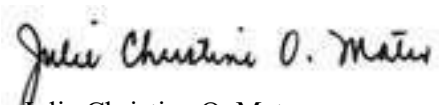
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7 and 27)	<b>₱88,744,225</b>	₱78,159,197
Time deposits (Notes 8 and 27)	<b>311,233</b>	31,012
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9 and 27)	<b>547,041</b>	568,146
Receivables and contract assets (Notes 10 and 27)	<b>74,599,491</b>	60,526,230
Inventories (Note 11)	<b>86,767,188</b>	72,056,045
Other current assets (Notes 12 and 27)	<b>51,088,161</b>	43,170,378
Total Current Assets	<b>302,057,339</b>	254,511,008
<b>Noncurrent Assets</b>		
Financial assets at FVOCI - net of current portion (Notes 9 and 27)	<b>27,946,993</b>	27,278,240
Investments in associate companies and joint ventures (Note 13)	<b>305,072,026</b>	296,265,722
Time deposits - net of current portion (Notes 8, 27 and 28)	<b>3,905,618</b>	1,356,442
Property and equipment (Note 14)	<b>38,555,519</b>	26,087,448
Investment properties (Note 15)	<b>463,765,374</b>	435,466,724
Right-of-use assets (Note 26)	<b>44,775,919</b>	41,979,029
Intangibles (Note 16)	<b>31,615,767</b>	24,588,503
Deferred tax assets (Note 25)	<b>4,732,558</b>	4,671,969
Other noncurrent assets (Notes 16 and 27)	<b>119,159,561</b>	112,318,650
Total Noncurrent Assets	<b>1,039,529,335</b>	970,012,727
	<b>₱1,341,586,674</b>	₱1,224,523,735
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank loans (Notes 17, 21, 27 and 30)	<b>₱26,232,427</b>	₱24,126,000
Accounts payable and other current liabilities (Notes 18, 26 and 27)	<b>163,974,670</b>	149,231,108
Income tax payable	<b>2,224,660</b>	2,649,041
Current portion of long-term debt (Notes 19, 21, 27 and 30)	<b>63,706,559</b>	60,121,438
Dividends payable (Note 27)	<b>3,110,847</b>	3,829,207
Total Current Liabilities	<b>259,249,163</b>	239,956,794
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 19, 21, 27, 28 and 30)	<b>374,155,880</b>	330,731,798
Lease liabilities - net of current portion (Notes 26 and 30)	<b>31,061,609</b>	28,868,164
Deferred tax liabilities (Note 25)	<b>15,796,870</b>	12,614,979
Tenants' deposits and others (Notes 24, 26, 27 and 28)	<b>48,883,227</b>	47,624,102
Total Noncurrent Liabilities	<b>469,897,586</b>	419,839,043
Total Liabilities	<b>729,146,749</b>	659,795,837

(Forward)



	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Equity Attributable to Owners of the Parent</b>		
Capital stock (Note 20)	<b>₱12,045,829</b>	₱12,045,829
Additional paid-in capital	<b>75,827,181</b>	75,823,506
Equity adjustments from common control transactions (Note 20)	<b>(5,424,455)</b>	(5,424,455)
Cost of Parent common shares held by subsidiaries	<b>(25,386)</b>	(25,386)
Cumulative translation adjustment	<b>2,193,170</b>	895,922
Net fair value changes on cash flow hedges	<b>(980,127)</b>	(2,741,387)
Net unrealized gain on financial assets at FVOCI (Note 9)	<b>15,171,942</b>	16,506,435
Remeasurement loss on defined benefit asset/obligation (Note 24)	<b>(8,317,835)</b>	(6,066,075)
Retained earnings (Note 20):		
Appropriated	<b>37,000,000</b>	37,000,000
Unappropriated	<b>308,946,422</b>	275,818,556
Total Equity Attributable to Owners of the Parent	<b>436,436,741</b>	403,832,945
<b>Non-controlling Interests</b>	<b>176,003,184</b>	160,894,953
Total Equity	<b>612,439,925</b>	564,727,898
	<b>₱1,341,586,674</b>	₱1,224,523,735

*See accompanying Notes to Consolidated Financial Statements.*



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2021	2020	2019
<b>REVENUES</b>			
Sales:			
Merchandise	₱302,607,313	₱289,726,442	₱354,088,848
Real estate	45,116,570	47,023,795	44,499,529
Shipping, logistics and other services	5,656,888	-	-
Rent (Notes 15, 21 and 26)	29,642,244	26,904,979	51,573,157
Equity in net earnings of associate companies and joint ventures (Note 13)	26,768,811	17,036,367	26,038,426
Royalty, management and service fees (Note 21)	4,394,077	3,936,537	7,348,479
Cinema ticket sales, amusement and others	498,924	1,095,445	7,739,761
Dividend income (Note 21)	586,703	430,696	480,513
Others	12,786,125	8,031,444	10,200,616
	<b>428,057,655</b>	<b>394,185,705</b>	<b>501,969,329</b>
<b>COST AND EXPENSES</b>			
Cost of sales:			
Merchandise (Note 11)	227,708,698	220,245,198	262,434,661
Real estate (Notes 11 and 15)	18,687,157	20,583,982	20,806,612
Cost of services	7,516,230	-	-
Selling, general and administrative expenses (Note 22)	97,879,839	95,482,554	113,257,931
	<b>351,791,924</b>	<b>336,311,734</b>	<b>396,499,204</b>
<b>OTHER INCOME (CHARGES)</b>			
Interest expense (Notes 21 and 23)	(18,759,841)	(18,023,610)	(19,511,745)
Interest income (Notes 21 and 23)	2,201,191	2,436,015	3,881,156
Gain (loss) on disposal of investments and properties - net	672,121	(19,373)	193,878
Gain (loss) on fair value changes on derivatives - net	317,743	(6,503)	6,379
Impairment loss on investment (Note 13)	-	(1,000,000)	(3,987,000)
Foreign exchange gain - net and others (Note 27)	773,776	155,162	561,705
	<b>(14,795,010)</b>	<b>(16,458,309)</b>	<b>(18,855,627)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>61,470,721</b>	<b>41,415,662</b>	<b>86,614,498</b>
<b>PROVISION FOR INCOME TAX (Note 25)</b>			
Current	6,957,046	6,407,055	16,218,229
Deferred	1,782,037	683,565	951,955
	<b>8,739,083</b>	<b>7,090,620</b>	<b>17,170,184</b>
<b>NET INCOME</b>	<b>₱52,731,638</b>	<b>₱34,325,042</b>	<b>₱69,444,314</b>
<b>Attributable to</b>			
Owners of the Parent (Note 29)	₱38,499,890	₱23,389,950	₱44,568,244
Non-controlling interests	14,231,748	10,935,092	24,876,070
	<b>₱52,731,638</b>	<b>₱34,325,042</b>	<b>₱69,444,314</b>
<b>Basic/Diluted Earnings Per Common Share</b>			
Attributable to Owners of the Parent (Note 29)	<b>₱31.96</b>	<b>₱19.42</b>	<b>₱37.00</b>

See accompanying Notes to Consolidated Financial Statements.



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
<b>NET INCOME</b>	<b>₱52,731,638</b>	₱34,325,042	₱69,444,314
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that will be reclassified to profit or loss in subsequent periods</b>			
Share in unrealized gain (loss) on financial assets at fair value through other comprehensive income (FVOCI) of associates (Notes 9 and 13)	(2,254,430)	2,280,460	4,505,589
Cumulative translation adjustment	2,088,002	(322,636)	(1,011,736)
Net fair value changes on cash flow hedges	2,353,722	(1,556,934)	(1,712,763)
	<b>2,187,294</b>	400,890	1,781,090
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
Remeasurement gain (loss) on defined benefit obligation (Note 24)	(2,389,787)	4,108,271	(8,209,190)
Net unrealized gain (loss) on financial assets at FVOCI	1,500,421	(302,553)	(176,975)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(198,464)	(776,519)	553,736
	<b>(1,087,830)</b>	3,029,199	(7,832,429)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱53,831,102</b>	₱37,755,131	₱63,392,975
<b>Attributable to</b>			
Owners of the Parent	₱37,718,970	₱26,317,136	₱40,223,919
Non-controlling interests	16,112,132	11,437,995	23,169,056
	<b>₱53,831,102</b>	₱37,755,131	₱63,392,975

*See accompanying Notes to Consolidated Financial Statements.*



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019**  
**(Amounts in Thousands Except Per Share Data)**

	Equity Attributable to Owners of the Parent											Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
As at January 1, 2021	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922	(₱2,741,387)	₱16,506,435	(₱6,066,075)	₱37,000,000	₱275,818,556	₱403,832,945	₱160,894,953	₱564,727,898
Net income	–	–	–	–	–	–	–	–	–	38,499,890	38,499,890	14,231,748	52,731,638
Other comprehensive income	–	–	–	–	1,297,248	1,761,260	(1,587,668)	(2,251,760)	–	–	(780,920)	1,880,384	1,099,464
Total comprehensive income	–	–	–	–	1,297,248	1,761,260	(1,587,668)	(2,251,760)	–	38,499,890	37,718,970	16,112,132	53,831,102
Realized loss on sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–	253,175	–	–	(253,175)	–	–	–
Transactions with non-controlling interests	–	3,675	–	–	–	–	–	–	–	–	3,675	25,466	29,141
Cash dividends - ₱4.25 per share (Note 20)	–	–	–	–	–	–	–	–	–	(5,118,849)	(5,118,849)	–	(5,118,849)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(3,816,245)	(3,816,245)
Effect of business combination (Note 5)	–	–	–	–	–	–	–	–	–	–	–	3,073,712	3,073,712
Increase in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(286,834)	(286,834)
As at December 31, 2021	₱12,045,829	₱75,827,181	(₱5,424,455)	(₱25,386)	₱2,193,170	(₱980,127)	₱15,171,942	(₱8,317,835)	₱37,000,000	₱308,946,422	₱436,436,741	₱176,003,184	₱612,439,925
As at January 1, 2020	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478
Net income	–	–	–	–	–	–	–	–	–	23,389,950	23,389,950	10,935,092	34,325,042
Other comprehensive income	–	–	–	–	(412,306)	(1,335,361)	2,107,659	2,567,194	–	–	2,927,186	502,903	3,430,089
Total comprehensive income	–	–	–	–	(412,306)	(1,335,361)	2,107,659	2,567,194	–	23,389,950	26,317,136	11,437,995	37,755,131
Realized gain on sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–	(864)	–	–	864	–	–	–
Transactions with non-controlling interests	–	7,583	–	–	–	–	–	–	–	–	7,583	(7,583)	–
Cash dividends - ₱4.25 per share (Note 20)	–	–	–	–	–	–	–	–	–	(5,118,849)	(5,118,849)	–	(5,118,849)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(4,664,320)	(4,664,320)
Increase in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	604,458	604,458
As at December 31, 2020	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922	(₱2,741,387)	₱16,506,435	(₱6,066,075)	₱37,000,000	₱275,818,556	₱403,832,945	₱160,894,953	₱564,727,898



Equity Attributable to Owners of the Parent

	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2019	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,014,573	₱62,444	₱11,748,980	(₱2,063,358)	₱37,000,000	₱222,213,054	₱353,387,201	₱138,902,811	₱492,290,012
Net income	-	-	-	-	-	-	-	-	-	44,568,244	44,568,244	24,876,070	69,444,314
Other comprehensive income	-	-	-	-	(706,345)	(1,468,470)	4,400,401	(6,569,911)	-	-	(4,344,325)	(1,707,014)	(6,051,339)
Total comprehensive income	-	-	-	-	(706,345)	(1,468,470)	4,400,401	(6,569,911)	-	44,568,244	40,223,919	23,169,056	63,392,975
Realized gain on sale of financial assets at FVOCI	-	-	-	-	-	-	(1,749,741)	-	-	1,749,741	-	-	-
Transactions with non-controlling interests	-	403	-	-	-	-	-	-	-	-	403	(81,462)	(81,059)
Cash dividends - ₱9.12 per share	-	-	-	-	-	-	-	-	-	(10,984,448)	(10,984,448)	-	(10,984,448)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,824,854)	(9,824,854)
Effect of business combination	-	-	-	-	-	-	-	-	-	-	-	1,358,352	1,358,352
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	500	500
As at December 31, 2019	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478

See accompanying Notes to Consolidated Financial Statements.



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱61,470,721	₱41,415,662	₱86,614,498
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	(26,768,811)	(17,036,367)	(26,038,426)
Depreciation and amortization (Notes 14, 15, 16, 22 and 26)	20,696,369	18,763,579	19,370,843
Interest expense (Note 23)	18,759,841	18,023,610	19,511,745
Provisions (reversal of provisions) - net (Notes 10 and 22)	(4,277,758)	1,620,414	2,609,386
Interest income (Note 23)	(2,201,191)	(2,436,015)	(3,881,156)
Loss (gain) on disposal of investments and properties - net	(672,121)	19,373	(193,878)
Dividend income (Note 21)	(586,703)	(430,696)	(480,513)
Unrealized foreign exchange (gain) loss - net	(490,845)	(124,982)	220,432
Loss (gain) on fair value changes on derivatives - net	(317,743)	6,503	(6,379)
Impairment loss on investment (Note 13)	-	1,000,000	3,987,000
Gain on sale of financial assets at fair value through profit or loss (FVPL) - net	-	-	(27,812)
Income before working capital changes	65,611,759	60,821,081	101,685,740
Increase in:			
Receivables and contract assets	(2,788,404)	(6,930,842)	(2,848,713)
Inventories	(37,303,043)	(16,077,988)	(21,514,263)
Other current assets	(6,836,921)	(2,313,171)	(8,187,276)
Increase (decrease) in:			
Accounts payable and other current liabilities	35,531,070	11,163,508	21,611,185
Tenants' deposits and others	1,330,169	(397,461)	(2,498,565)
Net cash generated from operations	55,544,630	46,265,127	88,248,108
Income tax paid	(7,402,297)	(7,035,228)	(16,576,112)
Net cash provided by operating activities	48,142,333	39,229,899	71,671,996
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment	365,861	58,896	343,228
Investment properties	914,962	3,197	117,429
Financial assets at fair value through other comprehensive income (FVOCI) and FVPL	-	-	3,814,634
Additions to:			
Investment properties (Note 15)	(42,155,574)	(38,415,299)	(42,295,103)
Property and equipment (Note 14)	(10,449,085)	(6,096,154)	(7,446,414)
Financial assets at FVOCI and FVPL	(1,427)	(3,124,660)	(3,261,682)
Investments in associate companies and joint ventures (Note 13)	(358,120)	(390,350)	(5,330,780)
Decrease (increase) in:			
Other noncurrent assets	12,084,333	(11,145,362)	(1,543,199)
Time deposits	(2,829,397)	1,056,006	25,111,241
Dividends received	5,180,690	4,751,956	5,558,665
Interest received	2,018,965	2,439,829	4,048,370
Purchase consideration, net of cash from acquisition of subsidiaries (Note 5)	(5,684,648)	-	327,140
Net cash used in investing activities	(40,913,440)	(50,861,941)	(20,556,471)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of:			
Bank loans	<b>₱52,175,839</b>	₱82,880,520	₱25,266,865
Long-term debt	<b>129,529,420</b>	75,253,912	52,895,468
Payments of:			
Bank loans	<b>(53,324,257)</b>	(77,464,985)	(21,376,865)
Long-term debt	<b>(92,624,775)</b>	(36,158,696)	(64,799,259)
Interest	<b>(18,034,064)</b>	(17,142,063)	(22,606,473)
Dividends	<b>(9,653,454)</b>	(10,158,925)	(20,510,816)
Lease liabilities (Notes 26 and 30)	<b>(4,630,284)</b>	(3,838,044)	(2,854,295)
Proceeds from maturity of derivatives	-	-	395,722
Net cash provided by (used in) financing activities	<b>3,438,425</b>	13,371,719	(53,589,653)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,667,318</b>	1,739,677	(2,474,128)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(82,290)</b>	205,746	(625,313)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)</b>	<b>78,159,197</b>	76,213,774	79,313,215
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>₱88,744,225</b>	₱78,159,197	₱76,213,774

*See accompanying Notes to Consolidated Financial Statements.*



# SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 28, 2022.

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### 2. Basis of Preparation and Statement of Compliance

#### Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) which are 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 (PFRSs). 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 Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

#### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS.

#### Basis of Consolidation

The Group is considered to have control over an investee when the Group has:

- power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and,



- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to have control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation adjustments 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 Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

Company	Principal Activities	Percentage of Ownership			
		2021		2020	
		Direct	Indirect	Direct	Indirect
<b>Property</b>					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	50	–	50	–
SM Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Highlands Prime, Inc.	Real estate development	–	100	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	–	100	–	100
Magenta Legacy, Inc.	Real estate development	–	100	–	100
Associated Development Corporation	Real estate development	–	100	–	100
Prime Metro Estate, Inc. and Subsidiary	Real estate development	–	100	–	100
Tagaytay Resort Development Corp	Real estate development	–	100	–	100
SM Arena Complex Corporation	Conventions	–	100	–	100
MOA Esplanade Port, Inc.	Port terminal operations	–	100	–	100
Premier Clark Complex, Inc.	Real estate development	–	100	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	–	100	–	100
First Asia Realty Development Corp.	Real estate development	–	74	–	74
Premier Central, Inc. and Subsidiary	Real estate development	–	100	–	100
Consolidated Prime Dev. Corp.	Real estate development	–	100	–	100
Premier Southern Corp.	Real estate development	–	100	–	100
San Lazaro Holdings Corporation	Real estate development	–	100	–	100
Southernpoint Properties Corp.	Real estate development	–	100	–	100
First Leisure Ventures Group Inc.	Real estate development	–	50	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Springfield Global Enterprises Limited *[BVI]	Real estate development	–	100	–	100

(Forward)



Company	Principal Activities	Percentage of Ownership			
		2021		2020	
		Direct	Indirect	Direct	Indirect
Simply Prestige Limited and Subsidiaries *[BVI]	Real estate development	–	100	–	100
SM Land (China) Limited and Subsidiaries * [Hong Kong]	Real estate development	–	100	–	100
Rushmore Holdings, Inc.	Real estate development	–	100	–	100
Prime Commercial Property Management Corp. and Subsidiaries	Real estate development	–	100	–	100
Mindpro, Incorporated (Mindpro)	Real estate development	–	70	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	100	–	100
AD Canicosa Properties, Inc.	Real estate development	–	100	–	100
Cherry Realty Development Corporation	Real estate development	–	100	–	100
Supermalls Transport Services, Inc.	Real estate development	–	100	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	100	–	–
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	100	–	100	–
Intercontinental Development Corporation	Real estate development	97	3	97	3
Prime Central Limited and Subsidiaries *[BVI]	Investment	100	–	100	–
Bellevue Properties, Inc.	Real estate development	62	–	62	–
Neo Subsidiaries <sup>(a)</sup>	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	63	–
<b>Retail</b>					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
<b>Others</b>					
Primebridge Holdings, Inc.	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	99	–	99	–
Belleshare Holdings, Inc.	Investment	99	–	99	–
Digital Advantage Corp.	Investment	94	–	94	–
2GO Group, Inc. (Note 5)	Integrated Supply Chain	53	–	–	–
	Bakery products and other				
Goldilocks Bakeshop, Inc. (Note 5)	food items	74	–	–	–
Globalfund Holdings, Inc.	Investment	98	2	–	100

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines except for those marked \* and as indicated after the company name.

(a) Neo Subsidiaries include N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.

### Material Partly-owned Subsidiary

The non-controlling interests of SM Prime is material to the Group. Non-controlling shareholders hold 50% of SM Prime as at December 31, 2021 and 2020.

The summarized financial information of SM Prime follows:

### *Financial Position*

	December 31	
	2021	2020
	<i>(In Thousands)</i>	
Current assets	₱195,664,769	₱157,074,976
Noncurrent assets	608,738,511	565,283,949
<b>Total assets</b>	<b>804,403,280</b>	<b>722,358,925</b>
Current liabilities	141,025,499	135,987,903
Noncurrent liabilities	329,017,008	275,653,394
<b>Total liabilities</b>	<b>470,042,507</b>	<b>411,641,297</b>
<b>Total equity</b>	<b>₱334,360,773</b>	<b>₱310,717,628</b>



	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
	<i>(In Thousands)</i>	
Attributable to:		
Owners of the Parent	<b>₱332,919,204</b>	₱309,284,067
Non-controlling interests	<b>1,441,569</b>	1,433,561
	<b>₱334,360,773</b>	₱310,717,628

*Statements of Income*

	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(In Thousands)</i>		
Revenues	<b>₱82,315,484</b>	₱81,899,298	₱118,311,490
Costs and expenses	<b>49,900,933</b>	52,825,112	61,619,162
Other charges	<b>4,681,026</b>	6,610,445	7,530,334
Income before income tax	<b>27,733,525</b>	22,463,741	49,161,994
Provision for income tax	<b>5,822,122</b>	4,324,004	10,373,321
Net income	<b>21,911,403</b>	18,139,737	38,788,673
Other comprehensive income (loss)	<b>4,180,611</b>	(4,311,847)	(30,088)
Total comprehensive income	<b>₱26,092,014</b>	₱13,827,890	₱38,758,585
Attributable to:			
Owners of the Parent	<b>₱21,786,516</b>	₱18,006,512	₱38,085,601
Non-controlling interests	<b>124,887</b>	133,225	703,072
Net income	<b>₱21,911,403</b>	₱18,139,737	₱38,788,673
Attributable to:			
Owners of the Parent	<b>₱25,968,260</b>	₱13,688,396	₱38,058,471
Non-controlling interests	<b>123,754</b>	139,494	700,114
Total comprehensive income	<b>₱26,092,014</b>	₱13,827,890	₱38,758,585
Dividends paid to non-controlling interests	<b>(₱129,050)</b>	(₱288,100)	(₱633,700)

*Cash Flows*

	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(In Thousands)</i>		
Net cash provided by operating activities	<b>₱30,667,161</b>	₱17,190,284	₱51,727,582
Net cash used in investing activities	<b>(44,113,678)</b>	(43,943,981)	(48,615,244)
Net cash provided by (used in) financing activities	<b>22,623,545</b>	22,817,505	(7,310,020)
Effect of exchange rate changes on cash and cash equivalents	<b>(62,790)</b>	(2,153)	31,174
Net increase (decrease) in cash and cash equivalents	<b>₱9,114,238</b>	(₱3,938,345)	(₱4,166,508)



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### 3. Summary of Significant Accounting Policies, Changes and Improvements

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

#### 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 and are subject to an insignificant risk of change in value.

#### Time Deposits

Time deposits (shown under current assets) are cash placements with original maturities of more than three months but less than one year. Time deposits with maturities of more than twelve months after the reporting period are presented under noncurrent assets.

#### Determination of Fair Value

Fair value is the 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 most advantageous market for the asset or liability, in the absence of a principal market.

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

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 the market participants act in their best economic interest.

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

The Group 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 based on the lowest level input that is significant to the fair value measurement as a whole and disclosed in the consolidated financial statements based on the fair value hierarchy described below:

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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.



The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability.

The Group 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 markets, the Group 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 use is made of data that is not observable, 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 Group determines the appropriate method of recognizing the amount of “Day 1” difference.

## Financial Instruments

### *Financial Assets*

#### Initial Recognition and Measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group’s business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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 instrument level. The Group’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 are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### Subsequent Measurement

Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
  - with recycling of cumulative gains and losses (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)



*Financial Assets at Amortized Cost (Debt Instruments)*

The Group measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

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 Group's financial assets at amortized cost include cash and cash equivalents, time deposits, receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables (included under "Other current assets" account) and long-term notes (included under "Other noncurrent assets" account).

*Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are measured at fair value. Changes in fair values are recognized in profit or loss.

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 when:

- 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 FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. 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 FVPL 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 FVPL.

*Financial Assets at FVOCI (Debt Instruments)*

The Group measures debt instruments at FVOCI when:

- The financial asset is held within a business model with the objective of both holding 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 SPPI.



For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change is recycled to profit or loss.

As at December 31, 2021 and 2020, the Group does not have any debt instrument measured at FVOCI.

*Financial Assets Designated at FVOCI (Equity Instruments)*

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

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

The Group's equity instruments at FVOCI include investments in shares of stock and club shares (included under "Financial assets at FVOCI" account).

*Derecognition*

A financial asset, part of a financial asset or part of a group of similar financial assets, is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or,
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or, (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates the 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

*Modification of Financial Assets*

The Group 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 Group considers both qualitative and quantitative factors in assessing whether the modification of financial asset is substantial or not. The Group considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as “solely payment for principal and interest”.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

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 Group 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 profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification is considered as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

#### *Impairment*

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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.

To calculate ECLs, the Group uses the provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach (low credit risk simplification) for treasury assets.

Under the provision matrix, ECLs are calculated based on lifetime ECLs. Changes in credit risk are not tracked, instead, a loss allowance based on lifetime ECLs adjusted for forward-looking factors specific to the debtors and the economic environment is recognized.

Under the vintage approach, ECLs are calculated based on the cumulative loss rates of given real estate receivable pool. The probability of default is derived from the historical data of a homogenous portfolio that share the same origination period. Information on the number of loan defaults for fixed time intervals is utilized to create the probability model. It allows the evaluation of the loan activity from origination period to the end of the contract period. Macroeconomic indicators such as forward-looking data on inflation rate are also considered. The probability of default is applied to the loss estimate which is the difference between the contractual cash flows due and the amount expected to



be received, including the cost of repossession of the subject real estate property and other related costs. In calculating the recovery rates, collections and/or cash from the resale of foreclosed real estate properties, net of direct costs to obtain and sell the real estate properties, are considered such as commission, cost of refurbishment, payment required under Maceda law, and cost to complete for incomplete units. As these are future cash flows, these are discounted to the time of default using the appropriate effective interest rate.

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

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. The Group considers there to be a significant increase in credit risk when contractual payments become past due.

#### *Financial Liabilities*

##### Initial Recognition and Measurement

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

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

The Group's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies), dividends payable, long-term debt, lease liabilities and tenants' deposits and others.

##### Subsequent Measurement

###### *Loans and Borrowings*

Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of income.

###### *Financial Liabilities at FVPL*

Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the consolidated statement of income.



### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled. 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 a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

### *Exchange or Modification of Financial Liabilities*

The Groups considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial instrument and amortized over the remaining term of the modified financial instrument.

### *Offsetting of 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 offset the recognized amounts and there is an intention to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

### *Derivative Financial Instruments and Hedge Accounting*

#### Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as cross-currency swaps, foreign currency call options, interest rate swaps, options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the 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.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,



- Cash flow hedges when hedging the exposure to variability in cash flows that is 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.

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 Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

#### *Fair Value Hedge*

The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

#### *Cash Flow Hedges*

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

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under "Cumulative translation adjustment" account.

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 hedged cash flows affect profit or loss.



If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

#### Merchandise Inventories

Merchandise inventories are valued at the lower of cost or net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

#### Current Portion of Land and Development and Condominium and Residential Units for Sale

The current portion of land and development and condominium and residential units for sale are stated at the lower of cost or net realizable value. Cost includes those costs incurred for development and improvement of the properties. 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. The current portion of land and development and condominium and residential units for sale includes properties that are constructed for sale in the ordinary course of business, rather than 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, and site preparation, as well as professional fees, property transfer taxes, construction overhead and others.

#### Investments in Associate Companies and Joint Ventures

An associate is an entity over which the Group 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 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 is similar to those necessary to determine control over subsidiaries.

The Group's investments in associate companies and joint ventures are accounted for under the equity method of accounting. Under the equity method, investments in associate companies and joint ventures are carried at cost plus post-acquisition changes in the Group's share in net assets of the 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 or joint venture'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 Group's share in the associate's or joint venture's profits or losses; and,
- Any excess of the Group's share in the net fair value of the associate's and joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired.

The consolidated statement of income reflects the share in the results of operations of the associate or joint venture. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share in any changes and discloses this in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

Appropriate adjustments to the investor'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, such as for goodwill or property, plant and equipment.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investment in the associate companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate companies and joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the investment's recoverable amount and carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate companies and joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

#### Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. 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.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.



Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings and improvements	5–25 years
Store equipment and improvements	5–10 years
Data processing equipment	5–8 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	2–10 years
Leasehold improvements	5–10 years or term of the lease, whichever is shorter
Transportation equipment	5–15 years
Vessels in operation, excluding drydocking cost, and vessel equipment and improvements	30–35 years
Containers and reefer vans	5–10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying value of the assets is 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 these are no longer in use and no further depreciation and amortization is charged to current operations.

When any property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment loss is removed from the accounts and any resulting gain or loss is charged to profit or loss.

#### Investment Properties

This account consists of investment properties and the noncurrent portion of land and development. Investment properties include property held to earn rentals and for capital appreciation. Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to profit or loss.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	3–10 years
Buildings and improvements	5–40 years
Building equipment, furniture and others	3–15 years
Building and leasehold improvements	5 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 the end of each reporting period.

Investment property is derecognized when disposed or 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 charged to profit or loss.



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

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

#### Construction in Progress

Construction in progress under property and equipment and investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

#### 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 Group's investment properties. At the termination of the lease contracts, the deposits received by the Group 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.

#### Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

*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 entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, 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 acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business



combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under “Equity adjustments from common control transactions” account in the equity section of the consolidated balance sheet.

When the Group 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 acquirer’s previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of income in accordance with PFRS 9. Other contingent considerations that are not within the scope of PFRS 9 are measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

*Acquisitions of Non-controlling Interests.* Changes in the Parent Company’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.

### Goodwill

*Initial Measurement of Goodwill or Gain on a Bargain Purchase.* Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

*Subsequent Measurement of Goodwill.* Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

*Impairment Testing of Goodwill.* For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.



*Frequency of Impairment Testing.* Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

*Allocation of Impairment Loss.* An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

*Measurement Period.* If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

#### Intangible Assets

The cost of trademarks and brand names acquired in a business combination is the fair value as at the date of acquisition. The useful life of trademarks and brand names is assessed based on an analysis of all relevant factors. If there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group, the trademark / brand name is considered to be indefinite.

Trademarks and brand names with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the CGU level. Trademarks and brand names with finite useful lives are amortized on a straight-line basis over the estimated useful lives of the assets. The useful life of an intangible asset is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and are recognized in profit or loss.

#### Impairment of Nonfinancial Assets

The carrying value of nonfinancial assets (property and equipment, investment properties, investments in associate companies and joint ventures, right-of-use (ROU) assets, and intangibles with definite useful life and other noncurrent assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and 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 CGU 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. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized 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.

#### Capital Stock and Additional Paid-in Capital

Capital stock is stated at par value of the share. Proceeds and/or fair value of considerations received in excess of par value, if any, is recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new shares is deducted from the proceeds, net of tax.

#### Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria shall be met before revenue is recognized:

*Sale of Merchandise Inventories.* Revenue from sale of goods is recognized when the transfer of control has been passed to the buyer at the time when the performance obligation has been satisfied. The performance obligation is generally satisfied when the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods.

*Revenue and Cost from Sale of Real Estate.* The Group derives its real estate revenue from the sale of lots, house and lot and condominium units. Revenue from the sale of these real estate under pre-completion stage is 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 Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group 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 and time elapsed. This is based on the monthly project accomplishment report prepared by third party project managers as approved by the construction manager 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 contract liabilities.



*Information about the Group's performance obligation.* The Group 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 in cash or under a financing scheme commences upon signing of the "contract to sell" with the customer. The financing scheme includes payment of a certain percentage of the contract price spread over a specified period at a fixed monthly amount with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection based on the amortization schedule does not necessarily coincide with the progress of construction.

The Group has a quality assurance warranty which is not treated as a separate performance obligation.

*Cost of Real Estate Sold.* The Group 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 Group'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.* Contract assets 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. The capitalized amount is reclassified to trade receivable from real estate buyers when the periodic amortization of the customer becomes due for collection.

*Contract Liabilities.* Contract liabilities pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Group has received consideration) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Group performs the pertinent obligations under the contract.

*Costs to Obtain a Contract.* The costs of obtaining a contract with a customer are recognized as an asset if the Group expects recovery of these costs. The accrual of commissions paid to brokers and marketing agents on the sale of pre-completed real estate units is likewise capitalized when recovery is reasonably expected and is 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 a contract with a customer are expensed as these are 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 Group 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 Group applies the following criteria which if met, result in capitalization (i) costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) 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) costs are expected to be recovered. The assessment of this criteria requires the application of judgement particularly in determining whether costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets mainly pertain to land acquisition costs (included under condominium and residential units for sale and current portion of land and development).

*Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract.* The Group amortizes contract fulfillment assets and costs capitalized to obtain a contract to cost of sales over the expected construction period using percentage of completion (POC) following the pattern of real estate revenue recognition. The amortization is included in cost of real estate sold account in the consolidated statement of income.

A contract fulfillment asset or costs capitalized to obtain a contract is derecognized 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 Group determines whether there is an indication that a contract fulfillment asset may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less those costs that relate to providing services under the contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed when testing for impairment.

In case the relevant costs demonstrate indicators of impairment, judgment is required in ascertaining the future economic benefits from these contracts as sufficient to recover the relevant assets.

*Shipping and Logistics Revenues.* Revenues from shipping and logistics services are recognized when rendered and/or when export/import cargoes are received by the shipper or consignee. Shipping revenues include fees for ancillary services such as wharfage, arrastre, stevedoring and other related services.

*Rent.* Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

*Sale of Cinema and Amusement Tickets.* Revenue is recognized upon receipt of cash from the customers which coincides with the rendering of services.

*Gain on Sale of Investments in Associate Companies and Joint Ventures and Financial Assets.* Revenue is recognized upon delivery of the securities to and confirmation of the sale by the broker.

*Dividends.* Revenue is recognized when the Group's right as a shareholder to receive payment is established.

*Royalty, Management and Service Fees.* Revenue and/or expense is recognized when earned and/or incurred, in accordance with the terms of the agreements.

*Interest.* Revenue is recognized when interest accrues, taking into account the effective yield.



*Selling, General, Administrative and Other Expenses.* Costs and expenses are recognized as incurred.

#### Pension Benefits

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, adjusted for any effect of limiting the 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and,
- remeasurements of net defined benefit liability or asset.

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements, is recognized as expense. Past service cost is recognized on the earlier of the date of the plan amendment or curtailment, or the date when restructuring-related cost is recognized.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 liability or asset is recognized as expense or income 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 liability) are recognized immediately in OCI in the period in which these 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. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. The 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 these have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

#### Foreign Currency-denominated Transactions

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 as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rate as at the date of initial recognition. All differences are recognized in profit or loss.



### Foreign Currency Translation

The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange as at reporting date and their respective statements of income are translated at the weighted average rate for the year. The exchange differences arising from the translation are included in the consolidated statement of comprehensive income and are presented within the “Cumulative translation adjustment” account in the consolidated statement of changes in equity. On disposal of a foreign subsidiary, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in 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.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is 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 rent is recognized as revenue in the period it is 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 e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing 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. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

*Group as Lessee.* The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying asset.

- *ROU Assets.* The Group recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimates of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, except when those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.



- *Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the exercise of an option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for 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.

- *Short-term Leases and Leases of Low-value Assets.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have lease terms of 12 months or less from the commencement date and those that do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. These leases are recognized as expense on a straight-line basis over the lease term.

#### Provisions

Provisions are recognized when the Group 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 Group 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. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

#### Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if it is directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that it will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

#### Taxes

*Current Income 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 tax amounts are those that are enacted or substantively enacted as at the end of the reporting period.



*Deferred Income Tax.* Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts at each reporting period.

Deferred tax assets are recognized for all 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), 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 over RCIT 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 wherein 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 the end of 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 the end of each reporting period and are recognized to the extent that the 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 as at reporting date.

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/or 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, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and other current liabilities” accounts in the consolidated balance sheet.



#### Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income attributable to owners of the Parent for the period by the weighted average number of issued and outstanding common shares for 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 potential dilutive ordinary shares.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the 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 the consolidated financial statements when an inflow of economic benefits is probable.

#### Events after the Reporting Period

Post yearend events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous year except for the adoption of new standards, starting January 1, 2021.

Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

The Group adopted these amendments beginning January 1, 2021.

- Adoption of the Deferred Provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the 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 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



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

On July 8, 2021, the SEC issued SEC MC No. 8, series of 2021 amending the transition provision of the above PIC Q&A providing real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach. With this, real estate companies are finally able to fully comply with PFRS 15 and revert to full PFRS financial reporting for the calendar year 2021.

For the calendar year ended 2021, the Group did not avail of the relief provided by the SEC and instead adopted the PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04) effective January 1, 2021, using the modified retrospective approach.

- Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

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 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 Memorandum Circular 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 Group did not avail of the relief provided by the SEC and instead adopted the IFRIC Agenda Decision effective January 1, 2021, using modified retrospective approach as provided under the SEC Memorandum Circular No. 8, series of 2021.



▪ Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from 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 due on or before June 30, 2022; 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 concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

*Group as Lessee.* The Group adopted the amendments beginning January 1, 2021. The adoption of these amendments for rent concessions on certain land, retail stores, office spaces and warehouses has no significant impact for the year ended December 31, 2021.

*Group as Lessor.* For the year ended December 31, 2021 and 2020, the Group waived rentals and other charges amounting to ₱17,118.1 million and ₱18,779.9 million, respectively, in addition to deferral of rental payments. These concessions significantly reduced rental income. These rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

▪ Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments 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.

Following are the information that are required to be disclosed:

- 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
- Progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.



#### Future Changes in Accounting Policies

The following are the new standards, amendments to standards and improvements that were issued but are not yet effective as at December 31, 2021.

Unless otherwise indicated, the Group does not expect the future adoption of these new standards, amendments to standards and improvements to have a significant impact on the consolidated financial statements.

The Group intends to adopt the applicable standards, amendments to standards and improvements when these become effective.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with 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 from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

The amendments also clarified that contingent assets do not qualify for recognition as 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*

The amendments prohibit the deduction 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. Such proceeds shall be recognized in profit or loss.

The amendment is effective January 1, 2022 with retroactive modification for items of property, plant and equipment made available for use on or after the beginning of the earliest period presented at the time of adoption.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments 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 on or after January 1, 2022.



▪ *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment 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 early adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment 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 at the time of first adoption.

The amendment is effective on or after January 1, 2022 with early adoption permitted.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment 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.

The amendment is to be applied prospectively, on or after the January 1, 2022 with early adoption permitted.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

These amendments are effective on or after January 1, 2023.



▪ Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in input or a change in measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

These amendments are effective on or after January 1, 2023 with early adoption permitted.

▪ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. These amendments are effective on or after January 1, 2023 with early adoption permitted.

*Effective beginning on or after January 1, 2024*

▪ Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. 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; and
- 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 on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

*Effective beginning on or after January 1, 2025*

▪ PFRS 17, *Insurance Contracts*

PFRS 17 is 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

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 for two (2) years after its effective date as decided by the IASB. PFRS 17 is effective on or after January 1, 2025, 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*

The amendments 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 FRSC deferred the original effective date of January 1, 2016 of the said amendments until the 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.

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#### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the reporting date.

##### Judgments

In the process of applying the Group'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 Group's primary document for a contract with a customer is the signed contract to sell. In cases wherein the contract to sell is not signed by both parties at report date, other signed documents including the reservation agreement, official receipts, quotation sheets and other documents are considered to contain the basic elements to qualify as a contract with the customer under PFRS 15.



The Group's revenue recognition process includes the assessment of the probability of the Group collecting the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating the probability of collection, the Group considers the significance of the buyer's initial payments in relation to the contract price.

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

*Determining the Transaction Price for Sales of Real Estate.* The Group determines whether a contract contains a significant financing component using the portfolio approach by considering (1) the difference between the amount of promised consideration and the cash selling price of the promised goods or services; and (2) the expected length of time from when the entity transfers the promised goods or services to the time the customer pays for those goods or services at the prevailing effective interest rate. The Group applied the practical expedient and did not adjust for the effect of financing component when the difference between the time of transfer of the promised goods or services to the time the customer pays for these goods or services is one year or less. The Group determined that its contracts for the sale of real estate do not contain a significant financing component.

*Property Acquisitions and Business Combinations.* At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services are to be provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition. No goodwill or deferred tax is recognized.

*Consignment Arrangements on Retail Segment.* The retail segment of the Group has various consignment arrangements with suppliers. Under these arrangements, the Group bears significant risks and rewards associated with the sale of goods. Management has determined that it is acting as principal in these sales transactions. Accordingly, revenue is recognized at gross amount upon actual sale to customers. The related inventory stocks supplied under these arrangements only become due and payable to suppliers when sold.

*Operating Lease Commitments - Group as Lessor.* Management has determined that the Group 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.

*Lease Modification - as Lessor.* Throughout the government-imposed community quarantine, the Group waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.



*Determination of Lease Term of Contracts with Renewal and Termination Options - Group as Lessee.*

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating the certainty or possibility of exercising the option to renew or terminate lease contracts. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contract (e.g., construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Group exercises its option to renew.

*Assessing Significant Influence over Associates.* Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

*Assessing Joint Control of an Arrangement and the Type of Arrangement.* The Group has 25% ownership in Waltermart Mall. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

*Assessing of Control or Significant Influence of Investees*

*SM Prime.* The Group has 50% ownership interest in SM Prime. Management assessed that the Group has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Group the power to direct relevant activities of SM Prime.

*BDO Unibank, Inc. (BDO).* The Group has 45% ownership interest in BDO. Management assessed that the Group does not have control of BDO as the Group's aggregate voting rights is not sufficient to give it power to direct the relevant activities of BDO (see Note 13).

*Premium Leisure Corp. (PLC).* The Group has 5% ownership interest in PLC. PLC is a subsidiary of Belle Corporation (Belle). Management assessed that the Group has significant influence over PLC through its associate, Belle (see Note 13).

*Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates.*

Upon adoption of the Philippine Interpretation on IFRIC-23, *Uncertainty over Income Tax Treatments*, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those 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 Group.

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

*Revenue Recognition Method and Measure of Progress.* The Group recognizes revenue for real estate sales over time in consideration of the following (a) the Group's performance does not create an asset with an alternative use, and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. 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 addition, under the current legal framework, the customer is contractually obliged to make payments to the Group for performance completed to date.

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

*Provision for ECL of Receivables and Contract Assets (referred also in the consolidated financial statements as "Unbilled revenue from sales of real estate").* The Group maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group uses a provision matrix for rent and other receivables and vintage approach for receivables from sale of real estate (billed and unbilled) to calculate ECLs. The Group 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. See Note 10 for related balances.

*Net Realizable Value of Merchandise Inventories, Condominium and Residential Units for Sale, and Land and Development.* The Group recognizes an allowance for impairment of value of merchandise inventories, condominium and residential units for sale, and land and development to value these assets at net realizable value. Impairment may be due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Note 11 for related balances.

The estimate of net realizable value is based on the most reliable evidence of the realizable value of the assets, available at the time the estimate is made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The allowance account is reviewed on a regular basis. In 2021 and 2020, the Group assessed that the net realizable value of merchandise inventories, condominium and residential units for sale and land and land development is higher than cost, hence, the Group did not recognize any impairment loss.

*Estimated Useful Life of Property and Equipment and Investment Properties (except for ROU Assets).* The useful life of each of the Group's property and equipment and investment properties 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. See Notes 14 and 15 for related balances.

*Impairment of Investments in Associate Companies and Joint Ventures.* Impairment review of investments in associate companies and joint ventures is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments using key assumptions such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.



*Impairment of Goodwill and Trademarks, Brand Names and Copyright with Indefinite Useful Lives.* Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the forecast for the relevant period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 16 for related balances.

*Impairment of Other Nonfinancial Assets.* The Group assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. There is no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2021. See Notes 14, 15 and 26 for related balances.

*Purchase Price Allocation in Business Combinations.* The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names. In estimating the fair value of the acquiree's identifiable assets and liabilities, the Group used judgments, valuation methods and key assumptions such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. See Note 5 for related balances.

*Fair Value of Previously Held Interest in an Acquiree.* A business combination that is achieved in stages requires the Group to remeasure its previously held interest in the acquiree at its fair value at acquisition date and recognize any resulting gain or loss in profit or loss. The determination of fair value of the previously held interest involves judgment, estimations and assumptions. See Note 5 for related balances.

*Realizability of Deferred Tax Assets.* The carrying amount of deferred tax assets is reviewed at the end of 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 tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and 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. Accordingly, only a portion of the Group's deferred tax assets is recognized. See Note 25 for related balances.

*Present Value of Defined Benefit Obligation.* The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.



The Group determines the appropriate discount rate at the reporting date. In determining the discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Group's pension and other pension obligations. See Note 24 for related balances.

*Fair Value of Financial Assets and Liabilities.* 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 Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and OCI. See Note 28 for related balances.

*Valuation of Unquoted Equity Investments.* Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's financial assets at FVOCI at fair value in compliance with PFRS 9, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group.

*Leases – Estimating the Incremental Borrowing Rate.* The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). See Note 26 for related balances.

*Contingencies.* The Group is involved in certain legal and administrative proceedings. The Group, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.



## 5. Business Combination

### Acquisition

2GO Group, Inc. (2GO). In April and June 2021, the Parent Company acquired additional 551.4 million common shares of 2GO increasing its equity interest in 2GO to 52.9% from 30.5% previously. 2GO is the largest integrated supply chain operator in the Philippines offering shipping, freight forwarding, warehousing, and express delivery services.

Beginning June 1, 2021, 2GO became a subsidiary in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	<i>(In Thousands)</i>
Cash and cash equivalents	₱2,101,999
Receivables and contract assets	4,192,282
Merchandise inventories (Note 11)	516,155
Other current assets	2,699,758
Investments in associate companies and joint ventures (Note 13)	260,037
Property and equipment (Note 14)	9,919,064
Right-of-use assets (Note 26)	786,597
Other noncurrent assets	1,008,558
<u>Total identifiable assets</u>	<u>21,484,450</u>
Bank loans	3,036,500
Accrued payable and other current liabilities	7,206,250
Long-term debt - net of current portion	3,984,077
Deferred tax liabilities	1,257,749
Other noncurrent liabilities	1,071,851
<u>Total identifiable liabilities</u>	<u>16,556,427</u>
Net identifiable assets	4,928,023
Non-controlling interests (proportionate share in 2GO's net identifiable assets)	(2,352,991)
Fair value of previously held interest	(1,484,612)
<u>Goodwill arising from the acquisition (Note 16)</u>	<u>3,602,620</u>
<u>Purchase consideration transferred</u>	<u>₱4,693,040</u>

The cash flows from this acquisition follow:

Cash acquired	₱2,101,999
<u>Purchase consideration transferred</u>	<u>(4,693,040)</u>
<u>Net</u>	<u>(₱2,591,041)</u>

At the date of the acquisition, the fair value of 2GO's receivables approximates its carrying amount. The receivables comprise mainly of trade and nontrade receivables carried at cost. These are noninterest-bearing with trade receivables generally on 30- to 60-day terms while nontrade receivables are collectible on demand. The fair value of the property and equipment was determined using the current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.



The goodwill of ₱3,602.6 million represents the value of synergies expected to arise from the business combination.

From the date of acquisition, 2GO's revenues and net loss amounting to ₱8,835.0 million and ₱962.7 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱434,759.9 million and ₱38,375.3 million, respectively.

*Goldilocks Bakeshop, Inc. (GBI).* In August 2021, the Parent Company acquired additional 224.5 million common shares of GBI increasing its equity interest in GBI to 74.1% from 34.1% previously. GBI is primarily engaged in the purchase and sale, manufacture and production, import and export, and distribution of food items such as cakes, pastries, bread and candies on wholesale, retail or franchising; operation of restaurants, refreshment parlors or food outlets; and serving, arranging and catering food, drinks and refreshments.

Beginning August 1, 2021, GBI became a subsidiary in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	<i>(In Thousands)</i>
Cash and cash equivalents	₱945,964
Time deposits	210,925
Receivables and contract assets	330,036
Merchandise inventories (Note 11)	564,858
Other current assets	502,915
Financial assets	1,406
Investments in associate companies and joint ventures (Note 13)	249,157
Property and equipment (Note 14)	2,563,094
Right-of-use assets (Note 26)	912,876
Other noncurrent assets	471,983
<b>Total identifiable assets</b>	<b>6,753,214</b>
Accrued payable and other current liabilities	2,233,095
Deferred tax liabilities	338,599
Other noncurrent liabilities	1,435,383
<b>Total identifiable liabilities</b>	<b>4,007,077</b>
Net identifiable assets	2,746,137
Non-controlling interests (proportionate share in GBI's net identifiable assets)	(720,721)
Fair value of previously held interest	(931,874)
Goodwill arising from the acquisition (Note 16)	2,946,029
<b>Purchase consideration transferred</b>	<b>₱4,039,571</b>

The cash flows from this acquisition follow:

Cash acquired	₱945,964
Purchase consideration transferred	(4,039,571)
<b>Net</b>	<b>(₱3,093,607)</b>



At the date of the acquisition, the fair value of GBI's receivables approximates its carrying amount. GBI's receivables comprise mainly of trade and nontrade receivables, royalties and advances carried at cost. These are noninterest-bearing with trade receivables generally on 15- to 30- day terms while nontrade receivables and royalties are collectible on demand. Advances consist of salary loans due within 1 year and other cash advances that are subject to liquidation within 1 to 2 weeks. The fair value of the property and equipment was determined using the market approach and current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.

The goodwill of ₱2,946.0 million represents the value of synergies expected to arise from the business combination.

From the date of acquisition, GBI's revenues and net income amounting to ₱5,016.9 million and ₱114.8 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱433,908.2 million and ₱38,563.3 million, respectively.

The Group remeasured its previously held interest in 2GO and GBI at acquisition-date fair value. The key assumptions used in determining the acquisition-date fair value of the property and equipment of GBI include list prices, current replacement cost and reproduction cost. Included in Selling, general and administrative expenses for the year ended December 31, 2021 is the remeasurement loss recognized for 2GO at ₱4,917.6 million and ₱2,440.5 million for GBI, representing the loss from remeasuring the Group's equity interest in 2GO and GBI before the business combination to fair value, in accordance with PFRS 3, *Business Combinations*.

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## 6. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and banking and others.

The property segment is involved in mall, residential and commercial development and hotel and convention center operations. The 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 and cinemas within the compound of the shopping centers. The 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. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking and others segment primarily includes the operations of the Parent Company which is engaged in asset management and capital investments as well as its associate companies which include the banks.

The BOD monitors the operating results of each of its business units 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.



Operating Segment Financial Data

Year Ended December 31, 2021					
	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Revenues:</b>					
External customers	<b>₱80,178,590</b>	<b>₱303,789,225</b>	<b>₱44,089,840</b>	<b>₱-</b>	<b>₱428,057,655</b>
Revenues from contracts with customers	45,615,494	294,694,316	13,569,885	-	353,879,695
Merchandise sales	-	294,694,316	7,912,997	-	302,607,313
Real estate sales	45,116,570	-	-	-	45,116,570
Cinema ticket sales, amusement and others	498,924	-	-	-	498,924
Shipping, logistics and other services	-	-	5,656,888	-	5,656,888
Rent	26,218,182	1,093,378	2,330,684	-	29,642,244
Equity in net earnings of associate companies and joint ventures	1,187,419	527,733	25,053,659	-	26,768,811
Royalty, management and service fees	698,143	2,392,634	1,303,300	-	4,394,077
Dividend income	77,149	-	509,554	-	586,703
Others	6,382,203	5,081,164	1,322,758	-	12,786,125
Inter-segment	9,423,189	2,108	2,384,449	(11,809,746)	-
	<b>₱89,601,779</b>	<b>₱303,791,333</b>	<b>₱46,474,289</b>	<b>(₱11,809,746)</b>	<b>₱428,057,655</b>
<b>Segment results:</b>					
Income before income tax	<b>₱28,243,532</b>	<b>₱14,180,061</b>	<b>₱19,047,128</b>	<b>₱-</b>	<b>₱61,470,721</b>
Provision for (benefit from) income tax	5,942,801	3,261,945	(465,663)	-	8,739,083
Net income	<b>₱22,300,731</b>	<b>₱10,918,116</b>	<b>₱19,512,791</b>	<b>₱-</b>	<b>₱52,731,638</b>
<b>Net income attributable to:</b>					
Owners of the Parent	<b>₱11,000,880</b>	<b>₱7,697,477</b>	<b>₱19,801,533</b>	<b>₱-</b>	<b>₱38,499,890</b>
Non-controlling interests	11,299,851	3,220,639	(288,742)	-	14,231,748
Year Ended December 31, 2020					
	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Revenues:</b>					
External customers	<b>₱76,881,024</b>	<b>₱296,637,376</b>	<b>₱20,667,305</b>	<b>₱-</b>	<b>₱394,185,705</b>
Revenues from contracts with customers	48,119,240	289,726,442	-	-	337,845,682
Merchandise sales	-	289,726,442	-	-	289,726,442
Real estate sales	47,023,795	-	-	-	47,023,795
Cinema ticket sales, amusement and others	1,095,445	-	-	-	1,095,445
Shipping, logistics and other services	-	-	-	-	-
Rent	23,481,703	1,061,700	2,361,576	-	26,904,979
Equity in net earnings of associate companies and joint ventures	694,473	313,554	16,028,340	-	17,036,367
Royalty, management and service fees	593,767	2,192,823	1,149,947	-	3,936,537
Dividend income	88,616	-	342,080	-	430,696
Others	3,903,225	3,342,857	785,362	-	8,031,444
Inter-segment	9,695,786	151,810	2,562,464	(12,410,060)	-
	<b>₱86,576,810</b>	<b>₱296,789,186</b>	<b>₱23,229,769</b>	<b>(₱12,410,060)</b>	<b>₱394,185,705</b>
<b>Segment results:</b>					
Income before income tax	<b>₱23,442,549</b>	<b>₱7,200,165</b>	<b>₱10,772,948</b>	<b>₱-</b>	<b>₱41,415,662</b>
Provision for income tax	4,349,645	2,509,821	231,154	-	7,090,620
Net income	<b>₱19,092,904</b>	<b>₱4,690,344</b>	<b>₱10,541,794</b>	<b>₱-</b>	<b>₱34,325,042</b>
<b>Net income attributable to:</b>					
Owners of the Parent	<b>₱9,670,834</b>	<b>₱3,375,743</b>	<b>₱10,343,373</b>	<b>₱-</b>	<b>₱23,389,950</b>
Non-controlling interests	9,422,070	1,314,601	198,421	-	10,935,092



Year Ended December 31, 2019

	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Revenues:</b>					
External customers	₱106,759,524	₱366,036,864	₱29,172,941	₱-	₱501,969,329
Revenues from contracts with customers	52,239,290	354,088,848	-	-	406,328,138
Merchandise sales	-	354,088,848	-	-	354,088,848
Real estate sales	44,499,529	-	-	-	44,499,529
Cinema ticket sales, amusement and others	7,739,761	-	-	-	7,739,761
Shipping, logistics and other services	-	-	-	-	-
Rent	47,959,728	1,398,662	2,214,767	-	51,573,157
Equity in net earnings of associate companies and joint ventures	1,492,093	963,196	23,583,137	-	26,038,426
Royalty, management and service fees	503,423	5,516,233	1,328,823	-	7,348,479
Dividend income	99,707	-	380,806	-	480,513
Others	4,465,283	4,069,925	1,665,408	-	10,200,616
Inter-segment	15,127,079	189,391	3,315,815	(18,632,285)	-
	<b>₱121,886,603</b>	<b>₱366,226,255</b>	<b>₱32,488,756</b>	<b>(₱18,632,285)</b>	<b>₱501,969,329</b>
<b>Segment results:</b>					
Income before income tax	₱50,151,617	₱20,463,932	₱15,998,949	₱-	₱86,614,498
Provision for income tax	10,508,037	6,235,716	426,431	-	17,170,184
Net income	<b>₱39,643,580</b>	<b>₱14,228,216</b>	<b>₱15,572,518</b>	<b>₱-</b>	<b>₱69,444,314</b>
<b>Net income attributable to:</b>					
Owners of the Parent	₱19,410,225	₱9,840,717	₱15,317,302	₱-	₱44,568,244
Non-controlling interests	20,233,355	4,387,499	255,216	-	24,876,070

In 2021, 2020 and 2019, no single customer accounted for 10% or more of consolidated revenues. The Group's revenues are substantially earned within the Philippines.

The disaggregation of revenues is as indicated in the consolidated statements of income and in the operating segment financial data.

## 7. Cash and Cash Equivalents

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	<b>₱28,563,623</b>	₱26,603,364
Temporary investments (Note 21)	<b>60,180,602</b>	51,555,833
	<b>₱88,744,225</b>	₱78,159,197

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 Group. These investments earn interest at prevailing rates (see Note 23).

## 8. Time Deposits

This account consists of time deposits as follows:

	2021	2020
	<i>(In Thousands)</i>	
Current	<b>₱311,233</b>	₱31,012
Noncurrent	<b>3,905,618</b>	1,356,442
	<b>₱4,216,851</b>	₱1,387,454



The time deposits bear interest ranging from 0.4% to 3.8% in 2021 and 0.5% to 1.6% in 2020.

Time deposits with various maturities within one year were used as collateral for some credit lines.

Interest earned from time deposits is disclosed in Note 23.

## 9. Financial Assets at FVOCI

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Shares of stock		
Listed	<b>₱26,764,759</b>	₱26,133,219
Unlisted	<b>1,714,725</b>	1,701,227
Club shares	<b>14,550</b>	11,940
	<b>28,494,034</b>	27,846,386
Less current portion	<b>547,041</b>	568,146
Noncurrent portion	<b>₱27,946,993</b>	₱27,278,240

Financial assets at FVOCI pertain to equity investments in shares of stock and club shares which are not held for trading and which the Group has irrevocably designated at FVOCI, as the Group considers these investments to be strategic in nature.

The movements in net unrealized gain on financial assets at FVOCI and share in unrealized loss on financial assets at FVOCI of associates attributable to the owners of the Parent follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱16,506,435</b>	₱14,399,640
Share in net unrealized gain (loss) on financial assets at FVOCI of associates	<b>(2,129,429)</b>	2,200,527
Gain (loss) due to changes in fair value of financial assets at FVOCI	<b>541,761</b>	(92,868)
Transferred to retained earnings - realized loss (gain) on sale of financial assets at FVOCI	<b>253,175</b>	(864)
Balance at end of year	<b>₱15,171,942</b>	₱16,506,435



## 10. Receivables and Contract Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	<b>₱110,932,754</b>	₱97,178,460
Third-party tenants	<b>7,473,461</b>	5,868,337
Shipping and logistics**	<b>3,111,428</b>	-
Related-party tenants (Note 21)	<b>380,963</b>	972,723
Others	<b>366,205</b>	38,512
Royalty, management and service fees (Note 21)	<b>1,980,327</b>	2,437,479
Due from related parties (Note 21)	<b>617,465</b>	1,180,589
Dividends (Note 21)	<b>579,053</b>	732,953
	<b>125,441,656</b>	108,409,053
Less allowance for ECL	<b>1,323,187</b>	1,066,130
	<b>124,118,469</b>	107,342,923
Less noncurrent portion of receivables from real estate buyers (Note 16)	<b>49,518,978</b>	46,816,693
<b>Current portion</b>	<b>₱74,599,491</b>	<b>₱60,526,230</b>

\* Includes unbilled revenue from sales of real estate amounting to ₱98,589.0 million and ₱86,631.4 million as at December 31, 2021 and 2020, respectively.

\*\* Includes contract assets representing shipping and logistics services delivered but not yet invoiced amounting to ₱639.0 million as at December 31, 2021.

The terms and conditions of these receivables follow:

- Receivables from real estate buyers pertain mainly to sale of condominium and residential units at various terms of payment that are noninterest-bearing. Portions of these receivables have been assigned to local banks: on without recourse basis, ₱358.9 million and ₱7,170.2 million as at December 31, 2021 and 2020, respectively, and, on with recourse basis, ₱324.2 million and ₱1,808.7 million as at December 31, 2021 and 2020, respectively (see Note 21). The corresponding liability from the assignment of receivables on with recourse basis bears interest at 4.5% in 2021 and 4.3% to 4.5% in 2020. The fair value of these assigned receivables and liability approximates cost.

The transaction price allocated to the remaining performance obligations totaling ₱34,308.2 million and ₱28,108.3 million as at December 31, 2021 and 2020, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants and royalty, management and service fee receivables are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Trade receivables from tenants, shipping and logistics, royalty, management and service fee receivables are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Dividends receivables are noninterest-bearing and are normally collectible within the next financial year.
- The terms and conditions relating to Due from related parties are discussed in Note 21.



Allowance for ECL is provided for receivables from sales of real estate, receivables from tenants, shipping and logistics, and other receivables which were identified to be impaired based on specific and collective assessment. The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱1,066,130</b>	₱1,053,549
Provisions - net of writeoff (Note 22)	<b>257,057</b>	12,581
Balance at end of year	<b>₱1,323,187</b>	₱1,066,130

The aging of receivables follow:

	2021	2020
	<i>(In Thousands)</i>	
Neither past due nor impaired	<b>₱ 113,304,925</b>	₱ 98,262,466
Past due but not impaired:		
Less than 30 days	<b>2,896,901</b>	2,029,881
31-90 days	<b>2,094,140</b>	1,350,479
91-120 days	<b>955,920</b>	2,055,131
Over 120 days	<b>4,866,583</b>	3,644,966
Impaired	<b>1,323,187</b>	1,066,130
	<b>₱125,441,656</b>	₱108,409,053

Receivables other than those identified as impaired, are assessed as good and collectible.

## 11. Inventories

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Merchandise inventories - at cost	<b>₱30,185,662</b>	₱28,352,564
Land and development - current	<b>37,229,527</b>	34,933,442
Condominium and residential units for sale	<b>19,351,999</b>	8,770,039
	<b>₱86,767,188</b>	₱72,056,045

### Merchandise Inventories

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱28,352,564</b>	₱33,157,622
Purchases	<b>228,460,783</b>	215,440,140
Effect of business combination (Note 5)	<b>1,081,013</b>	-
Total goods available for sale	<b>257,894,360</b>	248,597,762
Less cost of merchandise sales	<b>227,708,698</b>	220,245,198
Balance at end of year	<b>₱30,185,662</b>	₱28,352,564

The merchandise inventories are stated at cost as at December 31, 2021 and 2020.



Land and Development

The movements in “Land and development - current” accounted as real estate inventories follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱34,933,442</b>	₱37,935,968
Development cost incurred	<b>25,409,833</b>	18,139,432
Transfer from investment property (Note 15)	<b>5,448,334</b>	1,830,013
Cost of real estate sold	<b>(16,867,820)</b>	(18,447,226)
Transfer to condominium and residential units for sale	<b>(12,318,589)</b>	(4,850,262)
Reclassification and others	<b>624,327</b>	325,517
<b>Balance at end of year</b>	<b>₱37,229,527</b>	<b>₱34,933,442</b>

Land and development includes the cost of land as well as construction cost of ongoing residential projects.

Included in land and development accounted as real estate inventories are contract fulfillment assets amounting to ₱1,839.9 million and ₱1,745.0 million as at December 31, 2021 and 2020, respectively, representing the unamortized portion of land cost.

The estimated cost to complete the projects amounted to ₱111,500.0 million and ₱106,678.6 million as at December 31, 2021 and 2020, respectively.

Land and development is stated at cost. There is no allowance for inventory writedown as at December 31, 2021 and 2020.

Condominium and Residential Units for Sale

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱8,770,039</b>	₱6,026,426
Transfer from real estate inventories	<b>12,318,589</b>	4,850,262
Cost of real estate sold	<b>(1,819,337)</b>	(2,136,756)
Repossessed inventories and others	<b>82,708</b>	30,107
<b>Balance at end of year</b>	<b>₱19,351,999</b>	<b>₱8,770,039</b>

The condominium and residential units for sale are stated at cost as at December 31, 2021 and 2020.



## 12. Other Current Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	<b>₱18,465,016</b>	₱14,249,890
Bonds and deposits	<b>9,912,846</b>	9,983,733
Non-trade receivables	<b>8,280,351</b>	4,854,679
Receivables from banks	<b>5,406,748</b>	5,537,179
Input tax	<b>4,078,202</b>	5,113,251
Uniform and supplies inventory	<b>1,032,107</b>	1,165,786
Derivative assets	<b>753,506</b>	2,747
Accrued interest receivable (Note 21)	<b>370,911</b>	188,685
Escrow fund (Notes 16 and 21)	<b>335,583</b>	144,209
Others	<b>2,452,891</b>	1,930,219
	<b>₱51,088,161</b>	₱43,170,378

- Prepaid taxes and other prepayments consist of creditable tax certificates received by the Group and prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.
- Bonds and deposits pertain to down payments made to suppliers and contractors to cover preliminary expenses of the Group's construction projects. These are noninterest-bearing and are applied to progress billings depending on the percentage of project accomplishment.
- Receivables from banks are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year (see Note 23).
- Input tax represents VAT paid to suppliers that can be claimed as credit against future output VAT liabilities without prescription.
- Accrued interest receivable relates mostly to time deposits and is normally collected within the next financial year.
- Escrow fund pertains to amounts deposited with an escrow agent, a requisite for the issuance of temporary license to sell by the Housing and Land Use Regulatory Board (HLURB), pending issuance of a license to sell and certificate of registration. Amounts deposited include all amounts received from buyers including down payments, reservation and monthly amortization, among others.



### 13. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱296,265,722</b>	₱280,971,638
Additions	<b>358,120</b>	390,350
Step acquisition (Note 5)	<b>(9,774,630)</b>	–
Effect of business combination (Note 5)	<b>509,194</b>	–
Reclassifications	<b>(12,427)</b>	32,934
Equity in net earnings	<b>26,768,811</b>	17,036,367
Dividends received and others	<b>(4,973,879)</b>	(4,443,565)
Share in other comprehensive gain (loss) of associate companies	<b>(4,185,761)</b>	3,262,981
Translation adjustment	<b>116,876</b>	15,017
Provision for impairment loss	–	(1,000,000)
<b>Balance at end of year*</b>	<b>₱305,072,026</b>	<b>₱296,265,722</b>

\* Investment in associate companies amounted to ₱295,741.7 million and ₱287,655.9 million as at December 31, 2021 and 2020, respectively.

The Group regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. In 2020, the Group recognized ₱1.0 billion of impairment loss due to the adverse impact of COVID-19 on certain investments. In 2019, the impairment loss recognized in profit and loss amounted to ₱4.0 billion.

The recoverable amount of investments in associate companies is determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management.

The calculation of value-in-use is sensitive to the following assumptions:

- a. *Revenues.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. The revenue growth rates used in the cash flow projections ranged from 2.1% to 4.0%.
- b. *Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the entity for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 10.5% to 12.6% as at December 31, 2021 and 2020.



The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2021		2020		
	Gross	Effective	Gross	Effective	
<b>Associates</b>					
BDO Unibank, Inc. (BDO)	47	45	47	45	Financial services
China Banking Corporation (China Bank)	23	23	23	23	Financial services
Belle Corporation (Belle)	27	26	27	26	Real estate development and tourism
Atlas Consolidated Mining and Development Corporation (Atlas)	34	34	34	34	Mining
Sodexo Benefits and Rewards Services Philippines, Inc.	40	40	40	40	Retail
Fast Retailing Philippines, Inc.	25	19	25	19	Retail
Win With Love, Inc.	33	13	33	13	Retail
CityMall Commercial Centers, Inc.	34	34	34	34	Real estate development and tourism
Premium Leisure Corp. (PLC)	5	5	5	5	Gaming
Ortigas Land Corporation (formerly OCLP Holdings, Incorporated)	40	20	40	20	Real estate development
Feihua Real Estate (Chongqing) Company Ltd. (FREC)	50	25	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	40	31	40	31	Retail
Premier Shoes Distribution Corp.	49	38	49	38	Retail
Ecco Philippines, Inc.	50	39	50	39	Retail
Andwil Corporation	50	20	-	-	Retail
2Go Group, Inc. (Note 5)	-	-	30	30	Integrated supply chain
Neo Associates <sup>(a)</sup>	34	34	34	34	Real estate development
Goldilocks Bakeshop, Inc. (Note 5)	-	-	34	34	Bakery products and other food items
Asia-Pacific Computer Technology Center, Inc.	42	42	42	42	Investment
GPAY Network, PH, Inc.	35	35	35	35	Providing electronic money through electronic instruments
AIC Group of Companies Holding Corp.	35	35	35	35	Investment
MCCP Transport Philippines, Inc.	33	18	-	-	Integrated supply chain
Mober Technology PTE Inc.	50	26	-	-	Integrated supply chain
Clarmil Manufacturing Incorporated	42	31	-	-	Bakery products and other food items
Three Bears Group Holdings Corporation	35	26	-	-	Bakery products and other food items
<b>Joint Ventures</b>					
Waltermart Mall <sup>(b)</sup>	51	25	51	25	Shopping mall development
Metro Rapid Transit Service, Inc.	51	25	51	25	Transportation
ST 6747 Resources Corporation	50	25	50	25	Real estate development
Kerry Logistics (Phils), Inc.	49	26	-	-	Integrated supply chain

The principal place of business and country of incorporation of the associate companies and joint ventures listed above is in the Philippines except for FREC which was incorporated in China.

(a) Neo Associates consists of N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.

(b) Waltermart Mall consists of Winsome Development Corporation, Willin Sales, Inc., Willimson, Inc., Waltermart Ventures, Inc. and WM Development Inc.

## BDO

The condensed financial information of the Group's material associate, BDO, follows:

	2021	2020
	(In Millions)	
Total assets	<b>₱3,623,749</b>	₱3,374,900
Total liabilities	<b>3,199,201</b>	2,981,879
Total equity	<b>424,548</b>	393,021
Proportion of the Group's ownership	<b>45%</b>	45%
	<b>192,403</b>	178,138
Goodwill and others	<b>27,341</b>	29,676
Carrying amount of the Group's investment	<b>₱219,744</b>	₱207,814



	2021	2020	2019
	<i>(In Millions)</i>		
Interest income	<b>₱144,879</b>	₱157,031	₱160,572
Interest expense	<b>(13,533)</b>	(23,331)	(40,681)
Other expenses - net	<b>(88,491)</b>	(105,446)	(75,723)
Net income	<b>42,855</b>	28,254	44,168
Other comprehensive income (loss)	<b>(5,810)</b>	(725)	515
Total comprehensive income	<b>₱37,045</b>	₱27,529	₱44,683
Group's share in net income	<b>₱20,019</b>	₱13,208	₱20,592
Group's share in other comprehensive income (loss)	<b>(₱5,405)</b>	₱4,325	(₱936)

The aggregate comprehensive income of associates and joint ventures that are not individually material follows:

	2021	2020	2019
	<i>(In Millions)</i>		
Share in net income	<b>₱6,750</b>	₱3,828	₱5,446
Share in other comprehensive income (loss)	<b>1,219</b>	(1,062)	(9)
Share in total comprehensive income	<b>₱7,969</b>	₱2,766	₱5,437

The fair value of investments in associate companies which are listed in the PSE follows:

	2021	2020
	<i>(In Thousands)</i>	
BDO	<b>₱263,000,272</b>	₱232,855,091
China Bank	<b>15,748,155</b>	15,112,172
Belle	<b>3,516,400</b>	4,454,106
Atlas	<b>7,479,289</b>	7,830,828
PLC	<b>11,377,831</b>	11,774,732

These investments are categorized as Level 1 in the fair value hierarchy.



## 14. Property and Equipment

The movements in this account follow:

	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
<i>(In Thousands)</i>												
<b>Cost</b>												
As at December 31, 2019	₱-	₱14,326,958	₱4,010,449	₱8,588,993	₱9,884,981	₱10,337,665	₱20,599,451	₱1,047,794	₱-	₱-	₱2,718,921	₱71,515,212
Additions	-	659,964	197,056	464,927	527,832	907,077	787,008	14,012	-	-	2,538,278	6,096,154
Reclassifications	-	416,344	(24,817)	(45,252)	669,489	56,251	105,969	-	-	-	(737,665)	440,319
Disposals/retirements	-	(130)	(9,120)	(99,936)	(31,676)	(56,161)	(404,282)	(5,933)	-	-	(9,649)	(616,887)
As at December 31, 2020	-	15,403,136	4,173,568	8,908,732	11,050,626	11,244,832	21,088,146	1,055,873	-	-	4,509,885	77,434,798
Additions	73,712	3,778,529	273,618	1,126,989	760,423	1,065,265	1,331,713	50,369	516,381	26,093	1,445,993	10,449,085
Effect of business combination (Note 5)	1,655,830	581,758	195,673	15,569	255,995	565,060	314,584	119,112	8,292,637	345,843	140,097	12,482,158
Reclassifications	-	58,852	(1,966,055)	45,010	(167,670)	47,570	2,589,222	(20,317)	-	-	(4,279,324)	(3,692,712)
Disposals/retirements	-	(77)	(15,861)	(65,324)	(114,689)	(45,846)	(352,804)	(8,100)	(305,905)	-	(11,734)	(920,340)
<b>As at December 31, 2021</b>	<b>₱1,729,542</b>	<b>₱19,822,198</b>	<b>₱2,660,943</b>	<b>₱10,030,976</b>	<b>₱11,784,685</b>	<b>₱12,876,881</b>	<b>₱24,970,861</b>	<b>₱1,196,937</b>	<b>₱8,503,113</b>	<b>₱371,936</b>	<b>₱1,804,917</b>	<b>₱95,752,989</b>
<b>Accumulated Depreciation and Amortization</b>												
As at December 31, 2019	₱-	₱6,524,772	₱2,847,421	₱6,866,473	₱8,380,192	₱7,173,549	₱14,402,453	₱599,479	₱-	₱-	₱-	₱46,794,339
Depreciation and amortization	-	707,728	365,100	662,284	829,839	1,007,121	1,151,824	60,550	-	-	-	4,784,446
Reclassifications	-	(20,844)	(3,766)	(28,391)	445,821	16,330	(124,214)	549	-	-	-	285,485
Disposals/retirements	-	(32)	(7,065)	(70,007)	(25,515)	(39,421)	(368,990)	(5,890)	-	-	-	(516,920)
As at December 31, 2020	-	7,211,624	3,201,690	7,430,359	9,630,337	8,157,579	15,061,073	654,688	-	-	-	51,347,350
Depreciation and amortization	-	588,297	218,853	756,204	808,175	1,042,329	1,577,809	100,782	1,077,060	44,531	-	6,214,040
Reclassifications	-	(8,879)	(1,507,780)	(2,947)	(5,488)	3,884	1,711,919	(13,003)	-	-	-	177,706
Disposals/retirements	-	(77)	(9,724)	(62,809)	(95,174)	(39,065)	(329,950)	(4,827)	-	-	-	(541,626)
<b>As at December 31, 2021</b>	<b>₱-</b>	<b>₱7,790,965</b>	<b>₱1,903,039</b>	<b>₱8,120,807</b>	<b>₱10,337,850</b>	<b>₱9,164,727</b>	<b>₱18,020,851</b>	<b>₱737,640</b>	<b>₱1,077,060</b>	<b>₱44,531</b>	<b>₱-</b>	<b>₱57,197,470</b>
<b>Net Book Value</b>												
As at December 31, 2021	₱1,729,542	₱12,031,233	₱757,904	₱1,910,169	₱1,446,835	₱3,712,154	₱6,950,010	₱459,297	₱7,426,053	₱327,405	₱1,804,917	₱38,555,519
As at December 31, 2020	-	8,191,512	971,878	1,478,373	1,420,289	3,087,253	6,027,073	401,185	-	-	4,509,885	26,087,448

As at December 31, 2021, a certain vessel is mortgaged as collateral to a long-term debt (see Note 19).



## 15. Investment Properties

The movements in this account follow:

	Land held for future development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>						
<b>Cost</b>						
As at December 31, 2019	₱74,946,694	₱75,010,749	₱256,054,842	₱42,705,274	₱54,184,595	₱502,902,154
Additions	6,619,150	3,540,562	2,072,819	1,486,926	24,695,842	38,415,299
Reclassifications (Note 11)	(1,830,013)	(620,425)	7,509,703	862,027	(7,962,160)	(2,040,868)
Translation adjustment	–	15,655	469,724	37,418	42,657	565,454
Disposals	(4,113,632)	(44,242)	(80)	(121,218)	–	(4,279,172)
As at December 31, 2020	75,622,199	77,902,299	266,107,008	44,970,427	70,960,934	535,562,867
Additions	10,389,753	6,248,816	2,076,809	1,868,856	21,571,340	42,155,574
Reclassifications (Note 11)	(3,703,930)	(937,539)	12,948,381	1,480,656	(16,339,759)	(6,552,191)
Translation adjustment	–	151,173	3,718,179	292,203	617,031	4,778,586
Disposals	(189,848)	(139,625)	(236)	(310,873)	–	(640,582)
<b>As at December 31, 2021</b>	<b>₱82,118,174</b>	<b>₱83,225,124</b>	<b>₱284,850,141</b>	<b>₱48,301,269</b>	<b>₱76,809,546</b>	<b>₱575,304,254</b>
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>						
As at December 31, 2019	₱–	₱2,366,460	₱60,326,773	₱27,186,924	₱–	₱89,880,157
Depreciation and amortization	–	251,543	7,589,858	2,358,514	–	10,199,915
Reclassifications	–	–	735	–	–	735
Translation adjustment	–	12,180	111,470	25,372	–	149,022
Disposals	–	(26,301)	(8)	(107,377)	–	(133,686)
As at December 31, 2020	–	2,603,882	68,028,828	29,463,433	–	100,096,143
Depreciation and amortization	–	281,520	7,695,570	2,589,460	–	10,566,550
Reclassifications	–	–	9,384	(9,728)	–	(344)
Translation adjustment	–	90,772	837,982	183,511	–	1,112,265
Disposals	–	(59,694)	(167)	(175,873)	–	(235,734)
<b>As at December 31, 2021</b>	<b>₱–</b>	<b>₱2,916,480</b>	<b>₱76,571,597</b>	<b>₱32,050,803</b>	<b>₱–</b>	<b>₱111,538,880</b>
<b>Net Book Value</b>						
<b>As at December 31, 2021</b>	<b>₱82,118,174</b>	<b>₱80,308,644</b>	<b>₱208,278,544</b>	<b>₱16,250,466</b>	<b>₱76,809,546</b>	<b>₱463,765,374</b>
As at December 31, 2020	75,622,199	75,298,417	198,078,180	15,506,994	70,960,934	435,466,724

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱28,532.4 million, ₱25,843.3 million and ₱50,172.0 million in 2021, 2020 and 2019, respectively. The corresponding direct operating expenses amounted to ₱18,901.8 million, ₱19,635.6 million and ₱27,459.7 million in 2021, 2020 and 2019, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱74,517.7 million and ₱70,277.9 million as at December 31, 2021 and 2020, respectively.

Portions of investment properties located in China amounting to ₱1,872.5 million and ₱1,738.0 million as at December 31, 2021 and 2020, respectively, are mortgaged as collaterals to secure domestic borrowings (see Note 19).

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱84,200.6 million and ₱65,457.5 million as at December 31, 2021 and 2020, 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 ₱20,598.5 million and ₱22,641.0 million as at December 31, 2021 and 2020, respectively.



Interest capitalized to the construction of investment properties amounted to ₱4,004.7 million and ₱3,539.8 million as at December 31, 2021 and 2020, respectively. Capitalization rates used range from 2.4% to 4.6% in 2021 and 2.4% to 4.7% in 2020.

As at December 31, 2021, the fair value of substantially all investment properties amounting to ₱1,980.0 billion was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values. In conducting the appraisal, the independent appraisers mainly used the Market Approach and Income Approach. The Income Approach is based on the premise that the value of a property is directly related to the income it generates. The significant assumptions used in the valuation are discount rates and capitalization rates of 8.0% to 9.0% with an average growth of 5.0%.

These investment properties are categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs.

Management believes that the impact of COVID-19 on the fair value measurement of investment properties is short-term and temporary.

The Group has no restriction on the realizability of its investment properties.

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## 16. Intangibles and Other Noncurrent Assets

### Intangible Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Goodwill	<b>₱24,766,063</b>	₱17,456,385
Less accumulated impairment loss	<b>138,787</b>	91,620
Net book value	<b>24,627,276</b>	17,364,765
Trademarks, brand names and copyright	<b>6,988,491</b>	7,223,738
	<b>₱31,615,767</b>	₱24,588,503

Goodwill is attributable mainly to SM Prime, Supervalu, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, PULSI, 2GO and GBI (see Note 5).

Trademarks and brand names include the following:

- a. Brand names of SM Supermarket and SM Hypermarket that were acquired in a business combination in 2006. These are assessed to have an indefinite life and valued using the Relief-from-Royalty Method. The royalty rate used was 3.5%, the prevailing royalty rate in 2006 in the retail assorted category.
- b. Rights, title and interest in the trademark of Cherry Foodarama, Inc. that was acquired in 2015 and assessed to have a definite useful life of 10 years. In 2020, provisions for impairment of ₱458.0 million was taken up in profit or loss.



The recoverable amount of goodwill, trademarks and brand names have been determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management covering a five-year period and fair value less cost of disposal calculations of the underlying net assets of the CGUs.

The calculation of value-in-use is most sensitive to the following assumptions:

- a. *Revenue.* Revenue forecasts are management’s best estimates considering factors such as index growth to market, customer projections and economic factors. Revenue growth rates used in the cash flow projections ranged from 4.1% to 4.7%.
- b. *Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks to each CGU and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 8.2% to 12.9% and 10.2% to 14.4% as at December 31, 2021 and 2020, respectively.

*Fair value less cost of disposal.* The fair value of the CGUs were in reference to the available market price for quoted instruments less cost of disposal.

Management assessed that no reasonably possible change in pre-tax discount rates, future cash inflows and fair values would cause the carrying value of goodwill in 2021 and 2020 to materially exceed its recoverable amount.

#### Other Noncurrent Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Bonds and deposits	<b>₱59,598,624</b>	₱56,259,937
Receivables from real estate buyers* (Note 10)	<b>49,518,978</b>	46,816,693
Long-term notes (Notes 21 and 28)	<b>5,371,668</b>	4,999,359
Deferred input VAT	<b>2,092,464</b>	1,804,670
Derivative assets (Note 28)	<b>965,006</b>	–
Defined benefit asset (Note 24)	<b>753,637</b>	546,515
Land use rights	<b>353,626</b>	353,217
Escrow fund (Note 21)	<b>132,460</b>	132,460
Others	<b>373,098</b>	1,405,799
	<b>₱119,159,561</b>	₱112,318,650

\* Pertains to the noncurrent portion of unbilled revenue from sales of real estate.

- Bonds and deposits include other assets used to secure certain obligations of the Group as well as deposits for its leased properties.
- Long-term notes pertain to a 7-year loan amounting to US\$108.4 million that was extended to Carmen Copper Corporation (CCC), a wholly owned subsidiary of Atlas. The loan bears a 5.4% fixed interest.
- Included under “Land use rights” account are certain parcels of real estate properties planned for residential development in accordance with the cooperative contracts entered into by SM Prime with Grand China International Limited (Grand China) and Oriental Land



Development Limited (Oriental Land) in March 2007. The value of these real estate properties was not part of the consideration paid by SM Prime to Grand China and Oriental Land. Accordingly, the assets were recorded at carrying value under “Other noncurrent assets” account and a corresponding liability equivalent to the same amount, which is shown as part of “Tenants’ deposits and others” account in the consolidated balance sheets.

- Escrow fund pertains mainly to funds deposited by the Parent Company in the account of an escrow agent as required by the SEC, in connection with the corporate restructuring in 2013.

## 17. Bank Loans

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Parent Company -		
Peso-denominated loans	<b>₱12,250,000</b>	₱—
Subsidiaries:		
China Yuan renminbi-denominated loans	<b>3,882,427</b>	—
Peso-denominated loans	<b>10,100,000</b>	24,126,000
	<b>₱26,232,427</b>	₱24,126,000

These unsecured loans bear interest ranging from 1.0% to 4.5% in 2021 and 1.0% to 5.3% in 2020 .

These loans have maturities of less than one year. Interest on bank loans is disclosed in Note 23.

## 18. Accounts Payable and Other Current Liabilities

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Trade	<b>₱93,232,308</b>	₱82,599,493
Accrued expenses	<b>18,880,701</b>	12,713,644
Nontrade	<b>10,797,606</b>	14,474,774
Tenants and customers’ deposits*	<b>13,770,713</b>	12,411,589
Payable arising from acquisition of land	<b>7,918,778</b>	7,357,422
Payables to government agencies	<b>6,345,264</b>	4,722,145
Accrued interest (Note 21)	<b>3,017,462</b>	3,112,821
Subscriptions payable	<b>1,966,477</b>	2,021,790
Due to related parties (Note 21)	<b>872,591</b>	823,779
Lease liabilities (Note 26)	<b>2,553,084</b>	2,011,714
Gift checks redeemable and others	<b>4,619,686</b>	6,981,937
	<b>₱163,974,670</b>	₱149,231,108

\* Includes unearned revenue from sale of real estate amounting to ₱6,102.4 million and ₱7,615.0 million as at December 31, 2021 and 2020, respectively.



The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors. These are noninterest-bearing and are normally settled on 30-to 60-day terms.
- Accrued expenses pertain to selling, general and administrative expenses which are normally settled within the next financial year. Accrued expenses consist of:

	2021	2020
	<i>(In Thousands)</i>	
Payable to contractors	<b>₱7,153,158</b>	₱4,045,630
Utilities	<b>2,885,190</b>	2,618,176
Co-loading termination cost	<b>1,194,687</b>	–
Salaries and wages	<b>924,780</b>	681,653
Marketing and advertising and others	<b>6,722,886</b>	5,368,185
	<b>₱18,880,701</b>	₱12,713,644

- Nontrade payables, accrued interest, subscriptions payable and others are expected to be settled within the next financial year.
- Tenants' deposits refer to security deposits received from tenants normally at the time of signing lease contracts. These deposits may be returned to the tenants at lease termination, net of unpaid rental, penalties and/or cost of repairs for any damage on the leased properties. Customers' deposits mainly represents the excess of collections from real estate buyers over the related revenue recognized based on POC and the non-refundable reservation fees from prospective real estate buyers which are applied to the receivable when the reservation is converted to sales. In 2021 and 2020, revenue recognized from unearned revenue from sales of real estate at the beginning of the year amounted to ₱1,490.8 million and ₱3,689.4 million, respectively.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.
- The terms and conditions relating to Due to related parties are discussed in Note 21.
- Gift checks are redeemable at face value.



## 19. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	2021	2020
<i>(In Thousands)</i>						
<b>Parent Company</b>						
U.S. dollar-denominated	June 10, 2014 - July 16, 2019	March 28, 2022 - June 28, 2024	Fixed 4.9%; Three-Month LIBOR + margin; semi-annual and quarterly	Unsecured	<b>₱44,224,229</b>	₱42,604,024
Peso-denominated	July 16, 2012 - December 7, 2021	January 17, 2021 - May 14, 2031	Fixed 2.9%-6.9%; Three-Month PHP BVAL + margin; semi-annual and quarterly	Unsecured	<b>65,173,610</b>	79,023,014
<b>Subsidiaries</b>						
U.S. dollar-denominated*	March 21, 2016 - September 27, 2021	January 29, 2021 - March 30, 2026	LIBOR USD + spread; semi-annual and quarterly	Unsecured	<b>73,177,366</b>	49,754,404
China Yuan Renminbi-denominated**	October 16, 2017 - October 28, 2021	October 16, 2022 - June 1, 2031	Fixed 4.2%-5.9%; LPR; annually	Secured	<b>8,497,291</b>	2,559,639
Peso-denominated***	June 19, 2012 - December 29, 2021	February 8, 2021 - December 15, 2031	Fixed 2.5%-6.5%; BVAL + margin	Unsecured/Secured	<b>249,461,959</b>	218,882,964
					<b>440,534,455</b>	392,824,045
Less debt issue cost					<b>2,672,016</b>	1,970,809
					<b>437,862,439</b>	390,853,236
Less current portion					<b>63,706,559</b>	60,121,438
					<b>₱374,155,880</b>	₱330,731,798

*BVAL – Bloomberg Valuation*

*LIBOR – London Interbank Offered Rate*

*LPR – China Loan Prime Rate*

*\*Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 23)*

*\*\* Secured by portions of investment properties located in China (see Note 15)*

*\*\*\*Secured by portions of property and equipment (see Note 14)*

### Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2021	2020
<i>(In Thousands)</i>		
Balance at beginning of year	<b>₱1,970,809</b>	₱1,650,800
Additions	<b>1,501,100</b>	924,470
Amortization and others	<b>(799,893)</b>	(604,461)
Balance at end of year	<b>₱2,672,016</b>	₱1,970,809

### Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2021 follows:

	Gross Debt	Debt Issue Cost	Net
<i>(In Thousands)</i>			
Within 1 year	₱64,375,537	₱668,978	₱63,706,559
Over 1 year to 5 years	335,669,308	1,833,375	333,835,933
Over 5 years	40,489,610	169,663	40,319,947
	<b>₱440,534,455</b>	<b>₱2,672,016</b>	<b>₱437,862,439</b>



Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at December 31, 2021 and 2020, the Group is in compliance with the terms of its debt covenants.

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20. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2021	2020
Authorized - ₱10 par value per share	<b>2,790,000,000</b>	2,790,000,000
Issued and subscribed	<b>1,204,582,867</b>	1,204,582,867

As at December 31, 2021 and 2020, the Parent Company is compliant with the minimum public float as required by the PSE.

Information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013			
(25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014			
Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015			
Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10

The total number of shareholders of the Company is 1,261 and 1,256 as at December 31, 2021 and 2020, respectively.



b. Redeemable preferred shares

	Number of Shares	
	2021	2020
Authorized - ₱10 par value per share	<b>10,000,000</b>	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2021 and 2020.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

- Acquisition of various SM China Companies by SM Prime in 2007.
- Acquisition of various service companies by SM Retail in 2009.
- Corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime in 2013.
- Merger of SM Retail with other retail affiliates in 2016.
- SM Prime common control business acquisitions in 2016 and 2017.

These acquisitions were considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the consolidated financial statements.

Retained Earnings

- Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
		<i>(In Thousands)</i>
Balance as at January 1, 2015		₱27,000,000
Reversal	November 4, 2015	(18,000,000)
Addition	November 4, 2015	27,000,000
Reversal	November 8, 2017	(27,800,000)
Addition	November 8, 2017	28,800,000
Reversal	November 10, 2021	(37,000,000)
Addition	November 10, 2021	37,000,000

Retained earnings appropriated as at December 31, 2021 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2022 - 2024	₱27,000,000
Investments	2022 - 2024	10,000,000
		<b>₱37,000,000</b>



- Unappropriated

The Parent Company's cash dividend declarations in 2021 and 2020 follow:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Per Share</u>	<u>Total</u>
				<i>(In Thousands)</i>
<b>April 28, 2021</b>	<b>May 13, 2021</b>	<b>May 27, 2021</b>	<b>₱4.25</b>	<b>₱5,119,477</b>
June 24, 2020	July 9, 2020	July 23, 2020	4.25	5,119,477

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱274,720.9 million and ₱254,371.2 million as at December 31, 2021 and 2020, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

The retained earnings of the Parent Company available for dividend declaration amounted to ₱30,295.3 million and ₱17,267.6 million as at December 31, 2021 and 2020, respectively.

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## 21. Related Party Disclosures

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. The Group has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

The significant transactions with related parties follow:

- Rent

The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholders).

- Royalty, Management and Service Fees

The Parent Company and SM Retail receive management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to management and service fees, the Parent Company also receives royalty fees from certain related parties.

- Dividend Income

The Group earns dividend income from certain related parties under common stockholders.

- Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.



▪ Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 16 and 27).

▪ Others

The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

	Transaction Amount			Outstanding Amount		Terms	Conditions
	2021	2020	2019	2021	2020		
<i>(In Thousands)</i>							
<b>Banking Group</b>							
Cash placement and investment in marketable securities				<b>₱69,348,747</b>	₱60,776,796	Interest-bearing	Unsecured; no impairment
Interest receivable				<b>56,294</b>	54,407	—	—
Interest income	<b>₱1,186,646</b>	₱1,639,790	₱2,738,310			—	—
Interest-bearing debt				<b>57,560,251</b>	34,555,640	Interest-bearing	Unsecured
Interest payable				<b>157,990</b>	87,662	—	—
Interest expense	<b>2,022,309</b>	1,837,740	1,885,429			—	—
Rent receivable				<b>115,722</b>	60,454	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>692,948</b>	466,976	1,018,963			—	—
Receivable financed	<b>358,861</b>	7,170,156	7,689,986			Without recourse	Unsecured
Dividends receivable				-	13,462	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits				<b>17,849,650</b>	16,808,050	Interest-bearing 4.5%	Unsecured; no impairment
Royalty, management and service fee receivable				<b>8,441</b>	8,077	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	<b>47,481</b>	15,478	2,799			—	—
Escrow fund				<b>298,044</b>	276,669	Interest-bearing	Unsecured; no impairment
<b>Retail and Other Entities</b>							
Rent receivable				<b>265,241</b>	912,269	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>1,062,615</b>	937,306	2,144,633			—	—
Royalty, management and service fee receivable				<b>1,951,068</b>	2,049,081	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	<b>1,642,340</b>	1,448,870	1,713,152			—	—
Due from related parties				<b>617,465</b>	1,180,589	Noninterest-bearing	Unsecured; no impairment
Due to related parties				<b>872,591</b>	823,779	Noninterest-bearing	Unsecured
Dividends receivable				<b>329,800</b>	526,507	Noninterest-bearing	Unsecured
Interest receivable				<b>8,244</b>	7,763	—	—
Interest income	<b>352,192</b>	362,183	387,437			—	—
Notes receivable				<b>5,371,668</b>	4,999,359	Interest-bearing 5.4 %	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are unsecured and are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.



Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel in 2021, 2020 and 2019 consist of short-term employee benefits amounting to ₱3,197.9 million, ₱3,204.2 million and ₱3,270.9 million, respectively, and post-employment benefits amounting to ₱457.0 million, ₱517.8 million and ₱372.7 million, respectively.

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**22. Selling, General and Administrative Expenses**

This account consists of:

	2021	2020	2019
	<i>(In Thousands)</i>		
Personnel cost (Note 21)	<b>₱22,887,305</b>	₱24,832,719	₱29,924,102
Depreciation and amortization (Notes 14, 15, 16 and 26)	<b>19,799,590</b>	18,763,579	19,370,843
Utilities	<b>15,685,288</b>	14,769,462	18,028,601
Taxes and licenses	<b>8,662,092</b>	9,275,332	9,714,573
Outside services	<b>8,424,616</b>	8,180,283	7,048,795
Remeasurement loss (Note 5)	<b>7,358,144</b>	-	-
Provisions (reversal of provisions) - net	<b>(4,277,758)</b>	1,620,414	2,609,386
Marketing and selling	<b>4,263,815</b>	3,826,199	6,803,530
Repairs and maintenance	<b>3,789,946</b>	2,984,440	3,067,465
Supplies	<b>1,742,850</b>	1,577,357	2,474,260
Pension (Note 24)	<b>1,253,169</b>	1,320,622	1,145,678
Rent (Note 26)	<b>1,200,679</b>	1,114,634	4,474,401
Insurance	<b>877,686</b>	953,741	864,113
Data processing	<b>827,128</b>	600,271	788,316
Transportation and travel	<b>772,406</b>	790,018	1,179,285
Entertainment, representation and amusement	<b>372,204</b>	382,134	378,813
Communications	<b>311,256</b>	313,823	343,261
Donations	<b>204,679</b>	306,217	359,975
Professional fees	<b>195,795</b>	379,769	311,659
Royalty, management and service fees (Note 21)	<b>173,467</b>	145,011	197,555
Others	<b>3,355,482</b>	3,346,529	4,173,320
	<b>₱97,879,839</b>	₱95,482,554	₱113,257,931

Others mainly consists of dues and subscriptions, commissions and bank charges.



### 23. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2021	2020	2019
	<i>(In Thousands)</i>		
Interest income on:			
Time deposits and other noncurrent assets (Notes 8 and 16)	₱797,114	₱713,251	₱1,221,890
Cash in banks and temporary investments (Note 7)	932,957	1,454,905	2,038,322
Others (Note 12)	471,120	267,859	620,944
	<b>₱2,201,191</b>	<b>₱2,436,015</b>	<b>₱3,881,156</b>
Interest expense on:			
Long-term debt (Note 19)	₱15,850,586	₱14,857,593	₱16,585,412
Lease liabilities (Note 26)	1,994,871	1,874,726	1,676,045
Bank loans (Note 17)	847,889	1,087,746	1,006,880
Others	66,495	203,545	243,408
	<b>₱18,759,841</b>	<b>₱18,023,610</b>	<b>₱19,511,745</b>

### 24. Pension Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees.

Net benefit expense (included under “Selling, general and administrative expenses” and “Cost of services”) consists of:

	2021	2020	2019
	<i>(In Thousands)</i>		
Current service cost	₱1,249,919	₱1,133,762	₱1,050,358
Net settlement loss (gain)	2,573	(2,923)	–
Net interest cost	95,847	196,309	98,138
Past service cost - curtailment	(14,120)	(6,526)	(2,818)
	<b>₱1,334,219</b>	<b>₱1,320,622</b>	<b>₱1,145,678</b>

Changes in the net defined benefit liability and asset follow:

#### ▪ Net Defined Benefit Liability

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
	<i>(In Thousands)</i>			
As at December 31, 2019	₱13,878,528	₱9,806,407	₱–	₱4,072,121
Net benefit expense (Note 22):				
Current service cost	886,876	–	–	886,876
Settlement loss	563	–	–	563
Net interest cost	526,669	361,494	15	165,190
	1,414,108	361,494	15	1,052,629

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
<i>(In Thousands)</i>				
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	₱-	(₱523,091)	₱-	₱523,091
Actuarial changes arising from:				
Changes in financial assumptions	(1,948,734)	-	-	(1,948,734)
Changes in demographic assumptions	(107,954)	-	-	(107,954)
Experience adjustment	13,285	-	-	13,285
Others	-	-	(32)	(32)
	(2,043,403)	(523,091)	(32)	(1,520,344)
Reclassifications from defined benefit assets	(3,733,524)	(2,810,818)	-	(922,706)
Actual contributions	-	622,667	-	(622,667)
Benefits paid	(1,141,453)	(1,140,586)	-	(867)
Transfer to related parties	(80,911)	(125,999)	-	45,088
Other adjustments	-	-	17	17
<b>As at December 31, 2020</b>	<b>8,293,345</b>	<b>6,190,074</b>	<b>-</b>	<b>2,103,271</b>
Net benefit expense (Note 22):				
Current service cost	<b>940,087</b>	-	-	<b>940,087</b>
Settlement loss	<b>2,573</b>	-	-	<b>2,573</b>
Net interest cost	<b>362,138</b>	<b>254,671</b>	<b>120</b>	<b>107,587</b>
Past service cost - curtailment	<b>(10,072)</b>	-	-	<b>(10,072)</b>
	<b>1,294,726</b>	<b>254,671</b>	<b>120</b>	<b>1,040,175</b>
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	<b>14,299</b>	-	<b>(14,299)</b>
Actuarial changes arising from:				
Changes in financial assumptions	<b>(589,082)</b>	-	-	<b>(589,082)</b>
Changes in demographic assumptions	<b>(21,150)</b>	-	-	<b>(21,150)</b>
Experience adjustment	<b>980,910</b>	-	-	<b>980,910</b>
Others	-	-	<b>(120)</b>	<b>(120)</b>
	<b>370,678</b>	<b>14,299</b>	<b>(120)</b>	<b>356,259</b>
Reclassifications from defined benefit assets	<b>(834,319)</b>	<b>(108,961)</b>	-	<b>(725,358)</b>
Effect of common control business combination	<b>1,928,359</b>	<b>758,160</b>	-	<b>1,170,199</b>
Actual contributions	-	<b>422,975</b>	-	<b>(422,975)</b>
Benefits paid	<b>(1,198,692)</b>	<b>(1,193,786)</b>	-	<b>(4,906)</b>
Transfer to related parties	<b>1,993</b>	<b>5,116</b>	-	<b>(3,123)</b>
Other adjustments	<b>(2,316)</b>	-	-	<b>(2,316)</b>
<b>As at December 31, 2021</b>	<b>₱9,853,774</b>	<b>₱6,342,548</b>	<b>₱-</b>	<b>₱3,511,226</b>

▪ Net Defined Benefit Asset

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
<i>(In Thousands)</i>				
<b>As at December 31, 2019</b>	<b>₱320,581</b>	<b>₱426,932</b>	<b>₱11,294</b>	<b>(₱95,057)</b>
Net benefit expense (Note 22):				
Current service cost	246,886	-	-	246,886
Settlement gain	(3,486)	-	-	(3,486)
Net interest cost	212,714	182,217	622	31,119
Past service cost - curtailment	(6,526)	-	-	(6,526)
	449,588	182,217	622	267,993
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(156,981)	-	156,981
Actuarial changes arising from:				
Changes in financial assumptions	(1,474,549)	-	-	(1,474,549)
Changes in demographic assumptions	(15,423)	-	-	(15,423)
Experience adjustment	195,578	-	-	195,578
Others	-	-	50,700	50,700
	(1,294,394)	(156,981)	50,700	(1,086,713)

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
	<i>(In Thousands)</i>			
Reclassifications from defined benefit liabilities	₱3,477,855	₱2,788,251	₱-	₱689,604
Actual contributions	-	322,326	-	(322,326)
Benefits paid	(296,125)	(296,125)	-	-
Transfer from the plan	83,842	83,842	-	-
Amount not recognized due to asset limit	-	-	62,605	62,605
Other adjustments	-	-	(62,621)	(62,621)
<b>As at December 31, 2020</b>	<b>2,741,347</b>	<b>3,350,462</b>	<b>62,600</b>	<b>(546,515)</b>
Net benefit expense (Note 22):				
Current service cost	<b>309,832</b>	-	-	<b>309,832</b>
Net interest cost	<b>119,971</b>	<b>132,379</b>	<b>668</b>	<b>(11,740)</b>
Past service cost - curtailment	<b>(4,048)</b>	-	-	<b>(4,048)</b>
	<b>425,755</b>	<b>132,379</b>	<b>668</b>	<b>294,044</b>
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	<b>21,473</b>	-	<b>(21,473)</b>
Actuarial changes arising from:				
Changes in financial assumptions	<b>(464,387)</b>	-	-	<b>(464,387)</b>
Changes in demographic assumptions	<b>(176)</b>	-	-	<b>(176)</b>
Experience adjustment	<b>(168,812)</b>	-	-	<b>(168,812)</b>
Others	-	-	<b>8,550</b>	<b>8,550</b>
	<b>(633,375)</b>	<b>21,473</b>	<b>8,550</b>	<b>(646,298)</b>
Reclassifications from defined benefit liabilities	<b>423,823</b>	<b>123,921</b>	-	<b>299,902</b>
Actual contributions	-	<b>149,118</b>	-	<b>(149,118)</b>
Benefits paid	<b>(210,465)</b>	<b>(210,284)</b>	-	<b>(181)</b>
Transfer from the plan	<b>(106)</b>	<b>(106)</b>	-	-
Amount not recognized due to asset limit	-	-	<b>71,824</b>	<b>71,824</b>
Other adjustments	<b>(5,471)</b>	-	<b>(71,824)</b>	<b>(77,295)</b>
<b>As at December 31, 2021</b>	<b>₱2,741,508</b>	<b>₱3,566,963</b>	<b>₱71,818</b>	<b>(₱753,637)</b>

The principal assumptions used in determining the pension obligations of the Group follow:

	2021	2020
Discount rate	<b>3.3% - 5.6%</b>	2.7% - 5.6%
Future salary increases	<b>2.0% - 9.0%</b>	2.0% - 9.0%

The assets of the Pension Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Pension Plan. The carrying amounts, which approximate the estimated fair values of the Plan assets, follow:

	2021	2020
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱107,595</b>	₱66,755
Investment in debt and other securities	<b>1,741,789</b>	2,033,788
Investment in common trust funds	<b>3,961,750</b>	3,720,297
Investment in equity securities	<b>222,710</b>	141,993
Investment in government securities	<b>3,631,950</b>	3,354,562
Others	<b>243,717</b>	223,141
	<b>₱9,909,511</b>	<b>₱9,540,536</b>



- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 2.6% to 7.5% in 2021 and 2020. These have maturities from April 2022 to December 2028 and February 2021 to October 2026 in 2021 and 2020, respectively.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds. These bonds bear interest ranging from 2.4% to 11.9% and 2.6% to 6.3% in 2021 and 2020, respectively. These bonds have maturities from January 2022 to August 2028 and February 2023 to September 2025 in 2021 and 2020, respectively.
- Others pertain to accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with the trustee bank follow:

	<b>2021</b>	2020
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	<b>₱107,595</b>	₱66,755
Investment in common trust funds	<b>3,961,750</b>	3,720,297
Transactions:		
Interest income from cash and cash equivalents	<b>99,689</b>	41,161

The Group expects to contribute about ₱1,085.0 million to its Pension Plan in 2022.

The sensitivity analysis below has been determined based on reasonably possible changes in each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
	<i>(In Thousands)</i>	
<b>2021</b>		
<b>Discount rates</b>	<b>50</b>	<b>(₱739,516)</b>
	<b>(50)</b>	<b>792,026</b>
<b>Future salary increases</b>	<b>100</b>	<b>1,037,314</b>
	<b>(100)</b>	<b>(903,627)</b>
<b>No attrition rate</b>	-	<b>1,193,088</b>
<b>2020</b>		
Discount rates	50	(₱458,782)
	(50)	451,759
Future salary increases	100	881,326
	(100)	(766,679)
No attrition rate	-	1,772,843



The average duration of the Group's defined benefit obligation is 3 to 32 years in 2021 and 3 to 30 years in 2020.

The maturity analysis of the undiscounted benefit payments follows:

	2021	2020
	<i>(In Thousands)</i>	
Year 1	<b>₱2,408,251</b>	₱2,152,675
Year 2	<b>1,193,797</b>	807,739
Year 3	<b>1,502,274</b>	889,078
Year 4	<b>1,692,685</b>	899,571
Year 5	<b>1,750,994</b>	943,484
Year 6 -10	<b>11,971,084</b>	5,316,001

The Plan assets are not matched to any specific defined benefit obligation.

## 25. Income Tax

The details of the Group's deferred tax assets and liabilities follow:

	2021	2020
	<i>(In Thousands)</i>	
Deferred tax assets:		
Excess of fair values over cost of investment properties	<b>₱755,221</b>	₱936,986
NOLCO	<b>1,547,244</b>	957,572
Lease liabilities	<b>9,412,623</b>	8,700,166
Accrued leases	<b>130,647</b>	101,619
Provision for doubtful accounts and others	<b>1,010,581</b>	686,475
Unamortized past service cost and defined benefit liability	<b>1,167,741</b>	535,173
MCIT	<b>625,335</b>	589,212
	<b>14,649,392</b>	12,507,203
Deferred tax liabilities:		
Appraisal increment on investment property	<b>4,635,324</b>	2,843,288
ROU assets	<b>7,955,496</b>	6,995,580
Trademarks and brand names	<b>1,470,771</b>	1,879,000
Capitalized interest	<b>2,606,754</b>	2,442,990
Unrealized gross profit on sale of real estate	<b>8,379,622</b>	5,426,854
Excess of fair values over cost of equity instruments	<b>184,935</b>	146,893
Unamortized past service cost and defined benefit asset	<b>76,797</b>	83,053
Others	<b>404,005</b>	632,555
	<b>25,713,704</b>	20,450,213
Net deferred tax liabilities	<b>₱11,064,312</b>	₱7,943,010



The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2021	2020
	<i>(In Thousands)</i>	
Deferred tax assets	<b>₱4,732,558</b>	₱4,671,969
Deferred tax liabilities	<b>15,796,870</b>	12,614,979
	<b>₱11,064,312</b>	₱7,943,010

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3,715.4 million and ₱5,737.5 million as at December 31, 2021 and 2020, respectively.

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

The Group recognized in its consolidated financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax liabilities - net amounting to ₱1,104.4 million, ₱17.9 million, and ₱1,051.9 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

The reconciliation between the statutory tax rates and the Group's effective tax rate on income before income tax follows:

	2021	2020	2019
Statutory income tax rate	<b>25%</b>	30%	30%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	<b>(11)</b>	(12)	(9)
Interest income subjected to final tax	<b>(1)</b>	(2)	(1)
Others	<b>1</b>	1	-
Effective income tax rate	<b>14%</b>	17%	20%



## 26. Lease Agreements

*As Lessor.* The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

The future minimum lease receivables under the non-cancellable operating leases follow:

	2021	2020
	<i>(In Millions)</i>	
Within one year	<b>₱9,141</b>	₱8,594
Over one year to five years	<b>18,963</b>	18,199
Over five years	<b>9,385</b>	9,256
	<b>₱37,489</b>	₱36,049

*As Lessee.* The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.

The rollforward analysis of ROU assets follows:

	December 31, 2021		
	Land Use Rights	Retail Stores, Office Spaces, Warehouses and Others	Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
As at beginning of year	<b>₱24,343,193</b>	<b>₱23,428,730</b>	<b>₱47,771,923</b>
Additions	<b>1,631,609</b>	<b>2,420,420</b>	<b>4,052,029</b>
Effect of business combination (Note 5)	-	<b>1,699,473</b>	<b>1,699,473</b>
Translation adjustment	<b>1,173,704</b>	-	<b>1,173,704</b>
Disposals	<b>(196,065)</b>	<b>(411,323)</b>	<b>(607,388)</b>
As at end of year	<b>26,952,441</b>	<b>27,137,300</b>	<b>54,089,741</b>
<b>Accumulated Depreciation and Amortization</b>			
As at beginning of year	<b>1,014,825</b>	<b>4,778,069</b>	<b>5,792,894</b>
Depreciation and amortization	<b>592,597</b>	<b>3,078,340</b>	<b>3,670,937</b>
Translation adjustment	<b>34,084</b>	-	<b>34,084</b>
Disposals	<b>(51,624)</b>	<b>(132,469)</b>	<b>(184,093)</b>
As at end of year	<b>1,589,882</b>	<b>7,723,940</b>	<b>9,313,822</b>
<b>Net Book Value</b>	<b>₱25,362,559</b>	<b>₱19,413,360</b>	<b>₱44,775,919</b>



	December 31, 2020		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
As at beginning of year	₱20,955,223	₱20,291,858	₱41,247,081
Additions	3,276,229	4,175,989	7,452,218
Translation adjustment	111,741	-	111,741
Disposals	-	(1,039,117)	(1,039,117)
<b>As at end of year</b>	<b>24,343,193</b>	<b>23,428,730</b>	<b>47,771,923</b>
<b>Accumulated Depreciation and Amortization</b>			
As at beginning of year	505,171	3,077,734	3,582,905
Depreciation and amortization	504,613	2,566,999	3,071,612
Translation adjustment	5,041	-	5,041
Disposals	-	(866,664)	(866,664)
<b>As at end of year</b>	<b>1,014,825</b>	<b>4,778,069</b>	<b>5,792,894</b>
<b>Net Book Value</b>	<b>₱23,328,368</b>	<b>₱18,650,661</b>	<b>₱41,979,029</b>

The rollforward analysis of lease liabilities follows:

	December 31, 2021	December 31, 2020
	<i>(In Thousands)</i>	
As at beginning of year	<b>₱30,879,878</b>	₱29,134,546
Additions	<b>4,052,029</b>	4,175,989
Effect of business combination	<b>1,906,990</b>	-
Interest expense (Note 23)	<b>1,994,871</b>	1,874,726
Rent concessions	<b>(207,182)</b>	(275,102)
Terminations	<b>(381,609)</b>	(192,237)
Payments	<b>(4,630,284)</b>	(3,838,044)
<b>As at end of year</b>	<b>33,614,693</b>	30,879,878
Less current portion (Note 18)	<b>2,553,084</b>	2,011,714
<b>Noncurrent portion</b>	<b>₱31,061,609</b>	<b>₱28,868,164</b>

Following are the amounts recognized in the consolidated statements of income:

	2021	2020
	<i>(In Thousands)</i>	
Depreciation of ROU assets	<b>₱3,670,937</b>	₱3,071,612
Interest expense on lease liabilities	<b>1,994,871</b>	1,874,726

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.



The future minimum lease payables under the non-cancellable leases follow:

	2021	2020
	<i>(In Millions)</i>	
Within one year	<b>₱4,391</b>	₱4,119
Over one year to five years	<b>15,560</b>	14,858
Over five years	<b>37,099</b>	40,043
	<b>₱57,050</b>	₱59,020

Tenants' deposits amounted to ₱22,201.3 million and ₱22,551.7 million as at December 31, 2021 and 2020, respectively.

## 27. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, consist of cash and cash equivalents, time deposits, financial assets at FVOCI, non-trade receivables, bonds and deposits, receivables from banks, accrued interest receivable, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, mainly, cross-currency swaps, interest rate swaps, foreign currency call options and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. Dollars and China Yuan Renminbi.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.
- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI in the consolidated balance sheets. Equity price risk arises from changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks.



Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 19).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps and cross-currency swaps were designated by the Group under cash flow hedge accounting. Furthermore, the Group applied rollover hedging strategy to some of its currency forward contracts whereby the maturity of the hedging instrument is intentionally shorter than the maturity of the hedged item, and there is an expectation that on expiry of the original hedging instrument it will be replaced by a new hedging instrument with similar characteristics of the instrument being replaced.

As at December 31, 2021 and 2020, after taking into account the effect of the swaps, approximately 82.7% and 79.8%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

*Interest Rate Risk Sensitivity Analysis.* The sensitivity analysis for a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest-bearing debt with floating interest rates, follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Tax <i>(In Millions)</i>
<b>2021</b>	<b>100</b>	<b>(₱238.3)</b>
	<b>50</b>	<b>(119.1)</b>
	<b>(100)</b>	<b>238.3</b>
	<b>(50)</b>	<b>119.1</b>
2020	100	(₱169.1)
	50	(84.5)
	(100)	169.1
	(50)	84.5

The assumed movement in basis points for interest rate sensitivity analysis is based on observable market conditions.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options and non-deliverable forwards.



The Group's foreign currency-denominated financial assets and liabilities and their peso equivalents follow:

	2021		2020	
	US\$	PhP	US\$	PhP
	<i>(In Thousands)</i>			
Current assets:				
Cash and cash equivalents	\$3,796	₱193,604	\$3,162	₱151,858
Receivables and contract assets	1,318	67,223	986	47,335
Other current assets	139	7,065	–	–
Noncurrent assets:				
Time deposits	401,115	20,456,444	353,502	16,976,245
Other noncurrent assets	151,741	7,738,654	138,486	6,650,501
<b>Total assets</b>	<b>558,109</b>	<b>28,462,990</b>	496,136	23,825,939
Current liabilities:				
Accounts payable and other current liabilities	27,267	1,390,600	1,155	55,446
Current portion of long-term debt	107,858	5,500,668	–	–
Noncurrent liabilities:				
Long-term debt - net of current portion	348,963	17,796,754	475,850	22,851,753
<b>Total liabilities</b>	<b>484,088</b>	<b>24,688,022</b>	477,005	22,907,199
<b>Net</b>	<b>\$74,021</b>	<b>₱3,774,968</b>	\$19,131	₱918,740

As at December 31, 2021 and 2020, approximately 27.7% and 22.8%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of ₱796.2 million, ₱301.7 million and ₱561.7 million in 2021, 2020 and 2019, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
<b>December 31, 2021</b>	<b>₱50.999</b>
December 31, 2020	48.02
December 31, 2019	50.64

*Foreign Currency Risk Sensitivity Analysis.* The sensitivity analysis for a reasonably possible change in U.S. Dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's financial assets and liabilities denominated in foreign currency, follows:

	Appreciation (Depreciation) of Peso	Effect on Income Before Tax
		<i>(In Millions)</i>
<b>2021</b>	<b>₱1.50</b>	<b>₱111.0</b>
	<b>1.00</b>	<b>74.0</b>
	<b>(1.50)</b>	<b>(111.0)</b>
	<b>(1.00)</b>	<b>(74.0)</b>
 2020	 ₱1.50	 ₱28.7
	1.00	19.1
	(1.50)	(28.7)
	(1.00)	(19.1)

#### Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or sale of assets.



The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund raising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

The Group's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include the following:

	2021	2020
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱88,744,225</b>	₱78,159,197
Current portion of time deposits	<b>311,233</b>	31,012

The maturity profile of the Group's financial liabilities follow:

	2021			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	₱26,232,427	₱-	₱-	₱26,232,427
Accounts payable and other current liabilities *	143,523,327	-	-	143,523,327
Long-term debt (including current portion) **	74,981,225	368,529,413	47,368,238	490,878,876
Derivative liabilities**	335,367	3,092,624	-	3,427,991
Dividends payable	3,110,847	-	-	3,110,847
Lease liabilities	4,391,495	15,560,176	37,098,569	57,050,240
Tenants' deposits **	38,427	20,982,320	1,824,398	22,845,145
Other noncurrent liabilities ***	-	4,421,067	1,699,633	6,120,700
	<b>₱252,613,115</b>	<b>₱412,585,600</b>	<b>₱87,990,838</b>	<b>₱753,189,553</b>

\*Excluding payables to government agencies of ₱6,345.3 million, which are not considered as financial liabilities.

\*\*Based on estimated future cash flows.

\*\*\*Excluding nonfinancial liabilities amounting to ₱10,561.8 million.

	2020			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	₱24,126,000	₱-	₱-	₱24,126,000
Accounts payable and other current liabilities *	131,739,712	-	-	131,739,712
Long-term debt (including current portion) **	68,844,675	354,465,676	18,264,810	441,575,161
Derivative liabilities**	357,662	5,767,463	-	6,125,125
Dividends payable	3,829,207	-	-	3,829,207
Lease liabilities	4,118,901	14,857,947	40,042,860	59,019,708
Tenants' deposits **	351,473	21,641,732	130,122	22,123,327
Other noncurrent liabilities ***	-	5,756,541	794,710	6,551,251
	<b>₱233,367,630</b>	<b>₱402,489,359</b>	<b>₱59,232,502</b>	<b>₱695,089,491</b>

\*Excluding payables to government agencies of ₱4,772.0 million, which are not considered as financial liabilities.

\*\*Based on estimated future cash flows.

\*\*\*Excluding nonfinancial liabilities amounting to ₱8,806.2 million.

### Credit Risk

The Group trades only with recognized and creditworthy related and third parties. The Group policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Group's diverse customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits and certain derivative instruments, the Group's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



Receivables from sale of real estate have minimal credit risk and are effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at December 31, 2021 and 2020, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

#### Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

*High Quality.* This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies.

*Standard Quality.* Other financial assets not belonging to the high quality category are included in this category.

	2021			2020		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
<i>(In Thousands)</i>						
Cash and cash equivalents (excluding cash on hand)	<b>₱86,930,685</b>	<b>₱-</b>	<b>₱86,930,685</b>	₱76,819,031	<b>₱-</b>	₱76,819,031
Time deposits including noncurrent portion	<b>4,216,851</b>	<b>-</b>	<b>4,216,851</b>	1,387,454	<b>-</b>	1,387,454
Financial assets at FVOCI	<b>26,779,309</b>	<b>1,714,725</b>	<b>28,494,034</b>	26,145,159	1,701,227	27,846,386
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	<b>61,770,134</b>	<b>4,364,178</b>	<b>66,134,312</b>	50,056,968	6,736,112	56,793,080
Advances and other receivables - net (includes non-trade receivables, bonds and deposits, receivable from banks, notes receivable and accrued interest receivable under "Other current assets" account in the consolidated balance sheets)**	<b>23,794,763</b>	<b>-</b>	<b>23,794,763</b>	20,442,625	<b>-</b>	20,442,625
Escrow fund	<b>468,043</b>	<b>-</b>	<b>468,043</b>	276,669	<b>-</b>	276,669
Other noncurrent assets:						
Bonds and deposits	<b>17,849,650</b>	<b>-</b>	<b>17,849,650</b>	16,808,050	<b>-</b>	16,808,050
Long-term notes	<b>5,371,668</b>	<b>-</b>	<b>5,371,668</b>	4,999,359	<b>-</b>	4,999,359
Derivative assets (including noncurrent portion)	<b>1,718,512</b>	<b>-</b>	<b>1,718,512</b>	2,747	<b>-</b>	2,747
	<b>₱228,899,615</b>	<b>₱6,078,903</b>	<b>₱234,978,518</b>	<b>₱196,938,062</b>	<b>₱8,437,339</b>	<b>₱205,375,401</b>

\*Excluding non-financial assets amounting to ₱42,427.5million and ₱44,272.2 million as at December 31, 2021 and 2020, respectively.

\*\*Excluding non-financial assets amounting to ₱176.1million and ₱121.7 million as at December 31, 2021 and 2020, respectively.

#### Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.



The sensitivity analysis for a reasonably possible change in equity indices, with all other variables held constant, of the Group's investments in listed shares of stock, follows:

	<b>Change in Equity Price</b>	<b>Effect on Equity</b>
		<i>(In Millions)</i>
<b>2021</b>	<b>+0.57%</b>	<b>₱109.5</b>
	<b>-0.57%</b>	<b>(109.5)</b>
2020	+1.2%	₱359.1
	-1.2%	(359.1)

#### Capital Management

The primary objective of the Group'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 Group manages its capital structure and makes appropriate adjustments based on changes in economic conditions. Accordingly, the Group may adjust dividend payments to shareholders, secure new and/or pay off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity.

#### *Net Gearing Ratio*

	<b>2021</b>	<b>2020</b>
	<i>(In Thousands)</i>	
Bank loans	<b>₱26,232,427</b>	₱24,126,000
Long-term debt (current and noncurrent)	<b>437,862,439</b>	390,853,236
Less:		
Cash and cash equivalents (excluding cash on hand)	<b>(86,930,685)</b>	(76,819,031)
Time deposits (current and noncurrent)	<b>(4,216,851)</b>	(1,387,454)
Net interest-bearing debt (a)	<b>372,947,330</b>	336,772,751
Total equity	<b>612,439,925</b>	564,727,898
Net interest-bearing debt and total equity (b)	<b>₱985,387,255</b>	₱901,500,649
Gearing ratio - net (a/b)	<b>38%</b>	37%

#### *Gross Gearing Ratio*

	<b>2021</b>	<b>2020</b>
	<i>(In Thousands)</i>	
Bank loans	<b>₱26,232,427</b>	₱24,126,000
Long-term debt	<b>437,862,439</b>	390,853,236
Total interest-bearing debt (a)	<b>464,094,866</b>	414,979,236
Total equity	<b>612,439,925</b>	564,727,898
Total interest-bearing debt and total equity (b)	<b>₱1,076,534,791</b>	₱979,707,134
Gearing ratio - gross (a/b)	<b>43%</b>	42%



## 28. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

	2021				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
<b>Assets Measured at Fair Value</b>					
Financial assets at FVOCI					
Listed shares of stock	₱26,764,759	₱26,764,759	₱26,764,759	₱-	₱-
Unlisted shares of stock	1,714,725	1,714,725	-	-	1,714,725
Club shares	14,550	14,550	-	14,550	-
Derivative assets	1,718,512	1,718,512	-	1,718,512	-
	<b>30,212,546</b>	<b>30,212,546</b>	<b>26,764,759</b>	<b>1,733,062</b>	<b>1,714,725</b>
<b>Assets for which Fair Values are Disclosed</b>					
Time deposits - noncurrent portion	3,905,618	3,905,618	-	3,905,618	-
Other noncurrent assets:					
Bonds and deposits	17,849,650	19,348,542	-	-	19,348,542
Long-term notes	5,371,668	6,075,947	-	-	6,075,947
	<b>27,126,936</b>	<b>29,330,107</b>	<b>-</b>	<b>3,905,618</b>	<b>25,424,489</b>
	<b>₱57,339,482</b>	<b>₱59,542,653</b>	<b>₱26,764,759</b>	<b>₱5,638,680</b>	<b>₱27,139,214</b>
<b>Liabilities Measured at Fair Value</b>					
Derivative liabilities	₱3,427,991	₱3,427,991	₱-	₱3,427,991	₱-
<b>Liabilities for which Fair Values are Disclosed</b>					
Long-term debt (noncurrent portion, net of debt issue cost)	374,155,880	393,546,958	-	-	393,546,958
Lease liabilities - noncurrent portion	31,061,609	39,909,300	-	-	39,909,300
Tenants' deposits and others*	31,717,585	31,556,541	-	-	31,556,541
	<b>436,935,074</b>	<b>465,012,799</b>	<b>-</b>	<b>-</b>	<b>465,012,799</b>
	<b>₱440,363,065</b>	<b>₱468,440,790</b>	<b>₱-</b>	<b>₱3,427,991</b>	<b>₱465,012,799</b>

\*Excluding nonfinancial liabilities amounting to ₱10,561.8 million

	2020				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
<b>Assets Measured at Fair Value</b>					
Financial assets at FVOCI					
Listed shares of stock	₱26,133,219	₱26,133,219	₱26,133,219	₱-	₱-
Unlisted shares of stock	1,701,227	1,701,227	-	-	1,701,227
Club shares	11,940	11,940	-	11,940	-
Derivative assets	2,747	2,747	-	2,747	-
	<b>27,849,133</b>	<b>27,849,133</b>	<b>26,133,219</b>	<b>14,687</b>	<b>1,701,227</b>
<b>Assets for which Fair Values are Disclosed</b>					
Time deposits - noncurrent portion	1,356,442	1,356,442	-	1,356,442	-
Other noncurrent assets:					
Bonds and deposits	16,808,050	19,271,918	-	-	19,271,918
Long-term notes	4,999,359	6,068,924	-	-	6,068,924
	<b>23,163,851</b>	<b>26,697,284</b>	<b>-</b>	<b>1,356,442</b>	<b>25,340,842</b>
	<b>₱51,012,984</b>	<b>₱54,546,417</b>	<b>₱26,133,219</b>	<b>₱1,371,129</b>	<b>₱27,042,069</b>
<b>Liabilities Measured at Fair Value</b>					
Derivative liabilities	₱6,125,125	₱6,125,125	₱-	₱6,125,125	₱-
<b>Liabilities for which Fair Values are Disclosed</b>					
Long-term debt (noncurrent portion, net of debt issue cost)	330,731,798	332,475,152	-	-	332,475,152
Lease liabilities - noncurrent portion	28,868,164	30,776,929	-	-	30,776,929
Tenants' deposits and others*	30,947,183	28,784,888	-	-	28,784,888
	<b>390,547,145</b>	<b>392,036,969</b>	<b>-</b>	<b>-</b>	<b>392,036,969</b>
	<b>₱396,672,270</b>	<b>₱398,162,094</b>	<b>₱-</b>	<b>₱6,125,125</b>	<b>₱392,036,969</b>

\*Excluding nonfinancial liabilities amounting to ₱8,806.2 million



There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2021 and 2020.

The fair values of unlisted shares of stock classified under Level 3 were determined through the income valuation approach. This valuation approach is based on the assumption that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. As at December 31, 2021 and 2020, the Group's unlisted shares of stock were valued using discount rates of 9.3% to 16.1% and 9.6% to 14.5%, respectively.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2021	2020
Other noncurrent assets:		
Bond and deposits	1.0%	0.3%
Long-term notes	0.2%–1.0%	0.2% - 0.3%
Tenants' deposits	1.0%–4.6%	1.0% - 5.5%

*Long-term Debt.* The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	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 0.3% to 6.2% and 0.2% to 4.7% as at December 31, 2021 and 2020, respectively.
Variable Rate	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 were 4.3% to 5.2% and 3.7% to 4.4% as at December 31, 2021 and 2020, respectively.

*Derivative Instruments.* The fair values are based on quotes obtained from counterparties. The rollforward analysis of the fair value changes of derivative instruments follows:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	(P6,122,378)	(P1,139,775)
Net changes in fair value during the year	4,730,641	(4,989,106)
Fair value on settled derivatives	(317,743)	6,503
	<b>(P1,709,480)</b>	<b>(P6,122,378)</b>



### Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2021, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:

#### Cross-currency swaps:

	Notional Amount			Principal	Fair Value	Receive	Pay	US\$:PhP	US\$:CN¥	Maturity
	(In US\$)	(In PhP)	(In CN¥)							
	(In Thousands)									
Parent:										
	\$53,000	₱2,761,300		₱2,702,947	(₱141,332)	LIBOR + spread	5.3%	₱52.10		March 6, 2023
	100,000	5,210,000		5,099,900	(360,490)	LIBOR + spread	5.9%	52.10		April 16, 2023
	56,159	3,000,000		2,864,040	(309,427)	LIBOR + spread	6.1%	53.42		July 26, 2023
	100,000	5,140,000		5,099,900	(243,067)	LIBOR + spread	5.5%	51.40		June 28, 2024
	100,000	5,115,000		5,099,900	(211,456)	LIBOR + spread	5.4%	51.15		June 28, 2024
SM Prime:										
	50,000	2,666,500		2,549,950	(227,875)	LIBOR + spread	6.4%	53.33		June 14, 2023
	60,000	3,199,200		3,059,940	(302,194)	LIBOR + spread	6.4%	53.32		June 14, 2023
	100,000	4,827,000		5,099,900	265,854	LIBOR + spread	3.3%	48.27		September 30, 2022
	75,000	3,639,000		3,824,925	208,157	LIBOR + spread	3.6% - 3.7%	48.52		April 5, 2024
	75,000	3,637,500		3,824,925	210,916	LIBOR + spread	3.6% - 3.7%	48.50		April 5, 2024
	25,000		¥172,100	1,274,975	(117,797)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,274,975	(114,061)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,549,950	(103,509)	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,549,950	(164,625)	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,549,950	(149,445)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,549,950	(164,052)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,549,950	(163,367)	LIBOR + spread	3.9%		6.688	February 28, 2024
	50,000		335,750	2,549,950	(162,006)	LIBOR + spread	3.9%		6.715	February 28, 2024
	36,000		241,643	1,836,000	(114,275)	LIBOR + spread	3.9%		6.712	February 28, 2024

#### Principal only, Foreign exchange and Interest rate swaps:

	Notional Amount	Principal	Principal only swap	Fair Value Foreign exchange swap	Interest rate swap	Rate	US\$ Swap Rate	Maturity
	(In Thousands)							
SM Prime	\$100,000	₱5,099,900	₱-	₱-	₱383,753	2.3%	-	March 29, 2026
	150,000	7,649,850	-	213,085	-	2.4%	₱48.8 - ₱50.9	March 30, 2026
	150,000	7,649,850	-	213,085	-	2.5%	₱48.8 - ₱50.9	March 30, 2026
	270,000	13,769,730	(300,347)	-	162,180	2.6%	¥6.4845 - ¥6.6496	January 25, 2026
	50,000	2,549,950	-	30,741	(39,332)	2.4%	₱50.3	March 21, 2025
	50,000	2,549,950	-	30,741	(39,332)	2.4%	₱50.3	March 21, 2025

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges were assessed to be highly effective.

#### Other Derivative Instruments Not Designated as Accounting Hedges

*Non-deliverable Forwards and Swaps.* The net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to ₱216.0 million gain in 2021 and ₱6.5 million loss in 2020.

## 29. EPS Computation

	2021	2020	2019
	(In Thousands Except Per Share Data)		
Net income attributable to owners of the Parent (a)	₱38,499,890	₱23,389,950	₱44,568,244
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583	1,204,583
<b>EPS (a/b)</b>	<b>₱31.96</b>	<b>₱19.42</b>	<b>₱37.00</b>



### 30. Change in Liabilities Arising From Financing Activities

	2021			2020		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 26)	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 26)
	<i>(In Thousands)</i>					
Balance at beginning of year	₱24,126,000	₱390,853,236	₱30,879,878	₱18,710,465	₱356,435,927	₱29,134,546
Availments	52,175,839	129,529,420	4,052,029	82,880,520	75,253,912	4,175,989
Payments	(53,324,257)	(92,624,775)	(4,630,284)	(77,464,985)	(36,158,696)	(3,838,044)
Cumulative translation adjustment on cash flow hedges	–	4,467,951	–	–	(702,490)	–
Foreign exchange movement	218,345	2,202,275	–	–	(3,685,613)	–
Business combination (Note 5)	3,036,500	3,984,077	1,906,990	–	–	–
Others	–	(549,745)	1,406,080	–	(289,804)	1,407,387
<b>Balance at end of year</b>	<b>₱26,232,427</b>	<b>₱437,862,439</b>	<b>₱33,614,693</b>	<b>₱24,126,000</b>	<b>₱390,853,236</b>	<b>₱30,879,878</b>

There are no non-cash changes in accrued interest and dividends payable. Others include debt accretion and debt issue cost amortization.

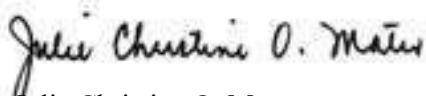


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
SM Investments Corporation  
10th Floor, One E-Com Center  
Harbor Drive, Mall of Asia Complex  
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022

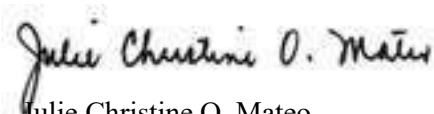


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
SM Investments Corporation  
10th Floor, One E-Com Center  
Harbor Drive, Mall of Asia Complex  
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of 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 (PFRSs) 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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2021**

**Consolidated Financial Statements**

A. Statement of Management’s Responsibility for Financial Statements	Attached
B. Independent Auditor’s Report	Attached
C. Consolidated Balance Sheets as at December 31, 2021 and 2020	Attached
D. Consolidated Statements of Income For the Years Ended December 31, 2021, 2020 and 2019	Attached
E. Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2021, 2020 and 2019	Attached
F. Consolidated Statements of Changes in Equity For the Years Ended December 31, 2021, 2020 and 2019	Attached
G. Consolidated Statements of Cash Flows For the Years Ended December 31, 2021, 2020 and 2019	Attached
H. Notes to Consolidated Financial Statements	Attached

**Supplementary Schedules**

Independent Auditor’s Report on Supplementary Schedules	Attached
<b>Revised SRC Rule 68 Annex 68-J Schedules</b>	
A. Financial Assets	Attached
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)	*
C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	Attached
D. Long-term Debt	*
E. Indebtedness to Related Parties	*
F. Guarantees of Securities of Other Issuers	*
G. Capital Stock	Attached

**Additional Components**

Independent Auditor’s Report on Components of Financial Soundness Indicators	Attached
Schedule of Financial Soundness Indicators	Attached
Reconciliation of Retained Earnings Available for Dividend Declaration	Attached
Conglomerate Map	Attached

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

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
**AS AT DECEMBER 31, 2021**  
**(Amounts in Thousands Except Per Share Data)**

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Balance Sheet</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Interest and Dividend Income Received and Accrued</b>
<b>Temporary investments*:</b>				
BDO Unibank, Inc.		₱52,324,648	₱–	₱422,520
China Banking Corporation		2,900,053	–	1,777
Others		4,955,901	–	497,542
		60,180,602	–	921,839
<b>Time deposits – current*</b>		311,233	–	27
<b>Financial Asset at FVOCI:</b>				
Shares of Stock:				
Common shares:				
Shang Properties, Inc.	189,550,548 shares	494,727	494,727	23,504
Republic Glass Holdings Corporation	14,230,000 shares	42,690	42,690	427
PICOP Resources, Inc.	40,000,000 shares	8,200	8,200	–
Benguet Corporation	266,757 shares	1,424	1,424	–
		547,041	547,041	23,931
<b>Total Current Financial Assets</b>		<b>₱61,038,876</b>	<b>₱547,041</b>	<b>₱945,797</b>

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	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
<b>Financial Asset at FVOCI– noncurrent:</b>				
Shares of Stock				
Listed:				
Ayala Corporation	27,137,551 shares	₱22,551,305	₱22,551,305	₱187,792
DMCI Holdings	164,312,700 shares	1,266,851	1,266,851	157,740
D.M. Wenceslao and Associates, Incorporated	79,167,800 shares	536,758	536,758	3,730
The Philippine Stock Exchange, Inc.	3,595,639 shares	773,062	773,062	28,765
Others		1,089,742	1,089,742	20,049
Unlisted:				
Allfirst Equity Holdings, Inc.	95,000 shares	817,037	817,037	–
Heavenly Garden Development Corp.	25,000 shares	2,500	2,500	750
SM Insurance Brokers Services, Inc.	129,390 shares	150	150	–
Mutual Development Center, Inc.	4,633 shares	1,259	1,259	–
Manila North Tollways Corporation	732,600 shares	893,779	893,779	163,945
		27,932,443	27,932,443	562,771

(Forward)

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Balance Sheet</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Interest and Dividend Income Received and Accrued</b>
Club Shares				
Cebu Golf & Country Club	1 share	₱8,000	₱8,000	₱–
Baguio Country Club	1 share	4,100	4,100	–
Mimosa Golf & Country Club, Inc.	1 share	150	150	–
Country Club of Tagaytay Highlands	1 share	1,100	1,100	–
Camp John Hay	2 shares	500	500	–
Subic Bay Yacht Club	1 share	350	350	–
Splendido Taal Golf Club	1 share	100	100	–
Calatagan Golf Club	1 share	200	200	–
Cresta del Mar	1 share	35	35	–
Ridge Resort	1 share	15	15	–
		14,550	14,550	–
		<b>27,946,993</b>	<b>27,946,993</b>	<b>562,771</b>
<b>Time Deposits – noncurrent*</b>		<b>3,905,618</b>	–	<b>797,087</b>
<b>Bonds and Deposits</b>		<b>17,849,650</b>	–	<b>352,192</b>
<b>Total Noncurrent Financial Assets</b>		<b>₱49,702,261</b>	<b>₱27,946,993</b>	<b>₱1,712,050</b>

\*Excluding cash on hand and in banks.

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL**  
**STATEMENTS**  
**AS AT DECEMBER 31, 2021**  
**(Amounts in Thousands)**

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
<b><u>Accounts receivable – Tenants</u></b>							
SM Retail Inc.	₱2,955	₱118,257	₱116,254	₱–	₱4,958	₱–	₱4,958
SM Mart, Inc.	81,204	339,488	344,432	–	76,260	–	76,260
Mainstream Business, Inc.	55,649	231,496	208,906	–	78,239	–	78,239
Major Shopping Management Corp.	38,137	116,547	116,802	–	37,882	–	37,882
Madison Shopping Plaza, Inc.	48,887	170,294	155,654	–	63,527	–	63,527
Mandurriao Star, Inc.	57,151	209,793	191,524	–	75,420	–	75,420
Mercantile Stores Group, Inc.	52,079	191,638	173,691	–	70,026	–	70,026
Manila Southern Associates, Inc.	47,925	165,637	152,772	–	60,790	–	60,790
Market Strategic Firm, Inc.	53,938	189,628	174,853	–	68,713	–	68,713
Metro Main Star Asia Corp.	64,479	149,727	151,913	–	62,293	–	62,293
Multi Stores Corporation	20,574	94,108	90,519	–	24,163	–	24,163
Metro Manila Shopping Mecca Corp.	43,250	150,864	138,912	–	55,202	–	55,202
Mindanao Shopping Destination Corp.	11,578	60,008	51,997	–	19,589	–	19,589
Meridien Business Leader Inc.	39,291	104,566	99,484	–	44,373	–	44,373
My Shoppinglane Cebu Corp..	17,972	31,918	39,052	–	10,838	–	10,838

*(Forward)*

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
Mindanao Shoppers Daily Destination Corp.	₱16,414	₱67,241	₱59,171	₱–	₱24,484	₱–	₱24,484
Master Shoppers Venue, Inc.	11,223	45,894	26,342	–	30,775	–	30,775
Mayon Shoppers Lifestyle Corporation	21,738	39,308	40,794	–	20,252	–	20,252
Middle Store United, Inc.	8,618	14,966	17,156	–	6,428	–	6,428
Main Shopping Princess Phils., Inc.	15,862	23,817	24,817	–	14,862	–	14,862
MLC Shoes and Bags Mgt. Corp.	439	–	439	–	–	–	–
Shoemart, Inc. (formerly LTBG_Mgmt. Corp.)	47	4,512	3,200	–	1,359	–	1,359
Supervalu, Inc. (formerly SM Supermarket, Inc.)	488,373	2,745,379	2,731,562	–	502,190	–	502,190
Super Shopping Market, Inc.	318,609	1,246,855	1,350,246	–	215,218	–	215,218
Sanford Marketing Corporation	70,419	427,351	427,555	–	70,215	–	70,215
Waltermart Supermarket, Incorporated	–	10,274	10,274	–	–	–	–
Alfamart Trading Philippines, Inc.	6,647	51,570	44,024	–	14,193	–	14,193
HMS Development Corp	4,238	29,891	28,469	–	5,660	–	5,660
Forever Agape & Glory, Inc.	15,422	26,150	32,871	–	8,701	–	8,701
Modern Free Luxe Stores, Inc	948	5,254	6,202	–	–	–	–
Premium Global Essences Stores, Inc.	3,556	16,634	16,431	–	3,759	–	3,759
Walk EZ Retail Corp.	2,305	29,192	25,241	–	6,256	–	6,256
Mini Depato Corp.	21,218	95,519	88,324	–	28,413	–	28,413
ACE Hardware Philippines, Inc.	55,270	673,554	604,543	–	124,281	–	124,281
Homeworld Shopping Corporation	23,743	172,053	159,028	–	36,768	–	36,768
International Toy World, Inc.	17,343	109,744	88,409	–	38,678	–	38,678

(Forward)

Schedule C

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
Kultura Store, Inc.	₱4,830	₱26,390	₱21,229	₱–	₱9,991	₱–	₱9,991
Nursery Care Corporation	–	8,591	6,456	–	2,135	–	2,135
Signature Lines, Inc.	1,730	12,800	10,626	–	3,904	–	3,904
Sports Central (Manila), Inc.	19,502	135,066	118,944	–	35,624	–	35,624
Star Appliance Center, Inc.	83,958	546,106	540,979	–	89,085	–	89,085
Supplies Station, Inc.	481	2,739	3,218	–	2	–	2
Warehouse Development Company, Inc.	10,879	314,165	262,330	–	62,714	–	62,714
Athletes Pro Group, Inc.	559	1,747	2,306	–	–	–	–
Whiteplane, Inc.	2,370	3,689	5,425	–	634	–	634
Best Selection Retail Corporation	4,627	6,528	7,092	–	4,063	–	4,063
EC Steps Retail Corp.	125	894	727	–	292	–	292
SM Prime Holdings, Inc.	23,206	77,943	90,859	–	10,290	–	10,290
Summerhills Home Development Corp.	767	–	767	–	–	–	–
Costa del Hamilo, Inc.	605	–	190	–	415	–	415
Highlands Prime, Inc.	935	–	114	–	821	–	821
SM Hotels and Conventions Corp.	1,147	26	–	–	1,173	–	1,173
Intercontinental Development Corporation	3,451	690	4,141	–	–	–	–
Manila Southcoast Development Corp.	148	279	148	–	279	–	279
Digital Advantage Corporation	2,572	26,341	20,324	–	8,589	–	8,589
2GO Group, Inc.	–	8,204	–	–	8,204	–	8,204
SM Investments Corporation	4,426	59,175	57,121	–	6,480	–	6,480
<b>Total Accounts Receivable-Tenants</b>	<b>₱1,903,819</b>	<b>₱9,390,500</b>	<b>₱9,144,859</b>	<b>₱–</b>	<b>₱2,149,460</b>	<b>₱–</b>	<b>₱2,149,460</b>

Schedule C

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
<b><u>Due From Related Parties</u></b>							
Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.)	₱1,717,862	₱–	₱–	₱–	₱1,717,862	₱–	₱1,717,862
Henfels Investments Co. Inc.	5,469,952	1,398	–	–	5,471,350	–	5,471,350
Intercontinental Development Corporation	125,000	–	–	–	125,000	–	125,000
Manila Southcoast Development Corp.	2,915,655	226,393	–	–	3,142,048	–	3,142,048
Mountain Bliss Resort and Development Corp.	979,317	–	–	–	979,317	–	979,317
Multi Realty Development Corporation	11,483,839	–	10,108,839	–	1,375,000	–	1,375,000
Primebridge Holdings, Inc.	–	1,000	–	–	1,000	–	1,000
<b>Total Due From Related Parties</b>	<b>₱22,691,625</b>	<b>₱228,791</b>	<b>₱10,108,839</b>	<b>₱–</b>	<b>₱12,811,577</b>	<b>₱–</b>	<b>₱12,811,577</b>

<b>Accounts receivable—royalty, management and service fees</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
SM Retail Inc.	₱—	₱50,843	₱ 48,932	₱—	₱1,911	₱—	₱1,911
SM Mart, Inc.	—	122,796	122,796	—	—	—	—
Mainstream Business, Inc.	—	94,621	92,850	—	1,771	—	1,771
Major Shopping Management Corp.	—	60,784	60,784	—	—	—	—
Madison Shopping Plaza, Inc.	—	68,618	67,013	—	1,605	—	1,605
Mandurriao Star, Inc.	—	85,278	83,961	—	1,317	—	1,317
Mercantile Stores Group, Inc.	—	81,346	81,346	—	—	—	—
Manila Southern Associates, Inc.	—	74,331	74,331	—	—	—	—
Market Strategic Firm, Inc.	—	86,938	86,703	—	235	—	235
Metro Main Star Asia Corp.	—	56,762	56,762	—	—	—	—
Multi Stores Corporation	—	35,481	35,481	—	—	—	—
Metro Manila Shopping Mecca Corp.	—	67,564	67,192	—	372	—	372
Mindanao Shopping Destination Corp.	—	24,669	22,535	—	2,134	—	2,134
Meridien Business Leader Inc.	—	46,306	45,623	—	683	—	683
My Shoppinglane Cebu Corp.	6,487	—	—	—	6,487	—	6,487
Mindanao Shoppers Daily Destination Corp.	—	17,000	5,028	—	11,972	—	11,972
Master Shoppers Venue, Inc.	10,253	—	—	—	10,253	—	10,253
Supervalu, Inc. (formerly SM Supermarket, Inc.)	209,115	376,579	364,043	—	221,651	—	221,651
Super Shopping Market, Inc.	3,702	246,807	109,929	—	140,580	—	140,580
Sanford Marketing Corporation	223,680	369,667	387,470	—	205,877	—	205,877
Alfamart Trading Philippines, Inc.	—	1,623	1,275	—	348	—	348

(Forward)

Schedule C

<b>Accounts receivable—royalty, management and service fees</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Current</b>
Alfametro Marketing, Inc.	₱–	₱24,530	₱18,812	₱–	₱5,718	₱–	₱5,718
HMS Development Corp	5,284	–	5,284	–	–	–	–
Premium Global Essences Stores, Inc.	322	–	322	–	–	–	–
Walk EZ Retail Corp.	–	92	88	–	4	–	4
Mini Depato Corp.	–	247	247	–	–	–	–
ACE Hardware Philippines, Inc.	24,326	371	24,374	–	323	–	323
Homeworld Shopping Corporation	20,647	–	20,647	–	–	–	–
Kultura Store, Inc.	9,355	–	9,355	–	–	–	–
Kultura Store, Inc.	817	–	817	–	–	–	–
Nursery Care Corporation	2,690	–	2,690	–	–	–	–
Signature Lines, Inc.	1,249	–	1,249	–	–	–	–
Sports Central (Manila), Inc.	4,940	–	4,940	–	–	–	–
Star Appliance Center, Inc.	134,193	375,494	378,963	–	130,724	–	130,724
Supplies Station, Inc.	3,284	–	3,284	–	–	–	–
Whiteplane, Inc.	–	59	49	–	10	–	10
SM Prime Holdings, Inc.	–	5,588	–	–	5,588	–	5,588
Intercontinental Development Corporation	–	1,202	1,202	–	–	–	–
2Go Group, Inc.	–	4,222	–	–	4,222	–	4,222

(Forward)

<b>Accounts receivable—royalty, management and service fees</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Current</b>
Digital Advantage Corporation	₱–	₱11,539	₱993	₱–	₱10,546	₱–	₱10,546
Belleshare Holdings, Inc.	6,862	–	–	–	6,862	–	6,862
SM Investments Corporation	4,480	41,300	42,920	–	2,860	–	2,860
<b>Accounts receivable—royalty, management and service fees</b>	<b>₱671,686</b>	<b>₱2,432,657</b>	<b>₱2,330,290</b>	<b>₱–</b>	<b>₱774,053</b>	<b>₱–</b>	<b>₱774,053</b>

<b>Dividends Receivable</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
Multi-Realty Development Corporation	₱163,636	₱227,273	₱341,336	₱–	₱49,573	₱–	₱49,573
SM Retail, Inc	8,229,092	6,876,896	7,070,067	–	8,035,921	–	8,035,921
SM Prime Holdings, Inc.	–	1,176,984	1,176,984	–	–	–	–
Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.)	205,920	–	205,920	–	–	–	–
Henfels	–	205,000	205,000	–	–	–	–
Neo Subsidiaries	–	1,653,000	1,178,000	–	475,000	–	475,000
Nagtahan Property Holdings, Inc.	7,978	2,992	9,978	–	992	–	992
Prime Central Limited	–	1,745,000	1,745,000	–	–	–	–
Globalfund Holdings, Inc.	–	159,520	–	–	159,520	–	159,520
<b>Total Dividends Receivable</b>	<b>₱8,606,626</b>	<b>₱12,046,665</b>	<b>₱11,932,285</b>	<b>₱–</b>	<b>₱8,721,006</b>	<b>₱–</b>	<b>₱8,721,006</b>

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**AS AT DECEMBER 31, 2021**

<b>Title of Issue</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Outstanding</b>	<b>Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights</b>	<b>Number of Shares Held by</b>		
				<b>Affiliates</b>	<b>Directors, Officers and Principal Stockholders</b>	<b>Others</b>
Common Stock	2,790,000,000	1,204,582,867	–	103,538,381	520,149,261	580,895,225

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT DECEMBER 31, 2021 AND 2020**  
**(AMOUNTS IN THOUSANDS)**

		<b>December 31, 2021</b>		<b>December 31, 2020</b>		
i.	Current ratio	Total current assets	302,057,339	1.17 : 1	254,511,008	1.06 : 1
		Total current liabilities	259,249,163		239,956,794	
ii.	Acid test ratio	Total current assets less inventories and other current assets	164,201,990	0.63 : 1	139,284,585	0.58 : 1
		Total current liabilities	259,249,163		239,956,794	
iii.	Solvency ratio*	Net income after tax + Depreciation and amortization	73,428,007	10.1%	53,088,621	8.0%
		Total liabilities	729,146,749		659,795,837	
iv.	Debt-to-equity ratio	Total interest-bearing debt	464,094,866	43 : 57	414,979,236	42 : 58
		Total equity + Total interest-bearing debt	1,076,534,791		979,707,134	
	Net debt-to-equity ratio	Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits	372,947,330	38 : 62	336,772,751	37 : 63
		Total equity + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits	985,387,255		901,500,649	
.	Asset to equity ratio	Total assets	1,341,586,674	2.19	1,224,523,735	2.17
		Total equity	612,439,925		564,727,898	
vi.	Return on assets	Net income after tax	52,731,638	4.1%	34,325,042	2.9%
		Average assets	1,275,780,576		1,176,006,658	
vii.	Return on equity	Net income attributable to equity holders of the parent	38,499,890	9.1%	23,389,950	6.0%
		Average equity attributable to equity holders of the parent	422,723,318		389,412,046	

*(Forward)*

viii	Interest rate coverage ratio	Income from operations + Depreciation and amortization	96,962,100		76,637,550	
		<hr/>	<hr/>	5.17	<hr/>	4.25
		Interest expense	18,759,841		18,023,610	
ix.	Net profit margin	Net income after tax	52,731,638		34,325,042	
		<hr/>	<hr/>	12.3%	<hr/>	8.7%
		Total revenues	428,057,655		394,185,705	

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION**

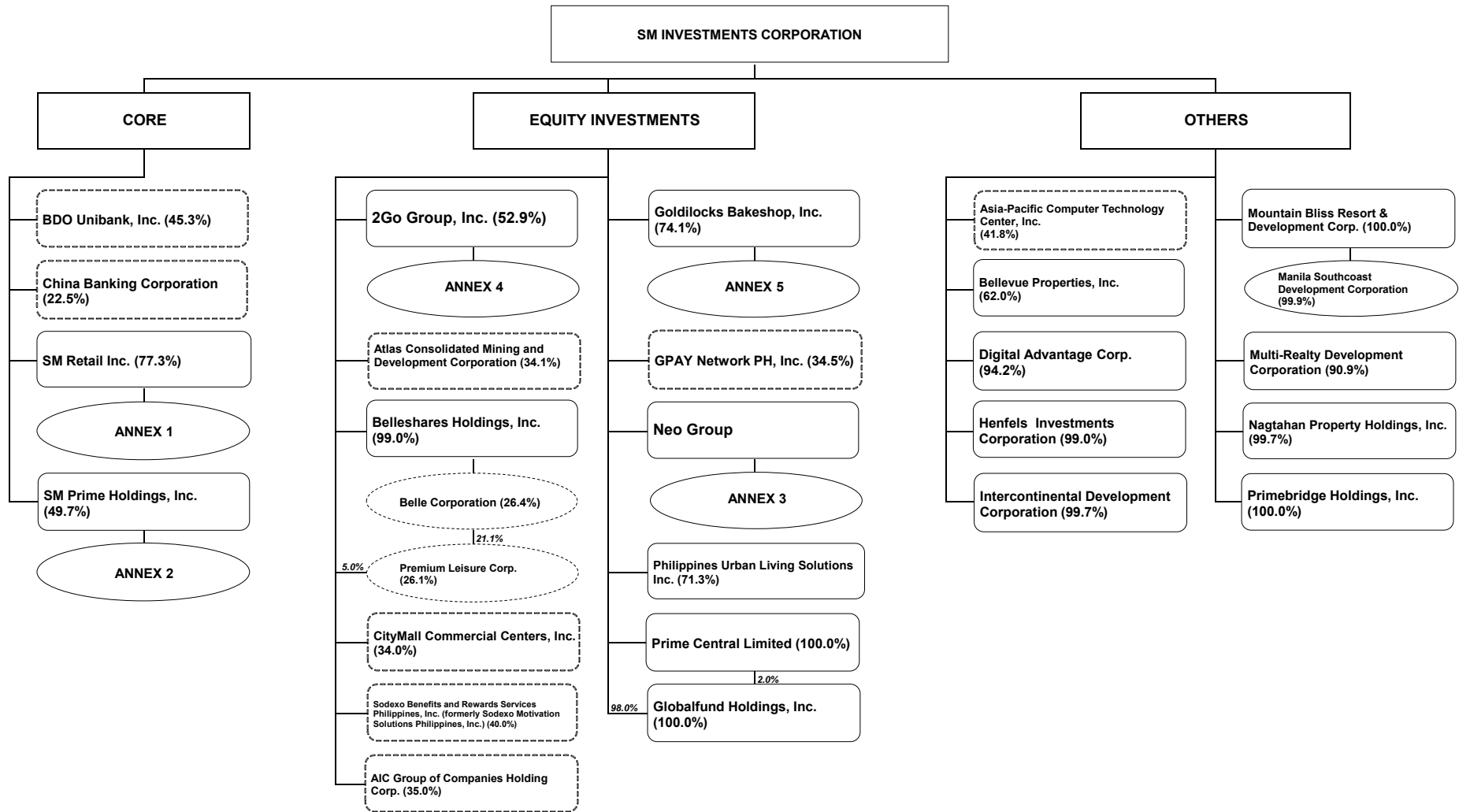
**As at December 31, 2021  
(Amounts in Thousands)**

**SM Investments Corporation**

10<sup>th</sup> Floor, One E-Com Center, Harbor Drive,  
Mall of Asia Complex, CBP-1A, Pasay City 1300

<b>Unappropriated RE, December 31, 2020</b>	₱17,399,335
Adjustments to beginning unappropriated RE:	
Rental income from straight-line amortization in excess of rental payments	(179,931)
Actuarial loss as at January 1, 2013 recorded as expense	<u>48,548</u> (131,383)
<b>Unappropriated RE, as adjusted to available for dividend distribution, beginning</b>	17,267,952
Net income during the period closed to Retained Earnings	18,150,897
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(43,909)
Add: Rental payments in excess of rental income from straight-line amortization	<u>39,801</u>
<b>Net income actually earned during the period</b>	18,146,789
Less: Cash dividends declared during the period	<u>(5,119,477)</u>
<b>Unappropriated RE, as adjusted to available for dividend distribution, December 31, 2021</b>	<u>₱30,295,264</u>

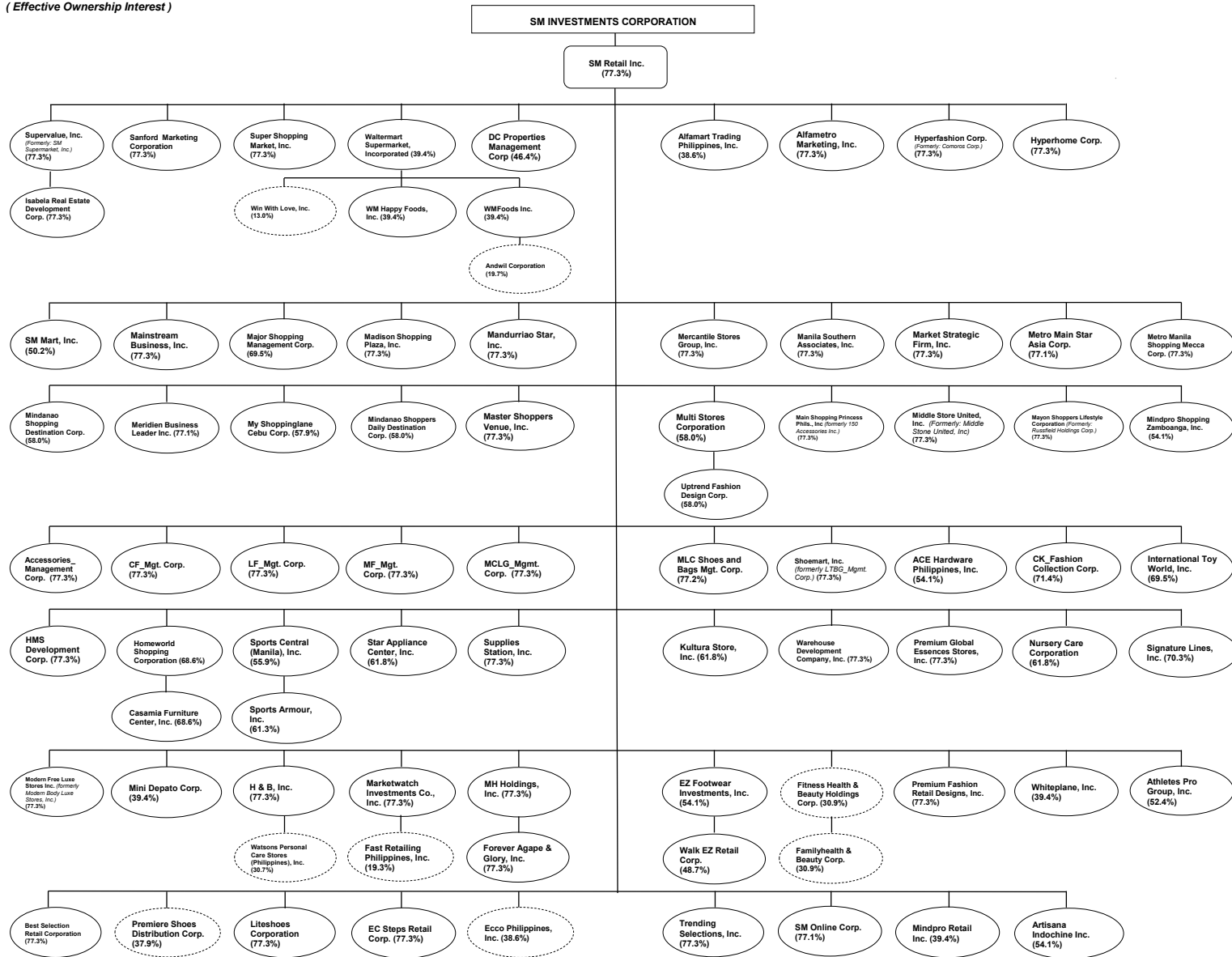
SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2021  
 ( Effective Ownership Interest )



Legend:



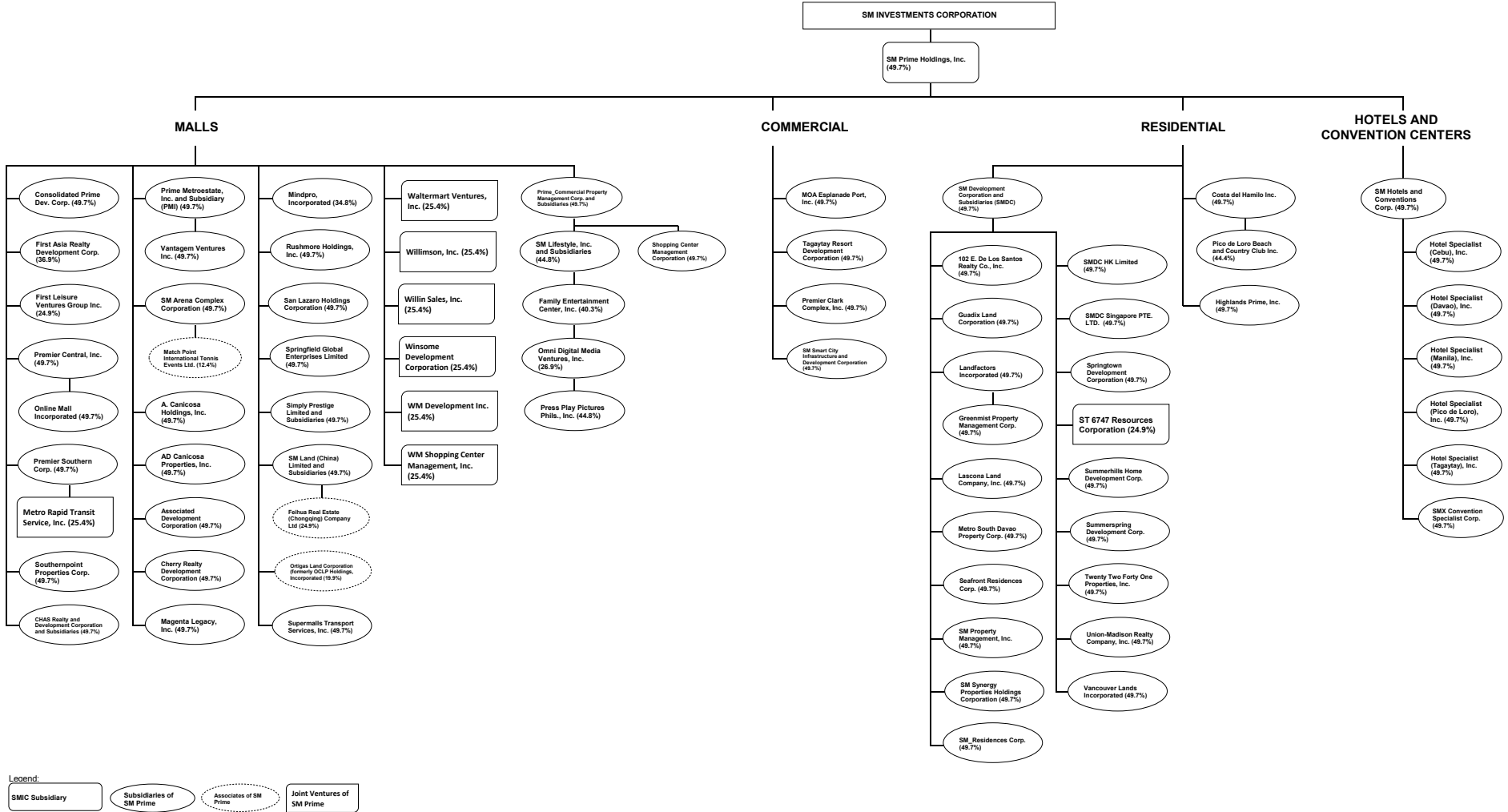
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2021  
( Effective Ownership Interest )**



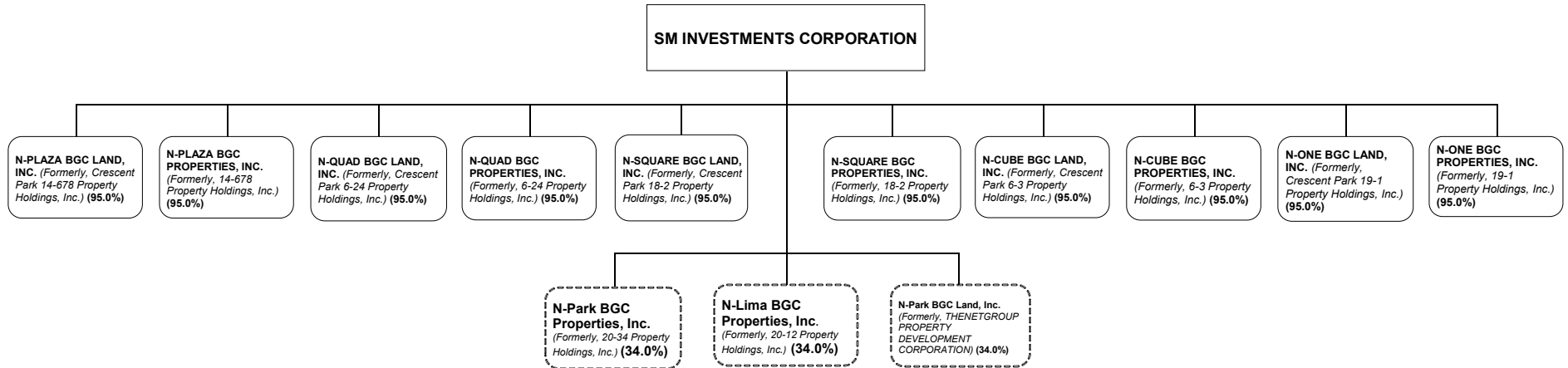
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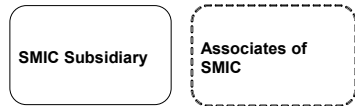
SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2021  
 (Effective Ownership Interest)



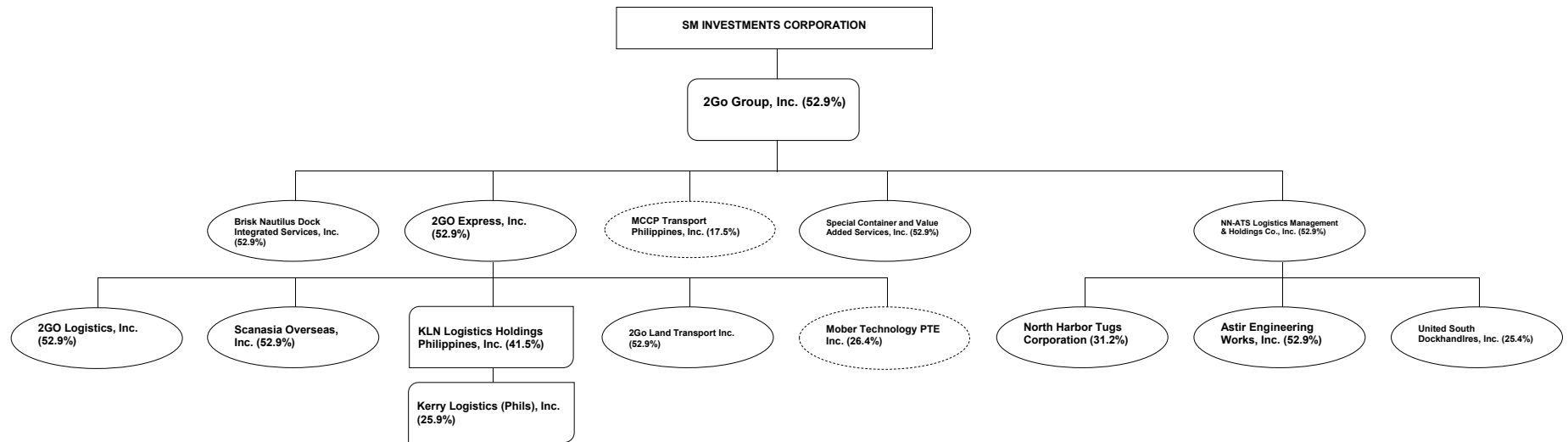
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONGLOMERATE MAP**  
**AS AT DECEMBER 31, 2021**  
*( Effective Ownership Interest )*



Legend:



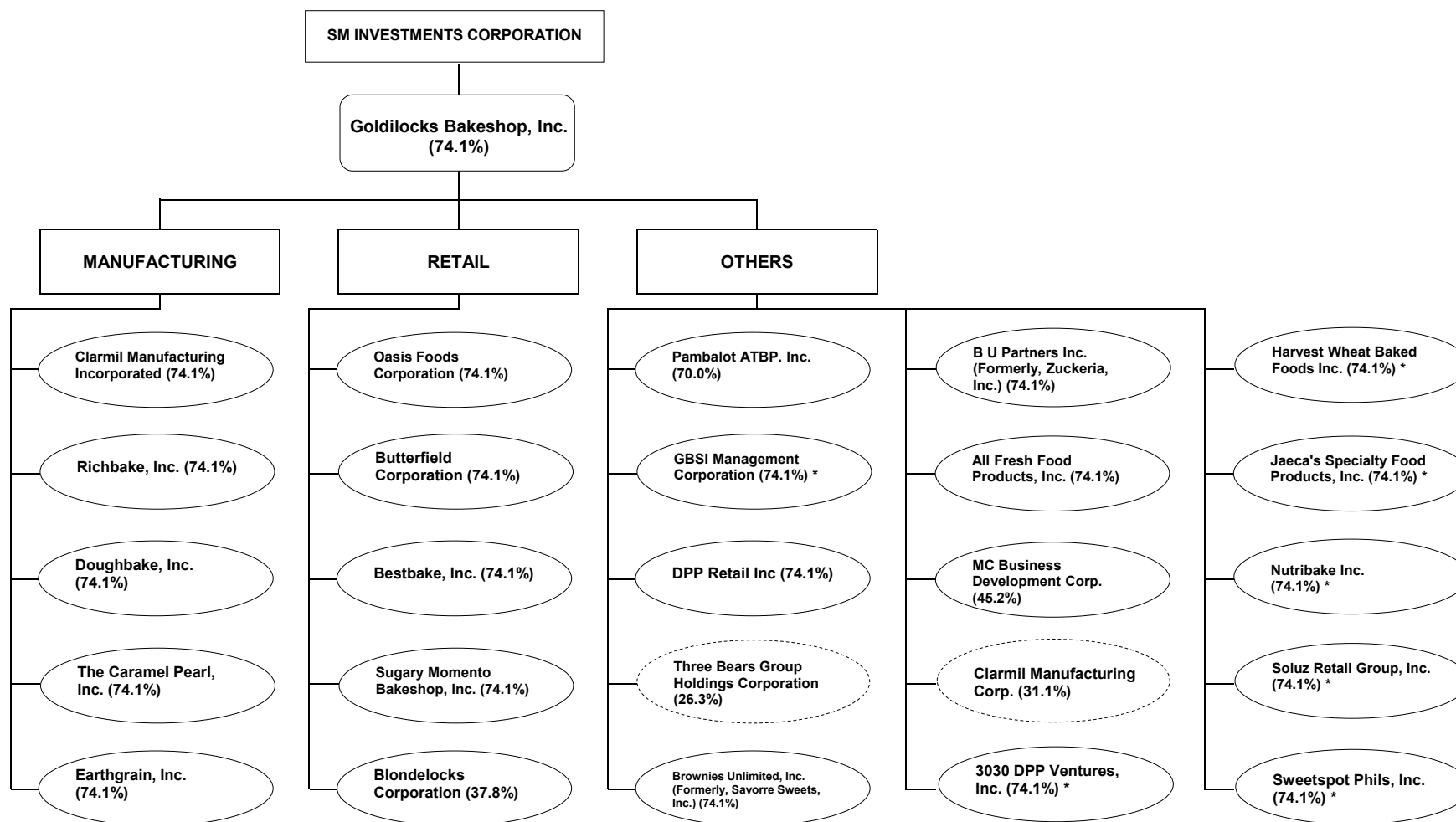
SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2021  
 ( Effective Ownership Interest )



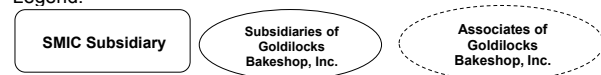
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**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2021  
( Effective Ownership Interest )**



Legend:



\*Dormant



# SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

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**Industry Classification:** J66110

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST1041120228296018

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2021

**Submission Type:** Parent

**Remarks:** None



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10/F One E-corn Center  
Harbor Drive, Mall of Asia Complex  
Pasay City 1300 Philippines

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of SM Investments Corporation is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines is necessary, to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company 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.

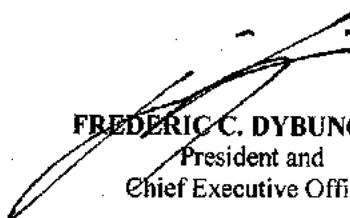
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the parent company 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 parent company financial statements of the company in accordance with 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.



**JOSE T. SIO**  
Chairman of the Board



**FREDERIC C. DYBUNCIO**  
President and  
Chief Executive Officer




**ERWIN G. PATO**  
Treasurer and  
Executive Vice President

Signed this 28<sup>th</sup> day of February 2022

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY )

SUBSCRIBED AND SWORN to before this FEB 28 2022 at PASIG CITY affiants  
exhibiting to me their Taxpayer Identification Number ID, as follows:

DOC No. 257  
PAGE No. 52  
BOOK No. XVI  
SERIES of 2022

  
**MAGNER S. BAUL**  
Notary Public for and in the Cities of Pasig,  
San Juan and in  
the Municipalities of Pateros  
Appointment No. 118 (2020-2021)  
Commission expires on 31 December 2021\*  
Suite 1105, 11th Floor, Prestige Tower Condominium  
Ortigas Center, F. Ortigas Jr., Pasig City Metro Manila  
Roll of Attorney No. 83521  
IBP No. 012691-Lifetime/04-02-2014/Manila City  
PTR No. 8131511/01-12-2022/Pasig City  
MCLE Compliance No. VI-0017845; February 14, 2019  
\*until June 30, 2022, per B.M. No. 3795

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
SM Investments Corporation  
10th Floor, One E-Com Center  
Harbor Drive, Mall of Asia Complex  
CBP-1A, Pasay City 1300

### **Opinion**

We have audited the parent company financial statements of SM Investments Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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 Parent Company 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 parent company 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.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements**

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

In preparing the parent company 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 Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 and, 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 parent company 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 parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

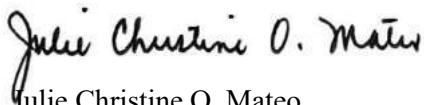


### **Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010**

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of SM Investments Corporation in a separate schedule. Revenue Regulations No. 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022



**SM INVESTMENTS CORPORATION**  
**PARENT COMPANY BALANCE SHEETS**

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 23 and 27)	₱3,668,276,070	₱8,675,369,968
Time deposits (Notes 6, 23 and 27)	–	11,942,727
Receivables (Notes 7, 23 and 27)	27,981,688,872	36,165,727,044
Prepaid taxes and other current assets (Note 9)	4,082,145,288	3,830,157,901
Total Current Assets	<b>35,732,110,230</b>	48,683,197,640
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 8, 27 and 28)	14,275,685,206	12,832,886,893
Investments in subsidiaries and associates (Note 10)	196,284,289,019	177,137,559,260
Property and equipment (Note 11)	474,000,147	484,234,059
Investment properties (Note 12)	3,424,165,186	3,179,527,987
Software (Note 13)	4,068,579	23,465,815
Right-of-use assets (Note 26)	391,303,862	421,405,789
Other noncurrent assets (Notes 14, 23, 27 and 28)	24,309,414,952	24,832,006,005
Total Noncurrent Assets	<b>239,162,926,951</b>	218,911,085,808
	<b>₱274,895,037,181</b>	₱267,594,283,448
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank loans (Notes 15, 23, 27 and 29)	₱12,250,000,000	₱–
Accounts payable and other current liabilities (Notes 16, 23, 26 and 27)	4,465,722,740	4,701,280,466
Provisions (Notes 17 and 27)	3,583,606,314	7,705,606,314
Current portion of long-term debt (Notes 18, 23, 27 and 29)	21,363,677,814	14,412,219,876
Total Current Liabilities	<b>41,663,006,868</b>	26,819,106,656
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 18, 23, 27, 28 and 29)	87,359,937,072	106,494,876,449
Defined benefit liability (Note 24)	277,539,870	455,010,859
Deferred tax liabilities (Note 25)	270,841,057	302,475,699
Derivative liabilities (Notes 18, 27 and 28)	1,265,773,653	3,321,185,555
Lease liabilities - net of current portion (Notes 23, 26, 27 and 29)	404,235,894	424,561,249
Tenants' deposits and others (Notes 23, 26, 27 and 28)	1,052,285,073	1,555,863,931
Total Noncurrent Liabilities	<b>90,630,612,619</b>	112,553,973,742
Total Liabilities	<b>132,293,619,487</b>	139,373,080,398
<b>Equity</b>		
Capital stock (Note 19)	12,045,828,670	12,045,828,670
Additional paid-in capital	62,383,270,999	62,383,270,999
Remeasurement loss on defined benefit liability (Note 24)	(878,938,185)	(984,524,579)
Net unrealized gain on financial assets at FVOCI and others (Notes 8 and 28)	1,620,501,891	377,292,968
Retained earnings (Note 19):		
Appropriated	37,000,000,000	37,000,000,000
Unappropriated	30,430,754,319	17,399,334,992
Total Equity	<b>142,601,417,694</b>	128,221,203,050
	<b>₱274,895,037,181</b>	₱267,594,283,448

See accompanying Notes to Parent Company Financial Statements.



**SM INVESTMENTS CORPORATION**  
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Dividends (Note 23)	₱15,391,233,745	₱11,609,353,265
Royalty, management and service fees (Notes 20 and 23)	3,589,137,656	3,536,710,911
Rent (Notes 12, 23 and 26)	1,151,844,483	1,104,291,581
	<b>20,132,215,884</b>	<b>16,250,355,757</b>
<b>COSTS AND EXPENSES</b> (Note 21)	<b>(1,628,935,153)</b>	<b>4,238,281,865</b>
<b>OTHER INCOME (CHARGES)</b>		
Interest expense (Notes 22 and 23)	(6,021,174,271)	(6,229,756,123)
Interest income (Notes 22 and 23)	1,232,448,877	1,044,374,882
Impairment loss on investment (Note 10)	–	(1,000,000,000)
Gain (loss) on fair value changes on derivatives - net (Note 28)	215,971,488	(6,503,183)
Foreign exchange gain and others - net (Note 27)	1,101,560,191	415,664,128
	<b>(3,471,193,715)</b>	<b>(5,776,220,296)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>18,289,957,322</b>	<b>6,235,853,596</b>
<b>PROVISION FOR INCOME TAX</b> (Note 25)	<b>139,060,810</b>	<b>218,839,143</b>
<b>NET INCOME</b>	<b>18,150,896,512</b>	<b>6,017,014,453</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Item to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain (loss) on financial assets at fair value through other comprehensive income (FVOCI) and others (Notes 8 and 28)	837,755,486	(1,000,456,026)
Items not to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain on financial assets at FVOCI and others (Note 8)	428,723,749	112,697,192
Remeasurement gain (loss) on defined benefit liability (Note 24)	105,586,394	(131,231,112)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods (Note 25)	(23,270,312)	27,223,449
	<b>511,039,831</b>	<b>8,689,529</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>1,348,795,317</b>	<b>(991,766,497)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱19,499,691,829</b>	<b>₱5,025,247,956</b>

See accompanying Notes to Parent Company Financial Statements.



**SM INVESTMENTS CORPORATION**

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Capital Stock	Additional Paid-in Capital	Remeasurement Loss on Defined Benefit Liability	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income and Others	Retained Earnings		Total
					Appropriated	Unappropriated	
As at January 1, 2021	₱12,045,828,670	₱62,383,270,999	(₱984,524,579)	₱377,292,968	₱37,000,000,000	₱17,399,334,992	₱128,221,203,050
Net income	-	-	-	-	-	18,150,896,512	18,150,896,512
Other comprehensive income	-	-	105,586,394	1,243,208,923	-	-	1,348,795,317
Total comprehensive income	-	-	105,586,394	1,243,208,923	-	18,150,896,512	19,499,691,829
Cash dividends - ₱4.25 a share	-	-	-	-	-	(5,119,477,185)	(5,119,477,185)
As at December 31, 2021	₱12,045,828,670	₱62,383,270,999	(₱878,938,185)	₱1,620,501,891	₱37,000,000,000	₱30,430,754,319	₱142,601,417,694
As at January 1, 2020	₱12,045,828,670	₱62,383,270,999	(853,293,467)	₱1,238,692,340	₱37,000,000,000	₱16,500,933,737	₱128,315,432,279
Net income	-	-	-	-	-	6,017,014,453	6,017,014,453
Other comprehensive loss	-	-	(131,231,112)	(860,535,385)	-	-	(991,766,497)
Total comprehensive income (loss)	-	-	(131,231,112)	(860,535,385)	-	6,017,014,453	5,025,247,956
Cash dividends - ₱4.25 a share	-	-	-	-	-	(5,119,477,185)	(5,119,477,185)
Realized gain on sale of financial assets at fair value through other comprehensive income	-	-	-	(863,987)	-	863,987	-
As at December 31, 2020	₱12,045,828,670	₱62,383,270,999	(₱984,524,579)	₱377,292,968	₱37,000,000,000	₱17,399,334,992	₱128,221,203,050

See accompanying Notes to Parent Company Financial Statements.



**SM INVESTMENTS CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱18,289,957,322</b>	<b>₱6,235,853,596</b>
Adjustments for:		
Dividend income (Note 23)	<b>(15,391,233,745)</b>	<b>(11,609,353,265)</b>
Interest expense (Notes 22 and 23)	<b>6,021,174,271</b>	<b>6,229,756,123</b>
Provisions (reversal of provisions) - net (Notes 17 and 21)	<b>(4,122,000,000)</b>	<b>1,567,000,000</b>
Interest income (Notes 22 and 23)	<b>(1,232,448,877)</b>	<b>(1,044,374,882)</b>
Impairment loss on investment (Note 10)	<b>–</b>	<b>1,000,000,000</b>
Depreciation and amortization (Notes 11, 12, 13, 21 and 26)	<b>312,667,671</b>	<b>349,751,293</b>
Net benefit expense (Notes 21 and 24)	<b>131,765,685</b>	<b>149,032,266</b>
Amortization of deferred rent income	<b>(8,615,487)</b>	<b>(9,344,694)</b>
Loss (gain) on fair value changes on derivatives - net (Note 28)	<b>(215,971,488)</b>	<b>6,503,183</b>
Net unrealized foreign exchange loss (gain)	<b>(21,102,388)</b>	<b>2,914,809</b>
Income before working capital changes	<b>3,764,192,964</b>	<b>2,877,738,429</b>
Decrease (increase) in:		
Receivables	<b>8,135,959,091</b>	<b>(4,062,886,253)</b>
Prepaid taxes and other current assets	<b>(223,538,209)</b>	<b>164,669,465</b>
Decrease in:		
Tenants' deposits and others	<b>(323,699,338)</b>	<b>(261,812,588)</b>
Accounts payable and other current liabilities	<b>(199,180,349)</b>	<b>(143,945,991)</b>
Cash generated from (used for) operations	<b>11,153,734,159</b>	<b>(1,426,236,938)</b>
Contributions to plan assets (Note 24)	<b>(203,650,280)</b>	<b>(221,857,638)</b>
Income tax paid	<b>(57,472,397)</b>	<b>(107,033,736)</b>
Net cash provided by (used in) operating activities	<b>10,892,611,482</b>	<b>(1,755,128,312)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Investments in subsidiaries and associates (Note 10)	<b>(19,146,729,759)</b>	<b>(65,939,999)</b>
Property and equipment (Note 11)	<b>(90,464,055)</b>	<b>(39,068,970)</b>
Investment properties (Note 12)	<b>(441,725,219)</b>	<b>(35,192,279)</b>
Financial assets at fair value through other comprehensive income (FVOCI)	<b>(1,014,074,565)</b>	<b>(200,000)</b>
Dividends received	<b>15,574,800,939</b>	<b>12,177,707,368</b>
Proceeds from sale and maturity of financial assets at FVOCI	<b>–</b>	<b>1,678,615,000</b>
Interest received	<b>1,028,799,578</b>	<b>1,115,880,776</b>
Decrease (increase) in:		
Other noncurrent assets	<b>1,987,092,406</b>	<b>451,638,319</b>
Time deposits	<b>11,942,727</b>	<b>(190,887)</b>
Net cash provided by (used in) investing activities	<b>(2,090,357,948)</b>	<b>15,283,249,328</b>

*(Forward)*



	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availments of:		
Bank loans (Notes 15 and 29)	<b>₱24,606,480,000</b>	₱26,725,519,670
Long-term debt (Notes 18 and 29)	<b>25,308,750,000</b>	19,098,185,111
Payments of:		
Bank loans (Notes 15 and 29)	<b>(12,356,480,000)</b>	(35,555,419,670)
Long-term debt (Notes 18 and 29)	<b>(40,310,164,993)</b>	(8,824,996,200)
Interest	<b>(5,854,755,355)</b>	(6,156,100,562)
Dividends (Note 19)	<b>(5,119,477,185)</b>	(5,119,477,185)
Lease liabilities (Notes 26 and 29)	<b>(60,893,229)</b>	(56,299,146)
Net cash used in financing activities	<b>(13,786,540,762)</b>	(9,888,587,982)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,984,287,228)</b>	3,639,533,034
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(22,806,670)</b>	(3,228,220)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)</b>	<b>8,675,369,968</b>	5,039,065,154
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>₱3,668,276,070</b>	₱8,675,369,968

*See accompanying Notes to Parent Company Financial Statements.*



# SM INVESTMENTS CORPORATION

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## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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### 1. Corporate Information

SM Investments Corporation (the Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Company is one of the largest publicly listed company in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying parent company financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 28, 2022.

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### 2. Basis of Preparation and Statement of Compliance

#### Basis of Preparation

The parent company financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value. The parent company financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest Peso except when otherwise indicated.

The accompanying parent company financial statements have been prepared under the going concern assumption. The Company believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

#### Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRSs.

The Company prepares and issues consolidated financial statements in compliance with PFRSs and for the same period as the parent company financial statements. These consolidated financial statements may be obtained at the registered office address of the Company or at the Philippine SEC.

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### 3. Summary of Significant Accounting Policies, Changes and Improvements

The significant accounting policies adopted in the preparation of the parent company financial statements are summarized below.

#### 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 and are subject to an insignificant risk of change in value.



### Time Deposits

Time deposits (shown under current assets) are cash placements with original maturities of more than three months but less than one year. Time deposits with maturities of more than 12 months after the reporting period are presented under noncurrent assets.

### Determination of Fair Value

Fair value is the 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 most advantageous market for the asset or liability, in the absence of a principal market.

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 best economic interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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 based on the lowest level input that is significant to the fair value measurement as a whole and disclosed in the parent company financial statements based on the fair value hierarchy described below:

- 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 parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization 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 assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability.

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 markets, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the parent company



statement of comprehensive income (SCI) unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in the SCI when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of “Day 1” difference.

## Financial Instruments

### *Financial Assets*

#### Initial Recognition and Measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company’s business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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 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 are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent Measurement

Subsequent to initial recognition, the Company classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
  - with recycling of cumulative gains and losses (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

#### *Financial Assets at Amortized Cost (Debt Instruments)*

The Company measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

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 the SCI when the asset is derecognized, modified or impaired.



The Company's financial assets at amortized cost include cash and cash equivalents, time deposits, receivables (excluding certain other receivables), certain bonds and deposits, long-term notes, escrow fund and refundable deposits (included under "Other noncurrent assets" account).

*Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, and 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 classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are measured at fair value. Changes in fair value are recognized in the SCI.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative when:

- 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 FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in the SCI. 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 FVPL 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 FVPL.

*Financial Assets at FVOCI (Debt Instruments)*

The Company measures debt instruments at FVOCI when:

- The financial asset is held within a business model with the objective of both holding 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 SPPI.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the SCI and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change is recycled to profit or loss.

As at December 31, 2021 and 2020, the Company does not have any debt instrument measured at FVOCI.



*Financial Assets Designated at FVOCI (Equity Instruments)*

Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the SCI when the right of payment is 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 OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company's equity instruments at FVOCI include investments in shares of stock and club shares (included under "Financial assets at FVOCI" account).

*Derecognition*

A financial asset, part of a financial asset or part of a group of similar financial assets, is primarily derecognized when:

- The right to receive cash flows from the asset has 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 the 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 recognizes 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.

*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 the SCI, 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. The Company considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as "SPPI"



The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

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 SCI.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

#### *Impairment*

The Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. 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 EIR. 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.

To calculate ECLs, the Company uses a provision matrix for receivable from tenants and general approach (low credit risk simplification) for treasury assets.

ECLs are recognized in two stages. For credit exposures with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month period (a 12-month ECL). For those credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Company applies a simplified approach in calculating ECLs. The Company does not track changes in credit risk, instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers 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.



For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. The Company considers there to be a significant increase in credit risk when contractual payments become past due.

### *Financial Liabilities*

#### Initial Recognition and Measurement

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

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

The Company's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies and advance rentals and deposits), long-term debt, lease liabilities and tenants' deposits and others (excluding deferred rent income).

#### Subsequent Measurement

##### *Loans and Borrowings*

Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the SCI when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the SCI.

##### *Financial Liabilities at FVPL*

Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the SCI.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled. 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 a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the SCI.

##### *Exchange or Modification of Financial Liabilities*

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the



modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in the SCI.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

#### *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

#### *Derivative Financial Instruments and Hedge Accounting*

##### Initial Recognition and Subsequent Measurement

The Company uses derivative financial instruments such as cross-currency swaps and non-deliverable forwards and swaps to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the 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.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is 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.

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.

#### *Cash Flow Hedges*

The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the SCI. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.



The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under “Net unrealized gain on financial assets at FVOCI and others” account.

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 nonfinancial 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 nonfinancial asset or nonfinancial 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 hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

#### Prepaid Taxes

Prepaid taxes (included under the “Prepaid taxes and other current assets” account) are carried at cost less any impairment in value. Prepaid taxes consist mainly of tax credits which may be used for payments of Internal Revenue taxes.

#### Investments in Subsidiaries and Associates

The Company’s investments in subsidiaries (entities which the Company controls) and associates (entities in which the Company has significant influence and are neither subsidiaries nor joint ventures) are carried at cost less any impairment in value.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary or associate. The Company recognizes dividend income from its subsidiaries and associates when its right to receive the dividend is established.

Common control transactions with the subsidiaries are recorded at the carrying value of assets given up. No gain or loss is recognized from the transactions.

#### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated 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.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.



Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings, condominium units and improvements	5-25 years
Machinery and equipment	10 years
Transportation equipment	5-15 years
Furniture, fixtures and office equipment	3-5 years

The residual values, useful lives and methods of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying value of the assets is 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 these are no longer in use and no further depreciation is credited or charged to current operations.

When any property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation and accumulated provision for impairment loss is removed from the accounts and any resulting gain or loss is recognized in the SCI.

#### Investment Properties

Investment properties include property held to earn rentals and for capital appreciation. Investment properties, except land, are measured at cost, less accumulated depreciation and accumulated impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are recognized in the SCI.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	10 years
Buildings and improvements	5-25 years
Building equipment, furniture and others	3-10 years

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

Investment property is derecognized when disposed or 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 SCI.

Transfers are made to (from) investment property when there is a change in use evidenced by ending (commencement) of owner-occupation or commencement of lease to another party (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.



#### Construction in Progress

Construction in progress under investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

#### Software

Software is measured on initial recognition at cost. Following initial recognition, software is carried at cost less accumulated amortization and any accumulated impairment loss. Software is amortized over its economic useful life and assessed for impairment whenever there is an indication of impairment.

Amortization is computed using the straight-line method over the estimated useful life of five years. The residual value, if any, useful life and amortization method of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains or losses arising on derecognition of software (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the SCI in the year the asset is derecognized.

#### 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 12 months.

#### Impairment of Nonfinancial Assets

The carrying value of nonfinancial assets (investment in subsidiaries and associates, property and equipment, investment properties, software and right-of-use (ROU) assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying value 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 (CGUs) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and 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 CGU to which the asset belongs. Impairment losses are recognized in the SCI in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. A previously recognized impairment loss is reversed only when there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, 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 or amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the SCI. 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.



#### Capital Stock and Additional Paid-in Capital

Capital stock is stated at par value of the share. Proceeds and/or fair value of considerations received in excess of par value, if any, is recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new shares are deducted from the proceeds, net of tax.

#### Retained Earnings

Retained earnings include cumulative profits, dividend distributions, effects of changes in accounting policy and other capital adjustments. Unappropriated retained earnings is the portion which is available for distribution to stockholders as dividends, subject to adjustments based on the regulatory requirements of the Philippine SEC. Appropriated retained earnings is the portion that is restricted and therefore, not available for dividend distribution.

#### 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 shall be met before revenue is recognized:

*Dividends.* Revenue is recognized when the Company's right as a shareholder to receive payment is established.

*Royalty, Management and Service Fees.* Revenue is recognized when earned in accordance with the terms of the agreements.

*Rent.* Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

*Gain on Sale of Financial Assets.* Revenue is recognized upon delivery of the securities to, and confirmation of the sale by the broker.

*Interest Income.* Revenue is recognized when interest accrues, taking into account the effective yield.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized as incurred.

#### Pension Benefits

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, 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and,
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements, are recognized as expense. Past service cost is recognized on the earlier of the date of the plan amendment or curtailment or the date when the restructuring-related cost is recognized.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 liability or asset is recognized as expense or income in the SCI.

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 liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the SCI in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can these be paid directly to the Company. The 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 these have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

#### Foreign Currency-denominated Transactions

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 as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rate as at the date of initial recognition. All differences are recognized in the SCI.

#### 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. Rent income from operating leases is 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 rent income. Contingent rent is recognized as revenue in the period in which it is 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 e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing 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. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

#### *Company as Lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

- *ROU Assets.* The Company recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimates of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, except when those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. ROU assets are subject to impairment.
- *Lease Liabilities.* 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 (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased 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.

- *Short-term Leases and Leases of Low-value Assets.* 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 lease of low-value assets recognition exemption. These leases are recognized as expense on a straight-line basis over the lease term.



### 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. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

### Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if it is directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost is incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that it will result in future economic benefits to the Company. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

### Taxes

*Current Income 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 the end of each reporting period.

*Deferred Income Tax.* Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and their carrying amounts at each reporting period.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (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 over RCIT and unused 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 the end of 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 tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that the 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 as at reporting date.

Income tax relating to items recognized directly in OCI is recognized in OCI and not in SCI.

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/or the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added Tax (VAT)*. Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the “Prepaid taxes and other current assets” or “Accounts payable and other current liabilities” accounts in the parent company balance sheet.

#### Segment Reporting

The Company has identified three reportable operating segments as follows: property, retail, and banking and others.

The property segment is involved in mall, residential and commercial development and hotels and convention center operations. The 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 and cinemas within the compound of the shopping centers. The 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. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking and others segment primarily includes the operations of the Company which is engaged in asset management and capital investments as well as its associate companies which include the banks.

The BOD monitors the operating results of each of its business units 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.

#### Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.



### Events after the Reporting Period

Post yearend events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous year except for the adoption of the following new standards, amendments to standards and improvements, starting January 1, 2021. Unless otherwise indicated, the adoption did not have any significant impact on the parent company financial statements.

- Adoption of the Deferral Provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 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 (MC) No. 14, Series of 2018, and SEC MC 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 MC 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 that the Company availed as at December 31, 2020 and the related deferral period follows:

	<u>Deferral Period</u>
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 on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02 on determining which uninstalled materials should not be included in calculating the POC.

On July 8, 2021, the SEC issued SEC MC No. 8, series of 2021 amending the transition provision of the above PIC Q&A providing real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach. With this, real estate companies are finally able to fully comply with PFRS 15 and revert to full PFRS financial reporting for the calendar year 2021.



For the calendar year ended 2021, the Company did not avail of the relief provided by the SEC and instead adopted the PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04) effective January 1, 2021, using the modified retrospective approach.

- Adoption of 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 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 MC 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 did not avail of the relief provided by the SEC and instead adopted the IFRIC Agenda Decision effective January 1, 2021, using modified retrospective approach as provided under the SEC MC No. 8, series of 2021.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from 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 due on or before June 30, 2022; 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 concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

*Company as Lessee.* The Company adopted the amendments beginning January 1, 2021. The adoption of these amendments for rent concessions on certain land and office spaces has no significant impact for the year ended December 31, 2021.



*Company as Lessor.* For the year ended December 31, 2021 and 2020, the Company waived rentals and other charges amounting to ₱47.5 million and ₱78.7 million, respectively, in addition to deferral of rental payments. These concessions reduced rental income. These rental waivers and deferrals are accounted as a lease modification under PFRS 16.

▪ Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments 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 following information shall also be disclosed:

- 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
- Progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Future Changes in Accounting Policies

The following are the new standards and amendments to standards and improvements that were issued but are not yet effective as at December 31, 2021. Unless otherwise indicated, the Company does not expect the future adoption of the said new standards, amendments to standards and improvements to have a significant impact on the parent company financial statements. The Company intends to adopt the applicable standards, amendments to standards and improvements when these become effective.

*Effective beginning on or after January 1, 2022*

▪ Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are 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.

The amendments also clarified 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*

The amendments 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 on or after January 1, 2022 and with retroactive modification for items of property, plant and equipment made available for use on or after the beginning of the earliest period presented at the time of adoption.

▪ Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments 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 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*

The amendment 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*

The amendment 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 adoption.

The amendment is effective on or after January 1, 2022 with earlier adoption permitted.



- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment 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.

The amendment is to be applied prospectively or after January 1, 2022 with early adoption permitted.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

The amendments are effective on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective on or after January 1, 2023 with early adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. These amendments are effective on or after January 1, 2023 with early adoption permitted.



*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. 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 on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is 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

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective on or after January 1, 2025, 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*

The amendments 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 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.

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## 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at reporting date.

### 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 parent company financial statements:

*Operating Lease Commitments - Company as Lessor.* Management has determined that the Company 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.

*Determining the Lease Term of Contracts with Renewal and Termination Options - Company as Lessee.* The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating the certainty or possibility of exercising the option to renew or terminate the lease contracts. The Company considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contracts (e.g. construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Company exercises its option to renew.

*Lease Modification - as Lessor.* Throughout the government-imposed community quarantine, the Company waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are accounted as a lease modification under PFRS 16.



*Classification of Property.* In classifying assets as investment property or property and equipment, the Company considers the nature and intended use of each property separately.

- Investment property includes land, building spaces and improvements which are not occupied by or used in the operations of the Company. These are not available for sale in the ordinary course of business. The properties are held primarily to earn rental and for capital appreciation.
- Property and equipment includes properties used in the operations of the Company. These are not available for sale in the ordinary course of business.

See Notes 11 and 12 for related balances.

*Classifying Investments in Associates and Subsidiaries.* The classification of investments in associates or subsidiaries requires significant judgment. In making this judgment, the Company evaluates whether it has significant influence over or control of the investees.

Management assessed that the Company has significant influence over all its associates by virtue of the Company's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

Control is achieved when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if the Company has:

- Power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

*SM Prime Holdings, Inc. and Subsidiaries (SM Prime).* The Company has 50% ownership interest in SM Prime. Management assessed that the Company has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Company the power to direct relevant activities of SM Prime.

*BDO Unibank, Inc. and Subsidiaries (BDO).* The Company has 39% ownership interest in BDO. Management assessed that the Company does not have control of BDO as the Company's voting rights is not sufficient to give it power to direct the relevant activities of BDO.

*Premium Leisure Corp. (PLC).* The Company has 5% ownership interest in PLC. PLC is a subsidiary of Belle Corporation (Belle). Management assessed that the Company has significant influence over PLC through its associate, Belle.

See Note 10 for related balances.

#### Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

*Provision for ECLs of Receivables.* 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 receivable from tenants 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. See Note 7 for related balances.

*Impairment of Investments in Subsidiaries and Associates.* Impairment review of investments in subsidiaries and associates is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments using key assumptions such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 10 for related balances.

*Impairment of Other Nonfinancial Assets.* The Company assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties, software and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Company.

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 Company's assessment of recoverable values and may lead to future additional impairment charges. See Notes 11, 12, 13 and 26 for related balances.

*Estimated Useful Lives of Property and Equipment, Investment Properties and Software (except for ROU Assets).* The useful life of each item of the Company's property and equipment, investment properties and software 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. See Notes 11, 12 and 13 for related balances.

*Realizability of Deferred Tax Assets.* The carrying amount of deferred tax assets is reviewed at the end of 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 tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT over RCIT and 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. See Note 25 for related balances.

*Present Value of Defined Benefit Obligation.* The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.

The Company determines the appropriate discount rate at the reporting date. In determining the discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the



terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Company's pension and other pension obligations. See Note 24 for related balances.

*Fair Value of Financial Assets and Liabilities.* 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 financial assets and liabilities would directly affect the SCI and OCI. See Note 28 for related balances.

*Valuation of Unquoted Equity Investments.* Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Company's financial assets at FVOCI at fair value in compliance with PFRS 9, *Financial Instruments*, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Company.

*Leases - Estimating the IBR.* The Company cannot readily determine the interest rate implicit in the lease, therefore, it used its 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 an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating). See Note 26 for related balances.

*Contingencies.* The Company is involved in certain legal and administrative proceedings. The Company, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

*Provisions.* The Company has present and potential obligations (legal or constructive) as a result of past events. Management believes that it is probable that an outflow of resources will be required to settle the obligation. The Company makes a reliable estimate of the amount to be settled.

Provisions amounted to ₱3,583.6 million and ₱7,705.6 million as at December 31, 2021 and 2020, respectively. Other information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not disclosed as it may prejudice the Company's negotiation with third parties.



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## 5. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks (Note 23)	<b>₱154,258,562</b>	₱25,572,324
Temporary investments (Note 23)	<b>3,514,017,508</b>	8,649,797,644
	<b>₱3,668,276,070</b>	₱8,675,369,968

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. These investments earn interest at prevailing rates. Interest income earned from cash in banks and temporary investments is disclosed in Note 22.

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## 6. Time Deposits

This account consists of Peso-denominated time deposits amounting to ₱11.9 million as at December 31, 2020 which matured in 2021. The time deposits bear an annual interest of 1.5%.

Interest income earned from time deposits is disclosed in Note 22.

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## 7. Receivables

This account consists of:

	2021	2020
Receivables from related parties (Note 23)	<b>₱12,811,577,569</b>	₱22,691,624,949
Dividends (Note 23)	<b>8,757,750,903</b>	9,026,618,097
Royalty, management and service fees (Notes 20 and 23)	<b>2,660,866,896</b>	2,696,117,012
Receivables from tenants (Note 23)	<b>418,943,888</b>	420,117,848
Accrued interest (Notes 5, 6, 8, 14 and 23)	<b>50,399,524</b>	49,585,842
Non-trade receivables and others (Note 23)	<b>3,282,150,092</b>	1,281,663,296
	<b>₱27,981,688,872</b>	₱36,165,727,044

The terms and conditions of these receivables follow:

- Dividends and non-trade receivables and others are noninterest-bearing and are collectible within the next financial year. Non-trade receivables consist of reimbursement for utilities, communications, repairs and maintenance and others.
- Receivables from tenants and royalty, management and service fees, mostly from affiliates, are noninterest-bearing and are normally collectible on 30- to 180-day terms.
- Accrued interest pertains mostly to interest income earned from time deposits, investment in corporate bonds and long-term notes which pay interest quarterly or semi-annually.
- The terms and conditions relating to related party receivables are discussed in Note 23.



The aging analysis of receivables follow:

	2021		Total
	Neither Past Due nor Impaired	Over 31 Days Past Due but not Impaired	
Receivable from related parties	₱12,811,577,569	₱-	₱12,811,577,569
Dividends	8,757,750,903	-	8,757,750,903
Royalty, management and service fees	2,660,866,896	-	2,660,866,896
Receivable from tenants	345,186,847	73,757,041	418,943,888
Accrued interest	50,399,524	-	50,399,524
Non-trade receivables and others	3,282,150,092	-	3,282,150,092
	<b>₱27,907,931,831</b>	<b>₱73,757,041</b>	<b>₱27,981,688,872</b>

	2020		Total
	Neither Past Due nor Impaired	Over 31 Days Past Due but not Impaired	
Receivable from related parties	₱22,691,624,949	₱-	₱22,691,624,949
Dividends	9,026,618,097	-	9,026,618,097
Royalty, management and service fees	2,696,117,012	-	2,696,117,012
Receivable from tenants	392,113,107	28,004,741	420,117,848
Accrued interest	49,585,842	-	49,585,842
Non-trade receivables and others	1,281,663,296	-	1,281,663,296
	<b>₱36,137,722,303</b>	<b>₱28,004,741</b>	<b>₱36,165,727,044</b>

## 8. Financial Assets at FVOCI

This account consists of:

	2021	2020
Equity instruments:		
Shares of stock:		
Listed (Note 28)	₱13,440,439,924	₱12,155,257,025
Unlisted (Note 28)	820,945,282	665,809,868
Club shares (Note 28)	14,300,000	11,820,000
	<b>₱14,275,685,206</b>	<b>₱12,832,886,893</b>

- Equity instruments at FVOCI include investments in shares of stock and club shares which are not held for trading and which the Company has irrevocably designated at FVOCI, as the Company considers these investments to be strategic in nature.

The movements in net unrealized gain on financial assets at FVOCI follow:

	2021	2020
Balance at beginning of year	₱2,121,208,791	₱1,984,075,267
Net gain due to changes in fair value of financial assets at FVOCI	405,453,437	137,997,511
Realized gain on sale of financial assets at FVOCI	-	(863,987)
Balance at the end of year	<b>₱2,526,662,228</b>	<b>₱2,121,208,791</b>



## 9. Prepaid Taxes and Other Current Assets

This account consists of:

	2021	2020
Prepaid taxes and other prepayments	₱4,052,554,391	₱3,828,728,749
Derivative assets (Note 28)	28,449,178	–
Supplies inventory	1,141,719	1,429,152
	<b>₱4,082,145,288</b>	<b>₱3,830,157,901</b>

Prepaid taxes and other prepayments substantially consist of creditable tax certificates received by the Company.

## 10. Investments in Subsidiaries and Associates

The movements in this account follow:

	2021	2020
Acquisition cost:		
Balance at beginning of year	₱181,756,322,306	₱181,307,039,813
Additions	19,146,729,759	65,939,999
Reclassifications	–	383,342,494
Balance at end of year	<b>200,903,052,065</b>	<b>181,756,322,306</b>
Allowance for impairment loss:		
Balance at beginning of year	4,618,763,046	3,618,763,046
Additions	–	1,000,000,000
Balance at end of year	<b>4,618,763,046</b>	<b>4,618,763,046</b>
	<b>₱196,284,289,019</b>	<b>₱177,137,559,260</b>

The Company regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. In 2020, the Company recognized ₱1,000.0 million of impairment loss due to the adverse impact of COVID-19 on certain investments.

The subsidiaries and associates of the Company follow:

Company	Principal Activities	Percentage of Ownership			
		2021		2020	
		Direct	Indirect	Direct	Indirect
<b>Subsidiaries</b>					
<b>Property</b>					
SM Prime	Real estate development	50	–	50	–
SM Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Highlands Prime, Inc.	Real estate development	–	100	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	–	100	–	100
Magenta Legacy, Inc.	Real estate development	–	100	–	100
Associated Development Corporation	Real estate development	–	100	–	100
Prime Metro Estate, Inc. and Subsidiary	Real estate development	–	100	–	100
Tagaytay Resort Development Corp	Real estate development	–	100	–	100
SM Arena Complex Corporation	Conventions	–	100	–	100
MOA Esplanade Port, Inc.	Port terminal operations	–	100	–	100
Premier Clark Complex, Inc.	Real estate development	–	100	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	–	100	–	100
First Asia Realty Development Corp.	Real estate development	–	74	–	74

(Forward)



Company	Principal Activities	Percentage of Ownership			
		2021		2020	
		Direct	Indirect	Direct	Indirect
Premier Southern Corp.	Real estate development	–	100	–	100
San Lázaro Holdings Corporation	Real estate development	–	100	–	100
Southernpoint Properties Corp.	Real estate development	–	100	–	100
First Leisure Ventures Group Inc.	Real estate development	–	50	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Springfield Global Enterprises Limited *[BVI]	Real estate development	–	100	–	100
Simply Prestige Limited and Subsidiaries *[BVI]	Real estate development	–	100	–	100
SM Land (China) Limited and Subsidiaries *[Hong Kong]	Real estate development	–	100	–	100
Rushmore Holdings, Inc.	Real estate development	–	100	–	100
Prime Commercial Property Management Corp. and Subsidiaries	Real estate development	–	100	–	100
Mindpro, Incorporated	Real estate development	–	70	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	100	–	100
AD Canicosa Properties, Inc.	Real estate development	–	100	–	100
Cherry Realty Development Corporation	Real estate development	–	100	–	100
Supermalls Transport Services, Inc.	Real estate development	–	100	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	100	–	100
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	100	–	100	–
Intercontinental Development Corporation	Real estate development	97	3	97	3
Prime Central Limited and Subsidiaries *[BVI]	Investment	100	–	100	–
Bellevue Properties, Inc.	Real estate development	62	–	62	–
Neo Subsidiaries <sup>(a)</sup>	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	63	–
<b>Retail</b>					
SM Retail Inc. and Subsidiaries	Retail	77	–	77	–
<b>Others</b>					
Primebridge Holdings, Inc.	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	99	–	99	–
Belleshare Holdings, Inc.	Investment	99	–	99	–
Digital Advantage Corp. (DAC)	Investment	94	–	94	–
Goldilocks Bakeshop, Inc. (GBI)	Bakery products and other food items	74	–	–	–
2GO Group, Inc. (2GO)	Integrated supply chain	53	–	–	–
Globalfund Holdings, Inc. (Globalfund)	Investment	98	2	–	100
<b>Associates</b>					
BDO	Financial Services	39	8	39	8
China Banking Corporation and Subsidiaries	Financial Services	23	–	23	–
Atlas Consolidated Mining and Development Corporation and Subsidiaries (Atlas)	Mining	34	–	34	–
Sodexo Benefits and Rewards Services Philippines, Inc.	Retail	40	–	40	–
CityMall Commercial Centers, Inc.	Real estate development and tourism	34	–	34	–
PLC	Gaming	5	–	5	–
2GO Group, Inc.	Integrated supply chain	–	–	30	–
Neo Associates <sup>(b)</sup>	Real estate development	34	–	34	–
Goldilocks Bakeshop, Inc.	Bakery products and other food items	–	–	34	–
Asia-Pacific Computer Technology Center, Inc.	Investment	42	–	42	–
GPAY Network PH Inc.	Providing electronic money through electronic instruments	35	–	35	–
AIC Group of Companies Holding Corp. (AIC)	Investment	35	–	35	–

The principal place of business and country of incorporation of the subsidiaries and associates listed in the above table is in the Philippines except for those marked \* and as indicated after the company name.

- (a) Neo Subsidiaries include of N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.
- (b) Neo Associates include of N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.



PULSI

In December 2021, the Company acquired 306,298,831 shares, increasing its equity interest to 71.3%.

DAC

In June and September 2020, the Company acquired 65,939,999 shares equivalent to 94.2% equity interest as at December 31, 2020.

GBI

In August 2021, the Company acquired 224,468,661 shares, increasing its equity interest to 74.1%.

2GO

In April and June 2021, the Company acquired 551,416,160 shares, increasing its equity interest to 52.9%.

Globalfund

In September 2021, the Company acquired 4,900,000 shares equivalent to 98.0% equity interest.

AIC

In December 2020, the Company acquired 21,875,002 shares equivalent to 35.0% equity interest.

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## 11. Property and Equipment

The movements in this account follow:

	Buildings, Condominium Units and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Total
<b>Cost</b>					
Balance as at December 31, 2019	₱102,070,248	₱29,878,349	₱444,485,133	₱893,571,071	₱1,470,004,801
Additions	1,016,805	–	–	38,052,165	39,068,970
Reclassifications	–	–	–	8,521,786	8,521,786
Balance as at December 31, 2020	103,087,053	29,878,349	444,485,133	940,145,022	1,517,595,557
Additions	2,530,494	–	–	87,933,561	90,464,055
Reclassifications	1,499,293	–	–	9,294,643	10,793,936
<b>Balance as at December 31, 2021</b>	<b>₱107,116,840</b>	<b>₱29,878,349</b>	<b>₱444,485,133</b>	<b>₱1,037,373,226</b>	<b>₱1,618,853,548</b>
<b>Accumulated Depreciation</b>					
Balance as at December 31, 2019	₱57,371,847	₱23,411,159	₱106,298,985	₱693,382,384	₱880,464,375
Depreciation (Note 21)	8,183,442	896,261	24,266,384	119,551,036	152,897,123
Balance as at December 31, 2020	65,555,289	24,307,420	130,565,369	812,933,420	1,033,361,498
Depreciation (Note 21)	8,295,734	896,261	24,214,414	78,085,494	111,491,903
<b>Balance as at December 31, 2021</b>	<b>₱73,851,023</b>	<b>₱25,203,681</b>	<b>₱154,779,783</b>	<b>₱891,018,914</b>	<b>₱1,144,853,401</b>
<b>Net Book Value</b>					
<b>As at December 31, 2021</b>	<b>₱33,265,817</b>	<b>₱4,674,668</b>	<b>₱289,705,350</b>	<b>₱146,354,312</b>	<b>₱474,000,147</b>
As at December 31, 2020	37,531,764	5,570,929	313,919,764	127,211,602	484,234,059



## 12. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<b>Cost</b>					
Balance as at December 31, 2019	₱1,857,999,909	₱2,937,407,820	₱117,124,421	₱40,928,945	₱4,953,461,095
Additions	–	25,296,294	8,396,691	1,499,294	35,192,279
Reclassifications	–	–	–	(8,521,786)	(8,521,786)
Balance as at December 31, 2020	1,857,999,909	2,962,704,114	125,521,112	33,906,453	4,980,131,588
Additions	4,707,093	429,351,791	3,968,153	3,698,182	441,725,219
Write-off	(35,116,478)	–	–	–	(35,116,478)
Reclassifications	–	–	–	(10,294,937)	(10,294,937)
<b>Balance as at December 31, 2021</b>	<b>₱1,827,590,524</b>	<b>₱3,392,055,905</b>	<b>₱129,489,265</b>	<b>₱27,309,698</b>	<b>₱5,376,445,392</b>
<b>Accumulated Depreciation</b>					
Balance as at December 31, 2019	₱96,701,066	₱1,492,432,379	₱65,446,505	₱–	₱1,654,579,950
Depreciation (Note 21)	15,167,985	121,521,908	9,333,758	–	146,023,651
Balance as at December 31, 2020	111,869,051	1,613,954,287	74,780,263	–	1,800,603,601
Depreciation (Note 21)	15,221,123	126,735,689	9,719,793	–	151,676,605
<b>Balance as at December 31, 2021</b>	<b>₱127,090,174</b>	<b>₱1,740,689,976</b>	<b>₱84,500,056</b>	<b>₱–</b>	<b>₱1,952,280,206</b>
<b>Net Book Value</b>					
As at December 31, 2021	<b>₱1,700,500,350</b>	<b>₱1,651,365,929</b>	<b>₱44,989,209</b>	<b>₱27,309,698</b>	<b>₱3,424,165,186</b>
As at December 31, 2020	1,746,130,858	1,348,749,827	50,740,849	33,906,453	3,179,527,987

No impairment loss was recognized in 2021 and 2020.

The fair value of the investment properties amounting to ₱38,348.0 million as at December 31, 2021 was determined by an accredited and independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. The valuation approach used in the appraisal is the market data approach. The fair value of investment properties is categorized under Level 3 as these were based on unobservable inputs with price adjustments ranging from 5.0% to 10.0%.

Rent income from investment properties amounted to ₱1,151.8 million and ₱1,104.3 million in 2021 and 2020, respectively. The corresponding direct operating expenses amounted to ₱883.6 million and ₱896.4 million in 2021 and 2020, respectively.

The Company has no restriction on the realizability of its investment properties.

## 13. Software

The movements in this account follow:

	2021	2020
<b>Cost:</b>		
Balance at beginning of year	<b>₱141,498,673</b>	₱141,498,673
Additions	–	–
Balance at end of year	<b>141,498,673</b>	141,498,673
<b>Accumulated amortization:</b>		
Balance at beginning of year	<b>118,032,858</b>	97,304,266
Amortization (Note 21)	<b>19,397,236</b>	20,728,592
Balance at end of year	<b>137,430,094</b>	118,032,858
<b>Net book value</b>	<b>₱4,068,579</b>	₱23,465,815



#### 14. Other Noncurrent Assets

This account consists of:

	2021	2020
Bonds and deposits (Notes 23, 27 and 28)	<b>₱18,772,519,360</b>	₱19,667,881,957
Long-term notes (Notes 23, 27 and 28)	<b>5,371,668,241</b>	4,999,358,887
Escrow fund (Note 27)	<b>130,000,000</b>	130,000,000
Refundable deposits (Note 27)	<b>35,227,351</b>	34,765,161
	<b>₱24,309,414,952</b>	₱24,832,006,005

- Bonds and deposits include advances made by the Company to various suppliers and other parties relative to ongoing services and other transactions. Bonds and deposits also include assets used to secure certain obligations of subsidiaries and/or associates.
- Long-term notes pertain to a 7-year loan amounting to US\$108.4 million that was extended to Carmen Copper Corporation (CCC), a wholly owned subsidiary of Atlas. The loan bears a 5.4% fixed interest, payable quarterly.
- Escrow fund pertains to funds deposited in the account of an escrow agent as required by the Philippine SEC, in connection with the corporate restructuring in 2013.
- Interest income earned from bonds and deposits, long-term notes and escrow fund is disclosed in Note 22.

#### 15. Bank Loans

This account consists of unsecured Peso-denominated loans amounting to ₱12,250.0 million as at December 31, 2021. The loans bear fixed interest ranging from 1.9% to 2.1%.

Interest expense on bank loans is disclosed in Note 22.

#### 16. Accounts Payable and Other Current Liabilities

This account consists of:

	2021	2020
Subscriptions payable	<b>₱1,966,477,148</b>	₱2,021,789,648
Accrued interest (Notes 15, 18 and 23)	<b>730,213,100</b>	848,422,181
Payable to government agencies	<b>586,817,614</b>	554,694,621
Payable to suppliers	<b>461,810,117</b>	523,145,851
Accrued expenses	<b>438,732,607</b>	423,800,763
Advance rentals and deposits	<b>149,877,510</b>	135,984,190
Payable to related parties (Note 23)	<b>83,020,754</b>	168,320,730
Derivative liabilities (Notes 27 and 28)	<b>28,449,178</b>	-
Lease liabilities (Notes 23 and 26)	<b>20,324,712</b>	25,122,482
	<b>₱4,465,722,740</b>	₱4,701,280,466



The terms and conditions of the liabilities above follow:

- Subscriptions payable pertains to the unpaid subscriptions of shares of certain companies which is due and demandable.
- Accrued interest pertains to unpaid interest expense on bank loans and long-term debt, which is normally settled quarterly or semi-annually.
- Payable to government agencies mainly consists of VAT liability which is normally settled within the next financial year.
- Payable to suppliers include contractual obligations of the Company with various suppliers for the construction of special projects and are normally settled on 30- to 60-day terms.
- Accrued expenses pertain to costs and expenses incurred in the normal course of business and are normally settled within the next financial year. This account consists of accrual for personnel cost, repairs and maintenance, communication, utilities, taxes and licenses, dues and subscriptions and others.
- Advance rentals and deposits pertain substantially to the advance rental payments from various lessees for the rental of space in the Company's investment properties. The lease agreements provide that the advance rental payments will be applied to rentals within the next financial year. Advance rental is not remeasured at amortized cost.
- The terms and conditions of payable to related parties are discussed in Note 23.

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## 17. Provisions

Provisions are amounts appropriated for potential obligations of the Company. The information usually required by PAS 37 is not disclosed as it may prejudice the Company's negotiation with third parties.



## 18. Long-term Debt

This account consists of:

	Availment	Maturity	Security	Interest Rate/Term	2021	2020
U.S. dollar-denominated:						
Fixed rate bonds						
US\$350.0 million senior bonds	June 10, 2014	June 10, 2024	Unsecured	Fixed 4.88%; semi-annual	<b>₱17,849,650,000</b>	₱16,808,050,000
US\$209.2 million five-year term loans	March 6, 2018 to July 26, 2018	March 6, 2023 to July 26, 2023	Unsecured	Floating three-month LIBOR + margin; quarterly	<b>10,666,886,685</b>	10,044,430,268
US\$200.0 million five-year term loans	June 28, 2019 to July 16, 2019	June 28, 2024	Unsecured	Floating three-month LIBOR + margin; semi-annual	<b>10,199,800,000</b>	9,604,600,000
Other U.S. dollar bank loans (Note 23)	March 31, 2017 to May 4, 2017	March 28, 2022 to May 4, 2022	Unsecured	Floating three-month LIBOR + margin; quarterly	<b>5,507,892,000</b>	6,146,944,000
Peso-denominated:						
Fixed rate retail bonds						
Series D Bonds	July 16, 2012	July 16, 2022	Unsecured	Fixed 6.94%; semi-annual	<b>7,683,810,000</b>	7,683,810,000
Series E Bonds	May 19, 2014	May 19, 2021	Unsecured	Fixed 5.30%; semi-annual	–	11,669,620,000
Series F Bonds	May 19, 2014	May 19, 2021	Unsecured	Fixed 5.61%; semi-annual	–	3,330,380,000
Series G Bonds	December 9, 2016	December 9, 2021	Unsecured	Fixed 5.159%; semi-annual	–	20,000,000,000
Series H Bonds	October 2, 2020	April 2, 2024	Unsecured	Fixed 3.361%; semi-annual	<b>10,000,000,000</b>	10,000,000,000
Fixed rate note	July 22, 2020	January 22, 2022	Unsecured	Fixed 2.875%; semi-annual	<b>5,600,000,000</b>	5,600,000,000
Other Peso bank loans (Note 23)	April 23, 2013 to December 7, 2021	January 17, 2021 to May 14, 2031	Unsecured	Fixed 3.00% to 5.40% and three-month PHP BVAL + margin; semi-annual and quarterly	<b>41,889,800,000</b>	20,739,203,800
					<b>109,397,838,685</b>	121,627,038,068
Less debt issue cost					<b>674,223,799</b>	719,941,743
					<b>108,723,614,886</b>	120,907,096,325
Less current portion					<b>21,363,677,814</b>	14,412,219,876
					<b>₱87,359,937,072</b>	₱106,494,876,449

LIBOR – London Interbank Offered Rate  
BVAL – Bloomberg Valuation



The US\$209.2 million and the US\$200.0 million Five-year U.S. Dollar Term Loans  
Loans amounting to US\$209.2 million and US\$200.0 million are hedged against interest rate and foreign exchange risks using cross-currency swap contracts (see Notes 27 and 28).

Interest expense incurred on long-term debt is disclosed in Note 22.

Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2021	2020
Balance at beginning of year	<b>₱719,941,743</b>	₱520,792,517
Additions	<b>191,250,000</b>	383,792,255
Amortization (Note 22)	<b>(240,203,243)</b>	(178,078,820)
Foreign exchange movement	<b>3,235,299</b>	(6,564,209)
Balance at end of year	<b>₱674,223,799</b>	₱719,941,743

Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2021 follows:

	Gross Debt	Debt Issue Cost	Net
Within one year	₱21,380,152,000	₱16,474,186	₱21,363,677,814
Over one year to five years	71,387,686,685	538,121,338	70,849,565,347
Over five years	16,630,000,000	119,628,275	16,510,371,725
	<b>₱109,397,838,685</b>	<b>₱674,223,799</b>	<b>₱108,723,614,886</b>

Debt Covenants

The long-term debt of the Company is covered with certain covenants including adherence to financial ratios namely; (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at December 31, 2021 and 2020, the Company is in compliance with the terms of its debt covenants.

**19. Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2021	2020
Authorized - ₱10 par value per share	<b>2,790,000,000</b>	2,790,000,000
Issued and subscribed	<b>1,204,582,867</b>	1,204,582,867



As at December 31, 2021 and 2020, the Company is compliant with the minimum public float required by the PSE.

Information on the Company's registration of securities under the Securities Regulation Code follows:

<u>Date of SEC Approval</u>	<u>Authorized Shares</u>	<u>Number of Shares Issued</u>	<u>Issue/ Offer Price</u>
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012 Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013 Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013 (25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013 Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014 Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015 Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10

The total number of shareholders of the Company is 1,261 and 1,256 as at December 31, 2021 and 2020, respectively.

b. Redeemable preferred shares

	<u>Number of Shares</u>	
	<u>2021</u>	<u>2020</u>
<u>Authorized - ₱10 par value per share</u>	<u>10,000,000</u>	<u>10,000,000</u>

There are no issued and subscribed preferred shares as at December 31, 2021 and 2020.



Retained Earnings

a. Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
Balance as at January 1, 2015		₱27,000,000,000
Reversal	November 4, 2015	(18,000,000,000)
Addition	November 4, 2015	27,000,000,000
Reversal	November 8, 2017	(27,800,000,000)
Addition	November 8, 2017	28,800,000,000
Reversal	November 10, 2021	(37,000,000,000)
Addition	November 10, 2021	37,000,000,000

Retained earnings appropriated as at December 31, 2021 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
Debt service	2022-2024	₱27,000,000,000
Investments	2022-2024	10,000,000,000
		₱37,000,000,000

b. Unappropriated

The cash dividend declarations in 2021 and 2020 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
<b>April 28, 2021</b>	<b>May 13, 2021</b>	<b>May 27, 2021</b>	<b>₱4.25</b>	<b>₱5,119,477,185</b>
June 24, 2020	July 9, 2020	July 23, 2020	4.25	5,119,477,185

The retained earnings of the Company available for dividend declaration amounted to ₱30,295.3 million and ₱17,267.6 million as at December 31, 2021 and 2020, respectively.

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**20. Royalty, Management and Service Fees**

The disaggregation of royalty, management and service fees follows:

	2021	2020
Retail	<b>₱3,445,459,388</b>	₱3,400,398,338
Property	<b>78,652,598</b>	83,726,204
Financial services and others	<b>65,025,670</b>	52,586,369
	<b>₱3,589,137,656</b>	₱3,536,710,911



## 21. Cost and Expenses

This account consists of:

	2021	2020
Personnel cost (Note 23)	<b>₱1,662,221,957</b>	₱1,743,802,942
Management and service fees and outside services (Note 23)	<b>421,350,561</b>	365,353,150
Depreciation and amortization (Notes 11, 12, 13 and 26)	<b>312,667,671</b>	349,751,293
Repairs and maintenance	<b>306,739,475</b>	323,984,325
Communication	<b>211,666,020</b>	224,661,892
Utilities	<b>131,769,642</b>	132,606,034
Taxes and licenses	<b>109,664,999</b>	164,464,813
Dues and subscription	<b>104,647,637</b>	49,547,618
Advertising and promotions	<b>60,909,711</b>	34,613,701
Entertainment, amusement and recreation	<b>47,663,413</b>	36,784,433
Donations and contributions	<b>33,293,272</b>	53,204,272
Insurance	<b>12,025,242</b>	11,775,550
Others	<b>148,174,532</b>	156,610,460
	<b>3,562,794,132</b>	3,647,160,483
Various reimbursements	<b>(1,069,729,285)</b>	(975,878,618)
	<b>2,493,064,847</b>	2,671,281,865
Provisions (reversal of provisions) - net (Note 17)	<b>(4,122,000,000)</b>	1,567,000,000
	<b>(₱1,628,935,153)</b>	₱4,238,281,865

Personnel cost consists of:

	2021	2020
Salaries and wages (Note 23)	<b>₱1,507,100,369</b>	₱1,590,666,172
Pension benefits (Note 24)	<b>131,765,685</b>	149,032,266
Other employee benefits	<b>23,355,903</b>	4,104,504
	<b>₱1,662,221,957</b>	₱1,743,802,942

Other employee benefits pertain to government-mandated bonuses.

## 22. Interest Income and Expense

The sources of interest income and interest expense follow:

	2021	2020
Interest income on:		
Bonds and deposits (Notes 14 and 23)	<b>₱790,953,440</b>	₱787,712,179
Long-term notes (Notes 14 and 23)	<b>352,192,066</b>	157,437,532
Cash and cash equivalents (Notes 5 and 23)	<b>87,037,736</b>	83,138,194
Time deposits (Notes 6 and 23)	<b>595,856</b>	323,177
Financial assets at FVOCI (Note 8)	-	14,252,460
Others (Note 14)	<b>1,669,779</b>	1,511,340
	<b>₱1,232,448,877</b>	₱1,044,374,882



	2021	2020
Interest expense on:		
Long-term debt (Notes 18 and 23)	₱5,698,818,151	₱5,796,506,299
Debt issue cost (Note 18)	240,203,243	178,078,820
Bank loans (Notes 15 and 23)	37,728,122	207,540,716
Lease liabilities (Notes 23 and 26)	35,770,104	37,515,045
Others	8,654,651	10,115,243
	<b>₱6,021,174,271</b>	<b>₱6,229,756,123</b>

### 23. Related Party Disclosures

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. The Company has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

The significant transactions with related parties follow:

a. Dividend Income

The Company earns dividend income from related parties under common stockholders.

b. Rent

The Company has existing lease agreements for land and office space with subsidiaries and other related companies (retail subsidiaries, bank associates and other affiliates).

The Company has a lease agreement with SM Prime (as lessor) over two parcels of land, where the Company's principal offices are located. Rent payable by the Company is fixed per square meter per month. The Company has the right to construct a commercial building and other improvements on the leased property. SM Prime has the obligation to pay the real estate taxes on the leased property whereas the Company has the obligation to pay the real estate taxes on the improvements (see Note 26).

c. Royalty, Management and Service Fees

The Company pays management fees to Shopping Center Management Corporation (a subsidiary of SM Prime) and service fees to SM Prime for the management of its office premises and of its various commercial properties (see Note 21).

The Company also provides management and consultancy services and full access to the SM Business System namely, human, relational and structural capital to subsidiaries and other affiliates. As consideration for the services provided, the Company receives royalty, management and service fees based on a certain percentage of the related companies' net sales as defined in the management contracts (see Note 20).



d. Cash Placements and Loans

The Company has certain bank accounts and short-term placements with BDO and China Bank that earn interest based on prevailing rates (see Notes 5 and 6).

The Company has long-term notes from an associate (see Note 14).

The Company has bank loans and long-term debt from BDO and China Bank subject to interest at prevailing rates (see Notes 15 and 18).

e. Others

The Company, in the normal course of business, has outstanding receivables from and payables to related parties which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

Category	Year	Transaction Amount	Outstanding Amount	Terms	Conditions
		<i>(In Thousands)</i>			
<b><i>Subsidiaries</i></b>					
Dividend income	2021	<b>₱11,657,602</b>	<b>₱8,331,943</b>	Noninterest-bearing	Unsecured,
	2020	8,381,151	8,606,627		no impairment
Royalty, management and service fee income	2021	<b>2,411,061</b>	<b>767,919</b>	Noninterest-bearing,	Unsecured,
	2020	2,406,629	675,377	30 to 180 days terms	no impairment
Rent income	2021	<b>566,157</b>	<b>101,507</b>	Noninterest-bearing,	Unsecured,
	2020	514,334	59,723	30 day terms	no impairment
Management and service fee expense	2021	<b>51,600</b>	<b>4,752</b>	Noninterest-bearing	Unsecured
	2020	50,790	5,488		
Interest expense on lease liabilities	2021	<b>35,707</b>	–	Noninterest-bearing	Unsecured
	2020	37,344	–		
Receivable from related parties	2021		<b>12,811,578</b>	Noninterest-bearing	Unsecured,
	2020		22,691,625		no impairment
Payable to related parties	2021		<b>83,021</b>	Noninterest-bearing	Unsecured
	2020		168,321		
Lease liabilities	2021		<b>424,561</b>	Noninterest-bearing	Unsecured
	2020		448,029		
<b><i>Associates</i></b>					
Dividend income	2021	<b>3,608,367</b>	<b>379,800</b>	Noninterest-bearing	Unsecured,
	2020	3,131,502	373,983		no impairment
Royalty, management and service fee income	2021	<b>1,137,275</b>	<b>1,883,334</b>	Noninterest-bearing,	Unsecured,
	2020	1,060,521	2,002,697	30 to 180 day terms	no impairment
Rent income	2021	<b>39,641</b>	<b>7,018</b>	Noninterest-bearing,	Unsecured,
	2020	39,854	5,866	30 day terms	no impairment
Interest income	2021	<b>1,094,002</b>	<b>50,267</b>	0.1% to 5.4%,	Unsecured,
	2020	893,412	49,226	90 to 180 day terms	no impairment
Interest expense	2021	<b>506,909</b>	<b>62,438</b>	Fixed 2.0% to 4.8%	Unsecured
	2020	330,219	22,630	90 to 180 day terms	
Cash and cash equivalents	2021		<b>3,582,452</b>	Interest-bearing,	Unsecured,
	2020		8,662,107	0.1% to 1.4%	no impairment
Other noncurrent assets - Long-term notes	2021		<b>5,371,668</b>	5.4% interest,	Unsecured,
	2020		4,999,359	payable quarterly	no impairment
Other noncurrent assets - Bonds and deposits	2021		<b>17,849,650</b>	4.5% interest,	Unsecured,
	2020		16,808,050	payable semi-annual	no impairment
Bank loans	2021		<b>6,500,000</b>	Interest-bearing,	Unsecured
	2020		–	2.0%	
Long-term debt	2021		<b>18,840,600</b>	Interest-bearing,	Unsecured
	2020		6,842,950	4.0% to 4.8%	



Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are unsecured and are normally settled in cash. The Company did not make any provision for doubtful accounts relating to amounts owed by related parties.

Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel of the Company in 2021 and 2020 consist of short-term employee benefits amounting to ₱508.3 million and ₱553.2 million, respectively, and post-employment benefits amounting to ₱107.8 million and ₱117.5 million, respectively.

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**24. Pension Benefits**

The Company has funded defined benefit pension plan covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The Company had an actuarial valuation done for the December 31, 2021 report.

Changes in defined benefit liability in 2021 follow:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
As at December 31, 2020	₱1,490,012,013	₱1,035,001,154	₱455,010,859
Net benefit expense in profit or loss (Note 21):			
Current service cost	117,362,027	-	117,362,027
Net interest	54,683,441	40,279,783	14,403,658
	172,045,468	40,279,783	131,765,685
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	-	35,872,774	(35,872,774)
Actuarial changes arising from:			
Changes in financial assumptions	(132,714,709)	-	(132,714,709)
Changes in demographic assumptions	(31,069,297)	-	(31,069,297)
Actuarial changes due to experience adjustment	94,070,386	-	94,070,386
	(69,713,620)	35,872,774	(105,586,394)
Actual contributions	-	203,650,280	(203,650,280)
Benefits paid	(81,089,065)	(81,089,065)	-
Transfer to the plan	2,519,999	2,519,999	-
As at December 31, 2021	₱1,513,774,795	₱1,236,234,925	₱277,539,870

Changes in defined benefit liability in 2020 follow:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
As at December 31, 2019	₱1,410,706,775	₱1,014,101,656	₱396,605,119
Net benefit expense in profit or loss (Note 21):			
Current service cost	128,589,175	-	128,589,175
Net interest	78,717,438	58,274,347	20,443,091
	207,306,613	58,274,347	149,032,266

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	₱-	(₱97,857,803)	₱97,857,803
Actuarial changes arising from:			
Changes in financial assumptions	122,452,235	-	122,452,235
Changes in demographic assumptions	(22,663,223)	-	(22,663,223)
Actuarial changes due to experience adjustment	(66,415,703)	-	(66,415,703)
	33,373,309	(97,857,803)	131,231,112
Actual contributions	-	221,857,638	(221,857,638)
Benefits paid	(159,985,751)	(159,985,751)	-
Transfer from the plan	(1,388,933)	(1,388,933)	-
As at December 31, 2020	₱1,490,012,013	₱1,035,001,154	₱455,010,859

The Company expects to contribute ₱211.6 million to its Pension Plan in 2022.

The principal assumptions used in determining the Company's pension obligation follow:

	2021	2020
Discount rate	4.79%	3.67%
Future salary increases	8.00%	9.00%

The assets of the Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Plan. The carrying value, which approximates the fair values of the Plan assets, follow:

	2021	2020
Cash and cash equivalents	₱17,729,919	₱15,376,758
Investment in debt and other securities	150,420,517	210,842,890
Investment in common trust funds	494,171,051	411,113,287
Investment in equity securities	11,997,536	10,619,959
Investment in government securities	556,269,263	382,665,068
Others	5,646,639	4,383,192
	₱1,236,234,925	₱1,035,001,154

- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 2.58% to 7.51% and have maturities from April 2022 to December 2028.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds that bear interest ranging from 2.38% to 11.88% and have maturities from January 2022 to August 2028.
- Others consist primarily of accrued interest income on cash deposits and debt securities held by the Plan.



The outstanding balances and transactions of the Pension Plan with BDO follow:

	2021	2020
<b>Balances:</b>		
Cash and cash equivalents	<b>₱17,729,919</b>	₱15,376,758
Investment in common trust funds	<b>494,171,051</b>	411,113,287
<b>Transactions:</b>		
Interest income from cash and cash equivalents	<b>352,429,002</b>	9,760,749
Income from investment in common trust funds	-	-

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, 2021 and 2020, assuming all other assumptions were held constant:

		Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
<b>2021</b>	<b>Discount rates</b>	<b>50</b>	<b>(₱53,260,404)</b>
		<b>(50)</b>	<b>59,896,269</b>
	<b>Future salary increases</b>	<b>100</b>	<b>57,446,446</b>
		<b>(100)</b>	<b>(52,220,871)</b>
	<b>No attrition rate</b>	<b>-</b>	<b>200,879,721</b>
2020	Discount rates	50	(₱35,087,630)
		(50)	37,549,550
	Future salary increases	100	73,010,104
		(100)	(65,362,464)
	No attrition rate	-	317,843,779

The average duration of the defined benefit obligation as at December 31, 2021 and 2020 is 4 and 5 years, respectively.

The maturity analysis of the undiscounted benefit payments follows:

	2021	2020
Year 1	<b>₱900,062,331</b>	₱769,505,499
Year 2	<b>72,333,699</b>	66,062,558
Year 3	<b>78,098,898</b>	63,904,593
Year 4	<b>73,289,735</b>	71,533,075
Year 5	<b>81,126,468</b>	68,278,275
Year 6-10	<b>627,779,509</b>	597,683,094

The Plan assets are not matched to any specific defined benefit obligation.



## 25. Income Tax

The provision for income tax consists of the following:

	2021	2020
Final tax on interest income	<b>₱136,493,367</b>	₱137,953,132
Current income tax	<b>57,472,397</b>	107,033,736
Deferred income tax	<b>(54,904,954)</b>	(26,147,725)
	<b>₱139,060,810</b>	₱218,839,143

The provision for current income tax in 2021 and 2020 represents MCIT.

The details of the Company's deferred tax liabilities follow:

	2021	2020
Excess of fair values over cost of equity instruments	<b>₱121,130,517</b>	₱97,860,205
ROU assets	<b>97,825,966</b>	126,421,737
Cumulative excess of rent income over lease payments	<b>50,993,888</b>	77,113,185
Unamortized deferred rent income, net of accretion on tenants' deposits	<b>890,686</b>	1,080,572
	<b>₱270,841,057</b>	₱302,475,699

The Company did not recognize any deferred tax assets as management believes that taxable profit will not be available in future periods against which these deductible temporary differences, and carryforward benefits of excess MCIT over RCIT and unused NOLCO may be applied.

The deductible temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax assets have been recognized follow:

	2021	2020
NOLCO	<b>₱6,102,823,211</b>	₱9,241,692,792
Allowance for impairment losses	<b>4,618,763,046</b>	4,618,763,046
Cross currency swaps	<b>906,160,337</b>	1,743,915,824
MCIT	<b>428,961,263</b>	511,014,440
Defined benefit liability	<b>277,539,870</b>	455,010,859
Lease liabilities	<b>424,560,606</b>	449,683,731
Unamortized past service cost	<b>409,928,469</b>	373,265,479
Net unrealized foreign exchange loss	<b>257,616,188</b>	239,168,911
Non-refundable advance rentals	<b>148,512,241</b>	134,618,922

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3,715.4 million and ₱5,687.9 million as at December 31, 2021 and 2020, respectively.



Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, CREATE Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulation earnings tax (IAET).

The Company recognized in its parent company financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred) and Deferred tax liabilities amounting to ₱60.9 million and ₱34.1 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

As at December 31, 2021, the Company's NOLCO which can be claimed as deduction from its regular taxable income for the next three (3) consecutive taxable years, follow:

Year Incurred	Availment Period	Amount	Applied in Previous Years	Expired	Applied in the Current Year	Unapplied
2018	2019-2021	₱3,529,617,136	₱-	₱3,529,617,136	₱-	₱-
2019	2020-2022	2,199,304,183	-	-	-	2,199,304,183
		₱5,728,921,319	₱-	₱3,529,617,136	₱-	₱2,199,304,183

As at December 31, 2021, the Company's NOLCO which can be claimed as deduction from its regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, follow:

Year Incurred	Availment Period	Amount	Applied in Previous Years	Expired	Applied in the Current Year	Unapplied
2020	2021-2025	₱3,570,422,401	₱-	₱-	₱-	₱3,570,422,401
2021	2022-2026	333,096,627	-	-	-	333,096,627
		₱3,903,519,028	₱-	₱-	₱-	₱3,903,519,028

The carryforward benefits of unused MCIT which may be claimed as tax credit against future regular income tax payable, follow:

Year Incurred	Expiry Year	MCIT
2021	2024	₱84,230,831
2020	2023	80,275,302
2019	2022	264,455,130
		₱428,961,263

MCIT amounting to ₱139.5 million expired in 2021.



The reconciliation between the statutory tax rate and the Company's effective tax rate follows:

	2021	2020
Statutory income tax rate	25%	30%
Income tax effects of reconciling items:		
Dividends exempt from income tax	(19)	(56)
Change in unrecognized deferred tax assets	1	23
Interest income subjected to final tax	(1)	(2)
Nondeductible interest expense	1	1
Other nondeductible expenses	(6)	7
<b>Effective income tax rate</b>	<b>1%</b>	<b>3%</b>

## 26. Lease Agreements

### The Company as a Lessor

The Company's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

The minimum lease receivables under these non-cancellable operating leases as at December 31 follow:

	2021	2020
Within one year	₱1,157,414,730	₱1,147,263,128
Over one year to five years	1,817,949,832	2,217,498,820
Over five years	154,459,550	318,708,100
	<b>₱3,129,824,112</b>	<b>₱3,683,470,048</b>

Deferred rent income is recognized initially as the difference between the principal amount and the present value of the deposits at lease inception dates and amortized using the straight-line method over the lease term. Deferred rent income amounted to ₱16.8 million and ₱24.7 million as at December 31, 2021 and 2020, respectively.

### The Company as a Lessee

The Company has lease contracts for office space and land use rights. Leases of office space generally have lease terms between 3 and 5 years, while land use rights generally have lease terms between 14 and 19 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of parking space and convention center with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.



The rollforward analysis of ROU assets follow:

	Land Use Rights	Office Space	Total
<b>Cost</b>			
<b>As at December 31, 2021 and 2020</b>	<b>₱477,196,842</b>	<b>₱6,747,086</b>	<b>₱483,943,928</b>
<b>Accumulated Depreciation</b>			
As at December 31, 2019	₱28,630,994	₱3,805,218	₱32,436,212
Depreciation (Note 21)	28,630,993	1,470,934	30,101,927
As at December 31, 2020	57,261,987	5,276,152	62,538,139
Depreciation (Note 21)	28,630,993	1,470,934	30,101,927
<b>As at December 31, 2021</b>	<b>₱85,892,980</b>	<b>₱6,747,086</b>	<b>₱92,640,066</b>
<b>Net Book Value</b>			
<b>As at December 31, 2021</b>	<b>₱391,303,862</b>	<b>₱-</b>	<b>₱391,303,862</b>
As at December 31, 2020	419,934,855	1,470,934	421,405,789

The following are the amounts recognized in the SCI:

	2021	2020
Interest expense on lease liabilities (Notes 22 and 23)	<b>₱35,770,104</b>	₱37,515,045
Depreciation expense on ROU assets (Note 21)	<b>30,101,927</b>	30,101,927
Rent expense related to leases on low-value assets	<b>206,648</b>	209,251
Rent expense related to short-term leases (Note 23)	<b>40,792</b>	16,848
	<b>₱66,119,471</b>	₱67,843,071

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	<b>₱449,683,731</b>	₱468,467,832
Interest expense (Notes 22 and 23)	<b>35,770,104</b>	37,515,045
Payments	<b>(60,893,229)</b>	(56,299,146)
Balance at end of year	<b>424,560,606</b>	449,683,731
Less current portion (Notes 16 and 23)	<b>20,324,712</b>	25,122,482
Noncurrent portion (Note 23)	<b>₱404,235,894</b>	₱424,561,249

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
Within one year	<b>₱54,203,603</b>	₱60,892,585
Over one year to five years	<b>207,532,478</b>	210,896,521
Over five years	<b>448,078,770</b>	498,918,330
	<b>₱709,814,851</b>	₱770,707,436



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## 27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, time deposits, financial assets at FVOCI, long-term notes, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Company also enters into derivative transactions, mainly, cross-currency swaps and non-deliverable forwards and swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance.

The main risks arising from the Company's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.
- *Foreign currency risk.* Exposure to foreign currency risk arises as the Company has significant investments and debt issuances which are denominated in U.S. dollars.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.
- *Equity price risk.* The Company's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks. The Company's accounting policies in relation to derivatives are set out in Note 3.

### Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt obligations (see Note 18).

The Company maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Company enters into cross-currency swaps in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The cross-currency swaps were designated by the Company under cash flow hedge accounting.

As at December 31, 2021 and 2020, after taking into account the effect of the swaps, approximately 90.0% and 88.9%, respectively, of the Company's borrowings is kept at fixed interest rates.



*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 and equity after income tax, through the impact of floating rate financial liabilities and investments in corporate bonds.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax <i>(In Millions)</i>
<b>2021</b>	<b>100</b>	<b>(₱131.0)</b>
	<b>50</b>	<b>(65.5)</b>
	<b>(100)</b>	<b>130.1</b>
	<b>(50)</b>	<b>65.5</b>
 2020	 100	 (₱134.6)
	50	(67.3)
	(100)	134.6
	(50)	67.3

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.

#### Foreign Currency Risk

The Company aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as cross-currency swaps and non-deliverable forwards and swaps.

The Company's foreign currency-denominated financial assets and liabilities and their Peso equivalents follow:

	2021		2020	
	US\$	PhP	US\$	PhP
Current assets:				
Cash and cash equivalents	\$1,317,278	₱67,179,865	\$1,685,665	₱80,950,678
Receivables	985,645	50,266,891	985,671	47,334,882
Noncurrent assets:				
Bonds and deposits	367,000,000	18,716,633,000	367,000,000	17,624,441,000
Long-term notes	105,328,894	5,371,668,241	104,103,427	4,999,358,887
<b>Total foreign currency-denominated assets</b>	<b>474,631,817</b>	<b>24,205,747,997</b>	<b>473,774,763</b>	<b>22,752,085,447</b>
Current liabilities:				
Accounts payable	1,145,573	58,423,083	1,154,572	55,445,995
Current portion of long-term debt	107,858,353	5,500,668,138	-	-
Noncurrent liability:				
Long-term debt-net of current portion	348,962,812	17,796,754,456	475,850,177	22,851,753,043
<b>Total foreign currency-denominated liabilities</b>	<b>457,966,738</b>	<b>23,355,845,677</b>	<b>477,004,749</b>	<b>22,907,199,038</b>
<b>Net foreign currency-denominated assets (liabilities)</b>	<b>\$16,665,079</b>	<b>₱849,902,320</b>	<b>(\$3,229,986)</b>	<b>(₱155,113,591)</b>

As at December 31, 2021 and 2020, approximately 36.0% and 35.0%, respectively, of the Company's borrowing are denominated in U.S. dollars.

The Company recognized ₱2.5 million net foreign exchange gain and ₱32.9 million net foreign exchange loss in 2021 and 2020, respectively. This resulted from the movements of the U.S. dollar against the Philippine Peso. As at December 31, 2021 and 2020, the U.S. dollar to Philippine Peso exchange rate is ₱50.999 and ₱48.023, respectively.



*Foreign Currency Risk Sensitivity Analysis.* The sensitivity analysis for a reasonably possible change in U.S. dollar to Philippine Peso exchange rate, with all other variables held constant, follow:

	Appreciation (Depreciation) of Peso	Effect on Income Before Income Tax <i>(In Millions)</i>
<b>2021</b>	<b>₱1.50</b>	<b>(₱25.0)</b>
	<b>1.00</b>	<b>(16.7)</b>
	<b>(1.50)</b>	<b>25.0</b>
	<b>(1.00)</b>	<b>16.7</b>
<b>2020</b>	<b>₱1.50</b>	<b>₱4.8</b>
	<b>1.00</b>	<b>3.2</b>
	<b>(1.50)</b>	<b>(4.8)</b>
	<b>(1.00)</b>	<b>(3.2)</b>

#### Liquidity Risk

The Company manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consist of internally generated funds, proceeds from debt and equity issues and sales of certain assets.

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 including bank loans, debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet short-term liquidity needs, include the following:

	2021	2020
Cash and cash equivalents	<b>₱3,668,276,070</b>	₱8,675,369,968
Current portion of time deposits	–	11,942,727

The maturity profile of the Company's financial liabilities follow:

	2021			Total
	Within 1 Year	1 Year to 5 Years	More than 5 Years	
Bank loans, including interest	₱12,273,324,167	₱–	₱–	₱12,273,324,167
Accounts payable and other current liabilities*	3,700,578,438	–	–	3,700,578,438
Provisions	3,583,606,314	–	–	3,583,606,314
Long-term debt, including interest	21,659,061,949	78,562,045,730	22,173,751,895	122,394,859,574
Derivative liabilities	28,449,178	1,265,773,653	–	1,294,222,831
Lease liabilities	–	207,532,478	448,078,770	655,611,248
Tenants' deposits and others**	–	1,023,732,802	11,745,440	1,035,478,242
	<b>₱41,245,020,046</b>	<b>₱81,059,084,663</b>	<b>₱22,633,576,105</b>	<b>₱144,937,680,814</b>

\*Excluding payables to government agencies, and advance rentals and deposits amounting to ₱736.7 million as at December 31, 2021, the amounts of which are not considered as financial liabilities.

\*\*Excluding deferred rent income amounting to ₱16.8 million as at December 31, 2021, the amounts of which are not considered as financial liabilities.



	2020			Total
	Within 1 Year	1 Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities*	₱4,010,601,654	₱–	₱–	4,010,601,654
Provisions	7,705,606,314	–	–	7,705,606,314
Long-term debt, including interest	14,669,025,643	121,750,638,512	–	136,419,664,155
Derivative liabilities	–	3,321,185,555	–	3,321,185,555
Lease liabilities	–	210,896,521	498,918,330	709,814,851
Tenants' deposits and others**	–	1,520,558,772	10,586,707	1,531,145,479
	<b>₱26,385,233,611</b>	<b>₱126,803,279,360</b>	<b>₱509,505,037</b>	<b>₱153,698,018,008</b>

\*Excluding payables to government agencies, and advance rentals and deposits amounting to ₱690.7 million as at December 31, 2020, the amounts of which are not considered as financial liabilities.

\*\*Excluding deferred rent income amounting to ₱24.7 million as at December 31, 2020, the amounts of which are not considered as financial liabilities.

### Credit Risk

The Company trades only with recognized, creditworthy related and third parties. The Company policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Company's diverse customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Company which consist of cash and cash equivalents, time deposits, financial assets, certain bonds and deposits, long-term notes, escrow fund, refundable deposits and certain derivative instruments, the Company's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, 2021 and 2020, the financial assets, except for certain receivables and nonfinancial bonds and deposits, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Company's 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.* This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies, government agencies and related parties.

*Standard Quality.* Other financial assets not belonging to high quality financial assets are included in this category.

	2021		
	High Quality	Standard Quality	Total
Cash and cash equivalents (excluding cash on hand)	<b>₱3,668,204,070</b>	<b>₱–</b>	<b>₱3,668,204,070</b>
Financial assets at FVOCI	<b>13,454,739,924</b>	<b>820,945,282</b>	<b>14,275,685,206</b>
Receivables*	<b>27,690,561,474</b>	<b>193,493,428</b>	<b>27,884,054,902</b>
Other noncurrent assets:			
Bonds and deposits**	<b>17,849,650,000</b>	<b>–</b>	<b>17,849,650,000</b>
Long-term notes	<b>5,371,668,241</b>	<b>–</b>	<b>5,371,668,241</b>
Escrow fund	<b>130,000,000</b>	<b>–</b>	<b>130,000,000</b>
Refundable deposits	<b>–</b>	<b>35,227,351</b>	<b>35,227,351</b>
	<b>₱68,164,823,709</b>	<b>₱1,049,666,061</b>	<b>₱69,214,489,770</b>

\*Excluding past due receivables amounting to ₱73.8 million and nonfinancial other receivables amounting to ₱23.9 million as at December 31, 2021.

\*\*Excluding nonfinancial bonds and deposits amounting to ₱922.9 million as at December 31, 2021.



	2020		
	High Quality	Standard Quality	Total
Cash and cash equivalents (excluding cash on hand)	₱8,675,297,968	₱–	₱8,675,297,968
Time deposits	11,942,727	–	11,942,727
Financial assets at FVOCI	12,167,077,025	665,809,868	12,832,886,893
Receivables*	35,917,607,161	184,340,216	36,101,947,377
Other noncurrent assets:			
Bonds and deposits**	16,808,050,000	–	16,808,050,000
Long-term notes	4,999,358,887	–	4,999,358,887
Escrow fund	130,000,000	–	130,000,000
Refundable deposits	–	34,765,161	34,765,161
	<b>₱78,709,333,768</b>	<b>₱884,915,245</b>	<b>₱79,594,249,013</b>

\*Excluding past due receivables amounting to ₱28.0 million and nonfinancial other receivables amounting to ₱35.8 million as at December 31, 2020.

\*\*Excluding nonfinancial bonds and deposits amounting to ₱2,859.8 million as at December 31, 2020.

### Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. 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 of a possible change in equity indices with all other variables held constant follows:

	Change in Equity Price	Effect on Equity After Income Tax (In Millions)
<b>2021</b>	<b>+0.57%</b>	<b>₱72.7</b>
	<b>-0.57%</b>	<b>(72.7)</b>
2020	+1.19%	₱149.0
	-1.19%	(149.0)

### Capital Management

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 light of changes in economic conditions. Accordingly, the Company may adjust the dividend payments to shareholders, secure new and/or pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity.



### Net Gearing Ratio

	2021	2020
Bank loans	<b>₱12,250,000,000</b>	₱–
Long term debt (including current portion)	<b>108,723,614,886</b>	120,907,096,325
Less:		
Cash and cash equivalents (excluding cash on hand)	<b>(3,668,204,070)</b>	(8,675,297,968)
Time deposits	–	(11,942,727)
Total net interest-bearing debt (a)	<b>117,305,410,816</b>	112,219,855,630
Total equity	<b>142,601,417,694</b>	128,221,203,050
Total net interest-bearing debt and equity (b)	<b>₱259,906,828,510</b>	₱240,441,058,680
Gearing ratio (a/b)	<b>45%</b>	47%

### Gross Gearing Ratio

	2021	2020
Bank loans	<b>₱12,250,000,000</b>	₱–
Long term debt (including current portion)	<b>108,723,614,886</b>	120,907,096,325
Total interest-bearing debt (a)	<b>120,973,614,886</b>	120,907,096,325
Total equity	<b>142,601,417,694</b>	128,221,203,050
Total interest-bearing debt and equity (b)	<b>₱263,575,032,580</b>	₱249,128,299,375
Gearing ratio (a/b)	<b>46%</b>	49%

## 28. Financial Instruments

The Company's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximation of fair values, follow:

	Carrying Value	2021			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
<b>Assets Measured at Fair Value</b>					
Financial Asset at FVPL					
Derivative assets	₱28,449	₱28,449	₱–	₱28,449	₱–
Financial Assets at FVOCI:					
Listed shares of stock	13,440,440	13,440,440	13,440,440	–	–
Unlisted shares of stock	820,945	820,945	–	–	820,945
Club shares	14,300	14,300	–	14,300	–
	<b>14,304,134</b>	<b>14,304,134</b>	<b>13,440,440</b>	<b>42,749</b>	<b>820,945</b>
<b>Assets for which Fair Values are Disclosed</b>					
Other noncurrent assets:					
Bonds and deposits*	17,849,650	19,348,542	–	–	19,348,542
Long-term notes	5,371,668	6,075,947	–	–	6,075,947
	<b>23,221,318</b>	<b>25,424,489</b>	<b>–</b>	<b>–</b>	<b>25,424,489</b>
	<b>₱37,525,452</b>	<b>₱39,728,623</b>	<b>₱13,440,440</b>	<b>₱42,749</b>	<b>₱26,245,434</b>



	2021				
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
<b>Liabilities Measured at Fair Value</b>					
Financial Liability at FVPL:					
Derivative liabilities	₱1,265,774	₱1,265,774	₱-	₱1,265,774	₱-
<b>Liabilities for which Fair Values are Disclosed</b>					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	87,359,937	91,735,404	-	-	91,735,404
Tenants' deposits and others**	1,035,478	1,042,187	-	-	1,042,187
	88,395,415	92,777,591	-	-	92,777,591
	₱89,661,189	₱94,043,365	₱-	₱1,265,774	₱92,777,591

\*Excluding nonfinancial bonds and deposits amounting to ₱922.9 million as at December 31, 2021.

\*\*Excluding deferred rent income amounting to ₱16.8 million as at December 31, 2021, the amounts of which are not considered as financial liabilities.

	2020				
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
<b>Assets Measured at Fair Value</b>					
Financial Assets at FVOCI:					
Listed shares of stock	₱12,155,257	₱12,155,257	₱12,155,257	₱-	₱-
Unlisted shares of stock	665,810	665,810	-	-	665,810
Club shares	11,820	11,820	-	11,820	-
	12,832,887	12,832,887	12,155,257	11,820	665,810
<b>Assets for which Fair Values are Disclosed</b>					
Other noncurrent assets:					
Bonds and deposits*	16,808,050	19,271,918	-	-	19,271,918
Long-term notes	4,999,359	6,068,924	-	-	6,068,924
	21,807,409	25,340,842	-	-	25,340,842
	₱34,640,296	₱38,173,729	₱12,155,257	₱11,820	₱26,006,652
<b>Liabilities Measured at Fair Value</b>					
Financial Liability at FVPL:					
Derivative liabilities	₱3,321,186	₱3,321,186	₱-	₱3,321,186	₱-
<b>Liabilities for which Fair Values are Disclosed</b>					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	106,494,876	117,462,419	-	-	117,462,419
Tenants' deposits and others**	1,531,145	1,547,405	-	-	1,547,405
	108,026,021	119,009,824	-	-	119,009,824
	₱111,347,207	₱122,331,010	₱-	₱3,321,186	₱119,009,824

\*Excluding nonfinancial bonds and deposits amounting to ₱2,859.8 million as at December 31, 2020.

\*\*Excluding deferred rent income amounting to ₱24.7 million as at December 31, 2020, the amounts of which are not considered as financial liabilities.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2021 and 2020.

The fair values of unlisted shares of stock classified under Level 3 were determined through the income valuation approach. This valuation approach is based on the assumption that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. As at December 31, 2021 and 2020, the Company's unlisted shares of stock were valued using discount rates of 9.3% to 12.0%.



The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2021	2020
Other noncurrent assets:		
Bonds and deposits	1.04%	0.28%
Long-term notes	0.21%–0.99%	0.19%–0.26%
Tenants' deposits and others	0.98%–4.63%	0.93%–2.85%

*Long-term Debt.* The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	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 0.28% to 4.79% and 0.19% to 2.36% as at December 31, 2021 and 2020, respectively.
Variable Rate	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.

*Derivative Instruments.* The fair values of cross-currency swaps and non-deliverable forwards and swaps are based on quotes obtained from counterparties.

#### Derivative Instruments Designated as Accounting Hedges

*Cross-currency Swaps.* The Company's outstanding cross-currency swaps as at December 31, 2021 follow:

	Notional Amount		Principal	Fair Value	Receive	Pay	US\$:P Rate	Maturity
	(In US\$)	(In PhP)						
Floating-to-Fixed	US\$53,000,000	P2,761,300,000	P2,702,947,000	(P141,332,260)	3M LIBOR + 80 bps	5.29%	P52.10	March 6, 2023
Floating-to-Fixed	100,000,000	5,210,000,000	5,099,900,000	(360,490,447)	3M LIBOR + 70 bps	5.88%	52.10	April 16, 2023
Floating-to-Fixed	56,158,742	3,000,000,000	2,864,039,685	(309,427,491)	3M LIBOR + 60 bps	6.09%	53.42	July 26, 2023
Floating-to-Fixed	100,000,000	5,140,000,000	5,099,900,000	(243,067,098)	3M LIBOR + 80 bps	5.48%	51.40	June 28, 2024
Floating-to-Fixed	100,000,000	5,115,000,000	5,099,900,000	(211,456,357)	3M LIBOR + 80 bps	5.44%	51.15	June 28, 2024

As the terms of the swaps have been negotiated to match the terms of the hedged loan, the hedges were assessed to be highly effective.

#### Other Derivative Instruments Not Designated as Accounting Hedges

*Non-deliverable Forwards and Swaps.* The net fair value changes from the settled forward and swap contracts amounted to P216.0 million gain and P6.5 million loss in 2021 and 2021, respectively.



Fair Value Changes on Derivatives

The movements in the fair value of derivative instruments follow:

	2021	2020
Balance at beginning of year	(P3,321,185,555)	(P1,253,930,025)
Net changes in fair value during the year	2,271,383,390	(2,073,758,713)
Fair value change on settled derivatives	(215,971,488)	6,503,183
Balance at end of year	<b>(P1,265,773,653)</b>	<b>(P3,321,185,555)</b>

In 2021, the net changes in fair value include mark-to-market net gain on derivatives accounted for as cash flow hedges amounting to P2,055.4 million, which is included under the “Net unrealized gain on financial assets at FVOCI and others” account and mark-to-market gain on derivatives not designated as hedges amounting to P216.0 million, which is included under the “Gain (loss) on fair value changes of derivatives - net” account.

In 2020, the net changes in fair value include mark-to-market net loss on derivatives accounted for as cash flow hedges amounting to P2,067.3 million, which is included under the “Net unrealized gain on financial assets at FVOCI and others” account and mark-to-market loss on derivatives not designated as hedges amounting to P6.5 million, which is included under the “Gain (loss) on fair value changes of derivatives - net” account.

**29. Change in Liabilities Arising from Financing Activities**

	2021		
	Bank Loans (Note 15)	Long-term Debt (Note 18)	Lease Liabilities (Note 26)
Balance at beginning of year	P-	P120,907,096,325	P449,683,731
Availments	24,606,480,000	25,308,750,000	-
Payments	(12,356,480,000)	(40,310,164,993)	(60,893,229)
Debt issue cost amortization	-	240,203,243	-
Foreign exchange movement	-	1,360,073,895	-
Others	-	1,217,656,416	35,770,104
	<b>P12,250,000,000</b>	<b>P108,723,614,886</b>	<b>P424,560,606</b>

	2020		
	Bank Loans (Note 15)	Long-term Debt (Note 18)	Lease Liabilities (Note 26)
Balance at beginning of year	P8,829,900,000	P112,898,500,386	P468,467,832
Availments	26,725,519,670	19,098,185,111	-
Payments	(35,555,419,670)	(8,824,996,200)	(56,299,146)
Debt issue cost amortization	-	178,078,820	-
Foreign exchange movement	-	(1,241,971,790)	-
Others	-	(1,200,700,002)	37,515,045
	<b>P-</b>	<b>P120,907,096,325</b>	<b>P449,683,731</b>

There are no non-cash changes in dividends and accrued interest. Others include cumulative translation adjustment on cash flow hedges, gain on loan modification and interest expense on lease liabilities.



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**30. Supplementary Information Required Under RR No. 15-2010**

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.



# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

Company Details	
Name of Organization	
Location of Headquarters	
Location of Operations	
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	
Business Model, including Primary Activities, Brands, Products, and Services	
Reporting Period	
Highest Ranking Person responsible for this report	

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>1</sup>

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		
a. Operating costs		PhP
b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		PhP
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		

## Climate-related risks and opportunities<sup>2</sup>

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts <sup>3</sup> of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

<sup>3</sup> For this disclosure, impact refers to the impact of climate-related issues on the company.

## Procurement Practices

### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%

Percentage of employees that have received anti-corruption training		%
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<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Incidents of Corruption

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p><b>What are the Risk/s Identified?</b></p>	<p><b>Which stakeholders are affected?</b></p>	<p><b>Management Approach</b></p>
<p><i>Identify risk/s related to material topic of the organization</i></p>		
<p><b>What are the Opportunity/ies Identified?</b></p>	<p><b>Which stakeholders are affected?</b></p>	<p><b>Management Approach</b></p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p>		

# ENVIRONMENT

## Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>

<i>Identify the opportunity/ies related to material topic of the organization</i>		
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Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<i>Identify risk/s related to material topic of the organization</i>		
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<i>Identify the opportunity/ies related to material topic of the organization</i>		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> <li>renewable</li> </ul>		kg/liters

<ul style="list-style-type: none"> <li>• non-renewable</li> </ul>		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN <sup>4</sup> Red List species and national conservation list species with habitats in areas affected by operations	(list)	

<b>What is the impact and where does it occur? What is the</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<sup>4</sup> International Union for Conservation of Nature

<b>organization's involvement in the impact?</b>		
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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## Environmental impact management

### Air Emissions

#### GHG

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Direct (Scope 1) GHG Emissions		Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)		Tonnes

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<i>linked to impacts through its business relationship)</i>		
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Air pollutants

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
NO <sub>x</sub>		kg
SO <sub>x</sub>		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

## Solid and Hazardous Wastes

### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)  Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>  <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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Effluents

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
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<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

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## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>5</sup>		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate <sup>6</sup>		rate
Ratio of lowest paid employee against minimum wage		ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			
Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			
Further education support			
Company stock options			
Telecommuting			
Flexible-working Hours			
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<sup>5</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>6</sup> Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

<i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

#### Employee Training and Development

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<i>Identify the opportunity/ies related to material topic of the organization</i>	

#### Labor-Management Relations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
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% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
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## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Safe Man-Hours		Man-hours
No. of work-related injuries		#
No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Labor Laws and Human Rights

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

\_\_\_\_\_

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms,</i>

<i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## Relationship with Community

### Significant Impacts on Local Communities

<b>Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)</b>	<b>Location</b>	<b>Vulnerable groups (if applicable)*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Collective or individual rights that have been identified that or particular concern for the community</b>	<b>Mitigating measures (if negative) or enhancement measures (if positive)</b>

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

<b>Certificates</b>	<b>Quantity</b>	<b>Units</b>
FPIC process is still undergoing		#
CP secured		#

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## Customer Management

### Customer Satisfaction

<b>Disclosure</b>	<b>Score</b>	<b>Did a third party conduct the customer satisfaction study (Y/N)?</b>
Customer satisfaction		

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

### Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
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<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Marketing and labelling

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

**SM** INVESTMENTS



# Together, We Recover

2021 Integrated Report





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# We Are SM

## Who We Are

Our company was built by our founder, Henry Sy, starting as a small shoe store in the late 1950s in downtown Manila. Today, we are the country's leading holding company, with a broad presence in retail, banking and property. We touch the lives of millions of Filipinos.

Service is proudly in our DNA: we always keep the welfare of our employees, customers, partners and stakeholders front of mind.

We have grown by making sure our people and our partners grow with us. We continue to commit ourselves to improving the quality of life for our communities.

Through the pandemic, we have continued to adapt and be innovative in meeting our customers' needs and we will carry on doing so.

There are huge opportunities ahead and we will be a leader in responsible, inclusive and sustainable business practices as we continue to grow for the benefit of all.

## Our Vision and Commitment

Sustainability is at the heart of our vision—to build an ecosystem of sustainable businesses that are catalysts for responsible development in the communities we serve.

We are committed to partner with our host communities to provide a consistently high standard of service to our customers, look after the welfare of our employees and deliver sustainable returns to our shareholders, at all times upholding the highest standards of corporate governance and environmental stewardship in all our businesses.

## What We Stand For



Entrepreneurship

Drive and  
Enthusiasm

Teamwork

Integrity

Leadership

# Our Board's Vision



## To our Stakeholders

At SM we have built strong market-leading businesses over time by addressing the enormous needs of our underserved country. We have consistently done so in the most responsible way possible. These priorities have gone hand in hand.

In 2021, we continued to perform and grow, in the spirit of *bayanihan*—togetherness—that has been essential in our country, especially in these unprecedented times.

This year, each of our businesses delivered results that we are proud of. Results that can be measured in financial performance, in social impact, in leadership across national issues, and in continuing to serve our customers' needs.

We are also proud of how our strong management teams have continued to act as advocates and leaders wherever our footprint has allowed us to. The SM Group has created impact in critical areas such as nationwide vaccination, economic recovery, disaster response and resilience, and climate action.

As a group, SM operates together, coordinating our actions and using our nationwide network to maximum effect. Delivering impact on the scale SM does takes both a focused mindset and a flexible organization.



As a catalyst for responsible growth and improving the lives of our communities, we are also committed to the role we can play in tackling urgent environmental issues. Across the SM Group, the importance of these concerns is urgently felt from the very top of our organization.

We would sincerely like to thank our leadership teams, our many private and public sector partners, and all our customers and stakeholders for their support. In particular, we would like to thank our Board members and shareholders for their unstinting support.

Together, we have weathered the health and economic challenges of the last two years. Together we are recovering. Together, we will grow and thrive.



Jose T. Sio / Chairman

Teresita T. Sy / Vice Chairperson

Henry T. Sy, Jr. / Vice Chairman



# Our President's Report

65%  
net income  
growth for 2021



294  
new retail stores



7.2m+  
vaccine doses  
delivered to the  
broader population  
through our malls



120,000+  
SM employees were  
fully vaccinated

To our Stakeholders

## Strong Together

In 2021 SM Investments helped lead the way in economic support and recovery, as well as in vital health response. We provided for the vaccination needs of our communities, and ensured customer access to essential products and services nationwide.

We delivered exemplary financial growth, kept a strong balance sheet, and continued to expand our market-leading businesses even as prevailing circumstances remained challenging. We believe that our long-term success stems from our inclusive approach towards business.

As the Philippines posted an economic growth of 5.6% last year, the SM Group continued to deliver positive performance with 9% revenue growth that led to 65% net income growth. This was driven by resilient performance across all our businesses supported by a rebound in consumer sentiment in the fourth quarter.

Our continued growth is a testament to both the fundamental relevance of our businesses to Filipino consumers, and to our long-standing financial prudence,

which ensured that our net debt-to-equity ratio remained at 38% net debt to 62% total equity—a figure that hardly changed prior to the pandemic.

From this position of strength, we have been able to assist the many employees, tenants, suppliers, partners, and communities under our broad umbrella. We are aware that it is the strength of our entire ecosystem that ensures our success and ability to grow and create value—in both the short and the long term.

## Growing Together

Despite all the recent challenges, we continued to invest and grow our business footprint in 2021. We opened 294 new retail stores and 75 bank branches, launched almost 12,000 residential units and added 284,000 square meters of new mall gross floor area. We continued to create presence in underserved regions across the country.

At the same time, we increased our ownership in our portfolio investments, among them the heritage bakeshop chain Goldilocks and in 2GO, the leading logistics company in the country. These are businesses that we believe have strong assets and

that synergize well with our core SM businesses. We also believe they have formidable long-term growth potential.

At SM, we've always been confident in investing to expand—even in challenging years—knowing the long-term opportunities that the Philippines holds. We also know that we can fulfill the growing needs of millions of underserved Filipinos, whether in modern retail, integrated property development, financial access, or other emerging services.

### **Together against the Pandemic**

At the height of the pandemic crisis, we continued to look after the health and safety of our employees and our customers. Our health and safety protocols across our malls, stores, bank branches, and operations centers across the group ensured that they were safe locations for all.

We also delivered an aggressive vaccination program, working with LGUs nationwide to ensure that over 120,000 SM employees were fully vaccinated.



**Frederic C. DyBuncio**  
President and CEO



We also responded to the wider needs of our communities. We turned our mall network into vaccination sites, resulting in over 7.2 million vaccinations delivered to the broader population across 72 SM malls nationwide.

Amid the crisis, we continued to provide relief to our tenants and support to our many suppliers. At the same time, we offered advice and access to markets for the many thousands of MSMEs in our network. We also continued to enhance our digital and delivery options across all our businesses, ensuring continuity of service, at the same time deepening our long-term customer relevance and relationships.

### **Together for our Environment**

As a country that is one of the smallest contributors to global climate change, the Philippines happens to be one of the most vulnerable to its harsh effects. Going forward into the future, we recognize that protecting our environment will be one of the biggest challenges we will continue to face.

In this light, 2021 saw us stepping up our climate change response program. We joined the Task Force on Climate-Related Financial Disclosures, making clear our unequivocal support for private sector action, transparency in our own programs, and our partnership toward our common needs and goals.

SM continues to lead in disaster resilience planning across all our developments particularly as a partner in UN ARISE and by dedicating 10% of our capital expenditures to disaster resilient features.

By continuing to evaluate our own energy use efficiencies, we identify ways in which we can lead as an advocate.

Last year, our property arm SM Prime made one of the boldest announcements related to energy usage in the country to date, committing that 50% of their energy will be provided by renewable sources by end-2022.

# At SM, we've always been confident in investing to expand—even in challenging years—knowing the long-term opportunities that the Philippines holds.

Another of our businesses, NEO, became the first building development portfolio in the world to be certified as net zero carbon under the EDGE program of the IFC. Meanwhile, our bank, BDO, continues to lead in financing renewable energy projects nationwide.

As we continue to look to progress our actions across the group, we also continue to lead as an advocate in private sector action and collaboration with the public sector on climate concerns. In September, for the third time we co-hosted our sustainability conference with GRI, bringing together our peers and government members across the ASEAN region.

## Together for Relief and Resilience

In December 2021 we experienced the onslaught of Typhoon Odette (international name: Rai), which affected several cities and the lives of millions of Filipinos. The SM Group came together to help provide relief goods and shelter

for the impacted communities through our malls and distribution capabilities available for rebuilding. 2GO, our logistics arm, worked closely with utility companies to bring critical equipment to the region to help restore electricity and basic services. Our SM Foundation arm coordinated our community-based humanitarian relief.

## Recognitions

We are pleased that we continue to be recognized by leading industry bodies like the ASEAN Corporate Governance Scorecard, The Asset Magazine and Investor Relations publications for our responsible business practices and high governance standards. We are also recognized as a leader in sustainability by organizations such as Sustainalytics and FTSE4Good. These are areas where we strive to be a leader. We remain committed to advancing the principles of the UN Global Compact and to contributing material actions towards the UN Sustainable Development Goals.

As we are recognized for our contributions, we also wish to recognize and express our gratitude to the many stakeholders who have helped us make a difference during this past year. We thank our employees for their hard work and dedication to our customers, our business partners for their support and cooperation, our private sector agencies and public sector peers for working with us to address our urgent common needs and, finally, our shareholders for their support towards SM, and their continuing trust in us.

It is a trust that empowers us to sustain and strengthen our commitment to serving our millions of customers, and to keeping to our sustainability goals as, together, we grow into the future.



**Frederic C. DyBuncio**  
President and CEO

# Our Business Footprint



## SM Retail

**77.3%**  
Effective Interest

**PHP303.9bn**  
Revenues

**68**  
The SM Store

**1,539**  
Brand Affiliates

**52**  
SM Hypermarket

**61**  
SM Supermarket

**214**  
Savemore

**1,207**  
Alfamart

**73**  
Waltermart

**1**  
Mindpro

## BDO Unibank, Inc.



**45.3%**  
Effective Interest

**PHP131.3bn**  
Net Interest Income

**PHP42.8bn**  
Net Income

**1,542**  
Branches in  
the Philippines

**2**  
Foreign branches

**4,484**  
ATMs

## China Banking Corporation



**22.5%**  
Effective Interest

**PHP38.3bn**  
Net Interest Income

**PHP15.1bn**  
Net Income

**637**  
Branches

**1,037**  
ATMs

# SM Prime Holdings

**49.7%**  
Effective Interest

**PHP82.3bn**  
Revenues

**PHP21.8bn**  
Net Income

**21**  
Integrated  
Lifestyle Cities

**7**  
Malls in China

**12**  
Office Buildings

**5**  
Convention  
Centers

**78**  
Malls in  
the Philippines

**80**  
Residential  
Projects

**9**  
Hotels

**2**  
Trade Halls



# Portfolio Investments

**35.0%**  
Airspeed

**34.1%**  
Atlas Mining

**26.4%**  
Belle Corporation

**34.0%**  
CityMall

**74.1%**  
Goldilocks

**71.3%**  
MyTown

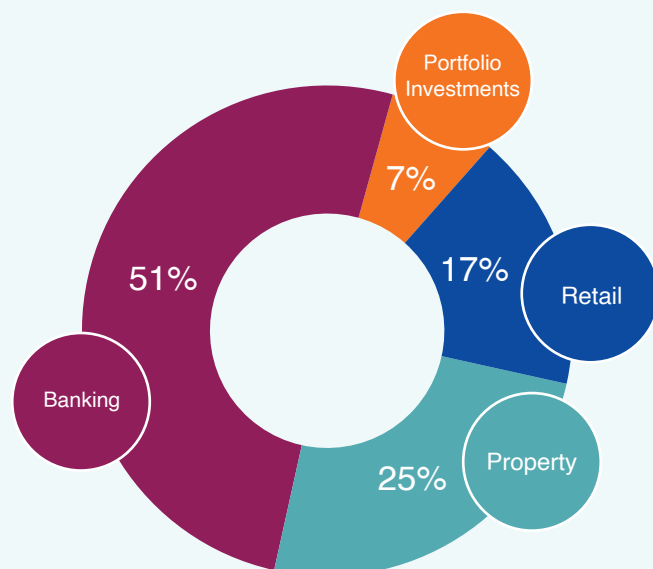
**34.0%**  
NEO  
Associates

**95.0%**  
NEO  
Subsidiaries

**52.9%**  
2GO Group Inc.

# Our Financial Highlights

## Net Income Mix



## Financial Performance at a Glance

**Php38.5bn**  
Net Income

**Php428.1bn**  
Revenue

## Performance Review in PHP billions

### Assets

2021	1,341.59
2020	1,224.52
2019	1,144.16
8.15%	3-year CAGR

### Revenues

2021	428.06
2020	394.19
2019	501.97
-1.64%	3-year CAGR

### Earnings

2021	38.50
2020	23.39
2019	44.57
1.26%	3-year CAGR

## Core Businesses

FY 2021 Performance

	Revenues	% Chg	Net Income	% Chg
SM Retail	Php303.9bn	2%	Php9.6bn	133%
SM Prime	Php82.3bn	1%	Php21.8bn	21%
BDO	*Php131.3bn	-2%	Php42.8bn	51%
China Bank	*Php38.3bn	13%	Php15.1bn	25%

Note: \*Net Interest Income

<b>Financial Position (PHP bn)</b>	<b>2021</b>	2020	2019
Revenues	428.06	394.19	501.97
Consolidated Income	38.50	23.39	44.57
Total Assets	1,341.58	1,224.52	1,144.16
Total Liabilities	729.14	659.80	608.02s
Stockholders' Equity	612.44	564.73	536.15
<b>Financial Ratios</b>			
Current Ratios	1.2x	1.1x	1.3x
Return on Equity	9.1%	6.0%	11.9%
Debt-Equity Ratio (Net)	38:62	37:63	36:64
Dividend Payout Ratio (based on SMIC Parent's net income)	85%	50%	100%
<b>Per Share Data (PHP)</b>			
Earnings per Share	31.96	19.42	37.00
Book Value per Share	362.31	335.25	317.64
Price Earnings Ratio	29.5x	54.0x	28.2x

**Php1.3tn**  
Assets

**Php97.0bn**  
EBITDA

**Php1.1tn**  
Market Capitalization

## Share Performance

As of December 31, 2021

### Share Price

2021 Php943.00

2020 Php1,049.00

2019 Php1,043.00

### Earnings Per Share

2021 Php31.96

2020 Php19.42

2019 Php37.00

# External Recognitions



**Sustainalytics**  
ESG Industry  
Top Rated Company

**The Asset ESG Corporate Awards**  
Platinum Award  
Best Investor  
Relations Team

**IR Magazine Southeast Asia Awards**  
Best IR Website

**FTSE4Good**  
Constituent in the FTSE4Good Index Series and FTSE4Good Emerging Index

**Alpha Southeast Asia 11th Institutional Investor Corporate Awards**  
Most Organized Investor Relations  
Best Senior Management IR Support  
Strong Adherence to Corporate Governance

**Golden Arrow Awards**  
8 of our companies received the Golden Arrow Awards from the Institute of Corporate Directors (ICD) for performing well in the ASEAN Corporate Governance Scorecard (ACGS)

**57th Anvil Awards**  
SM Investments  
2020 Integrated Report - Silver Award  
  
SM Investments Website Refresh – Silver Award

SM Investments Corporation

SM Prime Holdings, Inc.

China Banking Corporation

Belle Corporation

BDO Unibank, Inc.

Premium Leisure, Corp.

2Go Group, Inc.

Atlas Consolidated Mining and Development Corporation







# How We Create Shared Value

As a company, we believe that business growth and social development go hand in hand. We developed our own framework on how we can deliver long-term value that is shared by all our stakeholders as we manage risks and optimize opportunities that lie ahead amidst global disruptions like COVID-19, threats of climate change and shifts in market trends.

Our Value  
Creation  
Framework

Sustainable  
Recovery  
Stories

## Our Valued Resources

## What We Do



# Our Path to Sustainable Growth



We create inclusive socioeconomic opportunities



We facilitate development



We promote environmental responsibility



We create positive community impact



We advocate sustainable growth



# Output

126,872

jobs created

1.5mn

new BDO and China Bank checking and savings account opened in 2021

60.6mn

Cash Agad transactions to date with

9,530

partner agents

PHP61bn

outstanding SME loans with BDO and China Bank

63%

women in the workforce



more than

90,000

MSMEs engaged

10%

of CAPEX allocated for disaster-resilient features

20,001

socialized housing built by Summer Hills Development Corporation



3

cities supported under Adopt-a-City program

167,519

SMDC residential units launched to date



21

Integrated Lifestyle Cities in the Philippines



3

Marine Protected Areas



10

hectares of mangroves protected



32.6mn m<sup>3</sup>

water recycled by SM Prime, Atlas Mining and BDO

54

renewable energy projects funded by BDO with 2,230MW capacity

50%

SM Prime renewable energy sourcing by end of 2022



NEO

world's first EDGE Zero Carbon certified real estate portfolio

PHP21.6bn

SM Group COVID-19 Response for 2021

7.2m+

Filipinos vaccinated in

72

SM Supermalls sites

11,266

scholars supported to date

305

health centers and medical facilities built and renovated to date

5,483,120

patients served in 1,535 medical missions conducted and 305 health and medical facilities built and renovated to date

PHP15.6bn

payments to government

PHP70.3bn

BDO financing for national projects, airports, and road networks

More than

8,000

views for the GRI-SM ASEAN Regional Sustainability Summit

**TCFD** TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SMIC, SM Prime, and NEO signed as TCFD Supporter

# Stakeholder Impact



## Our Country

We build a network of local economies to facilitate access to better standards of living



## Our Co-workers

We create diverse job opportunities nationwide and promote purpose at work



## Our Customers

We are the Filipino's partner in achieving their aspirations in life by creating inclusive and innovative products and services



## Our Supply Chain Partners

We serve as the community, partner and marketplace for MSMEs to expand their reach



## Our Sustainable Development and NGO Partners

We work together with local and global development partners on practical solutions for sustainable development



## Our Communities

We help improve the well-being of our communities by providing access to basic social services and building community resilience through our investments in disaster risk reduction and response programs



## Our Public Sector Partners

We cultivate long-term partnerships with local governments for national development



## Our Financial Partners

We practice responsible investments anchored on sustainability and good governance to deliver sustainable returns for our shareholders and long-term value for all our stakeholders

# Sustainable Recovery Stories



In the words of our founder Henry Sy:  
*Whatever you earn, you must give back.  
We must do something to help others  
in society.*

In 2021, the Philippines was not only caught in the COVID-19 crisis, but was also ravaged by Typhoon Odette (international codename: Rai). The SM Group harnessed its capabilities as a powerful ecosystem of businesses to respond to these crises.

Our broad footprint of malls and retail developments allowed us to provide extensive support to the COVID-19 vaccination efforts. And our various community efforts allowed us to quickly and responsively rise to the demands of the times.

Moving forward to the future, the climate programs we have instituted are designed to provide leadership momentum and a strong response to climate change.



# Recovering Together

With a strong drive to recover together with the rest of the nation, SM launched a rapid, comprehensive response program. Our nationwide footprint allowed us to efficiently mobilize our distribution network and our sourcing capacities helped us provide effective on-the-ground programs to support communities amid the pandemic.

**Php21.6bn**

SM Group COVID-19 Response for 2021



**Php500m**

worth of COVID-19 vaccines or 560,000 doses administered to over 120,000 employees



**7.2m+**

doses of COVID-19 vaccines administered nationwide



SM Supermalls teamed up with Go Negosyo's "A Dose of Hope" program to launch nearly 50 shared vaccination sites to provide efficient access to COVID-19 vaccines to:

**300**  
MSMEs

**170,000**  
MSME employees nationwide



SM Foundation with Uniqlo donated

**44,000+**  
shirts



**14,400**  
Airism masks



to healthworkers, the military, local governments and communities in the battle against COVID-19.



In partnership with the Philippine Red Cross, SM donated mattresses and other essentials such as pillows and linens for isolation wards of COVID-19 patients at the University of the Philippines Diliman and Ateneo de Manila University.



**Php2.5m**

cash assistance was donated to private hospitals in Cebu.



**94**

MSMEs, which were economically affected by the pandemic, were given Start-Up Packages at 12 SM malls.



# Typhoon Odette Support

In December 2021, Typhoon Odette struck the Philippines, causing severe damage to its central region and affecting millions of Filipinos.

SM's broad footprint allowed the immediate and efficient deployment of relief goods through our programs and foundations. Our network of logistics firms also gave us the critical mobility we needed to distribute much-needed equipment and goods.

Throughout our malls, we were also able to provide shelter and connectivity, while activating our banks and malls as collection points for donations of money and relief goods.

Our banks and malls were also kept open beyond standard operating hours to allow the flow of essential public services.

**38,000+**

"Kalinga packs" distributed to over 35 barangays in Visayas and Mindanao



**250+**

rechargeable solar lights



**Php57.4m**

in financial and material aid for those affected by Typhoon Odette



**1,000**

five-gallon bottles of drinking water

2GO Group transported 500 tons of relief goods free of charge from Manila to areas in Visayas and Mindanao affected by the typhoon. Together with One Meralco Foundation, it transported nine basket trucks, equipment and Meralco's teams to help restore power in Cebu and Bohol.



Airspeed immediately offered its air freight forwarding services and trucks to bring tons of essential cargo. It offered the use of its warehouses in Manila and Cebu for free for storage of relief goods coming from various organizations. It flew truckloads of bottled water immediately provided by SM companies to Cebu in light of the water shortage in the typhoon-hit region.





Our Retail Businesses

## Enhancement and Evolution

*We've got it all for you:* these are words SM is most remembered by, and they remain more than just a tagline. For us, it is a promise to bring everything our customers need, all under one roof—from the best local products and offerings, to the most in-demand global brands.

# About SM Retail

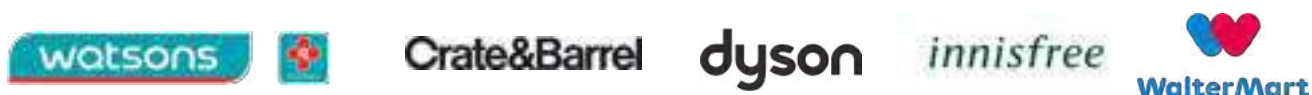
We look to deepening our ability to serve our millions of Filipino customers and to create new markets across the country.

Despite the challenges of the pandemic, we continued expanding our retail footprint.

We opened two new department stores in 2021 in line with our mall expansion while our food retail business added 219 stores. By the end of the year, SM Retail added a total of 294 new stores across the entire portfolio for a total of 3,215 outlets.

The easing of mobility restrictions and the reopening of the economy drove profitability particularly for our department stores and specialty stores. Improved efficiencies especially for our food business also enhanced our performance.

This led to higher revenues of PHP303.9 billion for the year and boosted our net income by 133% to PHP9.6 billion in 2021.



# Adapting for our Customers



Personal Shopper at The SM Store

Since the onset of COVID-19, we have reimagined and reinvented the ways we can bring our products and services closer to our customers—without losing touch with our brand and our culture of personal service.

One thing has not changed: our commitment to deliver excellent customer experience. We have added digital services, and an online shopping experience, integrating mobile via calls and online transactions, allowing our customers to use a multitude of devices.

## **The SM Store: Delivering Customer Convenience**

The SM Store's Call to Deliver, developed and launched in 2020, gave our customers the convenience of directly chatting with our store personnel through our unique #143SM number. The service allowed our customers to remain safely at home while being able to shop from an extensive assortment of products through interacting with a personal shopper.

The orders were fulfilled through our various tenant support partners and initiatives, including tricycle, taxi services and even bicycle deliveries, providing a continuous lifeline of services even in provincial areas. In 2021, Call to Deliver accounted for 10% of total non-grocery sales last year.



For our younger customers who are savvy and comfortable about shopping online, ShopSM gathered fashion items, beauty and personal care products, and other essentials from the SM Store in an online shopping portal. ShopSM guaranteed secure transactions and offered door-to-door delivery, as well as the option for “click-and-collect” services.

**Using our Channels**

We also broadened our touchpoints for SM Markets Online, providing a one-stop grocery shopping platform to customers in Metro Manila, Cebu, Davao and other key cities in the Luzon and Visayas regions. The platform offers an assortment of wet and dry market goods such as fresh meat, poultry and seafood, fresh fruits and vegetables, as well as canned goods, bread, dairy and snacks and beverages. Offerings from our house brand SM Bonus were also in full supply. Staying true to its dedication to service and

convenience, SM’s wide assortment of products—found in SM Supermarket, SM Hypermarket and Savemore—are available on the platform.

The ability of the SM Group to work together proved effective in fulfilling and delivering orders. Our portfolio investment company Airspeed for example helped provide courier services and 2GO helped ship goods nationwide. BDO’s credit card and reward services allowed us to offer special promotions and discounts. Other payment options, such as GrabPay, were also available. And our digital synergies allowed SM Markets Online to be available through the ShopSM App.



Our enhanced digital platforms complemented our expansion, getting us ever closer to our customers.



Our recent partnership with GrabMart allowed customers fast fulfillment—with their orders delivered to them in one hour.

In 2021, despite the challenging conditions of the pandemic, we opened two department stores in SM City Daet, Camarines Norte, and SM City Grand Central in Caloocan. Our continued expansion reflects our belief in the enormous number of Filipinos who remain underserved and strongly benefit from our modern retailing.

In light of the public's heightened concern for health and safety, we expanded retail spaces devoted to wellness and fitness, among them stores for cycling apparel and fitness equipment, as well as vitamins and fitness supplements.



130,000+

quality books that helped bolster public school libraries



45,000+

toys distributed nationwide



### The SM Store Shares Joy to Communities

In partnership with its shoppers, The SM Store gathered more than 130,000 books and 45,000 toys from its Donate A Book and Share A Toy programs in 2021. The SM Store gave shoppers a Php 100 discount coupon for each toy or book shared. The SM Store also donated back packs, school supplies and shoes.

Books and reference materials from the Donate A Book program helped rebuild more than 100 community and public school libraries around the country. Donations from Share A Toy reached children in last mile communities orphanages, pediatric hospitals and health centers nationwide.

In addition to toys and books, The SM Store conducts quarterly donation drives on shoes, hygiene kits and clothes. This year, The SM Store started its donation drive with Share Your Extras to benefit communities impacted by Typhoon Odette where shoppers can donate old and new clothes.



## SM Retail: Our New Green Office

We completed our new retail headquarters and welcomed our retail teams to a green and modern work space with the glint of the Manila Bay in the backdrop.

Our new retail home is a two-tower, 14-storey building which spans a floor plate of 148,000 square meters. This houses SM Retail, Inc. along with the SM Store department store business, SM Markets food retail business and the other specialty brand companies of SM Retail.

With a new work normal in mind, our spaces meet social distancing protocols and feature an open office design.



The 2,000-square meter space Sky Garden on the sixth floor is adorned with tropical balitbitan trees indigenous to the Philippines.

A meditation room can also be found on the 6th floor, as well as a chapel to give our team members a dedicated personal space for reflection.

We also support a bike friendly culture by having over 130 inverted U bike parking slots.

Our new office uses an automated lighting system to save on power consumption and recycles waste water for non-potable reuse.

Our office building also passed the safety seal requirement of the Inter-Agency Task Force of the government and in January 2022, we received our Well Health-Safety Rating for facilities operations from the International Well Building Institute. This is an indication of confidence and trust that our office has adopted best practices for health and safety and the well being of our people and that such practices have been third-party verified.



# Do good, feel great for the common good

To better serve customers' needs, we created an integrated offline and online experience that enabled them to shop across both our digital and physical channels anytime, anywhere.

This Offline plus Online (O+O) strategy provided a seamless shopping experience that gathered over 8,000 employees in over 900 stores nationwide to answer the needs of our 10 million loyal customers. Aside from establishing a strong e-Commerce footprint with the Watsons website and app, we further expanded our O+O platform through these initiatives.

Online Express delivery allows health and beauty products to be delivered in 4 hours or less. We introduced the Subscribe and Save service, a monthly medicine subscription for more savings and convenience for our customers. We also expanded digitally enabled store services through Call & Delivery, Click & Collect and our presence online through SM Malls Online, GrabMart and Foodpanda.

All these efforts helped accelerate the O+O sales participation to 8.7% in 2021.

Watsons' Global Own Brands and Exclusives (GOBE) offered customers high quality health products at affordable prices and sourced locally from MSME partners. In 2021, sales from MSME products

represented 13.5% of total sales volume. GOBE accounted for 27% of sales for 2021 and continues to drive profitability.

Our expansion also continued with 82 stores opening in 2021 nationwide.

### One Smile at a Time

Our 'Smile for Good' program with Operation Smile Philippines delivered 50 cleft palate surgeries in 2021 for children with cleft lip and palate conditions. Our continuous medical outreach also provided much-needed professional health services, free medicine, and health education to those who need it most.

### A Healthy Foundation of Sustainability

In support of the health initiatives of various LGUs we offered vaccination services in our stores. In 2021, we administered over 93,000 flu vaccine doses and over 29,000 pneumonia vaccinations at our retail locations.

We engage our customers to embrace more sustainable practices through "Sustainable Choices" that offer a range of eco-friendly products.

We partnered with Plastic Bank resulting in the recycling of 16,700 kilograms of plastic bottles with registered collectors in Manila, Cavite and Naga.



93,000+

flu vaccine doses

29,000+

pneumonia vaccine doses





## Creating spaces you love

With lockdowns affecting the retail industry, we needed to reposition our customers' mindset to see our products as essential especially with the shift to more productive and stress-free home, work spaces. This gave us an opportunity to further promote our furniture lines for comfort and relaxation, home study or remote work.

As digital was taking centerstage, we wanted to ramp up our presence online. We heavily penetrated Facebook Marketplaces as our flagship platform, [www.ourhome.ph](http://www.ourhome.ph), went into full swing in March 2021.

The pandemic pushed us to be more creative to connect with our customers such as through our VIP listing program for a more exclusive service. We addressed queries, took orders, and provided e-consultations and design advice. We ramped up our personal shopper service through Call To Deliver that contributed 30% of our sales towards December giving us 18% to our total sales in 2021.



### Experiential Shopping

Our seasonal e-catalogues were available to inspire and give viewers ideas on home styling.

We added digital assistance and online payments while several branches were tapped as fulfilment sites to facilitate deliveries.

### Caring for People

During high health alert periods we monitored our employees' health and well-being daily. Our "Touch Program" motivated our people through surprise gifts and inspiring notes and letters personally delivered to them—all to make them feel our continuous presence despite the absence of face-to-face interactions.

In the aftermath of Typhoon Odette, we joined a medical mission. We also provided food to the Dumagat tribe in Quezon.



## Building with tools of adaptability

Most malls and retailers saw reduced customer traffic during the pandemic. ACE responded by developing new ways to serve customers conveniently and safely.

ACE accelerated and expanded its e-commerce activities. The ACE website was revamped. Partnerships with online marketplaces and aggregators were forged. Online assortment was expanded and improved.

Our personalized phone-shopping service – Call-N-Collect (CNC) – was enhanced with new features like its own website, toll-free #11223 number, improved Order Management System, seamless integration with fast-delivery providers. By the end of 2021, 10% of sales came through the CNC service.

To serve more communities, we opened 26 new ACE stores in 2021. There is now a total of 235 ACE Hardware stores in four main formats: Mall, Community, Express inside The SM Store and Builders.

Taking advantage of the pandemic-driven trends such as work/study-from-home, disinfection and gardening, we expanded our assortment of products catering to these needs.

### **Equipping the community**

ACE partnered with SM Foundation to support the local farming industry in Davao and distributed gardening toolkits to participating farmers.

After Typhoon Odette devastated the Visayas and Mindanao region, ACE stores led in supplying disaster-recovery items to affected communities. We provided disaster essentials – such as over 750 power generator sets – through our network of 36 stores.

A donation drive was also initiated to help our own employees affected by the typhoon.

### **Helping Build a Green Tomorrow**

As one of the largest lighting resellers, ACE advocates the use of energy-efficient LED lighting. LED now accounts for 98% of our bulb sales.

ACE also offers more eco-friendly options like non-toxic paints, lead/mercury-free batteries and bio-degradable cleaning solutions.



## Only the best for your bundle of joy

Parents have been juggling their duties of caring for their toddlers while transitioning to a hybrid work setup.

They have been stocking up on essentials such as bathing and nursery essentials, playpens, high chairs and toiletries.

Keeping their household safe especially with the presence of a newborn has been critical for many of our customers who shop for sterilization boxes, air purifiers, air cleaners and disinfecting wipes.

Parents have also looked for healthier infant food and supplements with natural ingredients.

All these opened doors for us to be more creative and active in serving them.

### **Reaching Out to more Moms and Dads**

To complement our online flagship store [babycompany.ph](http://babycompany.ph) and ShopSM, we joined Shopee and Lazada and demand-on-delivery platforms such as SM Malls Online, GrabMart, Metromart and Pickaroo offering same day deliveries.

Our boutique stores also cater to Call to Deliver.



Facebook Live Selling featured an “open mic” for customer inquiries. All these allowed us to better understand the needs of Filipino families.

### **Growing to Meet Our Customers’ Needs**

We opened stores in SM Daet and in SM Grand Central in Caloocan, bringing our total store count to over 90 stores.

We added 15 new brands in the categories of nursing and feeding, diapers, furnishings and linen as well as toiletries, food, appliances and personal care.

We are strengthening our customer service with a dedicated team for our digital platforms. We will also utilize automation for general inquiries to tend to pressing matters and concerns.

### **A Brighter Tomorrow for Babies of Today**

We further expanded our eco-friendly products to include toys and weaning items, organic baby wipes and toiletries and infant food and branded apparel, all made of sustainable ingredients.



## Providing LifeWear to All

When the pandemic pushed people to spend more time at home, there was more demand for loungewear and active wear as these options were more favorable for relaxing at home and indoor exercise. As the customers' needs evolve, Uniqlo reimagined what can constitute as everyday wear.

The brand found it vital to foster collaborations with the industry's leading designers and allow the Filipino's creativity to be highlighted and shared with its customers.

Uniqlo worked with local artists for its 9th anniversary in the country under the UTme! Art PH x Salamat Pilipinas collection that centered around messages of gratitude, courage and hope in the face of adversity.

The works of Isabel Santos, Manix Abrera and Bea Policarpio featured slices of everyday Pinoy life.

Towards the latter part of the year, the brand unveiled a new collection by Abrera during Uniqlo Manila Global Flagship Store's 3rd Anniversary designed for Neighborhood Living.

Globally, Uniqlo collaborated with world-renowned designers Marimekko, J.W. Anderson, and Ines de La Fressange. Embodying cultural diversity and self-expression, Uniqlo also worked on a collection with Hana Tajima and Mame Kurogouchi with pieces featuring considerate and comfortable clothing and enhancing the free nature of innerwear to clothing.

### Reaching Out

Uniqlo opened the doors of its first store in Zamboanga via SM City MindPro. Butuanons welcomed the first Uniqlo store in the highly urbanized City of Butuan. Towards the latter end of the year, it is followed by the



opening of SM City Grand Central in the CAMANAVA area, providing opportunities to share the quality of Uniqlo LifeWear to more Filipinos in time for the holidays.

Venturing online during the pandemic was a concerted effort to attune with the shifting shopping habits and practices across the industry. The launch of Uniqlo's Online Store was well received, marking the brand's first anniversary in July 2021.

### Giving to Communities

As an immediate response to victims of Typhoon Odette and through the SM Foundation, Uniqlo provided over two million pesos worth of food packages. Over 5,000 pieces of pre-loved clothing were also donated to families during that time. Uniqlo donated DRY packaged shirts to front line workers to help in their daily battle against COVID-19.



# Steering grocery carts to new lanes



People's grocery shopping continued to change last year. They still preferred to buy their groceries from our physical stores even as they have also grown accustomed to ordering online.

In 2021 alone, SM Markets Online added 76 stores that also serve our shoppers online, almost quadruple the number that did so in 2020. Today, our store footprint covers the National Capital Region, as well as Cebu, Iloilo, Bacolod, Davao, Cagayan De Oro, General Santos City and Butuan.

### Safe Food Shopping Spaces

We are aware that our customers feel fully comfortable shopping in physical stores which is why, on top of maintaining high health standards, we ensured consistent supply of fresh and safe food and groceries in our stores. Today, all of our 328 stores bear Safety Seals from the Department of Trade and Industry attesting to our high public health standards.



76

stores added to serve our shoppers online

### Supporting our Partners

With limited movement, shoppers made very purposeful grocery runs with fewer visits and larger basket sizes. They also bought more for home cooking and convenient dining. Our stores have dedicated spaces in our frozen sections to showcase a range of ready-to-cook and ready-to-eat meals from many restaurants in our malls. These include popular brands DECS, Tokyo Tokyo, Adobo Connection, Rico's Lechon, Biggs, Gerry's Grill, Tapa King, Ramen Nagi, Goldilocks, Ersao, Marina, Kenny Rogers, The Max's Group (Max's, Yellow Cab, Dencio's, Teriyaki Boy, Pancake House), The Moment Group (Manam, 8Cuts, Din Tai Fung) and Cibo. Many were also available in SM Markets Online.

Our supermarkets helped promote our partners and bring the restaurant experience closer to home for the families we serve.

“With growing concerns over safety, SM Markets expanded their product lines to accommodate more frozen items which can also be purchased online. It gave us the opportunity to reach families by making DECS’ products available online through smmarkets.ph. Thank you, SM Markets for being an excellent partner.”

— Justin Chua,  
President, DECS  
Dimsum Dynasty Inc.



### Caring for our Communities

Through our SM Asenso Pinoy Program, we have trained aspiring cashiers and store personnel, giving them a chance to work with us and our other retail affiliates.



## Serving in All Sizes

With limited mobility due to the implications of the pandemic, shoppers sought more accessible options for everyday essentials. This has led to the development of new store formats and an expansion of our network as well.

In 2021, we opened Savemore Express to help bring essential groceries closer to where people live. These stores are 1,500 to 2,000 square meters in size, a smaller footprint than our typical supermarket but much bigger than a convenience store. This means we can locate them in neighborhoods and make it easy to buy everyday produce including frozen meat and poultry as

well as canned, fresh and personal care products. The nine Savemore Express stores we opened in Bulacan and Albay provinces and Valenzuela City proved very popular and we plan to expand the footprint into more communities.

Bringing the essentials closer to the people

9

Savemore Express stores were opened in Bulacan, Albay Provinces and Valenzuela City





## Strengthening Bonds with Communities while Progressing Together

Alfamart, our minimart grocery chain, continued to flourish in 2021 by sustaining its purposeful expansion in Luzon. We opened new stores in Olongapo, Zambales and in Pilar, Bataan, serving more Filipinos outside of Metro Manila and assisting in the recovery of local economies. At the end of 2021, we had a total store count of 1,207.

As part of our community focus, we continue to support MSMEs by offering spaces inside and outside of our Alfamart stores to their businesses. Our stores are now home to the likes of Laundry Express, 12 C-4 Bread Station, and 5R Pizza, among many other local brands.

The pandemic allowed us to recognize our role and our responsibilities in our communities clearly. Throughout the tightest of lockdowns, we decided to remain open. Faced with the pandemic, we had a choice to either close stores that were proving hard to operate or to find ways to support them and protect the jobs they provided. Without hesitation, we chose the latter in

full understanding of how people would be affected and out of a sense of duty toward our committed employees, and toward the communities around us who continued to rely on us for essential items.

As a result, we created income opportunities for the landlords and contractors that own the space and build the stores. In this manner, Alfamart's expansion has created over 3,000 jobs over the last two years.

**1,207**  
total store  
count

**3,000+**  
jobs created



In 2021, we introduced cashless payments through our partnership with GCash. As part of our ongoing digitalization, we also aim to offer other digital services and partner with other companies to offer our shoppers more convenient ways to shop and transact.

# Better Future for all: Supporting the economy's backbone

Starting from a small enterprise, SM today has become a market place, a partner and a community for more than 90,000 MSMEs.

The COVID-19 pandemic has affected these home-based businesses and local livelihood the most. SM continues to provide support to these businesses to help them recover and contribute to the economy.

## SM StartUp Package

The SM StartUp Package program, launched by SM Supermalls aims to help entrepreneurs make their initial foray into the retail market by locating in select regional and premier SM Supermalls. The first 100 companies who are part of the pilot run received support in the form of different options. They may use store kiosks or carts free of charge; they may receive free brand exposure in various SM assets and ad spaces inside the malls; and they may obtain financial assistance from BDO Unibank, Inc.



“Just being a part of the SM StartUp Market gives our business a great boost of confidence to step up our game. People are now getting to know us better by experiencing our products and being able to talk to us about what they need.”

Jameila Bito-on of beauty and lifestyle brand, Katipuneras

“It helped me a lot. Nakita ko na pwede makipagsabayan ang product ko. (I saw that it's possible for my product to compete.)”

Rica Rodriguez of scented candles business, Tranquil



“This program is indeed a very big opportunity for us not to just bounce back but to move forward since the pandemic started. They give us an avenue of business exposure leading us to more opportunities.”

Jo Anne Pearl Tadeo of Pampanga-based sustainable handmade products, Made by Pearl

### Farmers' Produce

A joint project of SM Supermalls, the Department of Agriculture and Resto PH, an association of restaurants in the Philippines, this project helped bring local farmers closer to SM customers and allowed restaurateurs to access fresh vegetables.

This was one of the many ways SM helped MSMEs, farmers and restaurant owners and their employees amid the disruptions to the supply chain that left farmers and local food establishments with very limited options where to sell their products.

### MSME Financing

Through BDO Network Bank, we provided MSMEs and the beneficiaries of Overseas Filipinos with businesses vital access to additional funds. The MSME Kabuhayan Loan is designed to assist small business owners in need of extra funding to increase their inventory of stocks, purchase business equipment and assets, or pursue expansion plans.

### On the Move

With the pandemic displacing the livelihood of many Filipinos, a number of them have become social entrepreneurs selling products online. 2GO Express recognized the needs of these MSMEs and provided them crucial support through solutions that connect sellers and buyers through pickup and delivery services across the Philippines. The company also partnered with FedEx Express, allowing Filipinos to ship their products to various international locations.



Through Airspeed, we continue to provide an affordable and dependable pick-up and delivery service—a vital support component for the MSME sector. Through PinaSpeed, we offer online pick-up and delivery service to micro-businesses in NCR, Rizal, and Cavite and soon in other areas at very reasonable rates. We make sure we help them grow their businesses.



Arnie Enriquez of Travel Bestie on 2GO's support to help expand her enterprise through cargoes shipped domestically and internationally

“2GO Express hasn't only helped our business grow, but it has also broadened our network. This benefited our clients in the e-commerce sector, especially our *kababayans* here in Taytay, Rizal who used to bring tons of their products to the port. We're thankful for the support of 2GO to our *kababayans* in the Philippines and abroad.”



# Our Property Businesses

Our integrated lifestyle cities connect communities. From our malls to residential projects, office buildings, hotels and convention centers, we innovate and adopt sustainable designs. Through our developments, we inspire greener lifestyles and we create spaces that enrich lives.

## About SM Prime

We look after both our social and physical ecosystems and strive to do our part to help our country bounce back from the challenges of the pandemic through our continued partnership with the government.

As mobility restrictions eased towards the fourth quarter, this has translated into broader growth for our business.

Our consolidated net income grew 21% to PHP21.8 billion in 2021 on the back of consolidated revenues of PHP82.3 billion largely driven by improved Philippine and China mall performances.

We opened the doors of two new malls in the Philippines, SM City Daet, our first in Camarines Norte and SM City Grand Central in Caloocan City. We also opened MOA Square, the expanded wing of SM Mall of Asia which houses the biggest IKEA in the world. We launched eight new SMDC residential projects in the country composed of high-rise and mid-rise condominiums, as well as house and lot developments. We likewise opened Park Inn by Radisson – Bacolod in the last quarter of 2021.

All these reflect our steadfast support to Philippine growth through the delivery of innovative developments to enhance the lives of millions of people.



A Better Future for all:

# Your partner in recovery and public service



72

malls used for the nationwide multi-mall vaccination drive

7.2m+

vaccination doses administered

With the lack of public parks in the metropolis, malls have often served as the go-to place for recreation, meetups and an overall expression of Filipino community, reminiscent of a modern reimagining of the Spanish town plaza.

The pandemic has further rewritten the use of malls as main centers for public health initiatives and government services due to accessibility and foot traffic.

We partnered with various local government units nationwide for our multi-mall vaccination drive as the venue for COVID-19 jabs. Through 72 malls, over 7.2 million vaccination doses were administered by the end of last year. This also includes being the venue for vaccination of minors as soon as the vaccines for this age group became available.

Together with the Department of Health (DOH) and the Department of Interior and Local Government (DILG) we also became the first official venue partner of the digital vaccination certificate program, VAXCertPH, critical for Filipinos working abroad and international travelers who can use this certification when going abroad.

The Philippine Statistics Authority (PSA) partnered with us to make the registration process for the national ID system easier for everyone through satellite sites in select SM malls nationwide. The Commission on Elections (COMELEC) also teamed up with us to provide voters with more registration venues at SM malls for the coming local elections in 2022.

These new partnerships are on top of other in-mall government services such as passport application and express services from government agencies such as PAGIBIG, PhilHealth, SSS, and GSIS where essential documents can be secured in between shopping errands in a safe and convenient manner.



# Welcoming new customers

Despite the effects of long lockdowns on construction, we were determined to continue our expansion in the firm belief that the pandemic will soon turn into an endemic. We opened two new malls, SM City Grand Central in Caloocan and SM City Daet, our first in the Bicol Region. We also expanded the Mall of Asia through the launch of MOA Square and the world's largest IKEA building. Overall, these will add 284,000 square meters to our total floor plate and bring our total mall count to 78 in the country. Our expansion was geared towards provincial areas where the lockdowns have not been severe and to cover most of underserved areas in Northern Luzon, Visayas and progressive cities in Mindanao.



Photo courtesy of IKEA Philippines



SM City Grand Central



# SMDC: Building a future of more Filipino homeowners

ICE Tower RESO

The Filipino dream includes a home they can call their own. At SMDC, we want to build a nation of Filipino homeowners by providing high quality communities that are accessible, secure, and sustainable.

The housing needs of the country is estimated to be 7 million by 2030. As we launch around 16,000 units per year, we see huge potential to develop more residential communities around the country.

We have been steadfastly working with the government in building socialized housing projects nationwide. In 2021, we unveiled the Uswag Low-Rise Residential Building, in Jaro, Iloilo City, a PHP 247 million socialized housing project in partnership with the City Government of Iloilo. The two twin

4-storey low-rise buildings will have 120 residential units to be awarded by the local government to target beneficiaries that include local government employees.

While some industry players halted their projects, we continued to push through with the construction of projects in the Makati central business district, Mall of Asia (MOA) complex in Pasay City and in growth centers outside Metro Manila. We launched eight new condominium buildings in 2021 including new formats such as a residential office, the 14-storey ICE Tower RESO in MOA and Joy Residences, a garden community with four-floor residential buildings in Bulacan.

**PHP247m**

socialized housing project

**120**

residential units for local government employees



### Communities, the Lifeblood of Development

A holistic approach to sustainability is a key factor in all SMDC developments that cover site selection, design considerations to reduce material waste, and mechanisms for water efficiency and waste management.

Beyond green spaces, our residential towers are part of integrated townships that encourage walking. With 20-60% of land area used in our developments dedicated to open spaces, we provide safe places that enrich well-being among our communities.

In light of the Covid-19 vaccination efforts, we coordinated with the different LGUs and the Philippine Red Cross and was able to administer over 5,000 inoculations to residents and employees.

5,000+  
inoculations to  
residents and  
employees



The growth of the industry has been promising with the emerging young and educated workforce and overseas Filipino workers (OFWs) who account for the \$30 billion remittances in the country annually.

We continue to develop residences that strive to meet the multi-faceted needs of young Filipinos for a modern living space with strong internet connectivity, shared working spaces, and many features geared towards wellness, safety and security.



Linear park within Joy Residences



Mega Tower

# SM Offices: Reimagining the work environment

It's back to business with the pandemic pushing real estate developers to reimagine office spaces and putting a premium on structures that can support overall well-being in the current global environment.

As has been practiced for several years, SM, through its office developments, has been building resilient structures and sustainable workspaces to improve productivity and building operations.

SM's offices are built using high-quality environmentally-friendly building materials, enhanced with application-based technology during the design and construction processes, such as Business Information Modeling to minimize rework. Our structures also integrate renewable energy-efficient systems that allow tenants to save energy and conserve water to help lower costs.

The 50-storey S-shaped Mega Tower was launched in 2021 and stands as a landmark along EDSA. Currently undergoing LEED Gold Certification, the Mega Tower uses insulated glass units which keeps heat out during summer months and LowE-glass to minimize the amount of ultraviolet light that comes

through the windows thereby maximizing energy savings. It also has a Material Recovery Facility dividing recyclables, biodegradable waste, residual waste and hazardous waste and dedicates a section of its total 1,102 parking slots to energy-conserving vehicles.

In addition to the Mega Tower, other LEED registered SM office buildings include ThreeE-com Center and FourE-com Center in Pasay City.



ThreeE-com



FourE-com



**50**

storey S-shaped  
Mega Tower

**1,102**

parking slots to  
energy-conserving  
vehicles



Hamilo Coast has planted over 50,000 mangrove propagules since 2007, offering protection against extreme weather surges while actively contributing to local diversity. It is also home to 96 bird species.

## Hamilo Coast: Nurturing Nature

Mangroves serve as our natural defense against flooding and erosion – especially important as the Philippines is known as among the most vulnerable in the world to typhoons.

Our Hamilo Coast property is taking conservation to heart with 50,000 mangroves planted and covering 240,000 square meters of the estate, considered one of the largest mangrove areas in Nasugbu, Batangas. We protect our mangrove ecosystem together with the WorldWide Fund for Nature (WWF) Philippines—a partnership we have nurtured since 2007.

Mangroves also help nurture a lush ecosystem of various wild and marine life. To date, there are 96 different bird species found at Hamilo Coast. Endemic cuckoo species like that of the rough-crested Malkoha and the even more vulnerable Philippine Eagle Owl have been spotted migrating and nesting in Hamilo's forests.

The addition of mangrove trees will further serve to nurture the growing biodiversity of the area. Estimated to grow up to 50 feet high, the forest will provide new habitat for the existing array of species ranging from small bats and rodents to bigger reptiles and mammals.

Mangrove trees also have an enormous capacity to absorb carbon dioxide and greenhouse gases making them ideal pollution sinkers as they help bring about climate benefits.

Three of our coves, namely Pico de Loro, Etayo and Santelmo, are declared Marine Protected Areas since 2009.

To increase the biological capacity of fisheries and establish sustainable local food sources, WWF conducts an inventory of the flora and fauna at Hamilo Coast's Pico de Loro cove, and performs year-round fish-catch monitoring. WWF also monitors the three

MPAs of Hamilo Coast and conducts oceanography and hydrology studies in all thirteen coves.

Adding to our coastal resource conservation practices are the growth of local plants, seeding of clams, the release of sea turtle hatchlings and regular coastal clean-up activities.

Our energy-use is also consistently monitored. Alternative sources of energy have been used to power some of Hamilo Coast's facilities such as solar power lamp posts and solar absorption air conditioning units.

Green building strategies were carefully considered in some of our residential areas, such as natural lighting and ventilation, solar energy in common areas, and an efficient waste management system.

We implement a solid waste management plan that includes waste source or segregation, materials recovery facility and vermicomposting where green wastes are composted and processed into charcoal briquettes. Waste water from the different Hamilo locators are processed by sewage treatment plants and used as irrigation water for the surrounding landscape.

Our green efforts are fully supported by residents of our host barangay, Barangay Papaya, who know how to segregate waste.



Red-crested Malkoha  
(Phaenicophaeus superciliosus)



Rufous-crowned  
Bee-Eater (Merops  
americanus)



Grey Heron (Ardea cinerea)



Solar roof deck at the Mall of Asia

## Powering a sustainable future

SM is focused on enhancing the sustainability of its ecosystem of businesses and is actively addressing the climate adaptability of our businesses, our cities and communities.

We invest heavily on solar panels and energy efficient LED lighting systems in our properties. These power 11 malls.

To advance our Zero Emissions agenda, our property group, SM Prime, has committed to increase the use of renewable energy to 50% by 2022 across all of its business segments, ahead of the national goals to be 35% renewable by 2030. This is equivalent to clean energy that will be enough to power 260,000 homes in a year.

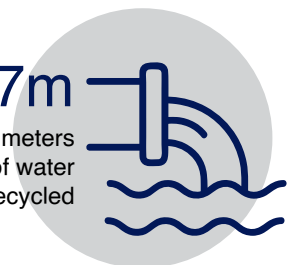
We invest in several programs to reduce and reuse water. Our water catchment basins across 20 SM malls can catch and store almost 80 million liters of water every time it rains or as much as 32 Olympic-sized swimming pools. With our sewage treatment plants recycling 8.7 million cubic meters of water, we lessen our dependence on fresh water sources for air conditioning, gardening and other non-potable use.

20

SM malls have water catchment basins

8.7m

cubic meters of water recycled



Our greening efforts are also bearing fruit. SM City Baguio has teamed up with the Philippine Military Academy (PMA), the Department of Environment and Natural Resources - Cordillera Administrative Region (DENR-CAR), Baguio Water District, the local government of Baguio City and 25 media organizations in Baguio for a program that has planted over 600,000 trees in Baguio City and neighboring towns in Benguet.

In terms of solid waste management, our waste composting program range from basic segregation to systems set to convert solid waste to compost. We required all contractors to implement proper waste management procedures during construction. A long-running program through SM Cares, the

monthly Trash to Cash (TTC) provides an avenue for the community, including properties' tenants, to participate in solid waste management. We also undertake paper recycling in partnership with the Trust International Paper Corporation and the responsible transport, treatment, storage and disposal or processing of the properties' generated hazardous waste, compliant to the government's implementing rules and regulations.

Demonstrating our commitment, SM Prime also signed on as a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) global framework which directs us to best practices and to putting them into action.







## Our Banking Businesses

Through our banking businesses we include and empower customers and find ways to make their aspirations happen.

Especially during the pandemic, we provided critical access to financing through innovative ways.

We continue to fuel business growth, national development and energize green developments and technologies.

**Steadfast in  
finding  
new ways  
to serve**

**Preserving  
a legacy,  
pursuing  
growth**



## Steadfast in finding new ways to serve

BDO demonstrated steadfast support for its employees and customers amid the pick-up in economic activity in 2021, following the steepest recession in 2020 due to the pandemic.

To protect the well-being of both customers and employees and maintain a secure environment, health and safety protocols were upheld in all branches and offices and a vaccination program for all employees (in coordination with the SM Group and Local Government Units) was implemented such that nearly 100% of the Bank's employees had been fully vaccinated by end-2021.

To ensure continued access to its products and services and keep customers well-served, almost all of BDO's 1,542 branches remained open while branch manpower requirements and operating schedules

were adjusted per government guidelines. Over 4,400 Automated Teller Machines (ATMs) were also available nationwide, in addition to online and mobile banking solutions, to provide clients with an extensive range of alternatives to access banking services while ensuring security and convenience.

Straight-through processing capabilities were also rolled out in branches, allowing clients to make paperless in-branch cash and check transactions, perform fully digital account opening, and execute card-less ATM transactions through the use of biometrics authentication—the first in the country or a Quick Response (QR) code. As well, expanded *Cash Agad* (agency banking) capabilities offered clients with more venues for cash fulfilment while helping raise financial inclusion especially in underserved/unbanked communities.



BDO frontliners remain reliable and committed to serve the banking needs of the clients.



BDO Unibank deployed the BDO ATM on Wheels to serve the cash requirements of customers who didn't have access to ATMs

Unhampered  
accessibility  
to banking  
products  
and services

**1,542**

branches remained open while branch manpower requirements and operating schedules were adjusted

**4,400+**

Automated Teller Machines (ATMs) available nationwide in addition to online and mobile banking solutions

To ease the impact of limited face-to-face interaction due to recurring lockdowns in 2021, the Bank took advantage of technology to actively connect with customers and keep communication lines accessible, easy, and open. Meetings and discussions were held via digital platforms that generated faster communication, covered more clients and established immediate feedback for quick action/resolution.

To help corporates meet their working capital and funding requirements, lending activities were ramped up to support clients as business volumes grew with the gradual improvement in economic activity in 2021. Loans to micro, small, and medium-sized enterprises (MSMEs) also increased on focused network expansion and intensified field work to reach out to, directly engage, and connect with customers instead of waiting for customers to go to the branches during the pandemic.

To make everyday payments quick and easy, the Bank launched *BDO Pay*, the country's first bank-backed mobile wallet. Aside from having functionalities like send money, pay bills, and request money, *BDO Pay* cardholders can scan to pay, split bills, and manage and secure their accounts.

### High Quality Earnings on Sustainable and Resilient Businesses

BDO posted a net income of Php42.8 billion in 2021, marking a 51% increase against the Php28.2 billion in 2020 and equivalent to 97% of 2019 pre-pandemic levels.

The earnings improvement was achieved on the strength of sustainable and resilient businesses. Net interest income remained stable despite the yield compression due to excess market liquidity and the BSP cap on credit card rates. Meanwhile, non-interest income was driven by fee-based income and life insurance premiums which grew by 22% and 21%, respectively, benefitting from increased business volumes with rising economic activity and easing alert levels.

Amid its strong performance, the Bank completed major strategic initiatives in 2021. Aside from launching *BDO Pay*, the Bank completed the Next Gen IT Transformation Program and rolled out End-to-End Branch Automation last year. BDO will continue to invest in its digital infrastructure to make services more accessible, easier to use and operationally efficient.



## We find ways to recover with resilience

In 2021, BDO unceasingly served our customers' most pressing and evolving financial needs and supported the Philippine economy through the second year of the pandemic. As lockdowns and quarantines continued and varied in severity, we optimized our safety protocols, digital infrastructures, flexible work, comprehensive vaccination program, and extensive network to ensure the availability of financial services and support for our customers.

### **Sustainable Finance**

As BDO's Sustainable Finance Program entered its 11th year, we continued to finance eligible green and social impact projects on renewable energy, energy efficiency, green building, clean transportation, pollution prevention and control, sustainable management of natural resources and land use, eco-efficient technology, sustainable water and waste water management, terrestrial and aquatic biodiversity conservation, climate change adaptation, affordable housing, access to essential services, employment generation and food security.

BDO Sustainable Finance catalyzes accelerating green recovery by financing resilient and pandemic-ready projects that aim to achieve a sustainable financial value chain. In 2021, BDO financed 54 renewable energy projects, with Php 548 billion in total Sustainable Finance projects funded to date.





### Financial Inclusion and Disaster Response

Due to the limited mobility brought about by COVID-19 lockdowns during virus surges, BDO's Cash Agad banking solution with Point-of-Sale terminals managed by partner agents in the provinces and remote areas remained the main option for people to withdraw cash from their accounts. Cash Agad continued to grow in 2021, with increased transactions at 60.6 million from the previous year's 41.4 million. Cash Agad's agent network in 2021 was at 9,530 and covered 88% of the total municipalities in the country.

When Super Typhoon Odette (international name: Rai) hit the Southern Philippines regions a week before Christmas, it adversely affected 1.8 million people and displaced 600,000 from their homes and places of business. With bank branches and ATMs damaged by the super typhoon, Cash Agad's top partner stores provided critical withdrawal services to cash-strapped families across calamity-stricken regions for food, water, medicine, transportation out of danger zones, and immediate home repairs. Cash Agad allowed families to survive the first week of the devastation, while awaiting relief and recovery assistance, particularly in small remote islands.

### Pandemic Response

BDO Foundation continued to help control the spread of the virus, assist frontliners, and provide aid for people vulnerable to the effects of the pandemic. The Foundation supported the healthcare programs of partner local government units, which benefited 16,750 families; 2,055 health workers and patients; 1,800 vaccine recipients in General Santos and Iloilo; nurses in eight partner hospitals; and 1,066 vaccine beneficiaries nominated by donors; as well as people in 30 parishes, and persons deprived of liberty in 48 prisons.

BDO Foundation renovated 21 Rural Health Units in 10 provinces in 2021, for a total of 121 RHUs rehabilitated and 6.5 million beneficiaries to date. Renovation meant improving the layout, interiors and exteriors, lobbies and waiting areas, offices, birthing clinics, consultation rooms and treatment rooms, pharmacies, and facilities. Construction also included breastfeeding stations for nursing mothers, play areas with books and toys for children, and comfortable waiting lounges for senior citizens. With renovations completed, rural doctors, nurses, and midwives are now better equipped to provide primary patient care to 716,543 individuals, many of whom cannot afford hospitals.

A stable  
outlook in  
2021

**Php 548bn**  
in Sustainable Finance  
funded to date

**9,530**

Point-of-Sale terminals for  
Cash Agad nationwide

**6.5m**

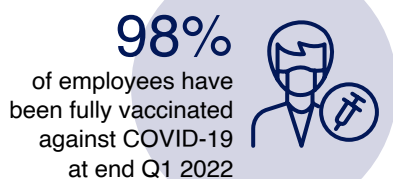
beneficiaries for  
Rural Health Units



## Preserving a legacy, pursuing growth

At China Banking Corporation (China Bank), we look back at our history and heritage with pride and honor.

The safety and well-being of our employees and customers remain our top priority. We closed 2021 with 9,747 employees, and as of the first quarter of 2022, 98% of whom have been fully vaccinated against COVID-19. In addition, health and safety measures continue to be strictly implemented in all our offices and branches nationwide.



As a way of extending our gratitude to our people for their loyalty and dedication, the Board of Directors approved in 2020 the Centennial Stock Grant Plan of 100 shares for every year of service. With the approval of the Philippine Stock Exchange in September 2021, we issued 5,388,400 centennial stock grant shares to 8,321 employees.

Our 101st anniversary culminated in the inauguration of our fully restored China Bank Binondo Business Center and the unveiling of the historical marker from the National Historical Commission of the Philippines (NHCP) and the Important Cultural Property marker from the National Museum.

This restoration project is China Bank's humble contribution to the revitalization of Manila, and of Binondo, the world's oldest Chinatown.

### Financial Strength

China Bank concluded the year with 2.4 million customers and a network of 637 branches and 1,037 ATMs. We sustained our core business growth and coupled with effective cost management, we defied economic headwinds with a 25% increase in net profits in 2021 to Php 15.1 billion. Total assets reached Php 1.1 trillion, up 7%. With the gradual return of business activities, net loans expanded 9% to Php 609 billion. On the funding side, total deposits rose 3% to Php 863 billion, underpinned by an 18% increase in CASA (checking and savings accounts).

International finance journal *The Asset* recognized China Bank as the Best Bank in the Philippines in 2021, and our investment banking subsidiary, China Bank Capital, as the Best Bond Adviser (Domestic) for the sixth consecutive year.

China Bank also emerged as the second strongest bank in the Philippines and among the top 20% in the Asia Pacific region in *The Asian Banker's* ranking of 500 Strongest Banks in 2021.

The recognitions came on the heels of validations from rating agencies of the Bank's financial stability and credit worthiness. Moody's Investors Service affirmed our investment grade credit rating of Baa2 while the

A stable  
outlook in  
2021

Php 1.1tn  
total assets

Php15.1bn  
net profits in 2021



Philippine Rating Services Corporation (PhilRatings) gave us the highest credit rating of PRS Aaa (corp.). Both ratings carry a stable outlook.

### Excellence amidst the Pandemic

Our financial strength is underpinned by our high governance standards. The ASEAN Capital Markets Forum distinguished China Bank as among the top 3 publicly-listed companies in the Philippines and among the top 20 in ASEAN, and as an ASEAN Asset Class. We also received the Institute of Corporate Directors' highest recognition for corporate governance, the Four Golden Arrow.

For our strong support for the various initiatives to build an inclusive and increasingly digital Philippine economy, the Bangko Sentral ng Pilipinas named China Bank as an outstanding stakeholder. China Bank was a pilot participant in InstaPay, launched in 2018, and in QR Ph for person-to-person payments or "QR Ph P2P" in 2019.

Our commitment to good governance, sustainability, and digitalization enabled China Bank to navigate the new normal and overcome the challenges of the global pandemic. But more importantly, it kept us strong, resilient, and driven to help our customers and the country recover.





## Our Portfolio Investments

We support rising market leaders by bringing them into our SM ecosystem.

Our growing portfolio investments now constitute a substantial portion of our consolidated earnings in 2021 which include assets in key sectors that support the economy such as logistics, food and mining.

## About Our Portfolio Investments

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We enable businesses to reach their potential by working together within the SM ecosystem.

We invest in promising businesses that can become market leaders in their respective sectors.

# Thriving in New Frontiers and Sustaining Momentum

With the mining industry leading in the global green economy, 2021 was an outstanding year of recovery and opportunities for us. Amid the COVID-19 pandemic and calamities, EBITDA was PHP9.8 billion and we delivered record net income of PHP3.9 billion, attributed to our consistent innovative operations and rising shipment of copper concentrates coupled with the surge in metal market prices. We credit these remarkable figures to the dedication and commitment of our people throughout decades of responsible stewardship. We were able to pay back USD130 million in debt during the year.

We remained strong despite the destruction caused by Typhoon Odette near the end of the year. It is through this strength that we managed to uplift our host communities by providing them long-term support in the form of essential solutions while maintaining much-needed operations, surpassing our targets.

## Thriving in New Frontiers

Atlas Mining has always stayed true to its values by rising to global challenges and by prevailing in being a competitive force in the industry. We continue to be the disruptor among the disrupted and it is with this attitude that we view the shift to green and clean energy as a new frontier in the future economy. To complement this, we have also upped our sustainability efforts for our communities by providing them new opportunities and by strengthening our programs for the protection and rehabilitation of our natural habitats through our continuous reforestation programs, monitoring of air and water quality and by controlling our emissions, among others.

## Responsible Production

Copper is an essential metal in transitioning away from fossil fuel and is one of the metals with the highest electrical and thermal conductivity.

As renewable energy assets are created, copper is necessary to connect wind turbines, solar cells and energy networks over wide areas. It is an important component in batteries for electric vehicles, motors and charging equipment.

We recognize our role in making sure that we produce the cleanest and quality copper in the most responsible way.

## Sustaining Momentum

Moving forward, we anticipate progressive growth in our overall performance guided by decades-tested principles to achieve the distinction in health, safety and environment responsibility.





# Supporting the Reopening of the Economy

In 2021, 2GO continued to help the country by addressing ongoing mobility and supply chain difficulties. It continued to provide nationwide logistics and expanded its services to meet COVID needs. At the same time 2GO modernized and invested in new ships and technology.

## Rapid Modernization to Serve Better

In shipping, we invested in two modern vessels, MV 2GO Masagana and MV 2GO Maligaya, named after the Filipino values of abundance and joy. These new vessels are the biggest roll-on/roll-off passenger (ROPAX) vessels in the country to execute our refueling strategy able to accommodate about 800 passengers. Their speeds reach up to 23.5 knots making them the fastest vessels in their class. These state-of-the-art ships are a combination of Japanese and European technology which include top-notch navigation systems, advanced fire alarm systems and multiple collision bulkheads as collision mitigating support.

Meanwhile, in its express business, 2GO upgraded its systems to meet future customer demands. The new automated sorting machine in its main hub can process over 144,000 parcels a day. It also invested in new transport management systems, which optimize

destination mapping and vehicle routing. This new technology will allow customers real time tracking of shipments to support their planning.

## Establishing Strategic Partnerships

SM Investments increased its stake in 2GO last year becoming the majority shareholder, while welcoming Singaporean private equity firm Archipelago Capital Partners (ACP) as 2GO's second largest shareholder. ACP brings their international logistics experience and best practices to the group.

These investments are votes of confidence in the transportation and logistics sector while opening opportunities and creating synergies.

## Going Forward

As the country's economy reopens, 2GO is looking forward to the revival of travel and tourism. In preparation, 2GO ships upgraded their onboarding experience, both at port terminals and on vessels. 2GO ships are now equipped with WiFi connectivity along with food retail options for passengers to enjoy.

2GO is confident that its modernization efforts and new partnerships will further improve service standards and drive profitability.





# Full Speed Ahead

To cater to the growing requirements in the logistics business as well as online transactions, we acquired and opened new offices in Cubao, Quezon City and Bacolod, Negros Occidental. In addition, we set up three new e-fulfillment warehouses: two in Paranaque City and one in Carmona, Cavite, to support e-commerce enabler platforms which in turn reinforce online sellers' back end operations.

## Digital Full Throttle

Airspeed started its digital transformation even before the pandemic. Over the past two years we embraced digital fully, reorganizing our supply chain to be more scalable and focused on technology. The lockdown also served as a learning environment for our people, allowing them to upgrade their skills through online training. They also enhanced their preparation measures for bigger challenges and opportunities ahead.

Seeing huge demand, we launched several services: Speedgifts, an online gifting platform for global Filipinos who wish to send gifts anywhere in the Philippines; UnboxMe, a cross-border delivery platform that allows customers to seamlessly shop on U.S. websites and facilitate deliveries to their Philippine addresses; and Pinaspeed, an online pick-up and delivery service which makes sending gifts easier and hassle-free. We also enhanced Speedfood and Speedgrocer, online delivery service platforms, were also enhanced, helping merchants reach a bigger market for grocery customers.

Many are familiar with riders that deliver online orders to the customer's doorstep, but few are aware of the process that it takes to happen. In the current environment, merchants of goods count on Airspeed to store and consolidate orders of different sizes, colors and other stock keeping variables. These have to be matched carefully to avoid customer dissatisfaction and costly returns while doing so quickly and

efficiently. Many merchants have difficulty scaling their distribution to a much larger market because of the investment and expertise required to operate E-fulfillment centers. Airspeed ably fills that gap in order to allow merchants to do what they do best.



Innovation  
is the key to  
growth

## A Woman Leader at Full Speed

Airspeed Founder, Chairman, and President Rosemarie Rafael firmly believes that innovation is key to continued growth. She drives the company to provide faster delivery and better solutions to its customers.

Rafael's work has been widely recognized by various prestigious organizations. She won the Asia-Pacific Economic Cooperation (APEC) Top Best Awards 2021 for Best in Business Sustainability in Tackling the Pandemic, the ASEAN Business Awards 2021 Woman Entrepreneur of the Year, the Asia Leaders Awards 2021 Woman of Substance, and the ASIA CEO Awards Circle of Excellence for Global Filipino Executive of the Year.



## Together, We Live Better

Belle Corporation's (Belle) recovery in 2021 was primarily due to operational efficiencies, the easing of community quarantines and restrictions and heightened business activities, which allowed further mobility into City of Dreams Manila and our real estate market areas in Tagaytay Highlands and Tagaytay Midlands.

### Green Shoots in Our Gaming Businesses

Premium Leisure Corp. (PLC), Belle's subsidiary, achieved a 79% increase in consolidated revenues to Php1.7 billion from higher gaming share and lotto revenues. PLC's wholly owned subsidiary PremiumLeisure and Amusement, Inc. achieved a 105% increase in gaming revenue share to Php1.3 billion. On the other hand, its majority-owned subsidiary Pacific Online Systems Corporation (Pacific Online) realized an increase in equipment lease rental income and commission and distribution, from Php293 million to Php426 million.

On September 6, 2021, the Philippine Charity Sweepstakes Office issued the Notice of Award for the public bid for its nationwide online lottery system to the joint venture of Pacific Online, Philippine Gaming Management Corporation (PGMC), and International Lottery & Totalizator Systems, Inc.

After decades of friendly competition as the lottery equipment lease providers throughout the Philippines, Pacific Online decided to strategically partner with PGMC for the bid in order to fully share in the synergies that will come with providing an efficient and transparent nationwide online lottery service for the country.

### Promoting Self-sufficiency and Healthy Eating

The Grove at Plantation Hills in Tagaytay Highlands, our latest 22-hectare development, promotes a farm-to-table lifestyle to reduce one's carbon footprint, relieve stress and maintain good health. The community is for prospective residents who seek a self-sufficient life in a safe and tranquil enclave, which is suitable for their very own sustainability goals and the pursuit of a genteel farmer's lifestyle.



**22ha**

development in  
The Grove at  
Plantation Hills  
promotes a farm-to-  
table lifestyle



# Your partner in celebrations

Celebrations have always been intrinsic to every Filipino's way of life.

What makes Pinoy celebrations even more meaningful is that no matter how big or small these life's events are, Pinoy's always make it a point to create their own pockets of joyful celebrations – and Goldilocks has always been part of these significant moments.

Even during the pandemic, Goldilocks continued to expand its store network in 2021 by adding 56 more stores nationwide. This brought the total store count to 884 by the end of year.

## Reinvention and Innovations during Lockdown

Goldilocks on Wheels was launched in 2021 as a stand-alone shop resembling a food truck to bring our merchandise closer to the community. As response to the reduction of in-store visits, Goldilocks introduced "Park and Go" in 30 stores. As a new store service customers were assisted by Goldilocks staff so that they can safely order from inside their cars.

New cakes were also introduced during this time, Strawberry and Ube flavor Greeting Cakes that highlighted relevant celebrations even during lockdown, and the launch of Choco Almond, Strawberry Lush, and the Ultimate Mocha Symphony for the Premium Cake line. For Food Shop, pre-packed



**884**  
total store count  
by the end of year

and frozen meals were developed so customers can buy and eat their all-time favorites in the safety of their homes.

## Digital-First to Reach Customers at Home

As the Philippines logged the most number of COVID-19 cases in 2021, Goldilocks saw this as an opportunity to advance their digital presence, enabling accessibility and ease to buy Goldilocks products for the Filipinos staying at home.

The big shift started when Goldilocks became available in the GrabFood Preferred Store list. This was followed by monthly FoodPanda promotions and presence in other nationwide aggregators. This was launched with a total of 252 stores in 2021, with a strong support in in-app advertisements and promotions.

Simultaneously, Goldilocks Delivery Service became more aggressive in promoting its own delivery model. It strengthened its presence through rapid store expansion and awareness campaigns driven by digital boosting and promos.

## Thinking of the Community

Caring beyond the doors of Goldilocks, the team also took the initiative to lift the spirits of the dedicated frontline heroes by partnering with the SM Foundation (SMFI) to distribute bakeshop products to around 70 hospitals and medical institutions in 12 cities.

Goldilocks continued with its heightened safety measures for its employees, partners, and communities through programs such as the creation of the COVID Taskforce that ensured safety and health in its plants, stores, and offices, as well as supporting vaccination programs with its local government partners.



# NEO

## Championing Sustainability

A longtime advocate for sustainability, Raymond Rufino is heeding the call and leading NEO to become one of the greenest companies in the Philippines. NEO is the largest owner, developer, and manager of office buildings in Bonifacio Global City.

In 2021, NEO signed on as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), joining more than 2,500 supporters, in alignment with globally-recognized frameworks for climate change reporting. It was also cited as the first portfolio in the world to be certified as EDGE Zero Carbon for all their buildings by the International Finance Corporation while advancing the Net Zero Philippines program of the Philippine Green Building Council. It is the first office portfolio in Southeast Asia to achieve the WELL Health-Safety Seal.

"It all starts with NEO acknowledging the current climate crisis and taking ownership for the negative contribution of the real estate industry. This has informed and guided us in defining NEO's mission," Rufino said.

### #theNEOway

Called #theNEOway, the company aims to create and foster the most dynamic work communities that inspire progress and growth while caring for the well-being of our people and planet. In order to achieve this, Rufino emphasizes that intent needs to be put into action.



"The real hope is that we can inspire other companies to do the same so our industry as a whole can transform."

"My role as a leader is to inspire and empower everyone in our company to support and commit to actions that deliver positive impact in fighting climate change. That can range from being innovative in our design, to developing creative campaigns and policies in our operations, or even to securing certifications on the sustainability of our buildings," he said. These certifications range from green building, Net Zero certifications to Health and Wellness as well as Resiliency Ratings.

"The real hope is that we can inspire other companies to do the same so our industry as a whole can transform," he added.

### Importance of Net Zero

But why is Net Zero necessary and important? The discussion around this buzzword is ringing loud in the halls of various global leaders' summits. Net Zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere, a state at which global warming stops.

Rufino shares that he has been calling for the move towards green buildings since 2007.

"Given the severity of our climate crisis, building owners and managers need to commit to Net Zero. Decarbonization is fundamental for the real estate industry to avert climate catastrophe," he emphasizes.



The roadmap for NEO to achieve Net Zero was to secure certification under two different Net Zero rating tools: 1) Advancing Net Zero Philippines program of the Philippine Green Building Council and 2) IFC EDGE Zero Carbon. Both rating tools provide clear frameworks and pathways for Net Zero.

Along these lines, the International Finance Corporation's EDGE Zero Carbon certification program was created to rate buildings that are aspiring to achieve Net Zero. NEO embraced the challenge and achieved the milestone to become the first and only commercial office building portfolio in the world to achieve Zero Carbon. While the portfolio's electricity is supplied by an offsite 100% renewable energy source, there remained the challenge of eliminating the carbon footprint from our emergency backup power supply.

"As the portfolio falls under EDGE Zero Carbon for Retrofit, we were able to successfully devise a retrofit plan outlining optimization strategy that would significantly reduce our carbon footprint as approved by the program," he said.

### **NEO's Commitment to Green Reporting**

Signing on as a TCFD supporter also meant being steps ahead in green reporting. Despite NEO being an unlisted company, it aimed to produce a sustainability report following the requirements of the Securities and Exchange Commission and the reporting standards provided by international organizations such as the TCFD.

"This is in line with our mission to contribute towards a more sustainable built environment and our value of accountability as we recognize that the building industry should take responsibility as one of the largest carbon emitters globally. The TCFD prioritizes climate-related risks and the financial impacts of climate on businesses, allowing its support and influence to span across public and private sectors," he said.

Despite the giant leaps NEO made in 2021, Rufino feels there is still much work to be done.



NEO's commitment to the health and safety of its buildings' users is aligned with its commitment towards climate conservation as several of our green building features impact both people and planet.

"While we are proud to be meeting the international building health standards from the International WELL Building Institute, we are likewise striving to do our part in meeting the global goals for addressing the climate crisis. We have already achieved our Net Zero target in 2021, well ahead of our original target of 2030. We are now exploring embodied Net Zero carbon and focusing on advocacy work for the industry," he added. This will be through key projects and partners such as the Philippine Green Building Council and WWF Philippines.

As NEO spearheads the movement towards sustainability with a focus on Net Zero in the Philippines, it continues to educate and encourage others to join in the journey.

"We hope to serve as an inspiration and motivation for other companies and individuals here in the Philippines so that we can achieve the desperately needed transformation to protect and preserve both our people and our planet. We dream of a world where everyone lives, works, and plays in spaces that promote their health, safety, well-being, productivity, and happiness."





# Our Valued Resources

Following our value creation framework, we mobilize our capitals—our most valued resources—to work together to achieve sustainable business objectives and deliver long-term value for all our stakeholders.



**Together, we look after and build our brand so that people choose it, trust it and care about it for the next 60 years —and beyond.**

## INTELLECTUAL CAPITAL

# Our Brand

### What does our brand stand for?

**For us, our brand is more than just a logo — it is about the values and the SM team that live it out, every day.**

Henry Sy opened his first store in 1948. If a customer back then could see where we are today, we think they would be completely amazed by how much has changed.

So much has changed, both in our business and in the wider world we're part of.

But we also know that many things would feel the same. Henry Sy's customers in 1948 would recognize the service, the smile at the door, the way they're greeted and cared for and the value for money they enjoy. We try to treat them like they're the most important person in the world.

This is because we have stayed true to the values that the SM brand is built on.

Today, SM is a brand that matters. We're an important part of life for millions of Filipinos, and they have high expectations of us. As we head into the future, we want to make sure that we nurture and protect our brand, so it stays strong for years to come.

### Living our Values for More than 60 Years

#### Entrepreneurship

We find the places there's a problem to be solved—and seize the opportunity.

#### Drive and Enthusiasm

We show up, we get things done and we make it happen.

#### Teamwork

We're a family business, so we treat everybody like family.

#### Integrity

We do the right thing, even when no one is looking.

#### Leadership

We always consider the wider good—and we're here to make things better.

### The SM Logo through the Years

Henry Sy always liked the color blue, which has since become the color permanently associated with SM. In fact, many call it "SM Blue."

As the company grew, "ShoeMart" was condensed to SM. Later, a ring was added around the SM, representing wholeness, as the company expanded into different businesses. It also showed a unified SM brand, which connects to our customers and communities who see SM as one.



1958-1975



1975-1986



1985-2003



1986-2009



2009-2022

## Developing Our Brand, Continuing the Legacy.

This year, we refreshed our logo to incorporate the evolution of who we are as a brand and as one SM team.

We've taken the things that feel distinctively SM—including our logo and colors—and carefully evolved them, making sure they're ready for the future, particularly for an increasingly digital world.

Blue remains our unifying color, adventuring to different hues that speak closer to our business partners and our customers. We also developed our own bespoke typeface, Henry Sans, and revitalized the design elements of our brand's application—which our customers will begin to see rolled out in 2022.

While protecting our heritage, the refreshed SM logo brings renewed energy to our brand, evolving it as it takes its place among the best brands in the world.



**We are driven to meet the ever-evolving needs and aspirations of our customers—happily serving to make everyday living better.**

## SOCIAL CAPITAL

# Our Connection to our Customers

## What is the SM Experience?

When our customers feel good, we know we are doing things right. When our customers are happy, we know we have served them well. The SM experience is all about making everything better every day.

We also learn from our customers: what they need, what they want and what they are looking for. It is this connection with our customers that helps us serve them better. For our customers, the SM brand is synonymous with quality, affordability and excellent service. This is the SM Experience our customers expect of us at every touchpoint.

Our SM brand refresh will help provide a consistent, updated identity to the experience customers are used to.

### ShopSM - Shaping the Future of Customer Experience

Increasingly our experience needs to be seamless across online and offline. In order to deliver a consistent and personalized service across our retail stores and ecommerce, we continue to invest in omnichannel systems to ensure this. ShopSM is a game changer in the SM shopping experience.

We bring the same brand of quality products and awesome customer experience from our physical stores to our digital store. Our products in our physical store are available for all our customers—all it takes to choose is just one click.

We provide everything from grocery, fashion, home, beauty, babies and kids. We are the first retailer to offer fresh and frozen items all the way to large furniture and appliances under a single platform.

We offer convenience through delivery and pick-up options in over 150 stores and continue to add more stores monthly. We also provide a 30-day free return guarantee for non-food items in all branches of The SM Store.

**400%**

Sales growth

**2**

The SM Store branches fulfilling orders nationwide

**100+**

SM Markets branches doing same day delivery and pickup



ShopSM also provides a way for us to be connected to customers after they leave the physical stores. Customers can continue to window shop until their next purchase online or offline.

What makes ShopSM unique is our omnichannel strategy to leverage SM's unique assets which includes SM's physical stores, our store personnel and our growing ecommerce capabilities to allow customers to shop any way they want to. As our consistent customer service shifts from in-person to online shopping, our customers continue to feel the genuine service and smile of our people. Our online shoppers enjoy the same warmth through our customer support service.

### A Personal Online Shopping Experience with #CallToDeliver

This unique shopping experience was borne out of the need for contactless transactions. Taking after the personal shopping service at The SM Stores, #CallToDeliver is a cross between digital and in-person shopping. With a simple call to #143SM using Viber or Facebook Messenger, a customer is treated by a personal shopper to a one-on-one virtual shopping tour. Multiple payment options through GCash, GrabPay, or PayMaya make #CallToDeliver even more convenient.

**49%**

increase in #CallToDeliver from 2020 to 2021

**74%**

of #CallToDeliver customers are older Millennials and Generation X

**80%**

of #CallToDeliver customers are females



### Upgrade Mall Experience with SM Malls Online App

The recent years have seen the evolution of how we define the shopping space—from creating physical lifestyle centers to bringing our customers to a virtual mall experience.

SM Malls Online is our platform where our customers can experience the same convenience, quality, and variety they enjoy when shopping in our malls. Our malls now serve as a front-end lifestyle destination, as well as the back-end efficient warehouse for SM Malls Online. Our customers can simply choose and click to order from multi brands and stores—fashion, food, gadgets and simply everything in our malls—delivered to their doorstep in one go or pick-up in-store.

Supported by technology developed in-house, SM Malls Online assures customers of security and data privacy, along with the seamless delivery of service. By having a single delivery carrying multiple brands and items coming from one mall, we mitigate last mile delivery impact to the environment, cumulatively compared to traditional online shopping delivery platforms requiring multiple deliveries per transactions per merchant.

SM Malls Online also provides an alternative online delivery platform for all our tenants, reducing their cost of delivery while widening their reach.

## The Sustainability of the SM Omnichannel Experience

### Personalized Privacy and Security

Knowing our customer better also engages them to share convenient highly personalized information, making it available online as they go through the journey—from their sizes, their addresses and even their financial information. Ensuring data privacy and security are critical to us, and to providing an excellent SM omnichannel customer experience.

We strictly enforce a security policy that ensures all the information we acquire is only used by SM. We are also partnering with global players to set up a secure environment for our customers while providing personalized communication with them.

### Easy Access to Digital Shifts that Meet Diverse Customer Needs

Many customers still prefer the in-person service they have grown accustomed to every time they visit our stores. The hybrid model presented by #CallToDeliver blends the digital and traditional experience—meeting the customer at their desired comfort level, and ensuring the best of both worlds.

### Innovative Customer Loyalty Engagement – SMAC App

We recently introduced the SMAC App, building on the deep relationships we have with our 4.5 million SM Advantage Card (SMAC) holders. This app allows our customers to shop online and enjoy their rewards and in a singular program for easy tracking and redemption.

The Omnichannel Experience makes you create your very own, personalized SM store. Soon, our customers can even take control of their sustainability shopping experience—their product choices, the manner in which they are delivered to their homes, and even how they choose to unbox them.

32%

average monthly growth in tenant orders

100,000+

tenant orders delivered in 2021



**We are guided by our common values and purpose.  
Each member makes SM a great place to work.**

## HUMAN CAPITAL

# Our Connection to our People

## What makes SM a great place to work?

For us, it's more than just working as colleagues—it is about believing in a single purpose and sharing the same values that makes us SM, together.



Everybody recognizes an SM person—their smile, their enthusiasm to serve, and their genuineness in caring for our customers. We expect our people to live out what the SM brand is all about, in everything they do.

### Making Our People Feel Safe

The challenges we faced in the past two years extended beyond the confines of our work spaces, but also affected our homes. With most of the activities still done at home—schooling, working and living family life—we made sure that our people and their families were safe and felt safe. We embarked on a full vaccination campaign, while monitoring for surges of new variants and acting swiftly for flexible work arrangements for our teams. We kept our workplaces safe with continued testing, regular disinfection and following strict health protocols.

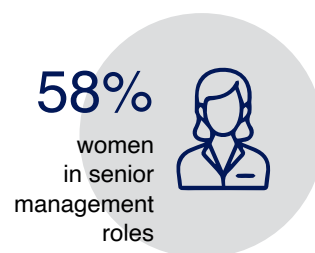
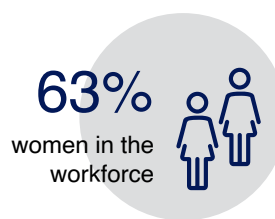
### Advocating for Human Rights, Gender Equality and People Diversity

As a signatory of United Nations Global Compact, we promote a working culture that is founded on the principles covering human and labor rights. We are committed to fair employment practices, with 99% of our colleagues employed with permanent contract, balancing project-based and seasonal needs in our stores.

We work hard at being an equal opportunity provider, with 63% of women in our workforce and 58% in senior leadership roles, breaking down barriers of gender biases, and empowering our colleagues to shine in their own element. We maintain a mix of people from diverse backgrounds, generations and skillsets to mirror the diverse customers and communities we serve.

### Keeping Check on Mental Well-Being

A healthy, happy co-worker makes for a positive workplace. At SM, we help our colleagues cope with the lingering uncertainties of the pandemic. All throughout last year, SM Retail conducted webinars on mental health, providing a safe space for our colleagues to discuss their feelings of anxiety and stress.





31,674

employees  
enrolled  
to date in SM  
Sustainability  
School



### Encouraging Creative Thinking

At SM, many of our people work hard behind the scenes every day, making sure that great things happen every day. During the pandemic, we were challenged to think quickly and creatively, as we swiftly evolved to new ways of delivering our products and services, introducing new customer experiences like #CallToDeliver and SM Malls Online. Most of our innovations came from our people on the ground who interact daily with our customers and who have developed a deep sense of their specific needs. As we rise to recover together, we continue to listen to our people, support their ideas and recognize them for their creative and effective solutions.

### Taking Time to Learn

We also took every opportunity to provide e-learning opportunities to our colleagues. Learning Academies and Programs were also offered across all our businesses. The Watsons Retail Academy, for example, offered O+O (Online and Offline) knowledge and skills development to help co-workers effectively perform in their respective roles. In 2021, our colleagues received 17 hours of training on average.

17 hrs

average training  
per employee



### Going Green through the SM Sustainability School

We also launched the SM Sustainability School, an e-learning program under the SM Green Movement that offers basic and intermediate courses on sustainability. Today, as the program prospers, we are working on industry specific advanced-level courses. To date, over 31,674 employees have enrolled, making SM Sustainability School one of the largest ESG training programs in the country.

12%

employees  
promoted in 2021



**We create sustainable spaces. Filipinos aspire and live in modern integrated communities that thrive and are resilient against the effects of natural disasters and our changing climate.**

MANUFACTURED CAPITAL

## **Our Developments**

### **How does SM build for sustainability and resilience?**

In all our developments, we consider not only our people's needs for access to basic social amenities and infrastructure, but also their desire for modern living and for planning ahead to avert the impact of typhoons, earthquakes, and other natural disasters that the Philippines can experience.

We take a long term needs and risk assessment of every community we help develop and we construct facilities accordingly.

As climate change increases risks, we adopt our designs to mitigate our contribution and to help protect against severe effects. We invest in disaster resilient features and ensure highest quality design and construction.

This risk-based approach ensures we protect both our assets and the communities we serve.

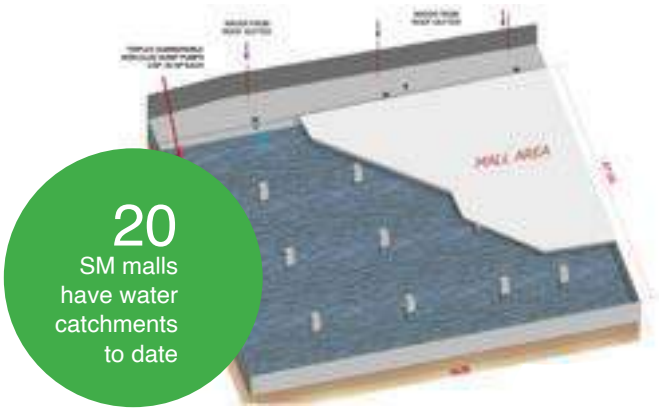


### Building Resilient Communities

Wherever SM builds integrated lifestyle cities, we incorporate disaster resiliency at the very core of our designs, allotting 10% of our CAPEX. We make sure that our cities or malls are built to thrive despite the effects of climate change. More importantly, our developments are designed so that our communities become resilient as well.

### Controlling Water Flood

A number of cities in the country are at high risk to flooding because of stronger typhoons—carrying increasing rainfall in a shorter period of time. This congests our waterways, causing flash foods and damaging personal property amounting to billions of pesos. For critical communities such as these, we installed water catchment facilities in 20 malls. Water catchment basins also are also designed to protect neighboring communities wherever we can.



### Risk Management and Business Continuity Plans

SM incorporates climate impact in our physical risk assessments. SM Investments, SM Prime and the NEO group signed on as supporters of the Task Force on Climate-Related Financial Disclosures (TCFD). These risk assessments are critical parts of our business strategy and planning—analyzing the impact of climate on our businesses and implementing practical solutions to mitigate it. 71 of our malls are ISO 22301 Business Continuity Management System certified.

### Adopt a City – Resilient Cities

We have taken a leadership role in the United Nations ARISE, the Private Sector Alliance for Disaster Resilient Societies. And we invite our peers in the private sector to make disaster resiliency a priority in their business strategies. We also work with the public sector in building the capacity of cities to be disaster-ready and resilient, through community capacity-building and other infrastructure projects. All SM Core companies are members of UN ARISE.



### **Creating Sustainable Spaces**

Building cities of the future is about making the shift to sustainable living easy and convenient for everyone. We make this happen by creating sustainable spaces that provide facilities for our communities to develop healthy and sustainable lifestyle habits, such as bike lanes, green and open spaces for recreation, and LEED-certified buildings.

### **Sustainable Building Designs**

When we create spaces, we maximize the use of natural elements—from bringing in natural light, allotting spaces for greens, improving air quality and flow, keeping with the natural landscapes, and designing to conserve biodiversity. To accomplish this, we choose natural materials whenever possible. We also build around natural habitats, blending our developments with biodiversity, reinforcing structures to protect mountain areas, and protecting mangroves and forests to conserve natural habitats surrounding our developments.



### **Sustainable Cities for Sustainable Living**

We create integrated lifestyle cities that make sustainable living easier. We prioritize human wellness and environmental protection and preservation in these communities.

#### **Mobility is a Critical Component of our Cities.**

We seek to create healthy and sustainable mobility by creating bike lanes and infrastructure for bikers, promoting biking as an alternative daily commute choice. We design covered walkways to make walking an attractive choice, especially in an environment where our condominiums, offices and malls are all a 15-minute walking distance on average from one another. We offer hybrid transport options, such as hybrid buses and other forms of public transport, to help lessen the carbon emissions of the daily commute.

#### **Wellness and Sense of Community is a must to live sustainably.**

Our cities are designed for fostering a sense of community and inter-generational living. Our residential condominiums, office buildings, and cities are designed to have bigger open spaces and smaller individual spaces—to avoid the isolation that threatens the mental and emotional well-being of city dwellers.

#### **We Support Local and Uphold the Spirit of Entrepreneurship.**

Our communities promote the enterprising spirit of the Filipino. We host local markets and bazaars, we showcase Filipino local products with the support of our retail businesses and mall, and we encourage the dreams of small businesses. This gives a sense of connectivity to the community.



**We build long-term relationships with our communities—opening doors of opportunity for a better quality of life.**

## SOCIAL CAPITAL

# Our Relationship with Our Communities

### What does it mean to be a good neighbor?

For us, it means doing our share to make life a little better in every way. It means creating opportunities that help people build a better future for themselves and their families.

Wherever you see an SM Supermall, you will also see a sense of growth in the communities nearby. Together with our local partners, we help open doors to opportunities that are the building blocks for a

healthy and thriving community. We provide access to basic needs that are foundational in achieving long-term community development. As a signatory of the UN Global Compact and a supporter of the UN Sustainable Development Goals, we promote and protect basic universal human rights. These rights begin with having access to basic services that add dignity to life and make for civilized living.

### The Right to Quality Education

Every Filipino has the right to be educated and every Filipino is a valuable resource for the country. We do our share to help develop the Filipino talent by closing the gap in the quality of public-school education. We do this through our School Building Program and by providing grants for continuing studies through our College and Technical Vocational Scholarship Programs.



**5,031**

college scholars supported to date

**282**  
schools built and refurbished to date



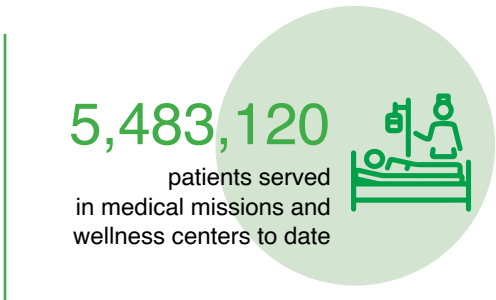
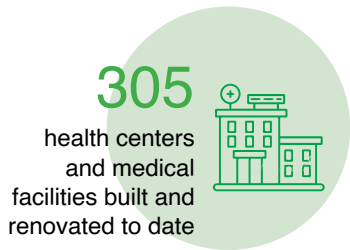
**5,371**  
technical vocational scholars supported to date

**864**  
high school scholars supported to date



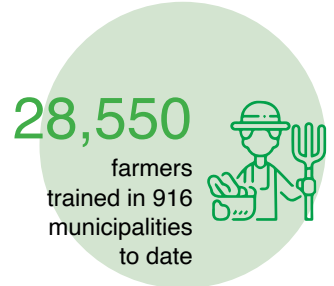
### The Right to Proper Medical Care

By working with the Department of Health, we also help every Filipino claim their right to quality health care. Through the renovation of public health centers to meet PhilHealth Accreditation standards, we help allow an increase in PhilHealth utilization, we help decongest city hospitals, and minimize spreading of communicable diseases. We also increase the chances to mitigate critical illnesses at an earlier stage. These efforts also result in increased capitalization funds for local government.



### The Right to be Free from Hunger

We help families free themselves from hunger and malnutrition by providing backyard farmer training for families in certain communities. Through proper skills and education, parents can provide more nutritious yet cheaper choices for their children – supporting nutritional growth requirements.



**We grow with our suppliers — working together to serve our customers, innovating to anticipate their changing needs and creating ways to meet their aspirations.**

## SOCIAL CAPITAL

# Our Network of Supply Chain Partners

### What does partnership mean for SM?

We serve as a community, marketplace and partner of our suppliers. We are committed to join their journey to deliver a shared goal: to meet the ever-changing needs and aspirations of our customers.

SM is home to many brands and partners, many of which are not seen by our customers. Yet each supply chain partner makes SM what it is today, through strong business relationships and friendships through the years.

### Building Micro, Small and Medium Enterprises (MSMEs)

Having started as a small business, we understand the many challenges small enterprises face. We play the role of a responsible older sibling to our MSME partners, helping them navigate mainstream retailing. Our stores become their platform to showcase their products, master their entrepreneurial skills and grow their businesses. We also provide holistic support through marketing advice, financial access, and promotion and advertising support to help MSMEs prosper and grow.





Photo courtesy of IKEA Philippines

### Opening Gateways for International Brands

We connect the Filipinos to the world, serving as a gateway to global fashion, technological product and store brands. Within our malls and stores, global brands have grown in the Philippine market—brands such as Uniqlo, Body Shop, Crate and Barrel, Dyson, ACE Hardware, to name a few. This year we helped IKEA enter the Philippines, providing them with a bespoke building—the largest IKEA store in the world.

Complemented by BDO’s consumer banking products, Filipinos now have better access to global quality brands at friendlier and more convenient payment schemes.

### Partners for Sustainability and Innovation

We foster the spirit of innovation and promote the practice of sustainability among our supply chain partners. Leading by example, we engage our tenants to join mall-wide sustainability initiatives in energy, water and waste management initiatives.

We have continuously hosted webinars on product and business innovation, particularly during the pandemic, and are set to pilot more sustainability workshops to help partners start their own sustainability journey.



**We work in harmony with our natural environment—conserving resources, protecting biodiversity and rehabilitating and preserving natural habitats for future generations.**

## NATURAL CAPITAL

# Our Natural Resources

### What is responsible development?

For us, it is about thriving alongside our natural environs— looking after the well-being of people and our environment. It also means understanding the impact climate change has on our natural resources and how, in turn, it impacts how we operate and how serve our communities.

We focus on managing three critical resources in our malls, which have the biggest footprint among all our properties: water, waste and energy

**32.6mn m<sup>3</sup>**

of water recycled by SM Prime, Atlas Mining and BDO equivalent to 13,035 Olympic-size swimming pools



#### Water as one of the World's Valued Resource

With the Philippines geographically situated in the Ring of Fire, climate change will bring stronger typhoons and we will be experiencing extreme water flows. Our polluted waters also hinder our access to clean water, greatly impacting our communities and businesses alike. To manage our usage of water, our approach is to minimize withdrawal by installing low flow sensors and metering faucets, and optimize water use by recycling water for non-potable use such as toilet flushing, grounds cleaning and cooling systems.

**50%**  
increase in renewable energy sourcing by the end of 2022 for SM Prime

**NEO**

World's first EDGE Zero Carbon certified real estate portfolio

#### Generating Energy from Renewable Sources

We are making a decisive switch to renewable energy, using LED lighting and maximizing natural light whenever possible. We also use Building Management System technologies to optimize energy use in our properties.

**13.3%**  
of total waste generated in 2021 are recyclables

**41.6%**  
of total waste generated in 2021 are biodegradable

#### Managing Waste Materials

We manage waste by proper segregation, investing in materials recovery facilities and partnering for upcycling.

**10**  
hectares of mangroves protected



**3**  
marine protected areas



**1,607.8**  
hectares reforested by Atlas Mining to date

#### Rehabilitating Natural Environs

We design with nature, carefully considering existing natural habitats and wildlife in our all our developments. We protect and rehabilitate our land and water, and carefully preserve biodiversity. We are a brand that delivers sustained growth— integrating global standards of environmental, social and governance practices with risk management and financial prudence across our business portfolio.

**We deliver sustained growth — integrating global standards of environmental, social and governance practices with risk management and financial prudence across our business portfolio.**

## FINANCIAL CAPITAL

# Ecosystem of Our Businesses

Direct Economic Value Generated and Distributed

(PHP millions)

SMIC and Subsidiaries	2021	2020	2019
Direct Economic Value Generated	431,178	397,005	506,328
Economic Value Distributed	387,407	371,283	454,024
Operating costs	318,763	300,232	355,292
Employee wages and benefits	24,140	26,153	31,070
Payments to provider of capital	28,413	28,183	41,023
Payments to government	15,619	15,682	25,933
Community investments	472	1,033	706
Economic Value Retained	43,771	25,722	52,304

## How do we create long-term value?

Here at SM, our businesses are all market leaders and each one has a financial strategy suited to its own sector and needs. Our capital-intensive property and banking businesses reinvests their earnings to fund their growth, for example, while our retail business uses a capital light model to keep overhead costs at a minimum allowing them to be competitive and agile. We measure each of our businesses against best-in-class financial performance criteria appropriate for their sectors.

Our core businesses in retailing, banking and property operate separately and fund their activities independently. However, they are coordinated by our parent company, especially when approaching the market for funding. Despite their independence they collaborated whenever there are operating synergies, such as in their expansion plans in 2021.

We took a two-pronged approach in deploying our financial resources amidst the uncertainty of the pandemic. On the one hand, we took defensive steps by streamlining and rationalizing the operating cost of our various businesses' to make them more efficient. On the other, we remained aggressive in building our nationwide presence, keeping in mind the long-term opportunities for growth in the Philippines. As a result, we managed to grow our revenues by 9% and our earnings by a robust 65% while expanding our footprint.

In 2021, we increased our investments in 2GO, Goldilocks and MyTown as we continue to believe in the potential of these businesses and in their respective sectors. At SM, we invest in high growth sectors in the Philippines where we can support market leading companies that benefit from synergies within our ecosystem. Over time this portfolio of investments has grown and is now contributing a meaningful portion, 7%, of our 2021 consolidated earnings.

Our balance sheet remained strong in 2021. The careful and strategic investments we did expanded our asset base by 10% while keeping the Net Debt to Total Equity ratio at 38:62. This ratio reflects our prudent practice of keeping assets at historical cost in the balance sheet. Additionally, the Group's debt profile is skewed towards longer term fixed rates to reduce volatility amidst uncertainty.

Our prudent and responsible financial management practices lead to strong economic results over time and the creation of value across our stakeholder groups, as shown in our Economic Value table below above

Looking ahead, we will continue to cultivate the synergies within our businesses and maintain our collective financial strength. We will continue to be prudent. This will enable us to add value to our stakeholders and uplift the lives of the communities we serve.



# Working with Climate Change



## Our TCFD Progress Report

As a group, we touch the lives of millions of Filipinos every day. We are a leader in providing them with modern retailing, residential developments, community mall spaces and social amenities, as well as their banking needs and many other services. Our footprint to do so is nationwide.

We exist in and for the Philippines, with the trust of our communities that we will look after their welfare and the environment we live in. As a group our risks and our opportunities are aligned with those of our country.

With the Philippine geographically situated in the Ring of Fire, our climate plays a critical role in our ability to thrive. Having been identified as one of the top 3 most vulnerable countries to the impact of climate change, we are committed to do our share in helping build our resilience as a community and as a business by taking the lead in incorporating disaster resiliency and sustainability in how we work. Moreover, we took the next steps to further understand how climate change will potentially affect our communities and are looking into ways to mitigate those risks.

### **Our Commitment**

This year, we signed up to be a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD). Following the 11 recommendations, we have looked closely at how climate change impacts our organization—how we operate, how we work with our communities, and how we can find opportunities to mitigate these risks and maximize the opportunities to do business and serve our communities better.

Alongside SM Investments Corporation, SM Prime Holdings, our property holding company, and NEO Group, our commercial property business in Bonifacio Global City, both signed up as supporters of TCFD as well.

### **Our Approach**

Years before formalizing our commitment to TCFD, we have always taken a practical approach to being climate ready. Our actions focused on mitigation and adaption—incorporating capacity building and working with partners for advocacy and collaborative action.

# What We Put in Place

## Sustainability – Mitigation Strategies

### Shift to Renewables

**50%**

renewable energy sourcing by the end of 2022 for SM Prime

NEO Group achieved 5-star certifications under the “Advancing Net Zero Philippines (ANZ/PH) program”

**10.6MW**

capacity of installed solar panels by SM Prime

NEO Group receives the world’s first International Finance Corporation’s EDGE Zero Carbon certification

### LEED Buildings



Gold LEED certified – SM Aura, Conrad Hotel, and Three E-com



**2**

buildings in process - Four E-com and Mega Tower

## Resiliency – Adaptation Strategies

### Disaster Resilient Designs

**10%**

Capital Expenditure allotted by SM Prime to incorporate disaster resilient features in mall designs

Provision of rain water catchment and underground water reservoir in SM Supermalls

SM Mall of Asia Complex incorporated resiliency design features such as wick drains, seawall to avert storm surges or sea level rise, excavation method to provide protection against liquefaction and seismic events

SM Marikina located 120-meter distance from centerline of Marikina river, 20 meters beyond safety compliance, 20.5 meter above natural ground level elevation with use of 246 stilts

## Capacity Building – Sustainability and Resilient People and Partners

Disaster Preparedness trainings for communities and persons with disabilities

Lead Convener for UN ARISE, private sector alliance for disaster resilient societies

SM Sustainability School with modules from Introductory, Basic, Intermediate and Advanced (industry specific) open to all SM group-wide employees

Partnered with GRI, UN Global Compact and other global and local organizations to promote climate change, its impact and our role in mitigating climate change

## Campaigns – The SM Green Movement

The SM Green Movement is a group-wide, multi-year campaign working together toward the improved quality of life for our communities through priority initiatives of Green Planet, Green Living and Green Culture:

**Green Planet** - We will focus on practical sustainable solutions on water, waste and energy management to promote resource conservation and environmental protection. We continue to build our resiliency to the effects of climate change.

**Green Living** - We will provide green options for our customers through the SM Green Finds – promoting products that are eco-friendly, made from natural and local ingredients and support local communities. We will also help empower our MSME partners in their own green practices.

**Green Culture** - We will inculcate sustainability in our people culture by equipping them with sustainability knowledge, promoting green practices at work and recognizing their “greenovations” through the SM Green Movement Day and Awards.

# Our Roadmap aligned to the 11 TCFD Recommendations

Our approach to sustainability and mitigation served as building blocks for us to advance our response to climate change. This year, we worked alongside experts to identify areas of risks and opportunities that are material to our businesses. In addition, we have consistently participated in the annual submission of our environmental disclosures to the CDP.

	Current Approach
<b>Governance</b>	
<p>Board's oversight of climate-related risks and opportunities</p> <p>Management's role in assessing and managing climate-related risks and opportunities</p>	<p>In setting up our foundations for sustainability and resiliency, SM established the group-wide Sustainability Steering Committee which reports to the Executive Committee of SM Investments Corporation, SM group's parent company. This is chaired by the President of SMIC with the presidents of our business units as members.</p>
<b>Strategy</b>	
<p>Climate-related risks and opportunities</p> <p>Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning</p> <p>Resiliency strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>SM applies a high-level impact assessment focused on acute physical risks taking measures to allot 10% of CAPEX for disaster resiliency. As a group, we also serve as an advocate in advancing awareness on climate resiliency among the private and public sectors, building resiliency of our businesses and our communities.</p>
<b>Risk Management</b>	
<p>Processes for identifying and assessing climate-related risks</p> <p>Processes for managing climate-related risks</p> <p>Processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management</p>	<p>We take an inter-disciplinary approach to Enterprise Risk Management (ERM) with climate issues as part of the ERM agenda.</p>
<b>Metrics and Targets</b>	
<p>Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process</p> <p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p> <p>Targets to manage climate-related risks and opportunities and performance against targets</p>	<p>We developed an automated Sustainability Data Tool to improve the efficiency and secure the integrity of our data management, disclosures including Scope 1,2,and 3 emissions. We have established baselines in key businesses. We set practical targets at the business unit level as achievable solutions are identified.</p>

Short Term (1-2 years)	Medium Term (2-3 years)	Long Term (3+ years)
<p>We will establish a Climate Change Working Group with senior management and technical staff, which presents recommendations to the Board. The Group will establish a practical roadmap and physical and transition risk strategies.</p>	<p>The Climate Change Working Group will establish priorities and formal assessment and communication processes between the Board and management on climate-related programs and performance.</p>	<p>The Climate Change Working Group will establish a monitoring and evaluation process in assessing climate risk profiles, new climate risks and explore ways to decarbonize aligned to the Philippine regulation and targets.</p>
<p>We will be conducting a comprehensive scenario analysis across our physical assets nationwide, identifying climate risks and opportunities. We will be incorporating climate-related issues in our Enterprise Risk Management and financial planning process.</p>	<p>We will establish a process for periodically assessing climate risks and opportunities, incorporating new climate-related responsibilities into charters and job functions, and providing upskilling for members directly responsible for climate change agenda.</p>	<p>We will incorporate climate change performance criteria in individual and business key performance indicators.</p>
<p>We will establish processes for business units to screen and identify drivers of climate risks and opportunities, directly analyzing which merit a deeper assessment. We will also raise awareness on climate risks and opportunities among SM leadership.</p>	<p>We will document progress and incorporate findings into climate risk management plans. We will identify the best means to raise awareness on climate risks and opportunities among our employees.</p>	<p>Using the scenario analysis, we will monitor how SM's climate risks profiles are monitored, documented and used for strategic decision making.</p>
<p>We will expand our disclosure by providing methodologies and look into new climate metrics such as the Climate Action 100+ Benchmark Framework.</p>	<p>We will establish both a quantitative and qualitative approach to target setting for the SM Group as we report progress following our approach.</p>	<p>We will look into a science-based target setting for decarbonization of our operations and working towards off-set.</p>



# Building Climate Ready Businesses and Communities

Being climate ready has become part of everyday life in the Philippines. Living with more than 20 typhoons a year on average, climate change is only going to make things more difficult. This is the reason why incorporating sustainability and resiliency in how we do business has become part of ‘business-as-usual’ for SM.

Throughout the country, we build integrated lifestyle cities to help meet the growing urban requirements of the Philippines. These developments provide positive socio-economic impact to local communities while also developing essential infrastructure to protect against environmental hazards due to climate change. Well before the issue of climate change became an urgent global priority, SM has been building climate-ready businesses that can withstand the Philippines’ regular experiences of typhoons, water level rises and flash flooding.

**SM Baguio** brings outdoor and indoor into one space optimizing natural lighting and ventilation with its Sky Garden. It has a green roof system as well as

a provision for an underground water reservoir for storage and reuse of rainwater with a capacity of 6,900 cubic meters.

**SM Seaside Cebu** mallgoers can enjoy an extensive green area, center courtyard and roof garden. Constructed with Low E glass and utilizes EchoStop for noise management, the building is designed to maximize natural light and ventilation.

**SM Lanang Premier** showcases lush greenery, a roof garden and green pavers that encourage filtration and allow stormwater back to the underground soil. It is equipped with a rainwater catchment system and a water reservoir with 600 cubic meter capacity based on 425mm per hour rainfall intensity. It also has a materials recovery facility which receives, segregates and prepares recyclable materials for marketing to end-user manufacturers.

**SM City Masinag** helps communities avoid flood waters through its 17,681 cubic meter water catchment facility. It is designed with green screens to promote vertical plant growth and is constructed with Clerestory windows as a source of natural light.

**SM North EDSA** is one of the pioneers of large scale solar panels use on the roof of commercial city developments. It is also the first to use its urban footprint to provide open access to community amenities with its extensive Sky Garden and elevated parks.

**SM Mall of Asia** is uniquely designed with a seawall to avert any damage from potential storm surges or sea level rise. Built on reclaimed land, it used a specialized

excavation method providing a greater degree of protection against liquefaction and seismic events. It is also elevated above the required building levels and is equipped with wave return and drainage channels to prevent flooding due to storm surges and high waves.

**SM Marikina** sits on 246 stilts and is built 20 meters beyond the compliance for safety zone. At 20.5 meters above natural ground level, it serves as a first responder and a place of refuge for the residents of Marikina during times of calamities.



# GRI-SM Regional Sustainability Summit



ASEAN Sustainability E-Summit 2021

Leaving No One Behind:  
Private Sector in Solidarity for Sustainable  
COVID-19 Recovery and Delivering the SDGs  
October 21-22, 2021

On our third year of partnership with the Global Reporting Initiative, we held the ASEAN Sustainability e-Summit to bring together global sustainability leaders and businesses towards a sustainable COVID-19 recovery and a meaningful climate change response.

With the theme “Leaving No One Behind: Private Sector in Solidarity for Sustainable COVID-19 Recovery and Delivering the SDGs” the two-day e-Summit gathered like-minded business leaders in the ASEAN region, encouraging them to operate sustainability even amid the challenges triggered by the global health crisis.

## Thank You for attending the GRI-SM ASEAN Sustainability E-Summit 2021



ASEAN Sustainability E-Summit 2021

Leaving No One Behind:  
Private Sector in Solidarity for Sustainable  
COVID-19 Recovery and Delivering the SDGs  
October 21-22, 2021

The four sessions covered topics on the next generation of leadership, the financial markets' role in driving sustainable business practices, the lessons businesses learned from the pandemic, and the journey to driving carbon Net Zero target achievement.

The two-day summit encouraged dialogue between the public and private sectors in forging a concerted effort towards the delivery of sustainable development goals.

“The journey to Net Zero starts with leadership. Our planet cannot wait. Our people cannot wait. Now is the time for leadership and I call on every head of every company and organization to make the commitment to be Net Zero. We will figure out the detailed path together for as long as we are all committed to the same destination.”

Raymond Rufino  
CEO, NEO



“Service is essential during a pandemic. A company’s assets, resources and people are all opportunities to be of service in these times.”

Steven Tan  
President, SM Supermalls



“Sustainability reporting alone will not save humanity. Companies need to take bold, aggressive, decisive and innovative actions if they are to continue to do business in this planet.”

Allinnettes Adigue  
ASEAN Regional Hub Head,  
Global Reporting Initiative







## Our Reporting Process

We are committed to transparency and accountability to our stakeholders. We adhere to global standards of integrated reporting, support global efforts to advance the sustainable development goals and advocate for the 11 Principles of the UN Global Compact.



# Reporting on the Principles of the United Nations for Global Compact

As a signatory of the UN Global Compact, we adhere to the Ten Principles, promoting human and labor rights, supporting anti-corruption and protection of the environment. Every year, we make advancements in addressing pressing issues directly addressing these principles.

## Thematic Principles

UN Principles	SM Principles	SM Policies and Guidelines
<b>Principles 1-2 Human Rights</b>	We support and respect international human rights and are not complicit in human rights abuses. We continued to prioritize the safety and health of our co-workers, providing adequate protection and health benefits during COVID-19	Code of Ethics:  All officers and employees are selected, engaged, and compensated based on qualification and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.
<b>Principles 3-6 Labor Rights</b>	We uphold the freedom of association and the effective recognition of the right to collective bargaining, supporting the elimination of all forms of forced and compulsory labor, the effective abolition of child labor and the promotion of equal opportunity	22% employees are part of Collective Bargaining Agreement  Code of Ethics— Support for Diversity and Non-Discrimination  Whether in selection of the countries and markets where the Company operates, hiring and promotion of employees, selection of suppliers and contractors – the Company decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, age or gender.  All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behavior extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment.
<b>Principles 7-9 Environment</b>	We support a precautionary approach to environmental challenges, pursuing programs that promote environmental responsibility and adopt environmentally-friendly technologies	Code of Ethics— Environmental and Safety Practices  SMIC is committed to providing a safe work environment and to comply with all environmental regulations. It seeks to go beyond compliance and bring to its markets best practices in environmental care and sustainability.
<b>Principle 10 Anti-Corruption</b>	We are against corruption in all its forms, including extortion and bribery.	Code of Ethics  SMIC is fully committed to doing business in accordance with long held values and ethical standards that have been the foundation for the growth and success of the SM Group.

# Reporting on the UN Sustainable Development Goals

We identified focus SDGs where our group can create the greatest impact among all our businesses and foundations.

Focus SDG	Program or Initiative	2021	2020
	Employee wages and benefits	PHP24.1bn	PHP26.2bn
	BDO and China Bank outstanding SME loans	PHP61bn	PHP63.4bn <sup>1</sup>
	% of Mall tenants that are MSMEs	>66%	> 65%
	Partner agents under BDO's Cash Agad	9,530	8,872
	Capex allocated to incorporate disaster resilient features	10%	10%
	Socialized housing units under Summer Hills Development Corporation	20,001	16,653 <sup>1</sup>
	SM Malls certified with Business Continuity Management System (ISO 22301) to date	71	53
	Gold-certified LEED Buildings	3, 2 pre-certified	3, 1 pre-certified
	Malls with water catchment facilities to date	20	20 <sup>1</sup>
	Mangroves protected	10ha	10ha
	Marine protected areas	3	3
	Capacity of solar panels installed in SM Supermalls	10.6MW	9.2MW
	Renewable energy projects funded by BDO	54	50
	Recycled water in SM Prime, Atlas Mining and BDO	32.6mn m <sup>3</sup>	33.0mn m <sup>3</sup> <sup>2</sup>
	College, high school, technical vocational scholars supported to date	11,266	10,392
	Schools built and refurbished to date	282	272
	Scholar graduates to date	9,434	8,898
	Medical missions conducted to date	1,535	1,516
	Number of rehabilitated public health and medical facilities to date	305	277
	Group-Wide COVID-19 response for the year	PHP21.6bn	PHP30.4bn
	Payments to government for the year	PHP15.6bn	PHP15.7bn
	Loans disbursed by BDO to date for national projects, airports and road networks	PHP70.3bn	PHP63.7bn
	Budget allocated for public and private partnerships of SM Prime	PHP49.6mn	PHP45.5mn

<sup>1</sup> 2020 data updated

<sup>2</sup> 2020 data updated and only include SM Prime and Atlas Mining

# Preparation, Scope, Boundaries and Materiality

## Framework and Reporting Period

This is SM Investments' second Integrated Report covering the period of January through December 31, 2021. It follows the framework of the International Integrated Reporting Council (IIRC). We also reported indicators following the Global Reporting Initiative (GRI), UN Global Compact Principles (UNGCP), UN Sustainable Development Goals (UNSDGs) and the Task Force on Climate-Related Financial Disclosures (TCFD).

## Scope

Every year, we expand our scope to cover most of the businesses of the SM Group. From our 2020 scope, we added NEO and Airspeed for this year's report.

SM Investments Corporation (Parent)  
SM Retail, Inc. (SM Retail)  
SM Prime Holdings, Inc. (SM Prime)  
BDO Unibank, Inc. (BDO)  
China Banking Corporation (China Bank)  
Belle Corporation (Belle)  
2GO Group Inc. (2GO)  
Atlas Consolidated Mining and Development Corporation (Atlas Mining)  
NEO Group (NEO)  
Airspeed International Corporation (Airspeed)

## Sustainability Leadership

Our sustainability and climate strategy is overseen by the Executive Committee of the Board of SM Investments Corporation. It is supported by the Group-Wide Steering Committee chaired by our President and CEO, Frederic C. DyBuncio, with the Presidents of the business units within our ecosystem as members. Reporting to the Committee is a Technical Working Group (TWG) consisting of the Sustainability Team Leaders from each business with our Group Head for Sustainability, Koleen D. Palaganas, serving as secretariat.

In 2021, we established the SM Group-Wide Sustainability Office that drives the unified sustainability strategy of the company and scales our efforts to create positive impact.

## Materiality Process



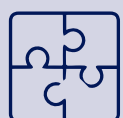
### 1. Review

- We review our businesses and identify areas for value creation
- We keep ourselves updated on megatrends, as well as priorities to pursue the sustainable development agenda
- We engage our stakeholders to understand how SM can really bring value to them



### 2. Prioritize

- We identify the topics that matter most for us to continue delivering value, whether financial or intangible benefits to society
- These topics are then reviewed by senior management



### 3. Strategize

- We integrate these topics into the development of our business strategy and sustainability program objectives

# Overview of Stakeholder Engagement Process



We stay close to our stakeholders through formal and informal engagements to better understand their evolving needs, aspirations and how we can better serve them and create long-term value that matters.

Material Topic		Our Progress
		Refer to the pages
<b>Caring For People</b>	<ul style="list-style-type: none"> <li>Employee Development</li> <li>Employee Well-being, Health and Safety</li> <li>Customer Welfare</li> <li>Human and Labor Rights</li> <li>Diversity, Equality and Inclusion</li> <li>Inclusive Supply Chain Practices</li> </ul>	<ul style="list-style-type: none"> <li>Our Brand (p. 74)</li> <li>Our Connection to Our People (p. 78)</li> <li>Our Network of Supply Chain Partners (p. 86)</li> <li>Our Sustainability Performance: Our People (p. 106)</li> </ul>
<b>Thriving with our Communities</b>	<ul style="list-style-type: none"> <li>Economic Value Generated and Shared Economic Opportunities for MSMEs</li> <li>Disaster Risk Reduction (DRR) and Resilience</li> <li>Financial Inclusion</li> <li>Community Development</li> <li>Public Sector Engagement</li> </ul>	<ul style="list-style-type: none"> <li>Our Developments (p. 80)</li> <li>Our Relationship with Our Communities (p.84)</li> <li>Our Ecosystem of Businesses (p. 89)</li> <li>Our Sustainability Performance: Our Communities (p. 108)</li> </ul>
<b>Living within our Planetary Boundaries</b>	<ul style="list-style-type: none"> <li>Climate Change</li> <li>Emissions Management</li> <li>Protection of Biodiversity and Natural Resources</li> <li>Environmental Resources Management</li> </ul>	<ul style="list-style-type: none"> <li>Our Natural Resources (p. 88)</li> <li>Working with Climate Change (p. 90)</li> <li>Our Sustainability Performance: Our Environment (p. 110)</li> </ul>
<b>Governing for Good Corporate Citizenship</b>	<ul style="list-style-type: none"> <li>Board Leadership in Integrated Thinking</li> <li>Risk Management with ESG lens</li> <li>Ethical Practices and Anti-Corruption</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance (p. 113)</li> </ul>

Stakeholder	We Communicate with Them	What Matters to Them	Our Progress
Our Co-workers	One-on-one “How are you?” sessions, employee gatherings town hall meetings, and performance assessments	Well-being and safety, training and development, diversity equality and inclusion, adequate employment benefits	Flexible work arrangements, COVID-19 related inclusion in benefits, health and well-being programs
Our Customers	Customer touchpoints per business unit, customer feedback surveys, and social media channels	Affordable and accessible products, safe shopping experience, COVID-19 response to employees and communities, SM’s environmental responsibility	Safety protocols in our developments, wensite, online shopping and services  SM Investments Website Refresh - Silver Award in 57th Anvil Awards
Our Supply Chain Partners	Vendor selection and accreditation process, capacity building programs	COVID-19 initiatives for MSME recovery, fair and transparent dealings, safe shopping experience, customer welfare, SM’s environmental responsibility	Waived fees and rent, deferred loan payments, marketing campaigns, banking products for MSMEs
Our Community Partners	Formal and informal dialogues, needs assessment surveys	COVID-19 relief for communities, safe shopping experience, social development programs in the communities	Continued COVID-19 response and relief, disaster relief efforts during typhoons
Our Investors, Shareholders and Providers of Capital	Annual Stockholders’ Meeting, investor discussions, analyst briefings, ESG rating correspondence	SM’s financial performance, transparency on SM’s ESG risks and opportunities, corporate governance, safe shopping experience	Regular briefings, quarterly and annual reports, website, TCFD Supporter  Best IR Website in IR Magazine Southeast Asia Awards
Our Sustainable Development and NGO Partners	Program partnerships, online surveys	SM’s environmental responsibility, COVID-19 initiatives for our stakeholders, community development programs	COVID-19 relief partnership, TCFD Supporter
Our Regulators	Stakeholder consultations, public-private sector dialogues	Corporate governance, human and labor rights, diversity, equality and inclusion, environmental compliance	Timely and accurate reporting aligned to internationally recognized frameworks, 7 SM companies listed in ACGS initiative
Our Media Partners	Press briefings, media events	Economic performance, transparency and accuracy of information	Timely and accurate reporting, website  SM Investments Website Refresh - Silver Award in 57th Anvil Awards

# Our Sustainability Performance

## In Pursuit of Excellence and Transparency

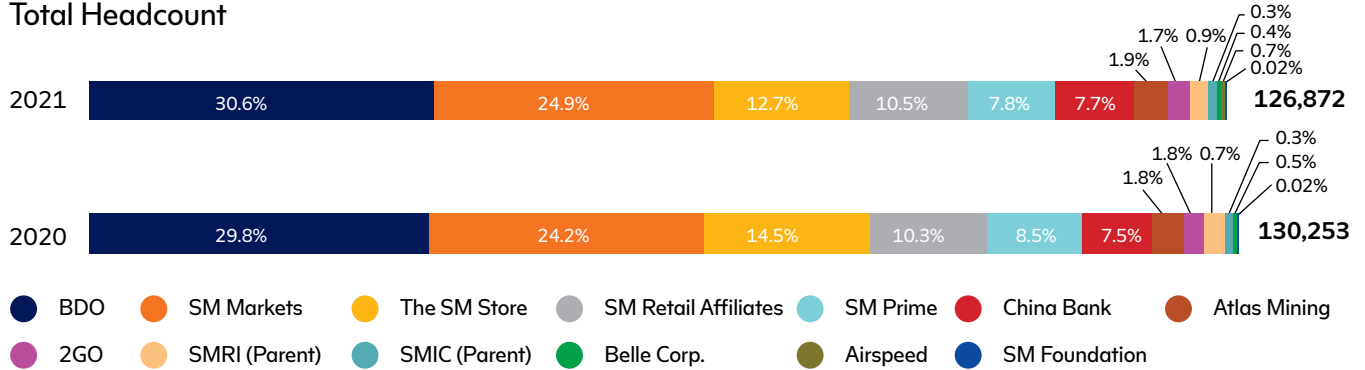
Every year, we raise up our level of excellence in data management, collection and validation. This year, we launched the first phase of the SM Sustainability Automated Data Tool, the first in the country designed in-house and tailored end-to-end by a leading corporate we believe. We embarked on this project in support of our commitment to transparency, accountability and precision in all our disclosures. Through the years, we expand our scope as we continue to grow as a group. This allows us to have an evidence-based understanding of our impact on our communities and the environment which will continue to a science-based approach to setting our internal goals and objectives. This also promotes the culture of evidenced based decision making, not only for day-to-day business activities but in making long-term strategic decisions as well.

GRI Disclosure	2020 Data Disclosed in 2020 Report	2020 Restatement
<b>102-8 Information on employees and other workers</b>	Total Headcount 130,421	Total Headcount 130,253
<b>302-1 Energy consumption within the organizations</b>	Electricity consumption within the organization 1,533 million kWh	Electricity consumption within the organization 1,928 million kWh
	Electricity consumption outside the organization 483 million kWh	Electricity consumption outside the organization 642 million kWh
<b>303-3 Water withdrawal</b>	31.0 million cubic meters Third-party utility provider: 46% Surface water: 50% Groundwater: 4% Water hauling: <1%	40.6 million cubic meters Third-party utility provider: 59% Surface water: 38% Groundwater: 3%
<b>Water recycled</b>	28.9 million cubic meters	33.0 million cubic meters
<b>305-1 Direct (Scope 1) Emissions)</b>	Total emissions: 1,899,252 MT CO <sup>2</sup>	Total emissions: 2,101,303 MT CO <sup>2</sup>
	Scope 1: 20%	Scope 1: 18%
	<b>Energy indirect (Scope 2) GHG Emissions)</b>	Scope 2: 59%
<b>Other indirect energy (Scope 3) emissions</b>	Scope 3: 21%	Scope 3: 15%
<b>306-3 Waste generated</b>	Solid Waste Generated Total: 102,164 tonnes Biodegradable: 43% Recyclable: 16% Residual: 41%	Waste Generated Total: 113,203 tonnes Biodegradable: 41% Recyclable: 13% Residual: 40% Special waste: 1% Others: 5%

# Our Sustainability Performance

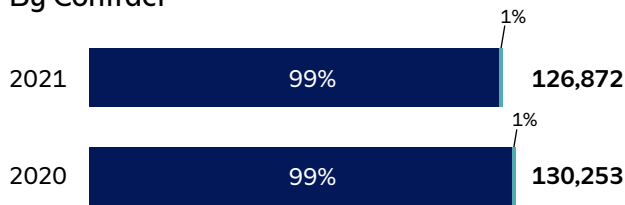
## Our People

### Total Headcount

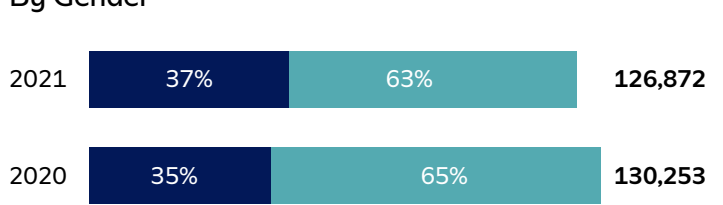


2020 Airspeed data unavailable

### By Contract



### By Gender

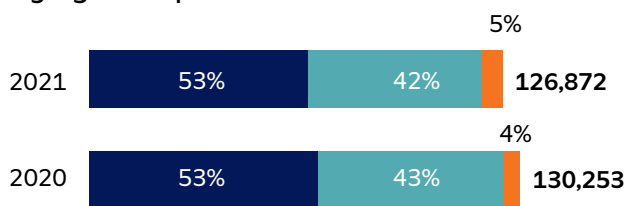


● Permanent Employees ● Fixed-Term Employees

● Male ● Female

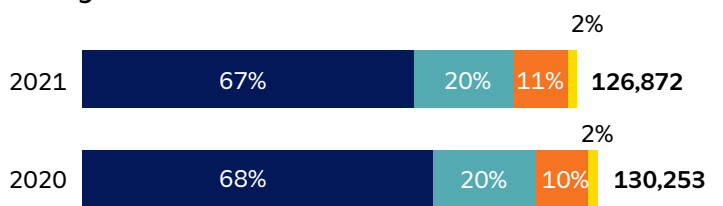
**Permanent employees** include regular and probationary status  
**Fixed-Term employees** include project-based and seasonal contract status

### By Age Group



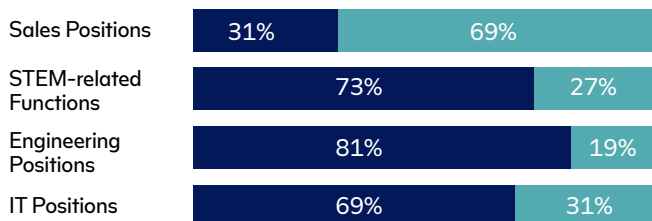
● Below 30 years old ● Between 30-50 years old ● Above 50 years old

### By Level

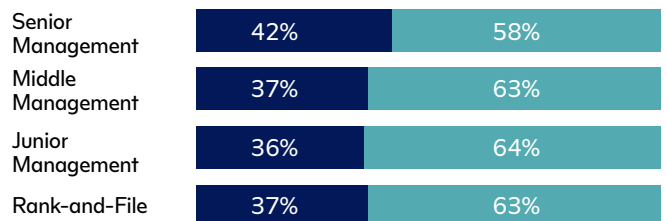


● Rank-and-file ● Junior Management  
 ● Middle Management ● Senior Management

### Workforce Gender Diversity

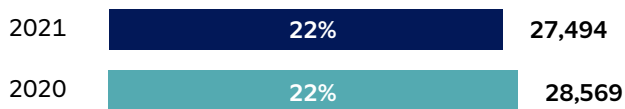


### By Level and Gender

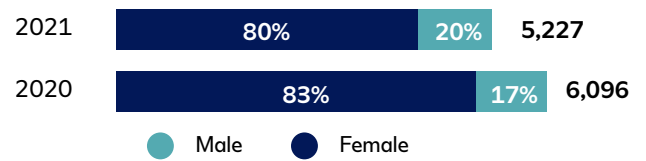


● Male ● Female

### Employees Covered by Collective Bargaining Agreement



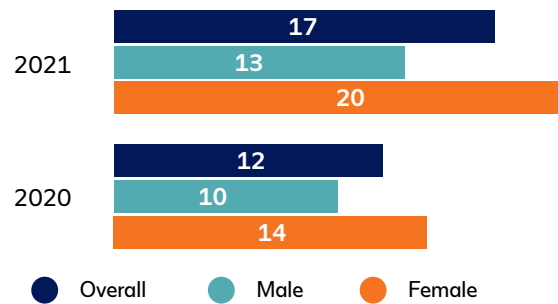
### Availment of Parental Leaves



### Training Hours in million hours



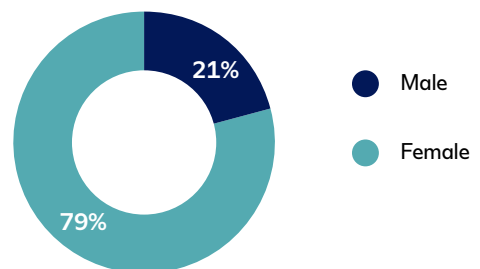
### Average Training Hours



### Eligible Employees Appraised



### Employees Promoted in 2021



# Our Sustainability Performance

## Our Communities

### Education

#### School Building Program

2021 Output



**10**

school buildings built and refurbished

**27**

classrooms built and refurbished

Output to date

**282**

school buildings built and refurbished

**942**

classrooms built and refurbished

#### Scholarship Program



**1,832**

scholars in 2021



**9,434**

scholar graduates to date



**11,266**

scholars supported to date





## Healthcare

2021 Output

Output to Date



**28**  
health centers and  
medical facilities built  
and renovated

**305**  
health centers and  
medical facilities built  
and renovated



**19**  
medical missions  
conducted

**1,535**  
medical missions  
conducted



**4,412**  
patients served in  
medical missions

**1,190,187**  
patients served in  
medical missions



**442,933**  
patients served in  
wellness centers

**4,292,933**  
patients served in  
wellness centers

**447,345**  
patients served in total

**5,482,120**  
patients served in total

## Food Security through Farmers' Training

2021 Output

Output to Date



**448**  
farmers trained

**28,550**  
farmers trained



**17**  
farmer training  
sessions

**266**  
farmer training  
sessions

## Disaster Response

2021 Output

Output to Date



**141,107**  
Kalinga packs  
distributed

**741,216**  
Kalinga packs  
distributed

**167**  
Operation Tulong  
Express conducted

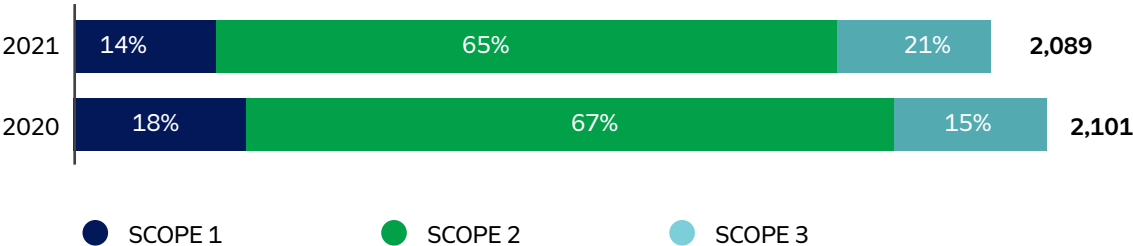
**546**  
Operation Tulong  
Express conducted

# Our Sustainability Performance

## Our Environment

### Emissions

Greenhouse Gas (GHG)  
in '000 MT CO<sub>2</sub>



Scope 1 - Emissions arising from the use of diesel, gasoline, liquefied petroleum and compressed natural gas in facilities fully owned and controlled by the company including generator sets and company-owned vehicles

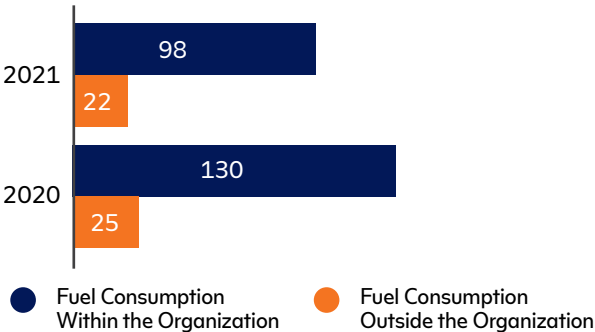
Scope 2 - Emissions arising from our use of purchased electricity in facilities that are fully controlled and operated by the company

Scope 3 - Emissions arising from sources that are neither owned nor controlled by the company such as third-party transportation and use of sold or leased products, services and property

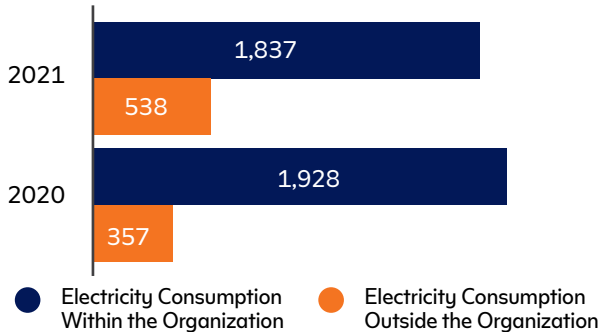
Calculated following the operational approach of the Greenhouse Gas Protocol. Moreover, Scope 2 emissions were computed using the 2015-2017 National Grid Emission Factors provided by the Department of Energy

### Energy

Fuel Consumption  
in million liters



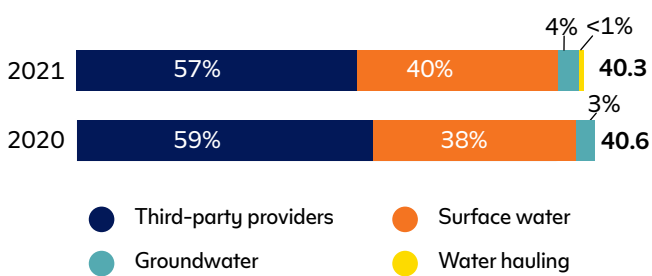
Electricity Consumption  
in million kWh





## Water

**Water Withdrawal**  
in million cubic meters

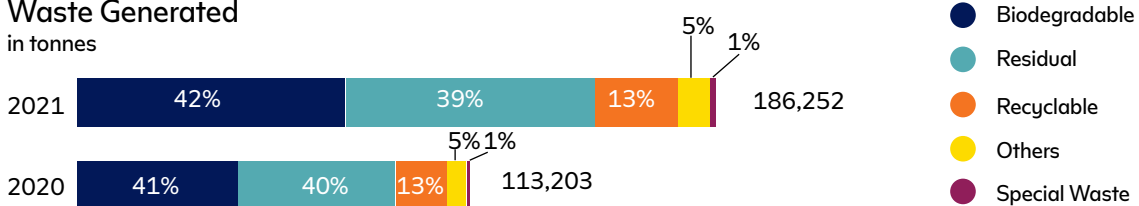


**Total Water Recycled**  
in '000 cubic meters



## Waste

**Waste Generated**  
in tonnes



The reason behind this significant jump in our waste-related data is the improved system of accounting among SM Prime's business units.





## Corporate Governance

SMIC affirms that delivering financial growth, sustainability and creating value for all its stakeholders must be firmly anchored on the high standard of corporate governance practices.

# Our Leadership Team



Jose T. Sio  
Chairman

**Jose T. Sio** is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a Master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.



Teresita T. Sy  
Vice Chairperson

**Teresita T. Sy** is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. ("BDO") and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the Board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.



Henry T. Sy, Jr.  
Vice Chairman

**Henry T. Sy, Jr.** is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation, Chairman of the Board of Synergy Grid & Development Phils., Inc. and Vice Chairman of National Grid Corporation of the Philippines. 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 graduated with a Management degree from De La Salle University.

**Frederic C. DyBuncio** is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.



Frederic C.  
DyBuncio  
President and  
Chief Executive  
Officer

**Harley T. Sy** is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group, and Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.



Harley T. Sy  
Executive Director

**Alfredo E. Pascual** is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 and 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia and held board directorships at ADB's investee companies in China, India, and the Philippines. Mr. Pascual was a finance professor at the Asian Institute of Management (AIM). Currently, he is an Independent Director at other publicly-listed companies and a trustee at nonprofits and other organizations. He is the President of the Management Association of the Philippines (MAP) and the global Association of Former Employees of ADB (AFE-ADB). He finished his MBA and BS in Chemistry (cum laude) from UP.



Alfredo E. Pascual  
Lead Independent  
Director



**Tomasa H. Lipana** is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an Independent Director and Audit Committee Chairperson of Flexo Manufacturing Corporation. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation for the last 5 years. She is a Fellow and Trustee of the Institute of Corporate Directors. She is also a Trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.



**Robert G. Vergara** is an Independent Director of SMIC. He was recently appointed as an Independent Director of Metro Pacific Hospital Holdings, Inc. (MPHHI). He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. He also sits as an Independent Director of STI Education Systems Holdings, Inc. since July 27, 2017. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated magna cum laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

# Advisers to the Board



Herbert T. Sy



Hans T. Sy



Elizabeth T. Sy



Gregory L.  
Domingo



Roberto G.  
Manabat

# Corporate Governance

SM Investments Corporation (SMIC) recognizes the essential role of the good corporate governance practices in the long term growth, sustainability and success of the Company. As such, the Company continuously develops its corporate governance culture to keep pace with the regional and global best practices.

## THE BOARD OF DIRECTORS

SMIC's Board of Directors remains fully committed to the principles of good corporate governance and ensure that the long term financial success of the business is built on Integrity, fairness, accountability and transparency. The Board is composed of eight (8) highly qualified directors, three (3) of whom are independent directors. In accordance with the Company's Manual on Corporate Governance, the Board shall always have at least three (3) independent directors. Independent directors are directors that are free from management responsibilities, substantial shareholdings and material relations which could be perceived to impede the performance of independent judgment. Independent directors are tasked to encourage impartial discussions at board meetings, monitor and provide feedback on Management's performance, and safeguard the interests of the Company's various stakeholders.

The Company's directors possess the necessary qualifications, competencies and skills to effectively participate and help secure the achievement of the Company's vision and mission. The Company adheres to a board diversity policy that ensures a diverse composition of Board of Directors which assists in advancing SMIC's strategic objectives. By virtue of the said policy, the Company commits to having a diverse board of directors, in terms of age, competency, experience, business background, ethnicity, culture, skill, knowledge and gender, among others. To monitor progress in achieving the Board's diversity, the relevant board committee utilizes a board matrix, which provides for the mix of attributes, skills, competencies, experience and affiliations the members of the Board currently possess vis-a-vis the needs to complement its existing composition. Both the board diversity policy and board matrix may be found in the Company's website.

### SM Investments Corporation's Board of Directors

Director	Designation	Directorship	Age	Year first Elected	No. of Years as director
Jose T. Sio	Chairman of the Board	Non-Executive Director	82	May 2005	17
Teresita T. Sy	Vice Chairperson	Non-Executive Director	71	May 1979	43
Henry T. Sy Jr.	Vice Chairman	Non-Executive Director	68	May 1979	43
Frederic C. DyBuncio	President/CEO	Executive Director	62	April 2017	5
Harley T. Sy	Executive Director	Executive Director	62	May 1993	29
Alfredo E. Pascual	Lead Independent Director	Independent Director	73	April 2017	5
Tomasa H. Lipana	Independent Director	Independent Director	73	April 2016	6
Robert G. Vergara	Independent Director	Independent Director	61	April 2019	3

In addition to fostering the Company's culture of corporate governance, the Board is tasked to do the following:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Company's purpose, vision, mission and strategies to carry out its objectives and review it annually, or sooner should the need arise.
- Oversee the development of and approve the Company's business objectives and strategy, and monitor Management's implementation of such.
- Ensure that the Company complies with all relevant laws, rules and regulations and adopt industry best practices.
- Identify the Company's major and other stakeholders and formulate a clear policy on communicating or relation with them through an effective investors relations program.
- Adopt a system of internal checks and balances.
- Identify and monitor key risk areas and key performance indicators, and ensure that a sound Enterprise Risk Management framework is in place.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.
- Ensure that an effective succession planning program for directors, key officers and management is in place.
- Ensure that each elected director, before assumption of office, be required to attend a seminar on corporate

governance conducted by a duly recognized private or governance institution.

- Ensure that each director annually attend continuing education programs conducted by an accredited training provider of relevant government agencies.
- Ensure that directors with material interest in any transaction affecting the Company abstain from taking part in the deliberations for the same.
- Formulate and implement group-wide policies to ensure the integrity of related party transactions, especially those which pass certain thresholds of materiality, between and among the Company and its related companies, business associates, major shareholders, officers, directors and their spouses, children, dependent siblings and parents, and of interlocking director relationships.
- Ensure that the Company's Code of Ethics, which provides the standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings, is properly disseminated to the Board, Management and employees, and is available to the public via the Company's website.
- Establish and maintain an alternative dispute resolution system to settle conflicts between the Company and its shareholders or other third parties, including regulatory authorities.

### Board Performance and Attendance

The Board meets at least six (6) times annually. Board meetings are scheduled a year in advance to encourage higher participation. Special board meetings may be called by the Chairman, the President or Corporate Secretary at the request of any two (2) directors. A director's absence or non-participation for whatever reason in more than 50%

of all meetings, both regular and special, in a year may be a ground for temporary disqualification in the succeeding election. Furthermore, non-executive directors meet at least once annually, without any executive directors or representatives of Management present. Board papers and other materials to be used during Board meetings are distributed to the relevant parties at least five (5) business days before the actual meeting.

### 2021 Meetings & Attendance

Director	Special	Regular	Special	Regular	Organizational	Special	Regular	Regular	Special	%
	(1)	(2)	(3)	(4)	/ASM	(5)	(6)	(7)	(8)	
	1/20	2/26	3/18	4/28	4/28	5/5	8/4	11/10	11/17	
Jose T. Sio	√	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	√	100
Tomasa H. Lipana	√	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual	√	√	√	√	√	√	√	√	√	100
Robert G. Vergara	√	√	√	√	√	√	√	√	√	100

## BOARD COMMITTEES

To address specific tasks and responsibilities, the Board adopted six (6) board committees, namely the Executive Committee, the Audit Committee, the Related Party Transactions Committee, the Compensation Committee, the Risk Management Committee, and the Corporate Governance Committee.

Each committee has a Charter which defines its composition, roles and responsibilities in line with the provisions found in the Manual on Corporate Governance. The Charters include administrative provisions on the conduct of meetings and proceedings, reportorial responsibilities and provide the standards for evaluation of the respective committee performance. The Charters are disclosed in the Company's website.

### The Executive Committee

The Executive Committee is composed of both executive and non-executive directors and acts on behalf of the Board during the interim periods between Board meetings. The Committee meets at least on a monthly basis to assist the Board in overseeing the implementation of strategies, set and monitor the Company's performance goals and foster the sharing and dissemination of best practices in all areas of the business group. The Executive Committee also defines the group-wide policies and action, relating to sustainable development, including environment, health and safety, internal communications, innovation and research and technology and purchasing.

Office	Name
Chairperson (NED)	Teresita T. Sy-Coson
Member (ED)	Harley T. Sy
Member (ED)	Frederic C. DyBuncio
Adviser (NED)	Joe T. Sio

### The Audit Committee

The Audit Committee exercises the Board's oversight of the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws, rules and regulation. The Committee is composed of three (3) non-executive directors, including the Chairperson. The Committee members each possess relevant background, knowledge, skills and/or experience in areas of accounting, auditing and finance. The Chairperson of the Audit Committee, Ms. Tomasa H. Lipana, is a certified public accountant and does not serve as the chairperson of

any of the other board committees. (Please see the Audit Committee Report for more information on the Committee's roles and activities.)

Office	Name	2021 Meetings and Attendance				
		2/24	5/3	8/2	11/5	11/17
Chairperson (ID)	Tomasa H. Lipana	●	●	●	●	●
Member (ID)	Alfredo E. Pascual	●	●	●	●	●
Member (NED)	Jose T. Sio	●	●	●	●	●

### The Related Party Transactions Committee

The Related Party Transaction Committee reviews all material related party transactions of the Company and ensures that said transactions are conducted at arms' length. The Committee is composed of three (3) non-executive directors, including the Chairman wherein two (2) are independent directors.

Office	Name	11/5/21
Chairperson (ID)	Alfredo E. Pascual	●
Member (ID)	Robert G. Vergara	●
Member (NED)	Jose T. Sio	●

### The Compensation Committee

The Compensation Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee is composed of three (3) directors, one (1) of whom is an independent director.

Office	Name	2021 Meetings and Attendance	
		4/26	11/5
Chairperson (NED)	Teresita T. Sy-Coson	●	●
Member (ID)	Alfredo E. Pascual	●	●
Member (NED)	Jose T. Sio	●	●

## Board Remuneration

The annual compensation paid to each director is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting. For compensation as Director, each member of the Board received Php5,400,000 for the year 2021.

## The Risk Management Committee

The Risk Management Committee is responsible for the oversight of the Company's Enterprise Risk Management (ERM) system. The Committee is composed of three (3) non-executive directors, majority of whom, including the Chairman, are independent directors. Per the Committee's charter, at least one (1) of its members must have relevant knowledge and experience on risk and risk management. The Committee Chairman, Mr. Robert G. Vergara does not serve as the chairman of any of the other board committees.

Office	Name	2021 Meetings and Attendance	
		8/2	11/5
Chairperson (ID)	Robert G. Vergara	●	●
Member (ID)	Alfredo E. Pascual	●	●
Member (NED)	Jose T. Sio	●	●

## Enterprise Risk Management (ERM)

SMIC's ERM approach begins with the identification and prioritization of risks, followed by the assessment of risk interrelationships and analysis of risk sources. This is followed by the development of risk management strategies and action plans, and ultimately, the monitoring and continuous improvement of the risk management process.

SMIC's business unit heads are responsible for managing operational risks by implementing internal controls within their respective units. The Risk Management Committee is regularly updated on the Company's risk management systems, as well as on improvement plans of SMIC, while the Executive Committee provides oversight on the assessment of the impact of risks on the strategic and long-term goals of the Company.

Actions adopted to mitigate the Company's risks include investments in technology, the provision of continuous training to personnel, the performance of regular audits,

the establishment and implementation of policies for strong information technology (IT) governance, and continued partnerships with the Company's various stakeholders. Technological risks are addressed via continuous risk assessments, wherein potential threats to assets, vulnerabilities and likelihood of occurrence are evaluated and possible impacts are estimated in the areas of networks, operating systems, applications and databases in production. Specifically, system vulnerability assessments and penetration testing are regularly conducted to proactively detect and address threats.

The Company's approach to other risks, like environmental risk starts with an assessment of the potential impact it has to the community where it operates. There is a regular reporting of the group's sustainability road map and progress. The Company is committed to protect the environment by implementing effective and efficient resource utilization measures in its daily operations.

The Company recently registered with the Anti-Money Laundering Council (AMLC) as Designated Non-Financial Business and Profession on December 1, 2021. As such, the Company is committed to strictly adhere to the Anti-Money Laundering and Counter Terrorism Financing rules, laws and regulations of the AMLC and ensures that it will not be used as a conduit for the proceeds of an unlawful activity to help prevent the country from being used as a money laundering/terrorism financing site.

## The Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in its corporate governance related responsibilities, such as but not limited to, climate change, anti-money laundering act, information technology, risk and social impacts in terms of sustainability reporting. The committee also performed the review and evaluation of the qualifications of all candidates nominated to the Board of Directors, and those nominated to positions that require Board approval under the Company's By-Laws. The Committee is composed entirely of independent directors.

Office	Name	2021 Meetings and Attendance		
		2/24	3/12	4/26
Chairperson (ID)	Alfredo E. Pascual	●	●	●
Member (ID)	Tomas H. Lipana	●	●	●
Member (ID)	Robert G. Vergara	●	●	●

## Nomination and Election of Directors

SMIC sets a reasonable period of time for the submission of nominations of candidates for election to its Board of Directors. All nominations for directors submitted in writing to the Corporate Secretary within the said nomination period are considered valid. Any shareholder of record may be nominated as a board of director. All shareholders are, including a minority shareholder, entitled to be notified of the schedule and other details of the Annual Stockholders' Meeting for the election of board of directors and is entitled to vote as such. When searching for candidates for the Board of Directors, the Company engages the services of professional search firms and/or other external sources, such as director databases set up by director or shareholder bodies.

The Corporate Governance Committee meets to screen and check the qualifications of all persons nominated to be a board of director from the pool of candidates submitted by the nominating shareholders. The Manual on Corporate Governance prescribes the following qualifications to be a director of the Company:

- Holder of at least one (1) share of stock of the Corporation;
- Shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- Shall be at least twenty-one (21) years old;
- Shall be proven to possess integrity and probity;

- Shall be diligent, hardworking and reputable;
- Shall be proven to possess the appropriate level of skill and experience in line with the strategic plans and goals of the Company; and
- In addition to the qualifications for membership in the Board required in relevant laws, the Board may provide for additional qualifications which may include practical understanding of the Company's business, membership in good standing in relevant industry, business or professional organizations, and previous business experiences.

In addition to the aforementioned qualifications, the Corporate Governance Committee also identifies qualities of directors that are aligned with the Company's strategic direction. Likewise, the Committee ensures that those nominated to the Board possess none of the disqualifications enumerated in the Manual on Corporate Governance. Further to this, the Committee ensures that nominees have attended an orientation or training related to corporate governance before taking office. The committee also recommends continuing education/ training programs for directors and key officers with training providers that is duly accredited by the Securities and Exchange Commission (SEC). For 2021, the Company engaged the services of Institute of Corporate Directors (ICD) to facilitate an in-house corporate governance training to all members of the board and key officers.

### Notable Continuing Education/Training of the Board of Directors

Director	Date of Training	Program	Name of Training Institution
Jose T. Sio	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Teresita T. Sy	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Henry T. Sy, Jr.	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Frederic C. DyBuncio	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Harley T. Sy	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Alfredo E. Pascual	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Tomasa H. Lipana	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Robert G. Vergara	9/30/2021	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)

The Corporate Governance Committee also determines the number of directorships which a member of the Board may hold simultaneously to their SMIC board seats.

### Directorship in Other Reporting Companies

Directors	Name of Reporting Company	Nature of Directorship
Jose T. Sio	Belle Corporation	Non-Executive Director
	China Banking Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corp.	Non-Executive Director
	Far Eastern University Incorporated	Independent Trustee
Teresita T. Sy	BDO Unibank, Inc.	Chairperson of the Board
Henry T. Sy Jr.	SM Prime Holdings, Inc.	Chairman of the Board
	Synergy Grid & Development Phils., Inc.	Chairman of the Board
Frederic C. DyBuncio	2Go Group, Inc.	Chairman of the Board/ President/CEO
	Atlas Consolidated Mining and Development Corp.	Vice Chairman of the Board
Harley T. Sy	China Banking Corporation	Non-Executive Director
Alfredo E. Pascual	Megawide Construction Corporation	Independent Director
	Asiabest Group International Inc.	Independent Director
	Concepcion Industrial Corporation	Independent Director
Roberto G. Vergara	Metro Pacific Hospital Holdings, Inc.	Independent Director
	STI Education Systems Holdings Inc,	Independent Director

### Evaluation of the Board

Through the Corporate Governance Committee, the Board conducts an annual performance evaluation of the collective Board, Board Committees, individual directors, the Company's Chairman of the Board, President and selected officers. The evaluation criteria are based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors, Chairman of the Board, President and the heads of the control functions (Chief Audit Executive, Chief Risk Officer and Chief Compliance Officer) as provided for by SMIC's By-Laws, Manual on Corporate Governance and respective Board Committee Charters.

Directors are asked to rate the annual performance of the respective bodies and individuals, as well as identify areas for improvement, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings, their accessibility to Management, the Corporate Secretary and Board Advisors as well as training/continuing education programs or any other forms of assistance that they may need in

the performance of their duties. The Board then reviews the results of the evaluation and agree on action plans to address the issues raised. The forms used for the evaluation may be viewed via the Company's website.

Every three (3) years, the annual board evaluation is conducted by a third-party facilitator. For 2021, SMIC engaged the services of Institute of Corporate Directors (ICD), an accredited provider, to facilitate our board evaluation.

### CORPORATE GOVERNANCE RELATED POLICIES

SMIC regularly reviews and enhances its Manual on Corporate Governance, Code of Ethics, and other corporate governance related policies and programs to promote the continued development of its corporate governance culture. All corporate governance related policies and information are available to the public through the Company's website at [www.sminvestments.com](http://www.sminvestments.com).

## The Manual on Corporate Governance

The Manual on Corporate Governance institutionalizes the principles and best practices of good corporate governance in the organization and remains a testament to the belief that good corporate governance is a critical component of sound strategic business management. In addition to the provisions relating to the Board of Directors and Management, the Manual also contains the Company's policies on disclosure and transparency, and mandates the conduct of communication, and training programs on corporate governance. It also outlines the rights of all stakeholders, and the protection of the interests of minority stockholders. There have been no deviations from the Manual since it was adopted. SMIC certifies that the Company, 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 Code of Ethics

SMIC's Code of Ethics provides the Company with the backbone for its culture of corporate governance. All directors, officers and employees are required to adhere to the Code in the performance of their duties and responsibilities. The Code highlights the importance of integrity in all the dealings with investors, creditors, customers, contractors, suppliers, regulators, co-employees, and the Company's other various stakeholders. It also highlights the Company's duties to its employees, shareholders, and the importance of corporate social responsibility.

Other CG Related Policies	Brief Description
Insider Trading Policy	Directors, officers and employees are prohibited from trading in the Company's shares during the period within which a material non-public information is obtained, five (5) trading days before and two (2) trading days after the disclosure of any material, stock price-sensitive information. SMIC 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. All directors, officers and employees are required to report their dealings in company shares within three (3) business days of the transaction. Reports indicate the date of the trade/s and number of shares traded, at least, and should be submitted to the Company's Compliance Officer.
Related Party Transactions Policy	SMIC discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports. The Company ensures that its related party transactions are conducted at fair market prices and at arms' length. The full policy may be found in SMIC's website and describes the process by which the Company handles its related party transactions, particularly those that cross the Company's materiality threshold.
Conflict of Interest Policy	SMIC's Conflict of Interest Policy defines a conflict of interest as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him/ her from acting in the best interests of the Company. Any director, officer or employee involved in an actual or potential conflict of interest is required to immediately disclose annually said conflict to the Company.
Guidelines on Gifts/Hospitality/ Entertainment/ Anti-corruption	Based on the provisions of the Code of Ethics, SMIC's directors, officers and employees are prohibited from soliciting or accepting gifts, hospitality, and/ or entertainment in any form from any business partner. The term gift covers anything of value, such as but not limited to cash or cash equivalent. The guidelines provide exceptions such as corporate giveaways, tokens or promotional items of nominal value. In the same manner, accepting travel sponsored by any current or prospective business partner is prohibited.

Guidelines on Placement of Advertisements	SMIC issued a policy to prohibit 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 an SM company or director, officer or employee is one of the nominees vying for the award. SMIC 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 an SM company or director, officer or employee.
Policy on Accountability, Integrity, and Vigilance (Whistleblowing Policy)	SMIC's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any SMIC director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management investigates on its merit, subject to due process and applicable penalties and sanctions thereafter.  Furthermore, the policy invokes a "No Retaliation" section for those that have reported in good faith.
Policy for Vendor Selection and Purchase of Goods and Services	Existing and potential vendors and suppliers are required to conform to the Company's Code of Ethics as a pre-requisite for the accreditation process.

## DISCLOSURE AND TRANSPARENCY

SMIC ensures that its stakeholders receive timely and accurate information on all facets of its business through its website and disclosures. SMIC's website has a separate corporate governance section that has subsections where its policies, programs and other relevant developments may be found. The Company also ensures that shareholders are provided with periodic reports that include relevant information on its directors and officers and their shareholdings and dealings with the Company.

SMIC regularly discloses its top shareholders and its beneficial owners who own more than 5% of its shares. Shareholdings of directors and senior management are disclosed in the Definitive Information Statement sent to shareholders prior to the Annual Stockholders' Meeting.

### The Investor Relations Department

The Investor Relations (IR) Department of SMIC is the main avenue of communication between the Company and its various stakeholders. The IR Department arranges regular teleconferences and site visits for investors, and conducts annual roadshows with stops in various locations throughout the world. Due to pandemic, such roadshows were replaced

with extensive videoconferencing activity since 2020 up to 2021. They also coordinate with the different Investor Relations departments of the Company's subsidiaries and affiliates, as well as participate in various investor fora and conduct regular briefings with analysts and members of the press. Should SMIC's shareholders or other various stakeholders require further information or details on the Company, its operations, directors and/ or officers, or would like to provide feedback and/or make other relevant suggestions/recommendations to the Company, they may contact the following:

Investor Relations Department  
10/F One E-Com Center  
Ocean Drive, Mall of Asia Complex  
Pasay City, 1300 Philippines  
ir@sminvestments.com

# The Annual Stockholders' Meeting

The Annual Stockholders' Meeting (ASM) provides SMIC shareholders with the opportunity to raise concerns, give suggestions, and vote on relevant issues. Voting methods are clearly defined and explained to shareholders before the ASM to ensure the observance of their voting rights and continued participation in the voting process.

Under the Company's By-Laws and Manual on Corporate Governance and in accordance with certain laws, rules and regulations, shareholders may cumulatively vote for the election or replacement of members of the Board of Directors. Prior to the ASM, shareholders are furnished a copy of the annual report, including financial statements, and all relevant information about the current and nominated directors and key officers. Elected directors hold office for one (1) year until their successors are elected following the procedures set forth in SMIC's By-Laws. SMIC also includes rationales and explanations for each agenda item which requires shareholder approval in the Notice of the Annual Stockholders' Meeting. Furthermore, the Company appoints an independent party to count and validate votes made during the ASM.

Proxy voting is permitted and facilitated through proxy forms which are distributed to shareholders prior to the ASM. Proxy forms may also be downloaded from the Company's website. To encourage shareholders to exercise their right to vote through the proxy forms, notarization of such is not required. Shareholders are also given the opportunity to vote on certain corporate acts in accordance with the law. These resolutions, along with shareholder questions and the corresponding responses are recorded in the minutes of the ASM, which are posted on the Company's website immediately following the ASM. To ensure that all shareholders' concerns are properly addressed, the Chairman of the Board, Board 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**

Based on its Manual on Corporate Governance, Code of Ethics and other relevant rules, laws and regulations, SMIC is required to recognize and protect the rights and interests of its key stakeholders, namely its shareholders, employees, customers, business partners, creditors, as well as the communities it operates in and the environment.

## **Rights of Shareholders**

The Manual on Corporate Governance protects the shareholders' appraisal right as well as their rights to vote, inspect corporate books and records, gain access to material information and receive an equitable share of the Company's profits.

The exercise of a shareholder's voting right is encouraged by SMIC to ensure meaningful participation in all shareholders' meetings. Voting methods and vote counting systems employed by the Company are clearly explained to ensure the effective exercise of shareholders' right to vote. SMIC follows the system of cumulative voting for the election of directors to allow shareholders an opportunity to elect each member of the Board of Directors individually. Shareholders maintain the right to receive dividends subject to the discretion of the Board. They may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares in accordance with the Corporate Code. Minority shareholders are given the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items are for legitimate business purposes and in accordance with the law, jurisprudence and best practice. Minority shareholders are also given access to information relating to matters for which Management is accountable.

## **Dividend Policy**

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. Dividends shall be paid within thirty (30) days from the date of declaration.

## **Employee Welfare**

SMIC strives to be an employer of choice and provides for the health, safety and welfare of its employees. Through the efforts of its Human Resources Department (HRD), the Company has established policies and programs that promote a safe and healthy work environment that caters to all cultures and creeds and encourages employee development and growth.

SMIC encourages good health and wellness through its various sports and fitness programs. There are courts and fitness facilities in the workplace where the employees can use and participate in HRD supported aerobic and dance activities, however, due to the pandemic, the use of these

facilities and conduct of said activities were temporarily suspended. Instead, all employees are subjected to regular covid 19 test to ensure that nobody is infected with the virus. All employees were given free doses of covid-19 vaccination and booster shots to ensure that everyone is protected against covid-19 complications. Work from home arrangement was also implemented for the health and safety of the employees. Prior to any entry to the office, all employees are required to accomplish an online health declaration form/checklist which are being reviewed and monitored by the Company medical team. Personal protective gears are regularly provided to every employee like face masks and alcohol. Furthermore, SMIC has a fully functioning clinic and employs the services of a 24-hour roving ambulance service

Despite the pandemic, the Company continues to conduct seminars and various learning sessions via online, such as training on Integration of New Employees in SM, mental health seminar, and seminar on Covid -19 vaccination and Prevention, health and wellness seminars, proper business email writing skills to name a few. The Company believes that a happy and healthy workforce promotes business sustainability.

#### **Emergency Preparedness Program**

As part of its Enterprise Risk Management, SMIC implements an emergency preparedness program that aims to safeguard its workforce, operations, and customers against emergencies, and natural and manmade disasters. Led by its Emergency Preparedness Committee, and in coordination with fire and security agents, the Company conducts regular safety drills throughout the SMIC workplace. These drills, along with emergency management related orientations and training are conducted to ensure a competent, composed and efficient response from SMIC's workforce in the event of an emergency.

The Company has implemented an emergency text blast system for emergency announcements and a hotline where employees can call for an update or/and instruction.

The company has also developed Business Continuity Planning that will be activated in case of an emergency in order that business operations can be carried out as usual. Critical functions of each departments are identified to prevent business disruption. Regular table top exercises are conducted to ensure preparedness and that the protocols will be implemented as planned when the need arises.

#### **Training and Employee Development**

Awareness and understanding of the principles of good corporate governance are essential to the continued development of SMIC's corporate governance culture. Through the Orientation for New Employees of SM (ONE SM), new employees are given an overview of SMIC's corporate governance framework, including all the different corporate policies and its various components. A substantial portion of the orientation is devoted to the discussion of SM's core values and the Code of Ethics, and highlights the roles that each individual can play in the overall development of the corporate governance culture. Skills and Leadership development courses are also conducted regularly, covering topics such as Basics of Customer Service, Effective Listening, Guidelines for Writing Effective Business Emails and Value Formations.

For issues or concerns, all stakeholders may refer to:

Mr. Wellington Palmero  
Senior Vice President for Governance, Risk & Compliance  
Mr. Noel T. Ang  
SAVP- Governance, Risk & Compliance  
10/F One E-Com Center  
Ocean Drive, Mall of Asia Complex Pasay City,  
1300 Philippines  
+63 2 8570100 local 0296  
wellington.palmero@sminvestments.com  
noel.ang@sminvestments.com





# Financial Statements

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# Statement of Management's Responsibility for Financial Statements

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines are 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 Group'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 Group or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group'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 the Group in accordance with 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.



**JOSE T. SIO**  
Chairman of the Board



**FREDERIC C. DYBUNCIO**  
President and  
Chief Executive Officer



**ERWIN G. PATO**  
Treasurer and  
Executive Vice President

Signed this 28th day of February 2022

# Report of the Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's financial reporting, internal control system, internal and external audit processes, and compliance with relevant laws and regulations. Likewise, the Committee oversees special investigations as may be necessary. It reviews its Charter annually.

The Committee is composed of three (3) non-executive directors, two (2) of whom are independent directors including the Committee Chairperson. The Committee members have relevant background, knowledge, skill and/or experience in the areas of finance and accounting, audit, risk management, information technology, and corporate governance. In 2021, they attended the annual corporate governance training conducted by an SEC accredited training provider and other updates on new relevant laws, accounting standards, taxes, and other regulatory requirements. The Committee also performed the annual self-assessment/evaluation and reviewed its performance against its Charter and other regulatory mandates to ensure its satisfactory performance.

The profiles and qualifications of the Committee members are as follows:

- **Tomasa H. Lipana** (Chair) is an Independent Director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an Independent Director and Audit Committee Chairperson of Flexo Manufacturing Corporation. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation for the last 5 years. She is a Fellow and Trustee of the Institute of Corporate Directors. She is also a Trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/ Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.
- **Alfredo E. Pascual** is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 and 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia and held board directorships at ADB's investee companies in China, India, and the Philippines. Mr. Pascual was a finance professor at the Asian Institute of Management (AIM). Currently, he is an Independent Director at other publicly-listed companies and a trustee at nonprofits and other organizations. He is the President of the Management Association of the Philippines (MAP) and the global Association of Former Employees of ADB (AFE-ADB). He finished his MBA and BS in Chemistry (cum laude) from UP.
- **Jose T. Sio** is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a Master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.

Presented below are the dates of Committee meetings and the attendance of each member.

The Audit Committee						
Office	Name	2021 Meetings and Attendance				
		2/24	5/3	8/2	11/5	11/17
Chairperson (ID)	Tomasa H. Lipana	√	√	√	√	√
Member (ID)	Alfredo E. Pascual	√	√	√	√	√
Member (NED)	Jose T. Sio	√	√	√	√	√

In compliance with the Audit Committee Charter, the Manual of Corporate Governance, and relevant laws and regulations, the Audit Committee performed the following activities relating to the three (3) major areas of concern:

#### Internal Audit

1. The Committee provided oversight of the Internal Audit.

Under SMIC's Internal Audit Charter, the primary purpose of Internal Audit is to provide an independent, objective, and reasonable assurance and value-adding services through systematic and disciplined evaluation of the Company's governance system, risk management, and internal control environment of the Company as well as any entity within the Group, which Management or the Audit Committee deems necessary to include.

To maintain the independence of the Internal Audit, the Chief Audit Executive (CAE) functionally reports to the Board of Directors, through the Audit Committee.

2. The Committee reviewed and approved the Internal Audit plan, including the scope, methodology, organization structure and staffing.
3. The Committee monitored the implementation of the Internal Audit plan and reviewed the periodic reports of the CAE, summarizing the overall assessment of the Company's control environment, significant audit findings and areas of concern as well as the corresponding management responses and action plans.

#### External Audit

The Audit Committee has the primary responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the External Auditor.

The External Auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements.

4. The Committee reviewed/discussed with the External Auditor, SGV & Co., the following:
  - The annual audit plan for 2021, including scope, approach, risk-based methods, focus areas and time table;
  - The results of its examination and action plan to address pending audit issues; and
  - The assessment of internal controls and quality of financial reporting.
5. The Committee reviewed/discussed the report of SGV & Co. on significant accounting issues, changes in accounting policies/standards, and major pending tax legislations, which would impact the Company and its subsidiaries.

6. The Committee discussed with SGV & Co. the matters required to be disclosed under the prevailing applicable Auditing Standards, and obtained from said Firm a letter confirming its independence, as required by prevailing applicable Independence Standards.
7. The Committee reviewed and approved all audit and non-audit services provided by SGV & Co. to the Company, and related fees.

#### **Financial Statements**

8. The Committee assessed the internal control system of the Company based upon the review and evaluation done and reported by the internal and external auditors and noted that the system is generally adequate to generate reliable financial statements.
9. The Committee reviewed and endorsed to the Board for approval the unaudited consolidated financial statements of SM Investments Corporation and its subsidiaries for the first quarter ended March 31, 2021, second quarter ended June 30, 2021, and third quarter ended September 30, 2021.
10. Based on its review and discussion, and subject to the limitations on the roles and responsibilities referred to above, the Committee recommended for Board approval, and the Board approved, the audited consolidated financial statements of SM Investments Corporation and its subsidiaries for the year ended December 31, 2021.
11. The Committee reviewed and discussed the performance, independence and qualifications of the External Auditor, SGV & Co., in the conduct of their audit of the consolidated financial statements of SM Investments Corporation and its subsidiaries for the year. Based on the review of their performance and qualifications, the Committee also recommended the re-appointment of SGV & Co. as the Company's External Auditor for 2022.

28 February 2022



**Tomasa H. Lipana**  
Chairperson



**Alfredo E. Pascual**  
Member



**Jose T. Sio**  
Member



**Atty. Elmer B. Serrano**  
Corporate Secretary

# Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱88,744,225	₱78,159,197
Time deposits	311,233	31,012
Financial assets at fair value through other comprehensive income (FVOCI)	547,041	568,146
Receivables and contract assets	74,599,491	60,526,230
Inventories	86,767,188	72,056,045
Other current assets	51,088,161	43,170,378
Total Current Assets	<b>302,057,339</b>	254,511,008
<b>Noncurrent Assets</b>		
Financial assets at FVOCI - net of current portion	27,946,993	27,278,240
Investments in associate companies and joint ventures	305,072,026	296,265,722
Time deposits - net of current portion	3,905,618	1,356,442
Property and equipment	38,555,519	26,087,448
Investment properties	463,765,374	435,466,724
Right-of-use assets	44,775,919	41,979,029
Intangibles	31,615,767	24,588,503
Deferred tax assets	4,732,558	4,671,969
Other noncurrent assets	119,159,561	112,318,650
Total Noncurrent Assets	<b>1,039,529,335</b>	970,012,727
	<b>₱1,341,586,674</b>	₱1,224,523,735
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank loans	₱26,232,427	₱24,126,000
Accounts payable and other current liabilities	163,974,670	149,231,108
Income tax payable	2,224,660	2,649,041
Current portion of long-term debt	63,706,559	60,121,438
Dividends payable	3,110,847	3,829,207
Total Current Liabilities	<b>259,249,163</b>	239,956,794
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion	374,155,880	330,731,798
Lease liabilities - net of current portion	31,061,609	28,868,164
Deferred tax liabilities	15,796,870	12,614,979
Tenants' deposits and others	48,883,227	47,624,102
Total Noncurrent Liabilities	<b>469,897,586</b>	419,839,043
Total Liabilities	<b>729,146,749</b>	659,795,837

(Forward)

	<b>December 31</b>	
	<b>2021</b>	2020
<b>Equity Attributable to Owners of the Parent</b>		
Capital stock	<b>₱12,045,829</b>	₱12,045,829
Additional paid-in capital	<b>75,827,181</b>	75,823,506
Equity adjustments from common control transactions	<b>(5,424,455)</b>	(5,424,455)
Cost of Parent common shares held by subsidiaries	<b>(25,386)</b>	(25,386)
Cumulative translation adjustment	<b>2,193,170</b>	895,922
Net fair value changes on cash flow hedges	<b>(980,127)</b>	(2,741,387)
Net unrealized gain on financial assets at FVOCI	<b>15,171,942</b>	16,506,435
Remeasurement loss on defined benefit asset/obligation	<b>(8,317,835)</b>	(6,066,075)
Retained earnings:		
Appropriated	<b>37,000,000</b>	37,000,000
Unappropriated	<b>308,946,422</b>	275,818,556
Total Equity Attributable to Owners of the Parent	<b>436,436,741</b>	403,832,945
<b>Non-controlling Interests</b>	<b>176,003,184</b>	160,894,953
Total Equity	<b>612,439,925</b>	564,727,898
	<b>₱1,341,586,674</b>	₱1,224,523,735

# Consolidated Statements of Income

(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2021	2020	2019
<b>REVENUES</b>			
Sales:			
Merchandise	<b>₱302,607,313</b>	₱289,726,442	₱354,088,848
Real estate	<b>45,116,570</b>	47,023,795	44,499,529
Shipping, logistics and other services	<b>5,656,888</b>	–	–
Rent	<b>29,642,244</b>	26,904,979	51,573,157
Equity in net earnings of associate companies and joint ventures	<b>26,768,811</b>	17,036,367	26,038,426
Royalty, management and service fees	<b>4,394,077</b>	3,936,537	7,348,479
Cinema ticket sales, amusement and others	<b>498,924</b>	1,095,445	7,739,761
Dividend income	<b>586,703</b>	430,696	480,513
Others	<b>12,786,125</b>	8,031,444	10,200,616
	<b>428,057,655</b>	394,185,705	501,969,329
<b>COST AND EXPENSES</b>			
Cost of sales:			
Merchandise	<b>227,708,698</b>	220,245,198	262,434,661
Real estate	<b>18,687,157</b>	20,583,982	20,806,612
Cost of services	<b>7,516,230</b>	–	–
Selling, general and administrative expenses	<b>97,879,839</b>	95,482,554	113,257,931
	<b>351,791,924</b>	336,311,734	396,499,204
<b>OTHER INCOME (CHARGES)</b>			
Interest expense	<b>(18,759,841)</b>	(18,023,610)	(19,511,745)
Interest income	<b>2,201,191</b>	2,436,015	3,881,156
Gain (loss) on disposal of investments and properties - net	<b>672,121</b>	(19,373)	193,878
Gain (loss) on fair value changes on derivatives - net	<b>317,743</b>	(6,503)	6,379
Impairment loss on investment	–	(1,000,000)	(3,987,000)
Foreign exchange gain - net and others	<b>773,776</b>	155,162	561,705
	<b>(14,795,010)</b>	(16,458,309)	(18,855,627)
<b>INCOME BEFORE INCOME TAX</b>	<b>61,470,721</b>	41,415,662	86,614,498
<b>PROVISION FOR INCOME TAX</b>			
Current	<b>6,957,046</b>	6,407,055	16,218,229
Deferred	<b>1,782,037</b>	683,565	951,955
	<b>8,739,083</b>	7,090,620	17,170,184
<b>NET INCOME</b>	<b>₱52,731,638</b>	₱34,325,042	₱69,444,314
<b>Attributable to</b>			
Owners of the Parent	<b>₱38,499,890</b>	₱23,389,950	₱44,568,244
Non-controlling interests	<b>14,231,748</b>	10,935,092	24,876,070
	<b>₱52,731,638</b>	₱34,325,042	₱69,444,314
<b>Basic/Diluted Earnings Per Common Share</b>			
<b>Attributable to Owners of the Parent</b>	<b>₱31.96</b>	₱19.42	₱37.00

# Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
<b>NET INCOME</b>	<b>₱52,731,638</b>	₱34,325,042	₱69,444,314
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that will be reclassified to profit or loss in subsequent periods</b>			
Share in unrealized gain (loss) on financial assets at fair value through other comprehensive income (FVOCI) of associates	(2,254,430)	2,280,460	4,505,589
Cumulative translation adjustment	2,088,002	(322,636)	(1,011,736)
Net fair value changes on cash flow hedges	2,353,722	(1,556,934)	(1,712,763)
	<b>2,187,294</b>	400,890	1,781,090
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
Remeasurement gain (loss) on defined benefit obligation	(2,389,787)	4,108,271	(8,209,190)
Net unrealized gain (loss) on financial assets at FVOCI	1,500,421	(302,553)	(176,975)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(198,464)	(776,519)	553,736
	<b>(1,087,830)</b>	3,029,199	(7,832,429)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱53,831,102</b>	₱37,755,131	₱63,392,975
<b>Attributable to</b>			
Owners of the Parent	₱37,718,970	₱26,317,136	₱40,223,919
Non-controlling interests	16,112,132	11,437,995	23,169,056
	<b>₱53,831,102</b>	₱37,755,131	₱63,392,975

# Consolidated Statements of Changes in Equity

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

(Amounts in Thousands Except Per Share Data)

	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2021	<b>₱12,045,829</b>	<b>₱75,823,506</b>	<b>(₱5,424,455)</b>	<b>(₱25,386)</b>	<b>₱895,922</b>
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	<b>1,297,248</b>
Total comprehensive income	-	-	-	-	<b>1,297,248</b>
Realized loss on sale of financial assets at FVOCI	-	-	-	-	-
Transactions with non-controlling interests	-	<b>3,675</b>	-	-	-
Cash dividends - ₱4.25 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Effect of business combination	-	-	-	-	-
Decrease in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2021	<b>₱12,045,829</b>	<b>₱75,827,181</b>	<b>(₱5,424,455)</b>	<b>(₱25,386)</b>	<b>₱2,193,170</b>
As at January 1, 2020	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	(412,306)
Total comprehensive income	-	-	-	-	(412,306)
Realized gain on sale of financial assets at FVOCI	-	-	-	-	-
Transactions with non-controlling interests	-	7,583	-	-	-
Cash dividends - ₱4.25 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Increase in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2020	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922

Equity Attributable to Owners of the Parent

Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasure- ment Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
<b>(P2,741,387)</b>	<b>P16,506,435</b>	<b>(P6,066,075)</b>	<b>P37,000,000</b>	<b>P275,818,556</b>	<b>P403,832,945</b>	<b>P160,894,953</b>	<b>P564,727,898</b>
-	-	-	-	38,499,890	38,499,890	14,231,748	52,731,638
1,761,260	(1,587,668)	(2,251,760)	-	-	(780,920)	1,880,384	1,099,464
1,761,260	(1,587,668)	(2,251,760)	-	38,499,890	37,718,970	16,112,132	53,831,102
-	253,175	-	-	(253,175)	-	-	-
-	-	-	-	-	3,675	25,466	29,141
-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)
-	-	-	-	-	-	(3,816,245)	(3,816,245)
-	-	-	-	-	-	3,073,712	3,073,712
-	-	-	-	-	-	(286,834)	(286,834)
<b>(P980,127)</b>	<b>P15,171,942</b>	<b>(P8,317,835)</b>	<b>P37,000,000</b>	<b>P308,946,422</b>	<b>P436,436,741</b>	<b>P176,003,184</b>	<b>P612,439,925</b>
(P1,406,026)	P14,399,640	(P8,633,269)	P37,000,000	P257,546,591	P382,627,075	P153,524,403	P536,151,478
-	-	-	-	23,389,950	23,389,950	10,935,092	34,325,042
(1,335,361)	2,107,659	2,567,194	-	-	2,927,186	502,903	3,430,089
(1,335,361)	2,107,659	2,567,194	-	23,389,950	26,317,136	11,437,995	37,755,131
-	(864)	-	-	864	-	-	-
-	-	-	-	-	7,583	(7,583)	-
-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)
-	-	-	-	-	-	(4,664,320)	(4,664,320)
-	-	-	-	-	-	604,458	604,458
<b>(P2,741,387)</b>	<b>P16,506,435</b>	<b>(P6,066,075)</b>	<b>P37,000,000</b>	<b>P275,818,556</b>	<b>P403,832,945</b>	<b>P160,894,953</b>	<b>P564,727,898</b>

	<b>Capital Stock</b>	<b>Additional Paid-in Capital</b>	<b>Equity Adjustments from Common Control Transactions</b>	<b>Cost of Parent Common Shares Held by Subsidiaries</b>	<b>Cumulative Translation Adjustment</b>
As at January 1, 2019	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,014,573
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	(706,345)
Total comprehensive income	-	-	-	-	(706,345)
Realized gain on sale of financial assets at FVOCI	-	-	-	-	-
Transactions with non-controlling interests	-	403	-	-	-
Cash dividends - ₱9.12 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Effect of business combination	-	-	-	-	-
Increase in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2019	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228

**Equity Attributable to Owners of the Parent**

<b>Net Fair Value Changes on Cash Flow Hedges</b>	<b>Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)</b>	<b>Remeasurement Loss on Defined Benefit Asset/Obligation</b>	<b>Appropriated Retained Earnings</b>	<b>Unappropriated Retained Earnings</b>	<b>Total</b>	<b>Non-controlling Interests</b>	<b>Total Equity</b>
P62,444	P11,748,980	(P2,063,358)	P37,000,000	P222,213,054	P353,387,201	P138,902,811	P492,290,012
-	-	-	-	44,568,244	44,568,244	24,876,070	69,444,314
(1,468,470)	4,400,401	(6,569,911)	-	-	(4,344,325)	(1,707,014)	(6,051,339)
(1,468,470)	4,400,401	(6,569,911)	-	44,568,244	40,223,919	23,169,056	63,392,975
-	(1,749,741)	-	-	1,749,741	-	-	-
-	-	-	-	-	403	(81,462)	(81,059)
-	-	-	-	(10,984,448)	(10,984,448)	-	(10,984,448)
-	-	-	-	-	-	(9,824,854)	(9,824,854)
-	-	-	-	-	-	1,358,352	1,358,352
-	-	-	-	-	-	500	500
(P1,406,026)	P14,399,640	(P8,633,269)	P37,000,000	P257,546,591	P382,627,075	P153,524,403	P536,151,478

# Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P <b>61,470,721</b>	P41,415,662	P86,614,498
Adjustments for:			
Equity in net earnings of associate companies and joint ventures	<b>(26,768,811)</b>	(17,036,367)	(26,038,426)
Depreciation and amortization	<b>20,696,369</b>	18,763,579	19,370,843
Interest expense	<b>18,759,841</b>	18,023,610	19,511,745
Provisions (reversal of provisions) - net	<b>(4,277,758)</b>	1,620,414	2,609,386
Interest income	<b>(2,201,191)</b>	(2,436,015)	(3,881,156)
Loss (gain) on disposal of investments and properties - net	<b>(672,121)</b>	19,373	(193,878)
Dividend income	<b>(586,703)</b>	(430,696)	(480,513)
Unrealized foreign exchange (gain) loss - net	<b>(490,845)</b>	(124,982)	220,432
Loss (gain) on fair value changes on derivatives - net	<b>(317,743)</b>	6,503	(6,379)
Impairment loss on investment	-	1,000,000	3,987,000
Gain on sale of financial assets at fair value through profit or loss (FVPL) - net	-	-	(27,812)
Income before working capital changes	<b>65,611,759</b>	60,821,081	101,685,740
Increase in:			
Receivables and contract assets	<b>(2,788,404)</b>	(6,930,842)	(2,848,713)
Inventories	<b>(37,303,043)</b>	(16,077,988)	(21,514,263)
Other current assets	<b>(6,836,921)</b>	(2,313,171)	(8,187,276)
Increase (decrease) in:			
Accounts payable and other current liabilities	<b>35,531,070</b>	11,163,508	21,611,185
Tenants' deposits and others	<b>1,330,169</b>	(397,461)	(2,498,565)
Net cash generated from operations	<b>55,544,630</b>	46,265,127	88,248,108
Income tax paid	<b>(7,402,297)</b>	(7,035,228)	(16,576,112)
Net cash provided by operating activities	<b>48,142,333</b>	39,229,899	71,671,996
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment	<b>365,861</b>	58,896	343,228
Investment properties	<b>914,962</b>	3,197	117,429
Financial assets at fair value through other comprehensive income (FVOCI) and FVPL	-	-	3,814,634
Additions to:			
Investment properties	<b>(42,155,574)</b>	(38,415,299)	(42,295,103)
Property and equipment	<b>(10,449,085)</b>	(6,096,154)	(7,446,414)
Financial assets at FVOCI and FVPL	<b>(1,427)</b>	(3,124,660)	(3,261,682)
Investments in associate companies and joint ventures	<b>(358,120)</b>	(390,350)	(5,330,780)
Decrease (increase) in:			
Other noncurrent assets	<b>12,084,333</b>	(11,145,362)	(1,543,199)
Time deposits	<b>(2,829,397)</b>	1,056,006	25,111,241
Dividends received	<b>5,180,690</b>	4,751,956	5,558,665
Interest received	<b>2,018,965</b>	2,439,829	4,048,370
Purchase consideration, net of cash from acquisition of subsidiaries	<b>(5,684,648)</b>	-	327,140
Net cash used in investing activities	<b>(40,913,440)</b>	(50,861,941)	(20,556,471)

(Forward)

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of:			
Bank loans	<b>₱52,175,839</b>	₱82,880,520	₱25,266,865
Long-term debt	<b>129,529,420</b>	75,253,912	52,895,468
Payments of:			
Bank loans	<b>(53,324,257)</b>	(77,464,985)	(21,376,865)
Long-term debt	<b>(92,624,775)</b>	(36,158,696)	(64,799,259)
Interest	<b>(18,034,064)</b>	(17,142,063)	(22,606,473)
Dividends	<b>(9,653,454)</b>	(10,158,925)	(20,510,816)
Lease liabilities	<b>(4,630,284)</b>	(3,838,044)	(2,854,295)
Proceeds from maturity of derivatives	–	–	395,722
Net cash provided by (used in) financing activities	<b>3,438,425</b>	13,371,719	(53,589,653)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,667,318</b>	1,739,677	(2,474,128)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(82,290)</b>	205,746	(625,313)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>78,159,197</b>	76,213,774	79,313,215
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱88,744,225</b>	₱78,159,197	₱76,213,774



The complete Audited Financial Statements and accompanying Notes to Consolidated Financial Statements may be downloaded or viewed at <https://www.sminvestments.com/investors/financial-reports/>

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# Our Report Framework

This 2021 report has been prepared under the Integrated Reporting <IR> Framework developed by the Integrated Reporting Council (IIRC). We have also adopted for the first time the Task Force on Climate-Related Financial Disclosures (TCFD) framework as we address the impacts of climate change. This report is aligned with Global Reporting Initiative (GRI) Standards for disclosures.

The report covers the period of January 1 through December 31, 2021. We have ensured that it presents a balanced reflection of our company's value creation process and also the progress we have made in advancing the United Nations Sustainable Development Goals.

This report was prepared in collaboration among officers in Finance, Governance and Risk Management, Investor Relations, Human Resources, Corporate Communications and Sustainability, under the supervision of the Executive Committee of the Board.

On behalf of the Board, the Executive Committee approved and authorized the issuance of this report on 11 April 2022.



Jose T. Sio  
Chairman



Frederic C. DyBuncio  
President and CEO

# List of Member Associations

Asia Business Council  
Asia Society Philippine Foundation  
Financial Executives Institute of the Philippines  
Good Governance Advocates and Practitioners of the Philippines  
IABC Philippines  
Institute of Corporate Directors  
Makati Business Club  
Management Association of the Philippines  
People Association of Management Accountants  
People Management Association of the Philippines  
Philippine Business for Social Progress  
Philippine Chamber of Commerce and Industry  
Public Relations Society of the Philippines  
Tax Management Association of the Philippines  
United Nations Global Compact Network Philippines

### **Corporate Information**

Company Headquarters  
10th Floor, OneE-Com Center  
Harbor Drive, Mall of Asia Complex  
Pasay City, 1300 Philippines

### **Stockholder Inquiries**

SM Investments Corporation's common stock is listed and traded in the Philippine Stock Exchange under the symbol 'SM.' Inquiries regarding dividend payments, account status, address change, stock certificates and other pertinent matters may be addressed to the company's transfer agent:

#### **BDO Unibank, Inc. – Trust and Investments Group Stock Transfer Unit**

15th Floor South Tower, BDO Corporate Center  
7899 Makati Ave., Makati City 0726  
Trunk Line: 8840-7000  
Direct Lines: 8878-4961, 8878-4963 to 4965  
Fax: 8878-4056  
E-mail: [bdo-stocktransferteam2@bdo.com.ph](mailto:bdo-stocktransferteam2@bdo.com.ph)

### **Sustainability Inquiries**

Inquiries regarding SM Investments Corporation's sustainability programs or this Integrated Report may be addressed to: [ir@sminvestments.com](mailto:ir@sminvestments.com) or [sustainability@sminvestments.com](mailto:sustainability@sminvestments.com)



## **SM** INVESTMENTS

SM Investments Corporation  
10/F, One-E Com Center,  
Harbor Drive, Mall of Asia  
Complex, Pasay City,  
Philippines