

COVER SHEET

SEC Registration Number

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Company Name

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

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H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m	
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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

-

Company's Telephone Number/s

8857-0100

Mobile Number

-

No. of Stockholders

1,246 (as of March 31, 2023)

Annual Meeting Month/Day

04/26

Fiscal Year Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Frederic C. DyBuncio

Email Address

-

Telephone Number/s

8857-0100

Mobile Number

-

Contact Person's Address

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

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

(Company's Full Name)

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

(Company's Address)

8857-0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

**SEC Form 17-A
Annual Report**

Form Type

Amendment Designation (If applicable)

December 31, 2022

Period Ended Date

(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, 2022**
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 Industry Classification Code:
incorporation or organization
7. **10th 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>
COMMON SHARES, P 10 PAR VALUE	1,222,023,358

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:
The Philippine Stock Exchange, Inc., 1,222,023,358, 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: P524,013,136,200.00
as of December 31, 2022

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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 72 department stores located in Mero Manila and key provincial cities. Of these, 68 stores are based inside SM malls and 4 stores in Cubao, Makati, Quiapo and Delgado.

Non-Food Retail

In 2022, 4 new stores were opened in Roxas City, Sorsogon, Tanza and Tuguegarao. These new stores contributed an additional 36,357 sqm, bringing the gross selling area (GSA) of The SM Store to 844,343 sqm.

Food Retail

SM Supermarket is a large format anchor tenant in SM malls. It has been in operation since 1985 and currently has 65 stores nationwide totaling to 383,172 sqm of GSA with each store carrying 30,000 to 35,000 SKUs. In 2022, it opened 4 new stores Roxas City, Sorsogon, Tanza and Tuguegarao.

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 54 stores in operation totaling 341,441 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 564,937 sqm of GSA across 215 stores as of end-2022. Savemore stores carry 20,000 to 25,000 SKUs, while Savemore Express carry below 20,000 SKUs. In 2022, they opened 7 stores nationwide.

Walmart is a mid-sized format that provides food and non-food shopping as an anchor tenant in Walmart community malls, located primarily in Luzon. SM Retail acquired a controlling stake in Walmart in 2013. It has 82 Department Stores and Supermarkets as at end-2022, with an aggregate GSA of 212,368 sqm. In 2022, they opened 5 department stores and 5 supermarkets in the areas of Cavite, Bulacan, Nueva Ecija 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 1,412 stores as of end-2022, mostly located outside Metro Manila, each carrying up to 4,000 SKUs. In 2022, they opened 208 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 82 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 2022, SM Prime’s mall business unit opened 4 new malls in the Philippines namely SM City Roxas in Capiz, SM City Tanza in Cavite, SM City Sorsogon in Bicol and SM City Tuguegarao in Cagayan. 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, 2022, 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, 2022, 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-2022, 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-2022. SMIC has an effective stake of 22.5% in China Bank.

Portfolio 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 one of the leading developers of sustainable resort destinations and leisure properties 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 79.78%-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 26.6%.

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, 2022 is 87.44%

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 2022, 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 56th 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 37 years. They provide freight solutions management via air, sea, and land through their established network of international and domestic partners and carriers. Airspeed also offers customized logistics, warehousing and distribution, and customs clearance.

SMIC effectively owns 51.0% in Airspeed.

Philippine Geothermal Production Company (“PGPC”) is a company that operates steam fields to supply third-party owned geothermal power plants. PGPC also has rights exclusive rights to explore, develop and utilize other geothermal resources in the Philippines. PGPC is currently supplying steam with an equivalent of approximately 300MW powering the Luzon grid. SMIC merged with Allfirst Equity Holdings, Inc. in August 2022, with SMIC as the surviving entity.

SMIC effectively owns 100% of PGPC.

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, 2022, the Parent Company had 319 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 27* 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, Inc.

Stock Prices	<u>2022</u>				<u>2021</u>			
		<u>High</u>		<u>Low</u>		<u>High</u>		<u>Low</u>
1 st Quarter	P	976.5	P	860.0	P	1,079.0	P	958.0
2 nd Quarter		898.0		763.0		1,019.0		900.0
3 rd Quarter		885.0		725.5		1,025.0		910.5
4 th Quarter		980.0		759.0		1,038.0		932.0

As of December 31, 2022, the closing price of the Company's shares of stock is P900.00/share.

Stockholder and Dividend Information

The number of stockholders of record as of December 31, 2022 was 1,251. As of December 31, 2022, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to P335.3 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 2022 and 2021, the Company declared dividends of P7,528.6 million and P5,119.5 million equivalent to 41% and 85% of 2021 and 2020 earnings (not restated), respectively, of SMIC Parent Company to preserve capital, given the uncertainty brought about by the COVID-19 pandemic.

The cash dividends pertaining to the 2022 earnings will be discussed and determined at the next Board Meeting on April 26, 2023.

On April 27, 2022, the BOD approved the declaration of cash dividends of 62.5% of the par value or P6.25 per share for a total amount of P7,528.6 million in favor of stockholders on record as at May 13, 2022. This was paid on May 26, 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.

The top 20 stockholders as of December 31, 2022 are as follows:

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1	PCD Nominee Corp (Non-Filipino)	403,900,371	32.94%
2	PCD Nominee (Filipino)	142,706,044	11.68%
3	Hans T. Sy	104,915,706	8.59%
4	Herbert T. Sy	99,093,995	8.11%
5	Harley T. Sy	93,741,298	7.67%
6	Teresita T. Sy	85,947,685	7.03%
7	Elizabeth T. Sy	77,159,344	6.31%
8	Henry T. Sy, Jr.	76,878,370	6.29%
9	Syntrix Holdings, Inc.	46,232,000	3.78%
10	Sysmart Corporation	28,642,252	2.35%
11	Tansmart Holdings, Inc.	26,965,000	2.21%
12	Henry Sy Foundation, Inc.	22,500,000	1.84%
13	Felicidad T. Sy Foundation, Inc.	11,250,000	0.92%
14	Susana Fong	452,998	0.04%
15	Value Plus, Inc.	152,119	0.01%
16	SM Prime Holdings, Inc.	146,104	0.01%
17	Belle Corporation	48,877	0.00%
18	Bernadette S. Go	39,402	0.00%
19	Hector Yap Dimacali	39,102	0.00%
20	Hans Sy Fao Wonderfoods Corp.	39,102	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 (I) 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, 2022 and 2021

Results of Operation (amounts in billion pesos)

	2022	2021 (Restated)	% Change
Revenues	P 553.8	P 432.4	28%
Cost and Expenses	436.2	353.5	23%
Income from Operations	117.6	78.9	49%
Other Charges	18.4	15.3	21%
Provision for Income Tax	14.8	9.0	64%
Net Income After Tax	84.4	54.6	54%
Non-controlling Interests	22.7	14.2	59%
Net Income Attributable to Owners of the Parent	P 61.7	P 40.4	53%

SM Investments Corporation and Subsidiaries (the Group) reported P61.7 billion *Net Income Attributable to Owners of the Parent* on P553.8 billion *Revenues*.

Following is the contribution of each of the major business segments to the consolidated revenues and net income:

	Revenues		Net Income	
	2022	2021 (Restated)	2022	2021 (Restated)
Retail	68%	71%	21%	16%
Property	18%	19%	23%	24%
Banks	6%	5%	45%	49%
Portfolio	8%	5%	11%	11%

Retail

SM Retail reported P17.9 billion *Net income* on *Revenues* of P378.2 billion, 86% and 24% higher than 2021, respectively.

The SM Stores reported P94.9 billion *Sales*, 64% higher than 2021.

The Food Stores reported P215.4 billion *Sales*, 12% higher than 2021. The SM Markets reported P158.2 million *Sales*, 11% higher than 2021. 2022 is the first year that Alfamart reported positive results on P23.3 billion *Sales*, 22% higher than 2021.

The Specialty Stores reported P81.5 billion *Sales*, 29% higher than 2021. This growth is attributable to SM Appliances, Our Home, Ace Hardware, Sports stores and Toy Kingdom/Pet Express.

The general improvement in profitability is attributable to the strong sales growth across all store formats, aggressive cost management, as well as the adoption of CREATE.

Property

SM Prime reported P30.1 billion *Net income* on *Revenues* of P105.8 billion, 38% and 29% higher than 2021, respectively.

The Philippine malls reported *Revenues* of P49.8 billion, more than double the P24.1 billion reported in 2021. Local mall rental income increased by 92% to P44.1 billion.

SM Prime's residential business led by SMDC reported *Revenues* of P40.1 billion and reservation sales of P102.0 billion.

Banking

BDO reported P57.1 billion *Net income*, 33% higher than 2021. This is supported by a 14% growth in net interest income and 17% growth in Other operating income.

The highlights of BDO's financial statements are as follows: strong results continue across core businesses; earnings are broad-based and diversified; full-year return on equity at 13%; balance sheet is solid with very comfortable capital position; and asset quality improving with ample provisioning. BDO continues being alert to the challenges posed by supply constraints, higher inflation, tighter external liquidity, rates/FX volatility and geopolitical strains.

China Bank reported a P19.1 billion *Net income*, 27% higher than 2021. This is supported by a 19% growth in net interest income.

Portfolio Investments

The strong performance of the Portfolio Investments is attributable to Philippine Geothermal Production Company, Inc. and the turnaround of 2GO.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which increased by 25% to P367.3 billion, accounted for 66% of total revenues in 2022. This is attributable to the strong holiday sales and increased demand for school essential with the resumption of in-person schooling.

Real Estate Sales decreased by 13% to P39.0 billion due mainly to sales cancellations relative to the expiration of Bayanihan Act which gave some reprieve to unit buyers in terms of amortization payments.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 66% to P49.2 billion. This is attributable to increased mall traffic.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 34% to P35.8 billion. The increase is mainly coming from BDO and China Bank.

Other Revenues increased by 73% to P62.4 billion.

- *Sales - Processed Food and Others* increased by 92% to P24.6 billion. The increase is attributable to the full year sales contribution of 2GO and GBI in 2022. 2GO and GBI became subsidiaries of SMIC in June 2021 and August 2021, respectively.

- *Shipping, Logistics and Other Services* increased by 149% to P14.1 billion. The increase is attributable to the full year revenue contribution of 2GO and 4 months revenue contribution of Airspeed in 2022 (see Note 5 of the consolidated financial statements).
- *Cinema Ticket Sales, Amusement and Others* increased by 745% to P4.2 billion. This is attributable to the lifting of restrictions in the operation of cinemas and other leisure areas in the latter part of 2021.
- *Royalty and Service Fees* increased by 23% to P5.4 billion as this is based on the higher sales base of various retail affiliated stores.

Selling, General and Administrative Expenses increased by 23% to P120.6 billion. This increase is relative to the increase in revenue. Also, 2022 includes the full year expenses of 2GO and GBI.

Income from Operations increased by 49% to P117.6 billion. *Operating Margin* and *Net Margin* in 2022 is at 21.2% and 15.2%, respectively.

Other Charges (net) increased by 21% to P18.4 billion. *Interest Expense* increased to P21.5 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 38% to P3.0 billion due mainly to increase in average balance of cash and time deposits. *Foreign Exchange Gain (Loss) - Net and Others in 2022* include *Gain on Disposal of Investments and Properties - Net* of P209 million and P211 million foreign exchange loss. The PHP to USD foreign exchange rate amounted to PHP55.76 : USD1.00 in 2022 from PHP51.00 : USD1.00 in 2021.

Provision for Income Tax increased by 64% to P14.8 billion due mainly to higher taxable income in 2022 and the initial adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) in 2021 which included favorable adjustments of deferred tax liabilities.

Non-controlling Interests increased by 59% to P22.7 billion due mainly to the improved net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	12 / 31 / 2022	12 / 31 / 2021 (Restated)	% Change
Current Assets	P 361.5	P 306.4	18.0%
Noncurrent Assets	1,120.4	1,056.4	6.0%
Total Assets	P 1,481.9	P 1,362.8	8.7%
Current Liabilities	P 293.0	P 261.6	12.0%
Noncurrent Liabilities	496.7	477.6	4.0%
Total Liabilities	789.7	739.2	6.8%
Total Equity	692.2	623.6	11.0%
Total Liabilities and Equity	P 1,481.9	P 1,362.8	8.7%

Total *Assets* and *Liabilities* increased by 8.7% to P1,481.9 billion and 6.8% to P789.7 billion, respectively.

Current Assets

Current Assets increased by 18.0% to P361.5 billion.

Cash and Cash Equivalents increased by 19.3% to P106.6 billion due mainly to improved operating results and proceeds from issuances of bonds and loan availments, partly offset by payments for trade, capital expenditures and debt servicing.

Receivables and Contract Assets increased by 10.4% to P84.5 billion due mainly to higher receivables from real estate buyers, tenants, and shipping and logistics services (see Note 5 of the consolidated financial statements).

Inventories increased by 23% to P106.4 billion. The increase is attributable to the construction accomplishments of the Property Group and the increase in merchandise inventories of the Retail Group.

Other Current Assets increased by 3.7% to P54.8 billion due mainly to higher prepaid taxes, input tax and bonds and deposits.

Noncurrent Assets

Noncurrent Assets increased by 6.0% to P1,120.4 billion.

Financial Assets at FVOCI (current and noncurrent) decreased by 6.4% to P25.9 billion due mainly to the decline in market value of certain investments in shares of stock, partly offset by new investments.

Investments in Associate Companies and Joint Ventures increased by 7.6% to P328.3 billion. 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 in 2022 (see Note 5 of the consolidated financial statements).

Property and Equipment increased by 5.4% to P47.9 billion due mainly to additions to machinery and equipment of PGPC in 2022.

Time Deposits (current and noncurrent) increased by 681% to P32.9 billion due mainly to the reclassification of time deposits from other noncurrent assets in 2022.

Investment Properties increased by 4.8% to P486.0 billion due mainly to SM Prime's landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense.

Liabilities

Interest-bearing Debt increased by 7.0% to P505.7 billion due mainly to SM Prime's debt availments in 2022.

Accounts Payable and Other Current Liabilities increased by 8.0% to P182.0 billion due mainly to the increase in trade and nontrade payables and accruals of SM Retail in 2022.

Deferred Tax Liabilities increased by 7.2% to P16.8 billion reflecting the net change in SM Prime's unrealized gross profit on sale of real estate.

Tenants' Deposits and Others increased by 1.2% to P49.8 billion. The increase is attributable to the deferred output VAT related to sales of residential projects and higher noncurrent portion of lease liability. This account also includes the deposits from residential buyers and tenants in new malls and office buildings and derivative liabilities.

Equity

Total *Equity* increased by 11.0% to P692.2 billion.

Equity Attributable to Owners of the Parent increased by 11.0% to P496.9 billion. This increase resulted mainly from the P61.7 billion net income and reduced by P7.5 billion dividends declared in 2022 that is reflected in *Retained Earnings*. *Fair Value Changes on Cash Flow Hedges* increased to gain of P1.6 billion. The increase is partly offset by the 17.3% decrease in *Unrealized Gain on Financial Assets at FVOCI* to P11.8 billion due to lower market valuation of certain investments, 68% increase in *Remeasurement Loss on Defined Benefit Asset/Obligation* to P1.7 billion, 6.7% decrease in *Cumulative Translation Adjustment* to P2.1 billion, and 63% increase in *Share in Other Comprehensive Loss of Associates – net* to P10.8 billion.

Non-controlling Interests increased by 11.0% to P195.3 billion 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, and 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:

	12 / 31 / 2022	12 / 31 / 2021 (Restated)
Current Ratio	1.2	1.2
Acid Test Ratio	0.7	0.6
Solvency Ratio	13.7%	10.2%
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	42 : 58	43 : 57
On Net Basis	35 : 65	38 : 62
Return on Equity	13.1%	9.4%
Return on Assets	5.9%	4.2%
Revenue Growth	28.1%	8.9%
Net Margin	15.2%	12.6%
Net Income Growth	53%	69%
EBITDA (<i>In Billions of Pesos</i>)	141.2B	99.9B
Interest Cover	6.6x	5.2x

Acid Test Ratio slightly increased to 0.7 due to the 20% increase in quick assets vs. 12.0% increase in *Current Liabilities*.

Solvency Ratio increased to 13.7% due to the 43% increase in *Net Income After Tax* and depreciation vs. 6.8% increase in *Total Liabilities*.

Gross Debt - Equity Ratio improved to 42:58 due to the 7.0% increase in gross debt with 11.0% increase in equity.

Net Debt - Equity Ratio improved to 35:65 due to the P45.7 billion increase in cash and cash equivalents and time deposits which resulted to a decrease in net debt of P12.5 billion.

Return on Equity improved to 13.1% due to the 53% increase in net income attributable to owners of the parent vs. 9.5% increase in average equity.

Return on Assets improved to 5.9% due to the 54% increase in *Net Income After Tax* vs 11.0% increase in average assets.

Revenue Growth increased to 28.1% due mainly to the 25% increase in *Merchandise Sales*, 34% increase in *Equity in Net Earnings of Associate Companies and Joint Ventures*, 66% increase in *Rent Revenues* and 73% increase in *Other Revenues*. In 2021, *Merchandise Sales* and *Rent Revenues* increased only by 1.7% and by 10.2%, respectively.

EBITDA increased by 41% due to the P38.6 billion increase in income from operations and P2.7 billion increase in depreciation.

Interest Cover improved to 6.6x due to the 41% increase in EBITDA vs. 12.6% 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 2023

In 2023, 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.

SM Prime will launch 3 new malls in the Philippines in 2023.

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

The above expenditures will be funded with cash generated from operations and other capital raising initiatives such as bond issuance and debt availments.

Calendar Years Ended December 31, 2021 and 2020

Results of Operation
(amounts in billion pesos)

	2021 (Restated)	2020 (Restated)	% Change
Revenues	P 432.4	P 397.1	8.9%
Cost and Expenses	353.5	338.2	4.5%
Income from Operations	78.9	58.9	34%
Other Charges	15.3	16.9	-9.5%
Provision for Income Tax	9.0	7.2	25%
Net Income After Tax	54.6	34.8	57%
Non-controlling Interests	14.2	10.9	30%
Net Income Attributable to Owners of the Parent	P 40.4	P 23.9	69%

SM Investments Corporation and Subsidiaries (the Group) reported P40.4 billion Net Income Attributable to Owners of the Parent on P432.4 billion Revenues.

Following is the contribution of each of the major business segments to the consolidated revenues and net income:

	Revenues		Net Income	
	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)
Retail	71%	75%	16%	11%
Property	19%	19%	24%	31%
Banks	5%	4%	49%	50%
Portfolio	5%	2%	11%	8%

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 where sales 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 1.7% to P294.7 billion, accounted for 68% of total revenues in 2021.

Real Estate Sales decreased by 4.1% to P45.1 billion. 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. The increase reflects the impact of more relaxed mobility restrictions especially in the last quarter of 2021.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 58% to P26.8 billion mainly coming from BDO and China Bank.

Other Revenues increased by 120% to P36.1 billion.

- *Sales - Processed Food and Others* increased by 331% to P12.8 billion. The increase includes the P7.9 billion sales of 2GO and GBI from the time that they became subsidiaries of SMIC.
- *Shipping, Logistics and Other Services* of P5.7 billion represent a portion of 2GO's revenues from the time it became a of SMIC.

- *Cinema Ticket Sales, Amusement and Others* decreased by 54% to P0.5 billion. 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 and Service Fees* increased by 11.6% to P4.4 billion reflecting the general improvement in business conditions.
- *Others* which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, increased by 53% to P11.6 billion.

Selling, General and Administrative Expenses increased by 2.6% to P98.2 billion 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 34% to P78.9 billion. *Operating Margin* and *Net Margin* in 2021 is at 18.3% and 12.6%, respectively.

Other Charges (net) decreased by 9.5% to P15.3 billion. *Interest Expense* increased to P19.1 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* decreased by 10.2% to P2.2 billion due mainly to lower average balance of cash and time deposits. These were partially offset by the P0.6 billion increase in *Gain on Disposal of Investments and Properties - Net* and P0.3 billion increase in *Gain from Fair Value Changes on Derivatives - Net* in 2021. *Foreign Exchange Gain - Net and Others* increased to P0.8 billion. 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 25.1% to P9.0 billion 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 due mainly to the improved net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	12 / 31 / 2021 (Restated)	12 / 31 / 2020 (Restated)	% Change
Current Assets	P 306.4	P 257.3	19.1%
Noncurrent Assets	1,056.4	985.6	7.2%
Total Assets	P 1,362.8	P 1,242.9	9.6%
Current Liabilities	P 261.6	P 241.6	8.3%
Noncurrent Liabilities	477.6	428.0	11.6%
Total Liabilities	739.2	669.6	10.4%
Total Equity	623.6	573.3	8.8%
Total Liabilities and Equity	P 1,362.8	P 1,242.9	9.6%

Total *Assets* increased by 9.6% to P1,362.8 billion. Likewise, total *Liabilities* increased by 10.4% to P739.2 billion.

Current Assets

Current Assets increased by 19.1% to P306.4 billion.

Cash and Cash Equivalents increased by 13.6% to P89.4 billion due mainly to investments, capital expenditures and debt servicing.

Receivables and Contract Assets increased by 23% to P76.5 billion due mainly to higher receivables from real estate buyers and shipping and logistics services (see Note 5 of the consolidated financial statements).

Inventories increased by 20% to P86.8 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 20.9% to P52.8 billion due mainly to higher prepaid taxes and nontrade receivables

Noncurrent Assets

Noncurrent Assets increased by 7.2% to P1,056.4 billion.

Investments in Associate Companies and Joint Ventures increased by 2.6% to P305.1 billion. 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 50% to P45.4 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 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 5.8% to P125.6 billion due mainly to higher bonds and deposits and receivable from real estate buyers.

Liabilities

Interest-bearing Debt increased by 11.8% to P472.5 billion 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 8.9% to P168.4 billion 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).

Deferred Tax Liabilities increased by 25% to P15.7 billion 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 1.7% to P49.2 billion. 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 and derivative liabilities.

Equity

Total *Equity* increased by 8.8% to P623.6 billion.

Equity Attributable to Owners of the Parent increased by 8.5% to P447.6 billion. This increase resulted mainly from the P40.4 billion net income reduced by P5.1 billion dividends declared in 2021 that is reflected in *Retained earnings*, *Fair Value Changes on Cash Flow Hedges* which decreased to loss of P1.2 billion, *Cumulative Translation Adjustment* which increased to P2.2 billion, *Unrealized Gain on Financial Assets at FVOCI* which increased to P14.3 billion, and *Remeasurement Loss on Defined Benefit Asset/Obligation* which decreased to P1.0 billion. These were partly offset by the 151% increase in *Share in Other Comprehensive Loss of Associates – net*.

Non-controlling Interests increased by 9.4% to P176.0 billion 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 (Restated)	12 / 31 / 2020 (Restated)
Current Ratio	1.2	1.1
Acid Test Ratio	0.6	0.6
Solvency Ratio	10.2%	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	9.4%	5.9%
Return on Assets	4.2%	2.9%
Revenue Growth	8.9%	-22%
Net Margin	12.6%	8.8%
Net Income Growth	69%	-48%
EBITDA (<i>In Billions of Pesos</i>)	99.9B	77.9B
Interest Cover	5.2x	4.2x

Current Ratio slightly increased to 1.2 due to the 19.1% increase in *Current Assets* vs. 8.3% decrease in *Current Liabilities*.

Solvency Ratio increased to 10.2% due to the 40% increase in *Net Income After Tax* and depreciation vs. 10.4% increase in *Total Liabilities*.

Gross Debt - Equity Ratio increased to 43:57 due to the 11.8% increase in gross debt with only 8.8% increase in Equity.

Net Debt - Equity Ratio increased to 38:62 due to the P50.1 billion increase in gross debt with only P13.0 billion increase in cash and cash equivalents or increase in net debt by P37.0 billion. In 2020, net debt increased by P37.8 billion.

Return on Equity increased to 9.4% due to the 69% increase in net income attributable to owners of the parent vs. 4.9% increase in average equity.

Return on Assets increased to 4.2% due to the 57% increase in *Net Income After Tax* vs 7.4% increase in average assets.

Revenue Growth increased to 8.9% due mainly to the 1.7% increase in *Merchandise Sales*, 58% increase in *Equity in Net Earnings of Associate Companies and Joint Ventures*, 10.2% increase in *Rent Revenues* and 120% 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 12.6% and 69%, respectively.

EBITDA increased by 28% due to the P20.0 billion increase in income from operations and P1.9 billion increase in depreciation.

Interest Cover increased to 5.2x due to the 28% increase in EBITDA vs. 3.9% 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	2020 (Restated)	2019 (Restated)	% Change
Revenues	P 397.1	P 506.7	-22%
Cost and Expenses	338.2	399.3	-15.3%
Income from Operations	58.9	107.4	-45%
Other Charges	16.9	19.1	-11.5%
Provision for Income Tax	7.2	17.4	-59%
Net Income After Tax	34.8	70.9	-51%
Non-controlling Interests	10.9	24.9	-56%
Net Income Attributable to Owners of the Parent	P 23.9	P 46.0	-48%

SM Investments Corporation and Subsidiaries (the Group) reported P23.9 billion *Net Income Attributable to Owners of the Parent* on P397.1 billion *Revenues*. 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, 67% 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 24%.

Property

SM Prime reported a *Net income* of P18.0 billion, 53% lower than 2019 and *Revenues* of P81.9 billion, 31% 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, accounts for 73% 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 2nd quarter.

Real Estate Sales increased by 5.7% to P47.0 billion. 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 48% to P26.9 billion. 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.

Equity in Net Earnings of Associate Companies and Joint Ventures decreased by 35% to P17.0 billion mainly representing the decrease in net income of BDO.

Other Revenues decreased by 46% to P16.5 billion.

- *Sales - Processed Food and Others* decreased by 41% to P3.0 billion.
- *Cinema Ticket Sales, Amusement and Others* decreased by 86% to P1.1 billion. 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 and Service Fees* decreased by 46% to P3.9 billion relative to the drop in business volume.

- *Others* which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues decreased by 6.9% to P7.6 billion due to the closure of certain retail stores and malls during the ECQ and MECQ periods.

Selling, General and Administrative Expenses decreased by 17.5% to P95.7 billion 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 P58.9 billion. *Operating Margin* and *Net Margin* is at 14.8% and 8.8%, respectively.

Other Charges (net) decreased by 11.5% to P16.9 billion. *Interest Expense* decreased by 6.5% to P18.4 billion 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 38% to P2.4 billion due mainly to lower average daily balance of cash and time deposits. *Foreign Exchange Gain - Net and Others* decreased by 76% to P0.1 billion. 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 59% to P7.2 billion due mainly to lower taxable income. The effective income tax rate is 17.1% in 2020 and 19.7% in 2019.

Non-controlling Interests decreased by 56% to P10.9 billion due mainly to the decrease in net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2020 (Restated)	12 / 31 / 2019 (Restated)	% Change
Current Assets	P 257.3	P 253.1	1.6%
Noncurrent Assets	985.6	908.6	8.5%
Total Assets	P 1,242.9	P 1,161.7	7.0%
Current Liabilities	P 241.6	P 198.0	22%
Noncurrent Liabilities	428.0	419.2	2.1%
Total Liabilities	669.6	617.2	8.5%
Total Equity	573.3	544.5	5.3%
Total Liabilities and Equity	P 1,242.9	P 1,161.7	7.0%

Total *Assets* increased by 7.0% to P1,242.9 billion. Likewise, total *Liabilities* increased by 8.5% to P669.6 billion.

Current Assets

Current Assets increased by 1.6% to P257.3 billion.

Cash and Cash Equivalents increased by 0.5% to P78.7 billion due mainly to debt availments, net of payments for trade, investments, capital expenditures and debt servicing.

Receivables and Contract Assets increased by 11.1% to P62.3 billion 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 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 6.6% to P43.7 billion due mainly to higher prepaid taxes and other prepayments.

Noncurrent Assets

Noncurrent Assets increased by 8.5% to P985.6 billion.

Financial Assets at FVOCI increased by 13.8% to P26.6 billion due mainly to new investments and increase in market values in 2020.

Right-of-use Assets increased by 11.3% to P42.1 billion 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 5.9% to P297.4 billion. 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 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 34% to P118.6 billion 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 P241.6 billion.

Bank Loans increased by 29% to P24.1 billion due to new loan availments, partly offset by payments.

Accounts Payable and Other Current Liabilities increased by 5.2% to P154.6 billion 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 19.4% to P2.6 billion due mainly to lower income in 2020.

Current Portion of Long-term Debt increased by 107% to P60.1 billion due mainly to the reclassification of maturing loans from noncurrent.

Noncurrent Liabilities

Noncurrent Liabilities increased by 2.1% to P428.0 billion.

Long-term Debt - Net of Current Portion increased by 1.0% to P338.2 billion due mainly to new debt availments partly offset by reclassification of maturing debts to current.

Deferred Tax Liabilities increased by 32.0% to P12.5 billion due mainly to unrealized gross profit on sale of real estate for income tax purposes.

Tenants' Deposits and Others increased by 2.4% to P48.4 billion. 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 P573.3 billion.

Equity Attributable to Owners of the Parent increased by 5.5% to P412.4 billion. This increase resulted mainly from the (a) P18.8 billion net increase in Retained Earnings representing the 2020 net income of P23.9 billion offset by P5.1 billion dividend declaration, (b) *Equity Adjustments from Common Control Transactions* which decreased by 3.6% to P6.3 billion as a result of the merger with Allfirst (see Note 5 of the consolidated financial statements), (c) *Remeasurement Loss on Defined Benefit Asset/Obligation* which decreased by 37% to P1.6 billion as a result of the 2020 valuation of the Group's retirement plans, (d) *Share in Other Comprehensive Loss of Associates – net* which decreased to P2.6 billion. These were partly offset by the *Cumulative Translation Adjustment* which decreased to P0.9 billion, *Fair Value Changes on Cash Flow Hedges* which decreased to P2.6 billion loss, and *Unrealized Gain on Financial Assets at FVOCI* which decreased to P13.6 billion.

Non-controlling Interests increased by 4.8% to P160.9 billion 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 22% and consolidated net income attributable to owners of the parent dropped 48%.

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 48% 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 46% 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.

To support the Group's operational and capital expenditure requirements, (1) the Group availed an additional P44.5 billion of debt, net 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 P64.1 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 (Restated)	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	-22%	11.5%
Net Margin	8.8%	13.8%
Net Income Growth	-48%	20.2%
Return on Equity	5.9%	11.9%
Return on Assets	2.9%	6.2%
EBITDA (<i>In Billions of Pesos</i>)	77.9B	124.8B
Interest Cover	4.2x	6.4x

**Not restated*

Current Ratio decreased to 1.1 from 1.3 in 2019 due mainly to the 1.6% 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 4.8% increase in quick assets vs. 22% increase in *Current Liabilities*.

Solvency Ratio decreased to 8.0% from 14.6% in 2019 due mainly to the 39% 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 10.4% increase in gross debt and 2.6% increase in cash and cash equivalents.

Revenue Growth decreased to -22% from 11.5% in 2019 due mainly to the significant drop in *Merchandise Sales, Rent Revenues and Equity in Net Earnings of Associate Companies and Joint Ventures*.

The drop in *Net Income* of 48%, *Return on Equity* of 5.9% and *Return on Assets* of 2.9% reflect the effect of COVID-19 on the Group results.

The drop in EBITDA reflects the significant drop in revenues.

Interest Cover decreased to 4.2x from 6.4x in 2019 due to the 39% decrease in EBITDA vs. only 6.5% 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	Income from Operations + 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.

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 Company's Manual of Corporate Governance provides that an external auditor shall be selected and appointed by the shareholders upon recommendation of the Audit Committee. The Audit Committee pursuant to its Charter, and so authorized by the Board, recommends and evaluates the performance of the external auditor. Also, the Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Corporation's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. Prior to commencement of audit, the Committee is also mandated to discuss with the external auditor the proposed audit scope and approach of the audit.

The Company's Manual of Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency before the conduct of external audit. The Committee is also responsible for evaluating and determining the non-audit services, if any, of the external auditor and review periodically the significance of the non-audit fees paid to them. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

The fees paid to SGV & Co. for the audit of SMIC Parent and Consolidated yearend financial statements and review of supplementary schedules amounted to P2.6 million for 2022 and P2.4 million for 2021. Fees amounting to P5.9 million was also paid to SGV & Co. in 2021 for the review of financial statements relative to the issuance of retail bonds. The fees paid to SGV & Co. for tax related services amounted to P0.3 million in 2022 and nil in 2021. There were no other fees paid to SGV & Co. for services rendered other than audit and tax services as discussed above.

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. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2022:

Members	Feb 24	Apr. 25	May 11	Aug. 1	Nov. 4
Tomasa H. Lipana	√	√	√	√	√
Alfredo E. Pascual*	√	√	√	N/A	N/A
Ramon M. Lopez*	N/A	N/A	N/A	N/A	√
Jose T. Sio	√	√	√	√	√

*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and member of the Audit Committee on August 03, 2022.

The members of the Risk Management Committee are:

1. Robert G. Vergara - Chairman (Independent Director)
2. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2022:

	August 1, 2022	November 4, 2022
Robert G. Vergara	√	√
Ramon M. Lopez*	N/A	√
Jose T. Sio	√	√

* Mr. Ramon M. Lopez was elected as Independent Director and member of the Risk Management Committee on August 03, 2022.

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:

Officers	Name	Age	Citizenship
Chairman	Jose T. Sio	83	Filipino
Vice Chairperson	Teresita T. Sy	72	Filipino
Vice Chairman	Henry T. Sy, Jr.	69	Filipino
President & Chief Executive Officer	Frederic C. DyBuncio	63	Filipino
Executive Director	Harley T. Sy	63	Filipino
Lead Independent Director	Tomasa H. Lipana	74	Filipino
Independent Director	Robert G. Vergara	62	Filipino
Independent Director	Ramon M. Lopez	63	Filipino
Treasurer/EVP-Treasury, Finance and Planning	Erwin G. Pato	50	Filipino
Senior Vice President - Finance	Franklin C. Gomez	53	Filipino
Senior Vice President - Legal and Assistant Corporate Secretary	Arthur A. Sy	53	Filipino
Chief Risk & Compliance Officer and Senior Vice President	Wellington Palmero	62	Filipino
Vice President - Internal Audit	Anastacio C. Balubar II	52	Filipino
Corporate Secretary	Elmer B. Serrano	55	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, 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., Belle Corporation 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. In June 2022, he received Parangal San Mateo, the highest honor that can be conferred upon an accounting professional by the Philippine Institute of Certified Public Accountants (PICPA). In March 2023, he was honored by the Professional Regulatory Board of Accountancy with the Accountancy Centenary Award of Excellence.

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. and Synergy Grid & Development Phils, 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 also the 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.

Tomasa H. Lipana* is the Lead 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, and 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. 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 one of the 100 notable CPAs conferred with the Accountancy Centenary Award of Excellence by the Board of Accountancy, Professional Regulations Commission. She is also a CPA Board placer.

Robert G. Vergara* is an Independent Director of SMIC. He also sits as an Independent Director of Metro Pacific Health, Inc and STI Education Systems Holdings, Inc. He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. 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.

Ramon M. Lopez* is an Independent Director of SMIC. He currently serves as Independent Director of AIC Group of Companies Holding Corp. (Airspeed) and as Board of Trustee and Vice Chairman of Valenzuela City Polytechnic College. He is also a member of Management Association of the Philippines and Foundation for Economic Freedom, an economic policy advocacy group. He was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. During his term, he was the Chairman of DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, Philippine International Trading Corp., CITEM, and the Halal Board. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others. He also received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. He is also an Asia CEO Awards 2022 “Lifetime Contributor of the Year” awardee. Just recently, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. Mr. Lopez has a Master’s Degree in Development Economics class at Williams College, Massachusetts USA and an AB Degree in Economics from the University of the Philippines School of Economics.

** 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

<u>Name</u>	<u>Period Served</u>
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
Tomasa H. Lipana	2016 to present
Robert G. Vergara	2019 to present
Ramon M. Lopez	August 2022 to present

Directorships in Other Reporting Companies

The following are directorships held by Directors in other reporting companies during the last five years:

<u>Name of Director</u>	<u>Name of Reporting Company</u>	<u>Position Held</u>
Jose T. Sio	Belle Corporation*	Director
	China Banking Corporation	Director
	Atlas Consolidated Mining and Development Corporation	Director
	Far Eastern University, Incorporated	Trustee

<u>Name of Director</u>	<u>Name of Reporting Company</u>	<u>Position Held</u>
Teresita T. Sy	BDO Unibank, Inc.	Chairperson
Henry T. Sy, Jr.	SM Prime Holdings, Inc.	Chairman
Frederic C. DyBuncio	2GO Group, Inc. Atlas Consolidated Mining and Development Corporation	President/CEO/Director Chairman
Harley T. Sy	China Banking Corporation	Director
Robert G. Vergara	STI Education Systems Holdings, Inc.	Independent Director

*Mr. Sio was a director of Belle Corporation from 2009 to 2022.

Attendance in Board Meetings

Below is the attendance of the Directors for the meetings held as of December 2022:

Director	Jan. 19	Feb. 28	Apr. 1	Apr. 27	May 11	Aug. 3	Aug. 24	Nov. 9	%
	Special	Regular	Special	Regular / Organiza- tional	Special	Regular	Special	Regular	
Jose T. Sio	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	100
Tomas H. Lipana	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual*	√	√	√	√	√	N/A	N/A	N/A	100
Robert G. Vergara	√	√	√	√	√	√	√	√	100
Ramon M. Lopez*	N/A	N/A	N/A	N/A	N/A	√	√	√	100

*Mr. Pascual tendered his resignation as Independent Director effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director on August 03, 2022 to serve the unexpired term of Mr. Pascual.

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. Tomas H. Lipana (Lead Independent Director)
7. Robert G. Vergara (Independent Director)
8. Ramon M. Lopez (Independent Director)

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

1. Tomasa H. Lipana
2. Robert G. Vergara
3. Ramon M. Lopez

Tony Ong King, Tomasa H. Lipana, Robert G. Vergara and Ramon M. Lopez *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 nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals must 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. Ramon M. Lopez - 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 2022:

Members	March 14, 2022	August 1, 2022
Alfredo E. Pascual*	√	N/A
Ramon M. Lopez*	N/A	N/A
Tomas H. Lipana	√	√
Robert G. Vergara	√	√

*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and Chairman of the Corporate Governance Committee on August 03, 2022.

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, Toronto,

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 currently Chairman of the Board of Directors of Dominion Holdings, Inc. and is concurrently a director of 2GO Group, Inc., and Independent Director of Philippine Telegraph and Telephone Corporation. He is Corporate Secretary of SM Prime Holdings, Inc., Prime Leisure Corp., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies. Atty. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. He has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas in the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR. The Legal 500 Asia Pacific also named Atty. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer". Atty. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Atty. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

Period of Officership

<u>Name</u>	<u>Office</u>	<u>Period Served</u>
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. and Dominion Holdings, Inc., and an independent director of Philippine Telegraph and Telephone Corporation, 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. Ramon M. Lopez - 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 2022:

Members	March 31, 2022	November 4, 2022
Alfredo E. Pascual*	√	N/A
Ramon M. Lopez*	N/A	√
Robert G. Vergara	√	√
Jose T. Sio	√	√

*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and Chairman of the Related Party Transactions on August 03, 2022.

(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	2023 (estimate)	146	24	-
	2022	140	23	-
	2021	135	23	-
All other Officers and Directors as a group Unnamed	2023 (estimate)	394	64	-
	2022	388	58	-
	2021	382	63	-

b) Compensation of Directors

Board Remuneration

Each member of the Board of Directors received the following remuneration as Director for the year 2022:

<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*	2,500,000.00
8. Roberto G. Vergara	5,400,000.00
9. Ramon M. Lopez*	2,250,000.00

*Mr. Pascual has tendered his resignation as Independent Director effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director on August 03, 2022 to serve the unexpired term of Mr. Pascual.

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.

Elements of the Board evaluation include the following:

1. Board Structure and Composition – The diversity and balance of competencies of directors, board committees and officers who support the Board.
2. Board Roles and Accountabilities – How the Board effectively fulfills its roles and accountabilities particularly in strategy, policy, oversight and accountability.
3. Board Dynamics – How the Board works as a team, the expectations of individual directors and the leadership of the chairperson.
4. Board Processes – The internal processes of the Board from nomination, election and onboarding of the directors, among others.

The Corporate Governance Committee spearheaded the annual Board evaluation self-assessment by the members of the Board of Directors in 2022. The results of the evaluation, which found the Board to be functioning well to its mandate, were 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

The Company also 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. On 20 July 2022, directors and key officers attended a corporate governance training seminar conducted by BDO Unibank, Inc.

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 plan 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 Group expects to contribute about ₱1.4 billion to its Pension Plan in 2023.

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. Ramon M. Lopez | - | Member (Independent Director) |
| 3. Jose T. Sio | - | Member |

Below is the attendance of the members for the Committee meetings held as of December 2022:

Members	April 27, 2022	Nov. 4, 2022
Teresita T. Sy-Coson	√	√
Alfredo E. Pascual*	√	N/A
Ramon M. Lopez*	N/A	√
Jose T. Sio	√	√

*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and member of the Compensation Committee on August 03, 2022.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners as of December 31, 2022

(a) As of December 31, 2022, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Teresita T. Sy (Director and Vice Chairperson) Forbes Park, Makati City	Same as the Record Owner	Filipino	85,947,685	7.03%
-do-	Henry T. Sy, Jr. (Director and Vice Chairman) Forbes Park, Makati City	Same as the Record Owner	Filipino	76,878,370	6.29%
-do-	Harley T. Sy (Executive Director) Forbes Park, Makati City	Same as the Record Owner	Filipino	93,741,298	7.67%
-do-	Hans T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	104,915,706	8.59%
-do-	Herbert T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,093,995	8.11%
-do-	Elizabeth T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	77,159,344	6.31%
-do-	PCD Nominee Corp. (Filipino)	Various clients ¹	Filipino	142,706,044	11.68%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients ¹	Foreign	403,900,371	32.94%

⁽¹⁾ 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, 2022

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct / (I) indirect	Citizenship	Percent of Class	
Common	Teresita T. Sy	P859,476,850.00	D	Filipino	7.03%
Common	Henry T. Sy, Jr.	18,611,820.00	D	Filipino	6.29%
		750,171,880.00	I		
Common	Harley T. Sy	937,412,980.00	D	Filipino	7.67%
Common	Jose T. Sio	210.00	D	Filipino	0.00%
Common	Frederic C. DyBuncio	100.00	D	Filipino	0.00%
Common	Tomasa H. Lipana	1,500.00	D	Filipino	0.00%
Common	Robert G. Vergara	1,000.00	D	Filipino	0.00%
Common	Ramon M. Lopez	1,000.00	D	Filipino	0.00%
Common	Franklin C. Gomez	138,800.00	D	Filipino	0.00%
Common	Erwin G. Pato	0.00		Filipino	0.00%
Common	Wellington L. Palmero	0.00		Filipino	0.00%
Common	Anastacio C. Balubar II	0.00		Filipino	0.00%
Common	Arthur A. Sy	0.00		Filipino	0.00%
Common	Elmer B. Serrano	0.00		Filipino	0.00%
		P2,565,816,140.00			20.99%

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 5.

PART IV- CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The continued success and growth of SM Investments Corporation lies in the foundation of good corporate governance where all of its Directors, officers and employees are committed to foster the culture of fairness, accountability and transparency in all its dealings with various stakeholders at all levels within the organization. Through the Company's Manual on Corporate Governance, various initiatives and programs were executed in line with the best practices as contained in the Manual.

The Manual on Corporate Governance institutionalizes the principles of good corporate governance, defines the Company's compliance system and identifies the responsibilities of the Board of Directors in relation to good corporate governance. It also states the Company's policies on disclosure and transparency and mandates the conduct of communication and training programs on corporate governance. The Manual further provides the rights of all shareholders and the protection of the interests of minority stockholders.

To operationalize the Manual, the Company requires all its employees to accomplish the online form of the declaration on Conflict of Interest on an annual basis, in line with the Company's long-standing commitment to doing business founded on the values of transparency, integrity and accountability. With the support of the Company's Human Resource Department, classroom trainings, e-learning modules and periodic email reminders to all employees on various corporate governance policy reminders were made, like 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. For new hires, through OneSM orientation program, the Company provided an overview of the Company's Corporate Governance Framework as part of the topics for discussion.

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.

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 including sustainability, climate change and monitors the risk associated of these ongoing programs in order 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 50).

(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 3, 2022
2. Mergers and Consolidations – Receipt of Approval from the Securities and Exchange Commission on the Merger of SMIC and Allfirst Equity Holdings, Inc. with SMIC as surviving corporation
3. Press Release - SMIC receives approval to acquire Philippine Geothermal Production Company (PGPC)
4. Material Information/Transaction – SM's business bright spot: Strong retail activity pushes SM net income 27% higher to PHP26B in H1
5. Press Release - SM's business bright spot: Strong retail activity pushes SM net income 27% higher to PHP26B in H1
6. Change in Directors and/or Officers - Election of Mr. Ramon M. Lopez as Independent Director
7. Change in Directors and/or Officers - Designation of Ms. Tomasa H. Lipana as Lead Independent Director
8. Material Information/Transaction - Acquisition of Shares of AIC Group of Companies Holding Corp.
9. Acquisition/Disposition of Shares of Another Corporation – Completion of the Acquisition of Shares of AIC Group of Companies Holding Corp.
10. Notice of Analysts'/Investors' Briefing on November 9, 2022
11. Material Information/Transaction - SM Investments sustains momentum, net income grows 50% to PHP43 billion in nine months
12. Press Release – SM Investments sustains momentum, net income grows 50% to PHP43 billion in nine months

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

INDEX TO EXHIBITS

Form 17-A

No.		Page No.
(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	51
(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	*

* 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 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in **TAGUIG CITY** on **APR 13 2023**.

By:

SM INVESTMENTS CORPORATION


FREDERIC C. DYBUNCIO
 President and CEO



ELMER B. SERRANO
 Corporate Secretary


FRANKLIN C. GOMEZ
 Senior Vice President - Finance

SUBSCRIBED AND SWORN to before me this **APR 13 2023**, affiants exhibiting to me their evidence of identity as follows:

Name	Passport No.	Date of Issue	Place of Issue
Frederic C. DyBuncio			
Franklin C. Gomez			
Elmer B. Serrano			

Doc. No.: 188 ;
 Page No.: 33 ;
 Book No.: 1 ;
 Series of 2023.


ROSEMARY J. AMADOR, Notary Public
 Appointed by the SEC on 02/27/2019
 Notary Public for Taguig City
 Under Commission No. 10007
 Authority Exp. On 12/30/27
 1100 Tower 2, 11th Floor, North Corporate Plaza
 1994, Alabang Road, Taguig City, Taguig City
 1777 sk. blvd. 2nd fl. 01.04.20; Pasay City
 BSP Receipt No. 289787; 01.04.20; Pasay City
 MCLE Compliance No. N120103179; 4.11.22*
 until April 14, 2023. See Supreme Court En Banc
 Resolution dated February 16, 2022.

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) 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 10th 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 and PHFS2 for the Consolidated) for the calendar year ended December 31, 2022 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 APR 04 2023 at TAGUIG CITY.


ERWIN G. PATO
Affiant

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

Doc No. 128 ;
Page No. 29 ;
Book No. I ;
Series of 2023.


MELISSA JEAN G. HIPOLITO
Appointment No. 15 (2022-2023)
Notary Public for Taguig City
Until December 31, 2023
Attorney's Roll No. 70077
1105 Tower 2 High Street South Corporate Plaza
26th Street Bonifacio Global City, Taguig City
PTR No. 5675504; 01.04.23; Taguig City
IBP Receipt No. 266967; 01.04.23; Pampanga
MCLE Compliance No. VI-0019878; 4.14.22*
until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

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.: _____
COMPANY TYPE: HOLDING COMPANY PSIC: 68110

Table 1. Balance Sheet

FINANCIAL DATA	Restated	
	Dec-22 (in P'000)	Dec-21 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8)	1,481,884,566	1,362,806,980
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	361,549,410	306,367,530
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	106,561,072	89,352,634
A.1.1.1 On hand	2,015,749	1,813,825
A.1.1.2 In domestic banks/entities	97,341,550	72,072,952
A.1.1.3 In foreign banks/entities	7,203,773	15,465,857
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)	9,323,713	858,274
A.1.2.1 Short-term placements or investments in securities issued by domestic entities:	534,865	547,041
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	534,865	547,041
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	8,788,848	311,233
A.1.2.4 Allowance for decline in market value (negative entry)	-	-
A.1.3 Trade and Other Receivables (A.1.3.1 + A.1.3.2)	84,497,395	76,535,392
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)	84,497,395	76,535,392
A.1.3.1.1 Due from customers (trade)	84,365,786	75,770,419
A.1.3.1.2 Due from related parties	176,806	442,712
A.1.3.1.3 Others, specify		
Management fees / Dividends	2,986,387	2,559,380
A.1.3.1.4 Allowance for doubtful accounts/bad debts/probable losses (negative entry)	(3,031,584)	(2,237,119)
A.1.3.2 Due from foreign entities, specify	-	-
A.1.3.2.5 Allowance for doubtful accounts/bad debts/probable losses (negative entry)	-	-
A.1.4 Inventories (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4)	106,368,038	86,767,188
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	106,368,038	86,767,188
A.1.5 Other Current Assets	54,799,192	52,854,042

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.: _____
 COMPANY TYPE: HOLDING COMPANY PSIC: 68110

Table 1. Balance Sheet

FINANCIAL DATA	Dec-22 (in P'000)	Dec-21 (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)	47,881,014	45,411,523
A.2.1 Land (incl. land for future plant expansion, unused land and improvements)	1,718,794	1,729,542
A.2.2 Building and improvements including leasehold improvement	50,199,951	44,793,059
A.2.3 Machinery and equipment (on hand and in transit)	21,456,447	17,301,482
A.2.4 Store equipment and improvements	3,349,277	2,660,943
A.2.5 Data processing equipment	10,622,599	10,030,976
A.2.6 Furniture, fixtures and office equipment	12,611,163	11,784,685
A.2.7 Transportation equipment, Vessels in operation, Containers and Reefer Vans	17,989,847	10,071,986
A.2.8 Others, specify		
Construction in progress	4,771,166	4,968,379
A.2.9 Appraisal increase, specify	-	-
A.2.10 Accumulated Depreciation (negative entry)	(74,838,230)	(57,929,529)
A.3 Investments accounted for using equity method (A.3.1 + A.3.2 + A.3.3)	328,271,536	305,072,026
A.3.1 Investments in associate companies and joint ventures	328,271,536	305,072,026
A.3.2 Equity in foreign branches/subsidiaries/affiliates	-	-
A.3.3 Others, specify	-	-
A.4 Investment properties	485,982,301	463,765,374
A.5 Investments excluding that which is recorded in current assets (net of allowance for decline in value) (A.5.1 +A.5.2)	93,639,239	75,875,252
A.5.1 Others, specify		
Financial assets at FVOCI	25,369,850	27,129,956
Right-of-use assets	44,138,808	44,839,678
Time deposits	24,130,581	3,905,618
A.5.2 Allowance for doubtful accounts, net of current portion (negative entry)	-	-
A.6 Intangibles	40,277,349	40,759,877
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)	124,283,717	125,555,398
A.8.1 Long-term notes	-	5,371,668
A.8.2 Bonds and deposits	56,129,963	59,650,665
A.8.3 Others, specify		
Land use rights	324,770	353,626
Deferred tax assets	5,209,746	4,876,528
Deferred input VAT	1,941,985	2,301,570
Escrow fund	621,490	132,460
Receivables from real estate buyers	48,929,523	49,518,978
Derivative assets	8,508,965	965,006
Defined benefit asset	129,034	753,637
Others	2,488,241	1,631,260
B. LIABILITIES (B.1 + B.2 + B.3 + B.4)	789,694,555	739,198,795
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3)	293,025,159	261,628,704
B.1.1 Trade and Other Payables to Domestic Entities	178,764,185	165,333,213
B.1.1.1 Trade	100,815,157	88,828,008
B.1.1.2 Payables to subsidiaries	-	-
B.1.1.3 Due to related parties	941,000	872,591
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders	-	-
B.1.1.5 Accruals	26,019,579	21,970,623

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.:

COMPANY TYPE: HOLDING COMPANY

PSIC: 68110

Table 1. Balance Sheet

Restated

FINANCIAL DATA	Dec-22 (in P'000)	Dec-21 (in P'000)
B.1.1.6 Others, specify		
Nontrade	13,825,974	10,834,553
Tenants and customers' deposits	13,703,779	19,206,350
Subscription payable	1,966,477	1,966,477
Gift checks redeemable and others	6,353,287	4,756,652
Payable to government agencies	7,437,350	6,388,749
Payable arising from acquisition of land	4,548,755	7,918,778
Lease liabilities	3,152,827	2,590,432
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	3,197,523	3,110,847
Portion of Long-term debt due within one year	87,047,213	63,706,559
Any other current liability in excess of 5% of Total Current Liabilities, specify:		
Bank loans (Financial institutions)	20,811,524	27,167,173
Income tax payable	3,204,714	2,310,912
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)	397,849,704	381,618,880
B.2.1 Domestic Public Financial Institutions	26,897,485	27,422,164
B.2.2 Domestic Public Non-Financial Institutions	-	-
B.2.3 Domestic Private Financial Institutions	233,327,477	258,574,309
B.2.4 Domestic Private Non-Financial Institutions	24,812,620	10,016,237
B.2.5 Foreign Financial Institutions	112,812,122	85,606,170
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	-	-
B.4 Other Liabilities (B.6.1 + B.6.2)	98,819,692	95,951,211
B.4.1 Deferred tax liabilities	16,797,862	15,675,739
B.4.2 Others, specify		
Tenant's deposits and others	44,917,947	45,335,065
Defined benefit liability	4,867,262	3,839,404
Lease liabilities	32,236,621	31,101,003
C. MINORITY INTEREST	195,301,099	176,003,603
D. EQUITY (D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)	496,888,912	447,604,582
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)	12,261,146	12,045,829
D.2.1 Common shares (1,226,114,578 @ P10 par value)	12,261,146	12,045,829
D.2.2 Preferred Shares	-	-
D.2.3 Others	-	-
D.3 Paid-up Capital Stock (D.3.1 + D.3.2)	12,261,146	12,045,829
D.3.1 Common shares	12,261,146	12,045,829
D.3.2 Preferred Shares	-	-
D.4 Additional Paid-in capital	75,839,217	75,827,181
D.5 Others, specify		
Net unrealized gain on financial assets at FVOCI	11,823,413	14,289,319
Equity adjustments from common control transactions	(6,660,472)	(6,298,551)
Cumulative translation adjustment	2,102,782	2,253,475
Fair value changes on cash flow hedges	1,610,364	(1,201,352)
Remeasurement loss on defined benefit asset/obligation	(1,721,868)	(1,026,650)
Share in other comprehensive loss of associates – net	(10,763,209)	(6,597,174)
D.6 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus	-	-
D.7 Retained Earnings (D.7.1 + D.7.2)	412,463,837	358,337,891
D.7.1 Appropriated	37,000,000	37,000,000
D.7.2 Unappropriated	375,463,837	321,337,891
D.8 Head / Home Office Account (for Foreign Branches only)	-	-
D.9 Cost of Stocks Held in Treasury (negative entry)	(66,298)	(25,386)
TOTAL LIABILITIES AND EQUITY (B + C + D)	1,481,884,566	1,362,806,980

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.:

COMPANY TYPE: HOLDING COMPANY

PSIC: 68110

Table 2. Income Statement

Restated

Restated

FINANCIAL DATA	Dec-22 (in P'000)	Dec-21 (in P'000)	Dec-20 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	521,064,993	409,459,101	381,662,131
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	498,465,150	388,418,956	367,724,458
A.2 Other Revenue (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5)	18,302,891	16,584,998	11,958,765
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	18,302,891	16,584,998	11,958,765
Food and beverage	1,786,358	611,751	438,755
Royalty, management and service fees	5,385,324	4,394,077	3,936,537
Others	11,131,209	11,579,170	7,583,473
A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4)	4,296,952	4,455,147	1,978,908
A.3.1 Interest Income	3,042,370	2,203,351	2,452,647
A.3.2 Dividend Income	1,177,340	586,703	430,697
A.3.3 Gain / (Loss) from selling of Assets, specify	209,206	579,680	(19,373)
Gain on disposal of investments and properties - net	209,206	579,680	(19,373)
A.3.4 Others, specify	(131,964)	1,085,413	(885,063)
Foreign exchange gain (loss) - net and others	(211,298)	767,670	121,440
Gain on fair value changes on derivatives - net	866,500	317,743	(6,503)
Impairment loss on investments	(787,166)	-	(1,000,000)
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)			
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)	-	-	-
C. COST OF SALES (C.1 + C.2 + C.3 + C.4)	315,651,763	255,252,148	242,471,141
C.1 Purchases (Merchandise) and Effect of Business Combination	276,234,410	222,974,743	215,440,141
C.2 Merchandise Inventory, Beginning	29,026,924	28,352,565	33,157,622
C.3 Merchandise Inventory, End (negative entry)	(34,653,094)	(29,026,924)	(28,352,565)
C.4 Cost of Real Estate Sold and Services	45,043,523	32,951,764	22,225,943
D. GROSS PROFIT (A - B - C)	205,413,230	154,206,953	139,190,990

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.: _____
 COMPANY TYPE : HOLDING COMPANY PSIC: 68110

Table 2. Income Statement

	Restated	Restated
FINANCIAL DATA	Dec-22 (in P'000)	Dec-21 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3)	120,551,701	98,186,733
E.1 Selling or Marketing Expenses	4,878,288	4,263,815
E.2 Administrative Expenses	115,673,413	93,922,918
E.3 Other Expenses, specify	-	-
F. FINANCE COSTS (F.1 + F.2 + F.3)	21,547,070	19,138,771
F.1 Interest	21,547,070	19,138,771
F.2 Amortization	-	-
F.3 Other interests, specify	-	-
G. Share of Income (Losses) of Associates and Joint Ventures accounted for using the Equity Method	35,825,734	26,768,811
H. Net Income (Loss) Before Tax (D - E - F + G)	99,140,193	63,650,260
I. Income Tax Expense (negative entry)	(14,794,820)	(9,006,519)
J. Income After Tax	84,345,373	54,643,741
K. Non-controlling Interest (negative entry)	(22,691,708)	(14,231,845)
L. Net Income (Loss - negative entry) from Ordinary Activities (J - K)	61,653,665	40,411,896
M. Extraordinary Items	-	-
N. Net Income (Loss - negative entry) for the Year (L + M)	61,653,665	40,411,896
O Earnings (Loss) Per Share		
O.1 Basic	50.88	33.55
O.2 Diluted	50.88	33.55

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.:

COMPANY TYPE: HOLDING COMPANY

PSIC: 68110

Table 3. Cash Flow Statements

Restated

Restated

FINANCIAL DATA	Dec-22 (in P'000)	Dec-21 (in P'000)	Dec-20 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	99,140,193	63,650,260	42,026,412
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Equity in net earnings of associate companies and joint ventures	(35,825,734)	(26,768,811)	(16,972,269)
Depreciation and amortization	23,653,863	20,936,405	18,994,822
Interest expense	21,547,070	19,138,771	18,415,355
Interest Income	(3,042,370)	(2,203,351)	(2,452,647)
Impairment loss on investment	787,166	-	1,000,000
Provisions (reversal of provisions) - net	5,099,217	(3,982,227)	1,620,430
Dividend income	(1,177,340)	(586,703)	(430,697)
Unrealized foreign exchange loss (gain) - net	1,132,078	(484,756)	(130,347)
Loss (gain) on disposal of investments and properties - net	(209,206)	(579,680)	19,373
Loss (gain) on fair value changes on derivatives - net	(866,500)	(317,743)	6,503
Decrease (Increase) in:			
Receivables	(7,825,374)	(2,971,376)	(6,223,970)
Inventories	(40,685,904)	(37,303,043)	(16,077,988)
Other current assets	(901,855)	(8,023,091)	(2,573,504)
Increase (Decrease) in:			
Accounts payable and other current liabilities	34,081,718	36,569,883	10,116,698
Income tax paid	(13,356,765)	(7,583,481)	(7,156,462)
Others, specify: Tenant's deposits and others	2,678,385	1,162,254	(303,716)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	84,228,642	50,653,311	39,877,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment in associate companies and joint ventures	50,000	-	-
Property and equipment	241,913	365,861	58,896
Investment properties	84,863	914,962	3,197
Additions to:			
Investment properties	(33,990,435)	(42,155,574)	(38,415,299)
Property and equipment	(9,678,003)	(13,286,055)	(7,587,735)
Investments in associate companies and joint ventures	(73,500)	(358,120)	(390,350)
Financial assets at FVOCI	-	(1,427)	(3,124,660)
Decrease (increase) in:			
Time deposits	(27,518,818)	(2,829,397)	1,056,006
Other noncurrent assets	9,250,669	12,020,789	(11,420,880)
Dividends received	8,136,996	5,180,690	4,751,956
Purchase consideration, net of cash from acquisition of subsidiaries	(88,608)	(5,684,648)	-
Interest received	2,846,341	2,021,177	2,456,376
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(50,738,582)	(43,811,742)	(52,612,493)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	100,256,801	129,529,420	75,253,912
Bank loans	66,878,421	53,296,257	82,880,520
Payments of:			
Long-term debt	(72,630,533)	(92,624,775)	(36,158,696)
Bank loans	(73,264,105)	(53,509,929)	(77,464,985)
Others, specify (negative entry):			
Interest paid	(19,909,588)	(18,412,696)	(17,539,474)
Dividends paid	(12,714,420)	(9,653,454)	(10,158,925)
Lease liabilities	(4,853,925)	(4,692,207)	(3,884,069)
Proceeds from maturity of derivatives	-	-	-
Re-issuance by a subsidiary of treasury shares	-	-	-
Effect of exchange rate changes on cash and cash equivalents	(44,273)	(82,117)	205,634
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	(16,281,622)	3,850,499	13,133,917
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	17,208,438	10,692,068	399,417
Cash and Cash Equivalents			
Beginning of year	89,352,634	78,660,566	78,261,149
End of year	106,561,072	89,352,634	78,660,566

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, Mail of Asia Complex, CBP-1 Pasay City**

TEL. NO.: **8857-0100**

FAX NO.: _____

COMPANY TYPE: **HOLDING COMPANY**

PSIC: **68110**

Table 4. Consolidated Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)										
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Equity adjustment	Cumulative translation adjustment	Fair value changes on cash flow hedges	Unrealized gain (loss) on financial assets at FVOCI	Remeasurement loss on defined benefit asset/obligation	Share in other comprehensive loss of associates – net	Retained Earnings	TOTAL
A. Balance, End Dec-20	12,045,829	75,823,506	(25,386)	(5,424,455)	628,023	(2,623,849)	14,336,615	(1,116,328)	(2,629,566)	312,818,558	403,832,945
A.1 Effect of merger	-	-	-	(675,342)	248,027	-	(708,807)	(523,431)	(156)	10,479,463	8,619,754
A.2 Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
B. Restated Balance	12,045,829	75,823,506	(25,386)	(6,299,797)	876,050	(2,623,849)	13,627,808	(1,639,759)	(2,629,722)	323,298,019	412,452,699
C. Surplus	-	-	-	-	-	-	-	-	-	-	-
C.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
C.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
C.3 Currency Translation Differences	-	-	-	-	1,377,425	-	-	-	-	-	1,377,425
C.4 Other Surplus (specify)	-	-	-	-	-	-	-	-	-	-	-
C.4.1 Other comprehensive income	-	-	-	-	-	1,422,497	408,336	613,109	(3,967,452)	-	(1,523,510)
C.4.2 Realized gain on sale of financial assets at FVOCI	-	-	-	-	-	-	253,175	-	-	(263,175)	-
D. Net Income (Loss) for the Period	-	-	-	-	-	-	-	-	-	40,411,896	40,411,896
E. Dividends (negative entry)	-	-	-	-	-	-	-	-	-	(5,118,945)	(5,118,945)
F. Appropriations for (specify)	-	-	-	-	-	-	-	-	-	-	-
G. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-
G.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
G.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
G.3 Others - Effect of business combination	-	-	-	1,246	-	-	-	-	-	-	1,246
G.4 Others - Transactions with non-controlling interests	-	-	3,675	-	-	-	-	-	-	-	3,675
H. Balance, End Dec-21	12,045,829	75,827,181	(25,386)	(6,298,551)	2,253,475	(1,201,352)	14,289,319	(1,026,650)	(6,597,174)	358,337,891	447,604,582
A.1 Effect of merger	-	-	-	-	-	-	-	-	-	-	-
A.2 Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
I. Restated Balance	12,045,829	75,827,181	(25,386)	(6,298,551)	2,253,475	(1,201,352)	14,289,319	(1,026,650)	(6,597,174)	358,337,891	447,604,582
J. Surplus	-	-	-	-	-	-	-	-	-	-	-
J.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
J.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
J.3 Currency Translation Differences	-	-	-	-	(150,693)	-	-	-	-	-	(150,693)
J.4 Other Surplus (specify)	-	-	-	-	-	-	-	-	-	-	-
J.4.1 Other comprehensive income	-	-	-	-	-	2,811,718	(2,465,906)	(695,218)	(4,166,035)	-	(4,515,443)
K. Net Income (Loss) for the Period	-	-	-	-	-	-	-	-	-	61,653,665	61,653,665
L. Dividends (negative entry)	-	-	-	-	-	-	-	-	-	(7,527,715)	(7,527,715)
M. Appropriations for (specify)	-	-	-	-	-	-	-	-	-	-	-
N. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-
N.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
N.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
N.3 Others - Effect of business combination	215,317	-	(40,912)	(361,921)	-	-	-	-	-	-	(187,516)
N.4 Others - Transactions with non-controlling interests	-	12,036	-	-	-	-	-	-	-	-	12,036
O. Balance, End Dec-22	12,261,146	75,839,217	(66,298)	(6,660,472)	2,102,782	1,616,364	11,823,413	(1,727,868)	(10,763,209)	412,463,837	496,888,912

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Monday, April 3, 2023 6:40 PM
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."

Hi SM INVESTMENTS CORPORATION,

Valid files

- EAFS000169020ITRTY122022.pdf
- EAFS000169020AFSTY122022.pdf
- EAFS000169020TCRTY122022-01.pdf
- EAFS000169020RPTY122022.PDF
- EAFS000169020TCRTY122022-02.pdf
- EAFS000169020TCRTY122022-03.pdf
- EAFS000169020OTHY122022.pdf

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- <None>

Transaction Code: **AFS-0-QQ42S33Z0KC9G68PZXN4YXQ0C9ADEB8K**

Submission Date/Time: **Apr 03, 2023 06:40 PM**

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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SM Investments Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2022 and 2021
and Years Ended December 31, 2022, 2021
and 2020

and

Independent Auditor's Report

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

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
—	8857-0100	—
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,251	04/26	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

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

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.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

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, 2022, 2021 and 2020	Attached
D. Consolidated Statements of Income For the Years Ended December 31, 2022, 2021 and 2020	Attached
E. Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2022, 2021 and 2020	Attached
F. Consolidated Statements of Changes in Equity For the Years Ended December 31, 2022, 2021 and 2020	Attached
G. Consolidated Statements of Cash Flows For the Years Ended December 31, 2022, 2021 and 2020	Attached
H. Notes to Consolidated Financial Statements	Attached

Supplementary Schedules

Independent Auditor’s Report on Supplementary Schedules	Attached
Revised SRC Rule 68 Annex 68-J Schedules	
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.*

**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, 2022 and 2021, 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 2023.

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY)

SUBSCRIBED AND SWORN to before this FEB 28 2023 at TAGUIG CITY,
affiants exhibiting to me their Taxpayer Identification Number ID, as follows:

NAMES

TIN

JOSE T. SIO
FREDERIC C. DYBUNCIO
ERWIN G. PATO

DOC No. 47
PAGE No. 11
BOOK No. II
SERIES of 2023


MELISSA JEAN G. HIPOLITO

Appointment No. 25 (2022-2023)

Notary Public for Taguig City

Until December 31, 2023

Attorney's Roll No. 70077

1105 Tower 2 High Street South Corporate Plaza
26th Street Bonifacio Global City, Taguig City
PTR No. 5675504; 01.04.23; Taguig City
IBP Receipt No. 288967; 01.04.23; Pampanga
MCLE Compliance No. VI-0019973; 4.14.22*
*until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SM Investments Corporation
10th Floor, OneE-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, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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, 2022, the Group reported ₱34,148.5 million goodwill attributable mainly to SM Prime Holdings, Inc., Supervalu, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, Philippine Geothermal Production Company, Inc. 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, 2022, the Group's investments in associate companies amounted to ₱318,481.7 million, representing 28.4 % and 21.5% 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, classification and measurement of financial assets, disposals of investment securities classified under the hold-to-collect business model, 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, 2022. 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 testing of the expected credit loss model updated for the impact of the coronavirus pandemic, classification and measurement of financial assets, disposals of investment securities classified under the hold-to-collect business model, and valuation of financial instruments.

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.



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

In measuring the progress of its performance obligation over time, the 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 and cost recognition process.

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

For the determination of the transaction price, we obtained an understanding of the Group's process in the determination of the population of contracts with customers related to real estate sale and election of available practical expedient. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the 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 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, 2022, the merchandise inventories of the Group amounted to ₱34,653.1 million, representing 9.6% 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.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

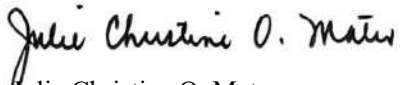
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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. 9564675, January 3, 2023, Makati City

February 28, 2023



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

	December 31		January 1
	2022	2021 (As Restated - Note 5)	2021 (As Restated - Note 5)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 7, 21 and 28)	₱106,561,072	₱89,352,634	₱78,660,566
Time deposits (Notes 8, 21 and 28)	8,788,848	311,233	31,012
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	534,865	547,041	568,146
Receivables and contract assets (Notes 10, 21 and 28)	84,497,395	76,535,392	62,279,160
Inventories (Note 11)	106,368,038	86,767,188	72,056,045
Other current assets (Notes 12, 21 and 28)	54,799,192	52,854,042	43,721,691
Total Current Assets	361,549,410	306,367,530	257,316,620
Noncurrent Assets			
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	25,369,850	27,129,956	26,616,338
Investments in associate companies and joint ventures (Note 13)	328,271,536	305,072,026	297,433,006
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	24,130,581	3,905,618	1,356,442
Property and equipment (Note 14)	47,881,014	45,411,523	30,256,611
Investment properties (Note 15)	485,982,301	463,765,374	435,466,724
Right-of-use assets (Note 27)	44,138,808	44,839,678	42,082,575
Intangibles (Note 16)	40,277,349	40,759,877	33,732,613
Other noncurrent assets (Notes 16, 21 and 28)	124,283,717	125,555,398	118,638,088
Total Noncurrent Assets	1,120,335,156	1,056,439,450	985,582,397
	₱1,481,884,566	₱1,362,806,980	₱1,242,899,017
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans (Notes 17, 21, 28 and 31)	₱20,811,524	₱27,167,173	₱24,126,000
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	181,961,708	168,444,060	154,638,968
Income tax payable	3,204,714	2,310,912	2,649,041
Current portion of long-term debt (Notes 19, 21, 28 and 31)	87,047,213	63,706,559	60,121,438
Total Current Liabilities	293,025,159	261,628,704	241,535,447
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	397,849,704	381,618,880	338,194,798
Lease liabilities - net of current portion (Notes 27 and 31)	32,236,621	31,101,003	28,944,979
Deferred tax liabilities (Note 26)	16,797,862	15,675,739	12,518,760
Tenants' deposits and others (Notes 25, 27, 28 and 29)	49,785,209	49,174,469	48,357,079
Total Noncurrent Liabilities	496,669,396	477,570,091	428,015,616
Total Liabilities	789,694,555	739,198,795	669,551,063

(Forward)



	December 31	2021	January 1
	2022	(As Restated - Note 5)	(As Restated - Note 5)
Equity Attributable to Owners of the Parent			
Capital stock (Note 20)	₱12,261,146	₱12,045,829	₱12,045,829
Additional paid-in capital	75,839,217	75,827,181	75,823,506
Treasury stock	(40,912)	-	-
Equity adjustments from common control transactions (Note 20)	(6,660,472)	(6,298,551)	(6,299,797)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)	(25,386)
Cumulative translation adjustment	2,102,782	2,253,475	876,050
Fair value changes on cash flow hedges	1,610,364	(1,201,352)	(2,623,849)
Unrealized gain on financial assets at FVOCI (Note 9)	11,823,413	14,289,319	13,627,808
Remeasurement loss on defined benefit asset/obligation (Note 25)	(1,721,868)	(1,026,650)	(1,639,759)
Share in other comprehensive loss of associates – net	(10,763,209)	(6,597,174)	(2,629,722)
Retained earnings (Note 20):			
Appropriated	37,000,000	37,000,000	37,000,000
Unappropriated	375,463,837	321,337,891	286,298,019
Total Equity Attributable to Owners of the Parent	496,888,912	447,604,582	412,452,699
Non-controlling Interests	195,301,099	176,003,603	160,895,255
Total Equity	692,190,011	623,608,185	573,347,954
	₱1,481,884,566	₱1,362,806,980	₱1,242,899,017

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		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
REVENUES			
Sales:			
Merchandise	₱367,318,577	₱294,694,316	₱289,726,442
Real estate	39,046,514	45,116,570	47,023,795
Rent (Notes 15, 21 and 27)	49,167,565	29,642,244	26,904,979
Equity in net earnings of associate companies and joint ventures (Note 13)	35,825,734	26,768,811	16,972,269
Others (Note 22)	62,412,725	36,137,527	16,458,704
	553,771,115	432,359,468	397,086,189
COST AND EXPENSES			
Cost of sales and services (Note 11)	315,651,763	255,252,148	242,471,141
Selling, general and administrative expenses (Note 23)	120,551,701	98,186,733	95,721,492
	436,203,464	353,438,881	338,192,633
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 24)	(21,547,070)	(19,138,771)	(18,415,355)
Interest income (Notes 21 and 24)	3,042,370	2,203,351	2,452,647
Impairment loss on investment (Note 13)	(787,166)	-	(1,000,000)
Gain (loss) from fair value changes on derivatives - net	866,500	317,743	(6,503)
Foreign exchange gain (loss) - net and others (Note 28)	(2,092)	1,347,350	102,067
	(18,427,458)	(15,270,327)	(16,867,144)
INCOME BEFORE INCOME TAX	99,140,193	63,650,260	42,026,412
PROVISION FOR INCOME TAX (Note 26)			
Current	14,248,182	7,224,482	6,516,103
Deferred	546,638	1,782,037	685,206
	14,794,820	9,006,519	7,201,309
NET INCOME	₱84,345,373	₱54,643,741	₱34,825,103
Attributable to			
Owners of the Parent (Note 30)	₱61,653,665	₱40,411,896	₱23,889,971
Non-controlling interests	22,691,708	14,231,845	10,935,132
	₱84,345,373	₱54,643,741	₱34,825,103
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent (Note 30)	₱50.88	₱33.55	₱19.83

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
NET INCOME	₱84,345,373	₱54,643,741	₱34,825,103
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	27,928	2,166,840	(147,778)
Fair value changes on cash flow hedges	4,608,383	2,014,960	(1,439,396)
	4,636,311	4,181,800	(1,587,174)
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	(1,274,242)	593,126	2,418,842
Net unrealized gain (loss) on financial assets at FVOCI (Notes 9)	(2,478,988)	391,870	64,917
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(269,602)	(178,295)	(529,945)
	(4,022,832)	806,701	1,953,814
Share in other comprehensive gain (loss) of associates - net (Note 13)	(4,336,268)	(4,184,715)	3,262,825
TOTAL COMPREHENSIVE INCOME	₱80,622,584	₱55,447,527	₱38,454,568
Attributable to			
Owners of the Parent	₱56,987,529	₱40,265,811	₱26,342,948
Non-controlling interests	23,635,055	15,181,716	12,111,620
	₱80,622,584	₱55,447,527	₱38,454,568

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020
(Amounts in Thousands Except Per Share Data)

	Equity			Equity Attributable to Owners of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Adjustments from Common Share Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Fair Value Changes on Cash Flow Hedges	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset Obligation	Share in Other Comprehensive Loss of Associates - VIE	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022 (As Reported)	\$12,045,829	\$75,827,181	\$-	\$(4,244,455)	\$(25,386)	\$1,512,270	\$(1,201,352)	\$15,129,991	\$(775,929)	\$(6,598,065)	\$37,000,000	\$308,946,422	\$436,436,741	\$176,005,184	\$612,439,925
Effect of merger (Note 5)	-	-	-	\$(8,740,905)	-(25,386)	740,905	1,201,352	\$(840,672)	1,076,650	891	-	12,391,469	11,167,841	419	11,168,260
As restated	12,045,829	75,827,181	-	(6,298,551)	-(25,386)	2,253,475	1,201,352	14,289,319	(1,026,650)	(6,597,174)	37,000,000	321,337,891	447,604,582	176,005,619	623,608,185
Net income	-	-	-	-	-	-	-	-	-	-	-	61,653,665	61,653,665	22,691,708	84,345,373
Other comprehensive income	-	-	-	-	-	-(150,693)	2,811,716	(2,465,906)	(695,218)	(416,603)	-	61,653,665	56,987,529	23,635,055	80,622,584
Total comprehensive income	-	-	-	-	-	-(150,693)	2,811,716	(2,465,906)	(695,218)	(416,603)	-	61,653,665	56,987,529	23,635,055	80,622,584
Effect of business combination (Note 5)	-	-	-	-(361,921)	-	-	-	-	-	-	-	-	12,036	21,245	33,281
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - \$4.25 per share (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2022	\$12,261,146	\$75,839,217	\$(40,912)	\$(6,660,472)	\$(25,386)	\$2,102,782	\$1,610,364	\$11,823,413	\$(1,721,868)	\$(10,763,209)	\$37,000,000	\$375,463,837	\$496,888,912	\$195,301,099	\$692,190,011
As at January 1, 2021 (As Reported)	\$12,045,829	\$75,823,506	\$-	\$(8,424,455)	\$(25,386)	\$628,023	\$(2,623,849)	\$14,336,615	\$(11,632)	\$(2,629,566)	\$37,000,000	\$275,818,556	\$403,832,945	\$160,984,953	\$564,727,898
Effect of merger (Note 5)	-	-	-	-(875,342)	-	248,027	-	-(708,897)	-(523,431)	1,150	-	10,429,463	8,619,754	302	18,049,056
As restated	12,045,829	75,823,506	-	(6,299,797)	-(25,386)	876,050	-(2,623,849)	13,627,808	-(1,639,759)	-(2,629,722)	37,000,000	286,298,019	412,452,699	160,985,255	573,447,954
Net income	-	-	-	-	-	-	-	-	-	-	-	40,411,896	40,411,896	14,231,845	54,643,741
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	40,411,896	40,411,896	1,446,053	41,857,949
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	40,411,896	40,411,896	15,677,890	56,515,890
Effect of business combination (Note 5)	-	-	-	1,246	-	-	-	408,336	613,109	(3,967,452)	-	40,411,896	40,265,811	15,181,716	55,447,527
Realized loss on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	1,246	3,073,712	3,074,958
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - \$4.25 per share (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2021 (As Restated - Note 5)	\$12,045,829	\$75,827,181	\$-	\$(6,298,551)	\$(25,386)	\$2,253,475	\$(1,201,352)	\$14,289,319	\$(1,026,650)	\$(6,597,174)	\$37,000,000	\$321,337,891	\$447,604,582	\$176,005,603	\$623,608,185



Equity Attributable to Owners of the Parent

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Adjustments from Common Transfers by Subsidiaries	Cost of Parent Shares Held	Cumulative Translation Adjustment	Fair Value Changes From Hedging	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss or Defined Benefit Plan	Share in Other Comprehensive Income of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2020 (As Reported)	₱12,045,829	₱75,815,923	₱-	(₱5,424,435)	(₱25,386)	₱640,051	(₱1,406,026)	₱14,450,346	(₱2,294,521)	(₱5,761,477)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,324,403	₱536,151,478
Effect of merger (Note 5)	-	-	-	(875,342)	-	473,461	-	(652,231)	(3,543,28)	-	37,000,000	9,973,442	8,395,942	154	8,594,086
As restated	12,045,829	75,815,923	-	(6,299,797)	(25,386)	1,113,512	(1,406,026)	13,801,055	(2,588,649)	(5,761,477)	37,000,000	267,520,033	391,221,017	153,324,557	544,745,574
Net income	-	-	-	-	-	(237,462)	-	(172,383)	948,890	3,131,755	-	23,889,971	2,889,971	10,955,132	34,825,103
Other comprehensive income	-	-	-	-	-	(237,462)	-	(172,383)	948,890	3,131,755	-	23,889,971	2,889,971	10,955,132	34,825,103
Total comprehensive income	-	-	-	-	-	(237,462)	-	(172,383)	948,890	3,131,755	-	23,889,971	2,889,971	10,955,132	34,825,103
Effect of business combination (Note 5)	-	-	-	-	-	-	-	(864)	-	-	-	864	-	-	-
Realized gain on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-	-	(864)	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - ₱4.25 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,664,320)	(4,664,320)
As at December 31, 2020 (As Restated - Note 5)	₱12,045,829	₱75,823,806	₱-	(₱6,299,797)	(₱25,386)	₱876,050	(₱2,623,849)	₱13,627,808	(₱1,639,759)	(₱2,629,722)	₱37,000,000	₱286,298,019	₱412,452,699	₱160,895,255	₱573,347,954

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱99,140,193	₱63,650,260	₱42,026,412
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	(35,825,734)	(26,768,811)	(16,972,269)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	23,653,863	20,936,405	18,994,822
Interest expense (Note 24)	21,547,070	19,138,771	18,415,355
Provisions (reversal of provisions) - net (Notes 10 and 23)	5,099,217	(3,982,227)	1,620,430
Interest income (Note 24)	(3,042,370)	(2,203,351)	(2,452,647)
Loss (gain) on disposal of investments and properties - net	(209,206)	(579,680)	19,373
Dividend income (Note 21)	(1,177,340)	(586,703)	(430,697)
Unrealized foreign exchange loss (gain) - net	1,132,078	(484,756)	(130,347)
Loss (gain) on fair value changes on derivatives - net	(866,500)	(317,743)	6,503
Impairment loss on investment (Note 13)	787,166	-	1,000,000
Income before working capital changes	110,238,437	68,802,165	62,096,935
Increase in:			
Receivables and contract assets	(7,825,374)	(2,971,376)	(6,223,970)
Inventories	(40,685,904)	(37,303,043)	(16,077,988)
Other current assets	(901,855)	(8,023,091)	(2,573,504)
Increase (decrease) in:			
Accounts payable and other current liabilities	34,081,718	36,569,883	10,116,698
Tenants' deposits and others	2,678,385	1,162,254	(303,716)
Net cash generated from operations	97,585,407	58,236,792	47,034,455
Income tax paid	(13,356,765)	(7,583,481)	(7,156,462)
Net cash provided by operating activities	84,228,642	50,653,311	39,877,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	241,913	365,861	58,896
Investment properties	84,863	914,962	3,197
Investment in associate companies and joint ventures	50,000	-	-
Additions to:			
Investment properties (Note 15)	(33,990,435)	(42,155,574)	(38,415,299)
Property and equipment (Note 14)	(9,678,003)	(13,286,055)	(7,587,735)
Investments in associate companies and joint ventures (Note 13)	(73,500)	(358,120)	(390,350)
Financial assets at FVOCI	-	(1,427)	(3,124,660)
Decrease (increase) in:			
Time deposits	(27,518,818)	(2,829,397)	1,056,006
Other noncurrent assets	9,250,669	12,020,789	(11,420,880)
Dividends received	8,136,996	5,180,690	4,751,956
Interest received	2,846,341	2,021,177	2,456,376
Purchase consideration, net of cash from acquisition of subsidiaries (Note 5)	(88,608)	(5,684,648)	-
Net cash used in investing activities	(50,738,582)	(43,811,742)	(52,612,493)

(Forward)



	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Bank loans	₱66,878,421	₱53,296,257	₱82,880,520
Long-term debt	100,256,801	129,529,420	75,253,912
Payments of:			
Bank loans	(73,264,105)	(53,509,929)	(77,464,985)
Long-term debt	(72,630,533)	(92,624,775)	(36,158,696)
Interest	(19,909,588)	(18,412,696)	(17,539,474)
Dividends	(12,714,420)	(9,653,454)	(10,158,925)
Lease liabilities	(4,853,925)	(4,692,207)	(3,884,069)
Net cash provided by (used in) financing activities	(16,237,349)	3,932,616	12,928,283
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,252,711	10,774,185	193,783
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(44,273)	(82,117)	205,634
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	89,352,634	78,660,566	78,261,149
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱106,561,072	₱89,352,634	₱78,660,566

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, OneE-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, 2023.

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			
		2022		2021	
		Direct	Indirect	Direct	Indirect
Property					
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			
		2022		2021	
		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	–	100
Britannia Trading Corp. and Subsidiaries	Trading, importing and exporting of goods	–	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 ^(a)	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	71	–
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
Others					
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	–
2GO Group, Inc. (Note 5)	Integrated Supply Chain	53	–	53	–
Goldilocks Bakeshop, Inc. (Note 5)	Bakery products and other food items	74	–	74	–
Globalfund Holdings, Inc.	Investment	100	–	98	2
SMIC SG Holdings Pte. Ltd. *[Singapore]	Investment	100	–	–	–
Katimak Holdings, Inc. (Note 5)	Investment	100	–	100	–
Allfirst Renewables Holdings, Inc. (Note 5)	Investment	89	11	89	11
Philippine Geothermal Production Company, Inc. (PGPC) (Note 5)	Development and utilization of minerals, geothermal and other products	60	40	60	40
AIC Group of Companies Holding Corp. (Airspeed) (Note 5)	Integrated Supply Chain	51	–	35	–

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, 2022 and 2021.



The summarized financial information of SM Prime follows:

Financial Position

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Current assets	₱222,008,236	₱195,664,769
Noncurrent assets	652,206,416	608,738,511
Total assets	₱874,214,652	₱804,403,280
Current liabilities	₱145,170,302	₱141,025,499
Noncurrent liabilities	363,892,744	329,017,008
Total liabilities	₱509,063,046	₱470,042,507
Total equity	₱365,151,606	₱334,360,773
Attributable to:		
Owners of the Parent	₱363,201,490	₱332,919,204
Non-controlling interests	1,950,116	1,441,569
	₱365,151,606	₱334,360,773

Statements of Income

	Years Ended December 31		
	2022	2021	2020
	<i>(In Thousands)</i>		
Revenues	₱105,785,635	₱82,315,484	₱81,899,298
Costs and expenses	56,542,322	49,900,933	52,825,112
Other charges	(10,529,309)	(4,681,026)	(6,610,445)
Income before income tax	38,714,004	27,733,525	22,463,741
Provision for income tax	7,970,875	5,822,122	4,324,004
Net income after tax	30,743,129	21,911,403	18,139,737
Other comprehensive income (loss)	2,910,173	4,180,611	(4,311,847)
Total comprehensive income	₱33,653,302	₱26,092,014	₱13,827,890
Attributable to:			
Owners of the Parent	₱30,099,799	₱21,786,516	₱18,006,512
Non-controlling interests	643,330	124,887	133,225
Net income	₱30,743,129	₱21,911,403	₱18,139,737
Attributable to:			
Owners of the Parent	₱33,013,181	₱25,968,260	₱13,688,396
Non-controlling interests	640,121	123,754	139,494
Total comprehensive income	₱33,653,302	₱26,092,014	₱13,827,890
Dividends paid to non-controlling interests	₱144,050	₱129,050	₱288,100



Cash Flows

	Years Ended December 31		
	2022	2021	2020
	<i>(In Thousands)</i>		
Net cash provided by operating activities	₱34,933,212	₱30,667,161	₱17,190,284
Net cash used in investing activities	(52,244,301)	(44,113,678)	(43,943,981)
Net cash provided by financing activities	19,685,743	22,623,545	22,817,505
Effect of exchange rate changes on cash and cash equivalents	(90,424)	(62,790)	(2,153)
Net increase (decrease) in cash and cash equivalents	₱2,284,230	₱9,114,238	(₱3,938,345)

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 and the fair value hierarchy.

“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, 2022 and 2021, 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.

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 "Fair value changes on cash flow hedges" 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	4–8 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	2–10 years
Leasehold improvements	5–20 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 is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods. Payment of the transaction price is due immediately at the point of sale.

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.

Sales - Processed Food and Others. Revenue from sales of processed food and others is recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods and/or delivery is made to customers, as in the case of steam and processed food. Payment of the transaction price is due immediately at the point of sale and/or within 15 to 30 days.

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 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 financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have a significant impact on the consolidated financial statements.

- *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 from 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 as at the acquisition date.



- Amendments to PAS 16, *Property, 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 shall be recognized in profit or loss.

- 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.

- *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.

- 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.

- 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.

Effective beginning on or after January 1, 2023

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

- 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 a 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 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.

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.



- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction such that the gain or loss that relates to the right of use retained is not recognized.

The amendments are effective on or after January 1, 2024 and must be applied retrospectively, with early adoption permitted.

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 Financial and Sustainability 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.

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 2022, 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, 2022. See Notes 14, 15 and 27 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 26 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 25 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 29 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 27 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

Allfirst Equity Holdings, Inc. (Allfirst). In April 2022, the BOD and stockholders of the Parent Company approved its merger with Allfirst, a related party, with the Parent Company as the surviving entity. Allfirst is the holding company for Philippine Geothermal Production Company, Inc. (PGPC).

PGPC operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. These two steam fields generate geothermal steam sufficient to produce approximately 300 MW of electricity. In addition to its two producing steam fields, PGPC has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

In August 2022, SMIC received approval from the SEC for its acquisition of 81% stake of related parties in Allfirst. This transaction brings SMIC's ownership in PGPC to 100%. The Parent Company and Allfirst are under the common control of the Sy Family before and after the merger. Thus, the merger was considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the financial statements.



Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination except those necessary to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

AIC Group of Companies Holding Corp. (Airspeed). In August 2022, the Parent Company acquired additional 10.0 million common shares of Airspeed increasing its equity interest in Airspeed to 51.0% from 35.0% previously. Airspeed is primarily engaged in international and domestic freight forwarding, port to port and cargo handling, packing and crafting, and warehousing services.

Beginning September 1, 2022, Airspeed became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition.

The fair value of the net identifiable assets acquired amounted to ₱645.1 million. The cash flows from this acquisition follow:

	Fair Value
	<i>(In Thousands)</i>
Cash acquired	₱317,280
Purchase consideration transferred	(405,888)
Net	(₱88,608)

Goodwill of ₱302.7 million was recognized for this acquisition, representing the value of synergies expected to arise from the business combination.

From the date of acquisition, Airspeed's revenues and net income amounting to ₱461.7 million and ₱34.9 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 ₱554.8 billion and ₱61.7 billion, respectively.

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 of SMIC 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 27)	786,597
Other noncurrent assets	1,008,558
Total identifiable assets	21,484,450
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
Total identifiable liabilities	16,556,427
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)
Goodwill arising from the acquisition (Note 16)	3,602,620
Purchase consideration transferred	₱4,693,040

The cash flows from this acquisition follow:

Cash acquired	₱2,101,999
Purchase consideration transferred	(4,693,040)
Net	(₱2,591,041)

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 ₱3.6 billion 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 ₱8.8 billion 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 ₱434.8 billion and ₱38.4 billion, 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 of SMIC 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 27)	912,876
Other noncurrent assets	471,983
Total identifiable assets	6,753,214
Accrued payable and other current liabilities	2,233,095
Deferred tax liabilities	338,599
Other noncurrent liabilities	1,435,383
Total identifiable liabilities	4,007,077
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
Purchase consideration transferred	₱4,039,571

The cash flows from this acquisition follow:

Cash acquired	₱945,964
Purchase consideration transferred	(4,039,571)
Net	(₱3,093,607)

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 ₱2.9 billion 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 ₱5.0 billion 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 ₱433.9 billion and ₱38.6 billion, respectively.

The Group remeasured its previously held interest in AIC, 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 is the remeasurement loss recognized for AIC at ₱310.2 million in 2022 and 2GO at ₱4.9 billion and GBI at ₱2.4 billion in 2021, representing the loss from remeasuring the Group's equity interest in AIC, 2GO and GBI before the business combination to fair value, in accordance with PFRS 3, *Business Combinations*.

6. Segment Information

The Group has identified four reportable operating segments as follows: property, retail, banking and portfolio investments.

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 segment includes the Group's equity in net earnings in BDO and China Banking Corporation (China Bank).

The portfolio investments segment includes 2GO, PGPC, Neo subsidiaries and associates, Atlas Consolidated Mining and Development Corporation (Atlas), Belle, GBI and others.

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 Results by Segment

Year Ended December 31, 2022							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
Revenues:							
External customers	₱99,017,329	₱377,327,567	₱30,984,018	₱43,677,737	₱2,764,464	₱-	₱553,771,115
Revenues from contracts with customers	39,046,514	367,318,577	-	-	-	-	406,365,091
Merchandise sales	-	367,318,577	-	-	-	-	367,318,577
Real estate sales	39,046,514	-	-	-	-	-	39,046,514
Rent	45,918,158	1,146,228	-	2,103,179	-	-	49,167,565
Equity in net earnings of associate companies and joint ventures	1,720,116	1,224,260	30,984,018	1,866,350	30,990	-	35,825,734
Others	12,332,541	7,638,502	-	39,708,208	2,733,474	-	62,412,725
Inter-segment	13,611,294	483,551	-	634,029	3,999,125	(18,727,999)	-
	₱112,628,623	₱377,811,118	₱30,984,018	₱44,311,766	₱6,763,589	(₱18,727,999)	₱553,771,115
Segment results:							
Income before income tax	₱39,061,734	₱25,928,619	₱30,984,018	₱8,218,200	(₱5,052,378)	₱-	₱99,140,193
Provision for income tax	8,001,682	6,006,064	-	681,419	105,655	-	14,794,820
Net income after tax	₱31,060,052	₱19,922,555	₱30,984,018	₱7,536,781	(₱5,158,033)	₱-	₱84,345,373
Net income attributable to:							
Owners of the Parent	₱15,372,433	₱13,937,923	₱30,148,855	₱7,345,911	(₱5,151,457)	₱-	₱61,653,665
Non-controlling interests	15,687,619	5,984,632	835,163	190,870	(6,576)	-	22,691,708
Year Ended December 31, 2021 (As Restated - Note 5)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
Revenues:							
External customers	₱80,178,590	₱303,188,794	₱23,395,467	₱23,167,504	₱2,429,113	₱-	₱432,359,468
Revenues from contracts with customers	45,116,570	294,694,316	-	-	-	-	339,810,886
Merchandise sales	-	294,694,316	-	-	-	-	294,694,316
Real estate sales	45,116,570	-	-	-	-	-	45,116,570
Rent	26,218,182	1,093,378	-	2,327,765	2,919	-	29,642,244
Equity in net earnings of associate companies and joint ventures	1,187,419	527,733	23,395,467	1,757,788	(99,596)	-	26,768,811
Others	7,656,419	6,873,367	-	19,081,951	2,525,790	-	36,137,527
Inter-segment	9,423,189	2,108	-	-	2,384,449	(11,809,746)	-
	₱89,601,779	₱303,190,902	₱23,395,467	₱23,167,504	₱4,813,562	(₱11,809,746)	₱432,359,468
Segment results:							
Income before income tax	₱28,165,056	₱14,180,061	₱23,395,467	₱4,662,195	(₱6,752,519)	₱-	₱63,650,260
Provision for income tax	5,942,800	3,261,945	-	(165,445)	(32,781)	-	9,006,519
Net income after tax	₱22,222,256	₱10,918,116	₱23,395,467	₱4,827,640	(₱6,719,738)	₱-	₱54,643,741
Net income attributable to:							
Owners of the Parent	₱11,317,533	₱7,697,477	₱22,768,902	₱5,366,643	(₱6,738,659)	₱-	₱40,411,896
Non-controlling interests	10,904,723	3,220,639	626,565	(539,003)	18,921	-	14,231,845
Year Ended December 31, 2020 (As Restated - Note 5)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
Revenues:							
External customers	₱76,881,025	₱296,637,375	₱15,938,345	₱5,832,306	₱1,797,138	₱-	₱397,086,189
Revenues from contracts with customers	47,023,795	289,726,442	-	-	-	-	336,750,237
Merchandise sales	-	289,726,442	-	-	-	-	289,726,442
Real estate sales	47,023,795	-	-	-	-	-	47,023,795
Rent	23,481,703	1,061,700	-	2,358,891	2,685	-	26,904,979
Equity in net earnings of associate companies and joint ventures	694,473	313,554	15,938,345	175,125	(149,228)	-	16,972,269
Others	5,681,054	5,535,679	-	3,298,290	1,943,681	-	16,458,704
Inter-segment	9,695,786	151,810	-	-	2,562,464	(12,410,060)	-
	₱86,576,811	₱296,789,185	₱15,938,345	₱5,832,306	₱4,359,602	(₱12,410,060)	₱397,086,189
Segment results:							
Income before income tax	₱22,923,446	₱7,200,165	₱15,938,345	₱2,760,335	(₱6,795,879)	₱-	₱42,026,412
Provision for income tax	4,349,645	2,509,821	-	247,392	94,451	-	7,201,309
Net income after tax	₱18,573,801	₱4,690,344	₱15,938,345	₱2,512,943	(₱6,890,330)	₱-	₱34,825,103
Net income attributable to:							
Owners of the Parent	₱9,412,627	₱3,375,743	₱15,524,636	₱2,455,719	(₱6,878,754)	₱-	₱23,889,971
Non-controlling interests	9,161,174	1,314,601	413,709	57,224	(11,576)	-	10,935,132



In 2022, 2021 and 2020, 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 results by segment report above.

7. Cash and Cash Equivalents

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	₱26,887,562	₱29,164,008
Temporary investments (Note 21)	79,673,510	60,188,626
	₱106,561,072	₱89,352,634

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 24).

8. Time Deposits

This account consists of time deposits as follows:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Current	₱8,788,848	₱311,233
Noncurrent	24,130,581	3,905,618
	₱32,919,429	₱4,216,851

The time deposits bear interest ranging from 1.3% to 4.5% in 2022 and 0.4% to 3.8% in 2021.

Time deposits with various maturities within one year were used as collateral for some credit lines in 2021.

Interest earned from time deposits is disclosed in Note 24.



9. Financial Assets at FVOCI

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Shares of stock		
Listed	₱25,146,102	₱26,764,759
Unlisted	736,813	897,688
Club shares	21,800	14,550
	25,904,715	27,676,997
Less current portion	534,865	547,041
Noncurrent portion	₱25,369,850	₱27,129,956

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 as financial assets at FVOCI, as the Group considers these investments to be strategic in nature.

10. Receivables and Contract Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	₱114,017,297	₱110,932,754
Third-party tenants	11,254,451	7,473,461
Shipping and logistics**	4,212,664	3,111,428
Related-party tenants (Note 21)	511,274	380,963
Others	3,299,623	3,390,791
Royalty and service fees (Note 21)	2,277,578	1,980,327
Dividends (Note 21)	708,809	579,053
Due from related parties (Note 21)	176,806	442,712
	136,458,502	128,291,489
Less allowance for ECL	3,031,584	2,237,119
	133,426,918	126,054,370
Less noncurrent portion of receivables from real estate buyers (Note 16)	48,929,523	49,518,978
Current portion	₱84,497,395	₱76,535,392

* Includes unbilled revenue from sales of real estate of ₱100.2 billion and ₱98.6 billion as at December 31, 2022 and 2021, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced of ₱730.1 million and ₱822.8 million as at December 31, 2022 and 2021, respectively.



The terms and conditions of these receivables follow:

- Receivables from real estate buyers pertain mainly to sales 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, nil and ₱358.9 million as at December 31, 2022 and 2021, respectively, and, on with recourse basis, ₱1.2 billion and ₱324.2 million as at December 31, 2022 and 2021, respectively (see Note 21). The corresponding liability from the assignment of receivables on with recourse basis bears interest at 3.8% to 5.0% in 2022 and 4.5% in 2021. The fair value of these assigned receivables and liability approximates cost.

The transaction price allocated to the remaining performance obligations totaling ₱25.4 billion and ₱34.3 billion as at December 31, 2022 and 2021, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants, shipping and logistics, royalty 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱2,237,119	₱1,642,562
Provisions - net of writeoff (Note 23)	794,465	594,557
Balance at end of year	₱3,031,584	₱2,237,119

The aging of receivables follow:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱121,722,952	₱113,408,616
Past due but not impaired:		
Less than 30 days	4,199,730	2,896,901
31-90 days	2,327,871	2,094,140
91-120 days	1,707,216	955,920
Over 120 days	3,469,149	6,698,793
Impaired	3,031,584	2,237,119
	₱136,458,502	₱128,291,489

Receivables other than those identified as impaired, are assessed as good and collectible.



11. Inventories

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Real estate inventories	₱70,506,503	₱56,581,526
Merchandise inventories	34,653,094	29,026,924
Processed food and others	1,208,441	1,158,738
	₱106,368,038	₱86,767,188

Inventories are stated at cost as at December 31, 2022 and 2021.

Merchandise Inventories

The movements in this account follow:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱29,026,924	₱28,352,565
Purchases	276,234,410	222,974,743
Total goods available for sale	305,261,334	251,327,308
Less cost of merchandise sales	270,608,240	222,300,384
Balance at end of year	₱34,653,094	₱29,026,924

Real Estate Inventories

The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	<i>(In Thousands)</i>		
Balance as at December 31, 2020 (As Restated)	₱34,933,442	₱8,770,039	₱43,703,481
Development cost incurred	25,409,833	-	25,409,833
Cost of real estate sold	(16,867,820)	(1,819,337)	(18,687,157)
Transfers	(12,318,589)	12,318,589	-
Reclassifications (Notes 15 and 27)	5,448,333	-	5,448,333
Translation adjustment and others	624,328	82,708	707,036
Balance as at December 31, 2021 (As Restated)	37,229,527	19,351,999	56,581,526

(Forward)



	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
<i>(In Thousands)</i>			
Development cost incurred	₱27,956,439	₱-	₱27,956,439
Cost of real estate sold	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	-
Reclassifications (Notes 15 and 27)	2,204,897	-	2,204,897
Translation adjustment and others	187,069	475,140	662,209
Balance as at December 31, 2022	₱43,780,861	₱26,725,642	₱70,506,503

Real estate inventories include land and development, and condominium, residential units and subdivision lots for sale.

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱1.0 billion and ₱1.8 billion as at December 31, 2022 and 2021, respectively.

The estimated cost to complete the projects amounted to ₱106.9 billion and ₱111.5 billion as at December 31, 2022 and 2021, respectively.

There is no allowance for inventory writedown as at December 31, 2022 and 2021.

The details of cost of sales and services follow:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<i>(In Thousands)</i>			
Cost of sales:			
Merchandise	₱270,608,240	₱222,300,384	₱220,245,198
Real estate	16,898,568	18,687,157	20,583,982
Processed food and others	15,401,706	7,993,598	1,641,961
Cost of shipping, logistics and other services	12,743,249	6,271,009	-
	₱315,651,763	₱255,252,148	₱242,471,141



12. Other Current Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	₱19,881,090	₱18,481,894
Bonds and deposits	11,143,581	9,963,823
Non-trade receivables	8,119,558	9,865,867
Input tax	5,846,949	4,162,222
Receivables from banks	5,732,802	5,406,748
Derivative assets (Note 29)	1,617,864	781,955
Uniform and supplies inventory	1,573,029	1,032,107
Accrued interest receivable (Note 21)	566,974	370,945
Escrow fund (Notes 16 and 21)	-	335,583
Others	317,345	2,452,898
	₱54,799,192	₱52,854,042

- 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.
- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year (see Note 24).
- Receivables from banks are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱305,072,026	₱297,433,006
Additions	73,500	358,120
Business combination (Note 5)	(535,945)	(9,265,436)
Reclassifications	-	(12,427)
Equity in net earnings	35,825,734	26,768,811
Dividends received and others	(7,103,684)	(6,142,209)
Share in other comprehensive loss of associate companies	(4,336,268)	(4,184,715)
Allowance for impairment loss	(740,000)	-
Translation adjustment	16,173	116,876
Balance at end of year	₱328,271,536	₱305,072,026

* Investment in associate companies amounted to ₱318.5 billion and ₱295.7 billion as at December 31, 2022 and 2021, respectively.

The Group regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. The Group recognized impairment losses of ₱740.0 million in 2022, nil in 2021 and ₱1.0 billion in 2020.

The recoverable amount of investments in associate companies is determined based on the fair value less costs of disposal and/or 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 2.3% to 5.7%.
- 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 9.9% to 12.2% and 10.5% to 12.6% as at December 31, 2022 and 2021, respectively.



The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2022		2021		
	Gross	Effective	Gross	Effective	
Associates					
BDO	47	45	47	45	Financial services
China Bank	23	23	23	23	Financial services
Belle	27	26	27	26	Real estate development and tourism
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
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	50	20	Retail
Neo Associates ^(a)	34	34	34	34	Real estate development
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. (Note 5)	-	-	35	35	Investment
MCCP Transport Philippines, Inc.	33	18	33	18	Integrated supply chain
Mober Technology PTE Inc.	-	-	50	26	Integrated supply chain
Clarmil Manufacturing Incorporated	42	31	42	31	Bakery products and other food items
Three Bears Group Holdings Corporation	35	26	35	26	Bakery products and other food items
Joint Ventures					
Waltermart Mall ^(b)	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	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., Williamson, Inc., Waltermart Ventures, Inc. and WM Development Inc.

BDO

The condensed financial information of the Group's material associate, BDO, follows:

	2022	2021
	<i>(In Millions)</i>	
Total assets	₱4,074,708	₱3,623,749
Total liabilities	3,613,251	3,199,201
Total equity	461,457	424,548
Proportion of the Group's ownership	45%	45%
	209,046	192,403
Goodwill and others	26,800	27,341
Carrying amount of the Group's investment	₱235,846	₱219,744



	2022	2021	2020
	<i>(In Millions)</i>		
Interest income	₱169,071	₱144,879	₱157,031
Interest expense	(19,839)	(13,533)	(23,331)
Other expenses - net	(91,998)	(88,491)	(105,446)
Net income after tax	57,234	42,855	28,254
Other comprehensive loss	(9,861)	(5,810)	(725)
Total comprehensive income	₱47,373	₱37,045	₱27,529
Group's share in net income	₱26,684	₱20,019	₱13,208
Group's share in other comprehensive income (loss)	(₱5,599)	(₱5,405)	₱4,325

The aggregate comprehensive income of associates and joint ventures that are not individually material follows:

	2022	2021	2020
	<i>(In Millions)</i>		
Share in net income	₱9,142	₱6,750	₱3,828
Share in other comprehensive income (loss)	1,263	1,220	(1,062)
Share in total comprehensive income	₱10,405	₱7,970	₱2,766

The fair value of investments in associate companies which are listed in the PSE follows:

	2022	2021
	<i>(In Thousands)</i>	
BDO	₱278,929,105	₱263,000,272
China Bank	16,626,418	15,748,155
Belle	3,177,784	3,516,400
Atlas	4,412,417	7,479,289
PLC	12,568,534	11,377,831

These investments are categorized as Level 1 in the fair value hierarchy.



14. Property and Equipment

The movements in this account follow:

Cost	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
As at December 31, 2020 (As Restated)	₱-	₱15,403,136	₱4,173,568	₱8,908,732	₱11,050,626	₱13,225,019	₱21,088,146	₱1,055,873	₱-	₱-	₱7,251,222	₱821,563,322
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	4,282,963	13,286,055
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)	2,379,115	2,589,222	(20,317)	-	-	(6,610,870)	(3,692,713)
Translation adjustment	-	-	-	-	-	112,869	-	-	-	-	156,253	269,122
Disposals/retirements	-	(77)	(15,861)	(65,324)	(114,689)	(45,846)	(352,804)	(8,100)	(305,905)	-	(251,286)	(1,159,892)
As at December 31, 2021 (As Restated)	1,729,542	19,822,198	2,660,943	10,030,976	11,784,685	17,301,482	24,970,861	1,196,937	8,503,113	371,936	4,968,379	103,341,052
Additions	-	677,187	266,706	933,079	717,278	860,925	1,574,090	51,805	464,728	915	4,131,290	9,678,003
Effect of business combination (Note 5)	-	21,616	-	16,984	38,000	12	140	54,148	-	-	-	130,900
Reclassifications	(9,948)	(504,734)	745,623	216,471	579,419	3,855,706	4,964,147	443,187	7,027,236	1,253,911	(4,276,055)	14,294,963
Translation adjustment	-	-	-	-	-	(160,203)	-	-	-	-	(212,651)	(212,651)
Disposals/retirements	(800)	(123,520)	(323,995)	(574,911)	(508,219)	(401,475)	(1,202,034)	(88,822)	(1,287,520)	(1,727)	(52,448)	(4,513,023)
As at December 31, 2022	₱1,718,794	₱19,892,747	₱3,349,277	₱10,622,599	₱12,611,163	₱21,456,447	₱30,307,204	₱1,657,255	₱14,707,557	₱1,625,035	₱4,771,166	₱122,719,244

Accumulated Depreciation and Amortization	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
As at December 31, 2020 (As Restated)	₱-	₱7,211,624	₱3,201,690	₱7,430,359	₱9,630,337	₱8,709,940	₱15,061,073	₱654,688	₱-	₱-	₱-	₱51,899,711
Depreciation and amortization	-	588,297	218,853	756,204	1,577,809	1,216,137	1,577,809	100,782	1,077,060	44,531	-	6,387,848
Reclassifications	-	(8,879)	(1,507,780)	(2,947)	(5,488)	(26,363)	1,711,919	(13,003)	-	-	-	147,459
Translation adjustment	-	-	-	-	-	36,137	-	-	-	-	-	36,137
Disposals/retirements	-	(77)	(9,724)	(62,809)	(95,174)	(39,065)	(329,950)	(4,827)	-	-	-	(541,626)
As at December 31, 2021 (As Restated)	-	7,790,965	1,903,039	8,120,807	10,337,850	9,896,786	18,020,851	737,640	1,077,060	44,531	-	57,929,529
Depreciation and amortization	-	787,373	233,359	726,437	785,672	1,374,376	1,471,704	112,868	1,010,940	59,037	-	6,561,766
Reclassifications	-	(698,684)	802,480	106,132	(642,658)	1,434,083	4,941,874	453,730	7,020,331	1,308,505	-	14,725,793
Translation adjustment	-	-	-	-	-	(34,499)	-	-	-	-	-	(34,499)
Disposals/retirements	-	(122,875)	(315,148)	(565,611)	(480,809)	(59,026)	(1,110,122)	(84,699)	(1,245,888)	(2,181)	-	(4,324,359)
As at December 31, 2022	₱-	₱7,756,779	₱2,623,730	₱8,387,765	₱10,000,055	₱12,253,720	₱23,324,307	₱1,219,539	₱7,862,443	₱1,409,892	₱-	₱74,838,230

Net Book Value	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
As at December 31, 2022	₱1,718,794	₱12,135,968	₱725,547	₱2,234,834	₱2,611,108	₱9,202,727	₱6,982,897	₱437,716	₱6,845,114	₱215,143	₱4,771,166	₱47,881,014
As at December 31, 2021 (As Restated)	1,729,542	12,031,233	757,904	1,910,169	1,446,835	7,404,696	6,950,010	459,297	7,426,053	327,405	4,968,379	45,411,523

As at December 31, 2022 and 2021, a passenger cargo-ship was used as collateral for a subsidiary's 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>						
Cost						
As at December 31, 2020 (As Restated)	₱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)
As at December 31, 2021 (As Restated)	82,118,174	83,225,124	284,850,141	48,301,269	76,809,546	575,304,254
Additions	3,207,518	2,382,608	2,360,096	2,389,145	23,651,068	33,990,435
Effect of business combination	–	168,530	15,912	639,737	528,338	1,352,517
Reclassifications (Note 11)	(1,461,375)	2,221,280	26,542,114	4,033,427	(32,511,422)	(1,175,976)
Translation adjustment	–	14,239	344,383	27,723	84,967	471,312
Disposals	(17,590)	(299,145)	(156,421)	(46,618)	–	(519,774)
As at December 31, 2022	₱83,846,727	₱87,712,636	₱313,956,225	₱55,344,683	₱68,562,497	₱609,422,768
Accumulated Depreciation, Amortization and Impairment Loss						
As at December 31, 2020 (As Restated)	₱–	₱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)
As at December 31, 2021 (As Restated)	–	2,916,480	76,571,597	32,050,803	–	111,538,880
Depreciation and amortization	–	364,563	8,386,686	3,386,346	–	12,137,595
Reclassifications	–	(560)	(41,940)	(26,795)	–	(69,295)
Translation adjustment	–	7,652	71,693	15,935	–	95,280
Disposals	–	(161,310)	(60,358)	(40,325)	–	(261,993)
As at December 31, 2022	₱–	₱3,126,825	₱84,927,678	₱35,385,964	₱–	₱123,440,467
Net Book Value						
As at December 31, 2022	₱83,846,727	₱84,585,811	₱229,028,547	₱19,958,719	₱68,562,497	₱485,982,301
As at December 31, 2021 (As Restated)	82,118,174	80,308,644	208,278,544	16,250,466	76,809,546	463,765,374

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱47.9 billion, ₱28.5 billion and ₱25.8 billion in 2022, 2021 and 2020, respectively. The corresponding direct operating expenses amounted to ₱25.3 billion, ₱18.9 billion and ₱19.6 billion in 2022, 2021 and 2020, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱67.1 billion and ₱74.5 billion as at December 31, 2022 and 2021, respectively.

Portions of investment properties located in China amounting to ₱1.6 billion and ₱1.9 billion as at December 31, 2022 and 2021, respectively, are used as collateral to secure domestic borrowings (see Note 19).

The outstanding construction contracts with various contractors amounted to ₱18.5 billion and ₱18.7 billion as at December 31, 2022 and 2021, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱4.8 billion and ₱4.0 billion as at December 31, 2022 and 2021, respectively. Capitalization rates used range from 2.4% to 5.2% in 2022 and 2.4% to 4.6% in 2021.



As at December 31, 2022, the fair value of substantially all investment properties amounting to ₱2.1 trillion 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.

16. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Goodwill	₱34,320,712	₱33,910,173
Less accumulated impairment loss	172,213	138,787
Net book value	34,148,499	33,771,386
Trademarks, brand names and copyright	6,128,850	6,988,491
	₱40,277,349	₱40,759,877

Goodwill is attributable mainly to SM Prime, Supervalu, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, PULSI, 2GO, GBI and PGPC (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 2022, the carrying amount of ₱857.8 million has been fully amortized and 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 3.0% to 4.0%.
- 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 12.1% to 18.4% and 8.2% to 12.9% as at December 31, 2022 and 2021, 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 2022 and 2021 to materially exceed its recoverable amount.

Other Noncurrent Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Bonds and deposits	₱56,129,963	₱59,650,665
Receivables from real estate buyers* (Note 10)	48,929,523	49,518,978
Derivative assets (Note 29)	8,508,965	965,006
Deferred tax assets (Note 26)	5,209,746	4,876,528
Deferred input VAT	1,941,985	2,301,570
Escrow fund (Notes 12 and 21)	621,490	132,460
Land use rights	324,770	353,626
Defined benefit asset (Note 25)	129,034	753,637
Long-term notes (Notes 21 and 29)	-	5,371,668
Others	2,488,241	1,631,260
	₱124,283,717	₱125,555,398

* 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 has been collected in full as of December 31, 2022.



- 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Parent Company -		
Peso-denominated loans	₱9,995,000	₱13,015,000
Subsidiaries:		
Peso-denominated loans	8,394,000	10,269,746
China Yuan renminbi-denominated loans	2,422,524	3,882,427
	₱20,811,524	₱27,167,173

These unsecured loans bear interest ranging from 1.4% to 7.9% in 2022 and 1.0% to 4.5% in 2021.

These loans have maturities of less than one year. Interest on bank loans is disclosed in Note 24.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Trade	₱100,815,157	₱88,828,008
Accrued expenses	22,405,137	18,883,648
Nontrade	13,825,974	10,834,553
Tenants and customers’ deposits*	13,703,779	19,206,350
Payables to government agencies	7,437,350	6,388,749
Payable arising from acquisition of land	4,548,755	7,918,778

(Forward)



	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Accrued interest (Note 21)	₱3,614,442	₱3,086,975
Dividends payable	3,197,523	3,110,847
Lease liabilities (Note 27)	3,152,827	2,590,432
Subscriptions payable	1,966,477	1,966,477
Due to related parties (Note 21)	941,000	872,591
Gift checks redeemable and others	6,353,287	4,756,652
	₱181,961,708	₱168,444,060

* Includes unearned revenues from shipping and logistics of ₱48.9 million and ₱59.5 million as at December 31, 2022 and 2021, respectively, and unearned revenues from sale of real estate of ₱5.5 billion and ₱6.1 billion as at December 31, 2022 and 2021, respectively.

- 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 twelve months. Details follow:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Payable to contractors	₱7,979,543	₱7,153,158
Utilities	2,495,739	2,885,190
Co-loading termination cost	713,297	1,194,687
Salaries and wages	451,244	924,780
Marketing and advertising and others	10,765,314	6,725,833
	₱22,405,137	₱18,883,648

- 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 represent 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 2022 and 2021, revenue recognized from unearned revenue from sales of real estate at the beginning of the year amounted to ₱4.3 billion and ₱1.5 billion, respectively.
- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.
- Payable arising from acquisition of land is expected to be 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:

	Availability	Maturity	Interest Rate/Term	Security	2022	2021 (As Restated - Note 5)
<i>Parent Company</i>						
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	₱42,326,896	₱44,224,229
Peso-denominated	July 16, 2012 - July 15, 2022	January 22, 2022 - May 14, 2031	Fixed 2.9%-6.9%; Three-Month PHP BVAL + margin; semi-annual and quarterly	Unsecured	76,124,350	72,636,610
<i>Subsidiaries</i>						
U.S. dollar-denominated*	May 8, 2017 - June 30, 2022	March 27, 2022 - June 9, 2027	LIBOR + spread; semi-annual and quarterly; SOFR + spread; quarterly	Unsecured	91,062,847	73,177,366
China Yuan Renminbi-denominated**	October 16, 2017 - December 19, 2022	October 16, 2022 - June 24, 2037	Fixed 3.7%-5.9%; LPR; annually	Secured	9,665,493	8,497,291
Peso-denominated***	June 3, 2013 - November 14, 2022	April 12, 2022 - April 22, 2032	Fixed 2.5%-7.5%; BVAL + margin	Unsecured/ Secured	268,425,993	249,461,959
					487,605,579	447,997,455
Less debt issue cost					2,708,662	2,672,016
					484,896,917	445,325,439
Less current portion					87,047,213	63,706,559
					₱397,849,704	₱381,618,880

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

LPR – China Loan Prime Rate

SOFR – Secured Overnight Financing Rate

**Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 24)*

*** 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:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Balance at beginning of year	₱2,672,016	₱1,970,809
Additions	1,134,632	1,501,100
Amortization and others	(1,097,986)	(799,893)
Balance at end of year	₱2,708,662	₱2,672,016



Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2022 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱87,813,645	₱766,432	₱87,047,213
Over 1 year to 5 years	350,468,506	1,752,006	348,716,500
Over 5 years	49,323,428	190,224	49,133,204
	₱487,605,579	₱2,708,662	₱484,896,917

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at December 31, 2022 and 2021, the Group is in compliance with the terms of its debt covenants with the exception of 2GO, which is covered with a waiver from its creditor bank.

20. Equity

Capital Stock

a. Common stock

	Number of Shares	
	2021	2022
	(As Restated - Note 5)	
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,226,114,578	1,204,582,867

As at December 31, 2022 and 2021, 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

(Forward)



Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
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
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10

The total number of shareholders of the Company is 1,251 and 1,261 as at December 31, 2022 and 2021, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2022	2021
		(As Restated - Note 5)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2022 and 2021.

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.
- Merger of the Parent Company with Allfirst in August 2022.

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, 2022 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2023 - 2024	₱27,000,000
Investments	2023 - 2024	10,000,000
		₱37,000,000

• Unappropriated

The Parent Company's cash dividend declarations in 2022 and 2021 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
April 27, 2022	May 13, 2022	May 26, 2022	₱6.25	₱7,528,643
April 28, 2021	May 13, 2021	May 27, 2021	4.25	5,119,477

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱335.3 billion and ₱285.3 billion as at December 31, 2022 and 2021, 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 ₱34.5 billion, ₱30.4 billion and ₱17.3 billion as at December 31, 2022, 2021 and 2020, respectively.



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 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 CCC which has been collected in full as of December 31, 2022 (see Notes 16 and 28).

- 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
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)	2022	2021 (As Restated - Note 5)		
<i>(In Thousands)</i>							
Banking Group							
Cash placement and investment in marketable securities	₱-	₱-	₱-	₱121,312,088	₱69,956,870	Interest-bearing	Unsecured; no impairment
Interest receivable	-	-	-	242,663	56,328	-	-
Interest income	2,084,329	1,186,798	1,645,142	-	-	-	-
Interest-bearing debt	-	-	-	67,368,704	65,788,251	Interest-bearing	Unsecured
Interest payable	-	-	-	352,951	227,503	-	-
Interest expense	2,753,606	2,388,269	2,217,922	-	-	-	-
Rent receivable	-	-	-	148,221	115,722	Noninterest-bearing	Unsecured; no impairment
Rent income	1,142,575	692,948	466,976	-	-	-	-
Receivable financed	-	358,861	7,170,156	-	-	Without recourse	Unsecured
Dividends receivable	-	-	-	150,403	-	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits	-	-	-	-	17,849,650	Interest-bearing 4.5%	Unsecured; no impairment
Royalty and service fee receivable	-	-	-	8,441	8,441	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	124,260	47,481	15,478	-	-	-	-
Escrow fund	-	-	-	621,490	298,044	Interest-bearing	Unsecured; no impairment
Retail and Other Entities							
Rent receivable	-	-	-	363,053	265,241	Noninterest-bearing	Unsecured; no impairment
Rent income	1,945,309	1,062,811	937,306	-	-	-	-
Royalty and service fee receivable	-	-	-	2,234,281	1,951,068	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	2,056,294	1,642,340	1,448,870	-	-	-	-
Due from related parties	-	-	-	176,806	442,712	Noninterest-bearing	Unsecured; no impairment
Due to related parties	-	-	-	941,000	872,591	Noninterest-bearing	Unsecured
Interest receivable	-	-	-	-	8,244	Noninterest-bearing	Unsecured
Interest income	237,830	352,192	362,183	-	-	-	-
Dividends receivable	-	-	-	357,400	329,800	-	-
Notes receivable	-	-	-	-	5,371,668	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 2022, 2021 and 2020 consist of short-term employee benefits amounting to ₱3.7 billion, ₱3.2 billion and ₱3.3 billion, respectively, and post-employment benefits amounting to ₱536.4 million, ₱503.0 million and ₱587.4 million, respectively.



22. Other Revenues

This account consists of:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
	<i>(In Thousands)</i>		
Sales - processed food and others	₱24,604,593	₱12,810,015	₱2,973,797
Shipping, logistics and other services	14,111,385	5,656,887	-
Royalty and service fees	5,385,324	4,394,077	3,936,537
Cinema, ticket sales, amusement and others	4,216,516	498,924	1,095,445
Food and beverage	1,786,358	611,751	438,755
Dividends	1,177,340	586,703	430,697
Others	11,131,209	11,579,170	7,583,473
	₱62,412,725	₱36,137,527	₱16,458,704

Others include membership revenues, sponsorship income and related items, commission income as well as miscellaneous income from the various business operations of the Group.

23. Selling, General and Administrative Expenses

This account consists of:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
	<i>(In Thousands)</i>		
Personnel cost (Note 21)	₱26,985,857	₱22,887,305	₱24,832,719
Depreciation and amortization (Notes 14, 15, 16 and 27)	21,740,973	19,799,590	18,994,822
Utilities	21,322,071	15,685,288	14,769,462
Outside services	9,308,035	8,424,616	8,180,283
Taxes and licenses	8,442,897	8,664,108	9,275,878
Provisions (reversal of provisions) – net	5,099,217	(3,982,227)	1,620,430
Marketing and selling	4,878,288	4,263,815	3,826,199
Repairs and maintenance	4,742,393	3,789,946	2,984,440
Rent (Note 27)	3,323,087	1,200,679	1,114,634
Supplies	2,160,812	1,742,850	1,577,357
Pension (Note 25)	1,270,890	1,253,169	1,320,623
Transportation and travel	1,127,112	772,406	790,019
Data processing	1,089,862	827,128	600,271
Insurance	1,030,217	877,686	953,742
Professional fees	611,972	200,515	379,955
Communications	424,978	311,256	313,823
Donations	422,070	208,482	311,308
Royalty and service fees (Note 21)	371,672	173,467	145,011
Entertainment, representation and amusement	363,619	372,204	382,134
Remeasurement loss (Note 5)	310,152	7,358,144	-
Others	5,525,527	3,356,306	3,348,382
	₱120,551,701	₱98,186,733	₱95,721,492



Others mainly consist of dues and subscriptions, commissions and bank charges.

24. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<i>(In Thousands)</i>			
Interest income on:			
Time deposits and other noncurrent assets (Notes 8 and 16)	₱1,174,464	₱797,300	₱713,811
Cash in banks and temporary investments (Note 7)	1,664,890	933,399	1,468,634
Others (Note 12)	203,016	472,652	270,202
	₱3,042,370	₱2,203,351	₱2,452,647
Interest expense on:			
Long-term debt (Note 19)	₱18,330,649	₱16,210,283	₱15,229,964
Lease liabilities (Note 27)	2,029,583	2,002,343	1,085,442
Bank loans (Note 17)	1,152,710	859,702	1,886,289
Others	34,128	66,443	213,660
	₱21,547,070	₱19,138,771	₱18,415,355

25. 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:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<i>(In Thousands)</i>			
Current service cost	₱1,301,442	₱1,330,146	₱1,206,612
Net settlement loss (gain)	(238)	2,573	(2,923)
Net interest cost	211,071	120,256	225,091
Past service cost - curtailment	(1,931)	(14,120)	(6,526)
	₱1,510,344	₱1,438,855	₱1,422,254



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, 2020 (As Restated - Note 5)	₱9,457,125	₱6,721,913	₱-	₱2,735,212
Net benefit expense (Note 23):				
Current service cost	1,020,314	-	-	1,020,314
Settlement loss	2,573	-	-	2,573
Net interest cost	407,848	275,971	120	131,997
Past service cost - curtailment	(10,072)	-	-	(10,072)
	1,420,663	275,971	120	1,144,812
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	44,017	-	(44,017)
Actuarial changes arising from:				
Changes in financial assumptions	(796,857)	-	-	(796,857)
Changes in demographic assumptions	(26,608)	-	-	(26,608)
Experience adjustment	920,775	-	-	920,775
Others	-	-	(120)	(120)
	97,310	44,017	(120)	53,173
Reclassifications from defined benefit assets	(834,319)	(108,961)	-	(725,358)
Effect of common control business combination	1,928,359	758,160	-	1,170,199
Actual contributions	-	528,023	-	(528,023)
Benefits paid	(1,282,806)	(1,277,900)	-	(4,906)
Transfer to related parties	1,993	5,116	-	(3,123)
Other adjustments	(2,704)	(122)	-	(2,582)
As at December 31, 2021 (As Restated - Note 5)	10,785,621	6,946,217	-	3,839,404
Net benefit expense (Note 23):				
Current service cost	1,134,684	-	-	1,134,684
Settlement loss	(238)	-	-	(238)
Net interest cost	616,437	385,348	487	231,576
	1,750,883	385,348	487	1,366,022
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(629,290)	-	629,290
Actuarial changes arising from:				
Changes in financial assumptions	337,384	-	-	337,384
Changes in demographic assumptions	(89,477)	-	-	(89,477)
Experience adjustment	82,702	-	-	82,702
Others	-	-	(487)	(487)
	330,609	(629,290)	(487)	959,412
Reclassifications from defined benefit assets	487,604	1,057,443	-	(569,839)
Effect of common control business combination	72,559	38,624	-	33,935
Actual contributions	-	893,372	-	(893,372)
Benefits paid	(1,032,300)	(1,025,000)	-	(7,300)
Transfer to related parties	7,688	7,688	-	-
Other adjustments	291,739	152,739	-	139,000
As at December 31, 2022	₱12,694,403	₱7,827,141	₱-	₱4,867,262



▪ 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>				
As at December 31, 2020 (As Restated - Note 5)	₱2,741,347	₱3,350,462	₱62,600	(₱546,515)
Net benefit expense (Note 23):				
Current service cost	309,832	–	–	309,832
Net interest cost	119,971	132,379	668	(11,740)
Past service cost - curtailment	(4,048)	–	–	(4,048)
	425,755	132,379	668	294,044
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	21,473	–	(21,473)
Actuarial changes arising from:				
Changes in financial assumptions	(464,387)	–	–	(464,387)
Changes in demographic assumptions	(176)	–	–	(176)
Experience adjustment	(168,812)	–	–	(168,812)
Others	–	–	8,550	8,550
	(633,375)	21,473	8,550	(646,298)
Reclassifications from defined benefit liabilities	423,823	123,921	–	299,902
Actual contributions	–	149,118	–	(149,118)
Benefits paid	(210,465)	(210,284)	–	(181)
Transfer from the plan	(106)	(106)	–	–
Amount not recognized due to asset limit	–	–	71,824	71,824
Other adjustments	(5,471)	–	(71,824)	(77,295)
As at December 31, 2021 (As Restated - Note 5)	2,741,508	3,566,963	71,818	(753,637)
Net benefit expense (Note 23):				
Current service cost	166,758	–	–	166,758
Net interest cost	88,378	111,836	2,953	(20,505)
Past service cost - curtailment	(1,931)	–	–	(1,931)
	253,205	111,836	2,953	144,322
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	(184,558)	–	184,558
Actuarial changes arising from:				
Changes in financial assumptions	(24,672)	–	–	(24,672)
Changes in demographic assumptions	18,998	–	–	18,998
Experience adjustment	173,154	–	–	173,154
Others	–	–	(37,208)	(37,208)
	167,480	(184,558)	(37,208)	314,830
Reclassifications from defined benefit liabilities	(920,684)	(1,253,538)	–	332,854
Effect of common control business combination	(140,110)	(87,700)	–	(52,410)
Actual contributions	–	105,869	–	(105,869)
Benefits paid	(135,908)	(135,875)	–	(33)
Transfer from the plan	(20,323)	(11,232)	–	(9,091)
Amount not recognized due to asset limit	–	–	37,571	37,571
Other adjustments	–	–	(37,571)	(37,571)
As at December 31, 2022	₱1,945,168	₱2,111,765	₱37,563	(₱129,034)

The principal assumptions used in determining the pension obligations of the Group follow:

	2022	2021 (As Restated - Note 5)
Discount rate	3.3% - 7.3%	3.3% - 5.6%
Future salary increases	2.0% - 8.0%	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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱203,812	₱123,290
Investment in debt and other securities	1,806,677	1,851,655
Investment in common trust funds	4,089,437	3,961,750
Investment in equity securities	480,191	462,969
Investment in government securities	3,314,714	3,866,776
Others	44,075	246,740
	₱9,938,906	₱10,513,180

- 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 2.9% to 8.0% and 2.6% to 7.5% in 2022 and 2021, respectively. These have maturities from February 2023 to December 2029 and April 2022 to December 2028 in 2022 and 2021, 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 2.1% to 11.9% and 2.4% to 11.9% in 2022 and 2021, respectively. These bonds have maturities from May 2023 to April 2028 and January 2022 to August 2028 in 2022 and 2021, 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	₱203,812	₱123,290
Investment in common trust funds	4,089,437	3,961,750
Transactions:		
Interest income from cash and cash equivalents	1,005	99,689
Net loss from investment in common trust funds	(135,180)	-

The Group expects to contribute about ₱1.4 billion to its Pension Plan in 2023.



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, 2022 and 2021, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation <i>(In Thousands)</i>
2022		
Discount rates	50	(₱952,813)
	(50)	1,093,466
Future salary increases	100	1,264,920
	(100)	(1,110,952)
No attrition rate	-	1,376,099
2021		
Discount rates	50	(₱821,162)
	(50)	887,483
Future salary increases	100	1,132,713
	(100)	(986,695)
No attrition rate	-	1,221,597

The average duration of the Group's defined benefit obligation is 3 to 32 years in 2022 and 2021.

The maturity analysis of the undiscounted benefit payments follows:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Year 1	₱3,905,116	₱2,497,152
Year 2	1,260,971	1,224,120
Year 3	1,672,538	1,574,773
Year 4	1,898,062	1,786,267
Year 5	1,928,047	1,869,904
Year 6 -10	13,971,753	12,476,940

The Plan assets are not matched to any specific defined benefit obligation.



26. Income Tax

The details of the Group's deferred tax assets and liabilities follow:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Deferred tax assets:		
Lease liabilities	₱10,107,139	₱9,413,916
Provision for doubtful accounts and others	1,246,439	1,101,657
Unamortized past service cost and defined benefit liability	1,660,618	1,219,342
NOLCO	1,083,853	1,547,244
Excess of fair values over cost of investment properties	723,543	755,221
MCIT	544,532	625,335
Accrued leases	195,576	130,648
	15,561,700	14,793,363
Deferred tax liabilities:		
ROU assets	8,680,073	7,955,496
Unrealized gross profit on sale of real estate	8,896,471	8,379,622
Appraisal increment on investment property	4,494,557	4,635,324
Capitalized interest	3,259,706	2,606,754
Trademarks and brand names	1,470,771	1,470,771
Excess of fair values over cost of equity instruments	39,368	63,805
Unamortized past service cost and defined benefit asset	38,371	76,797
Others	270,499	404,005
	27,149,816	25,592,574
Net deferred tax liabilities	₱11,588,116	₱10,799,211

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Deferred tax assets	₱5,209,746	₱4,876,528
Deferred tax liabilities	16,797,862	15,675,739
	(₱11,588,116)	(₱10,799,211)

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3.4 billion and ₱3.7 billion as at December 31, 2022 and 2021, 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 ₱1.1 billion, ₱17.9 million, and ₱1.1 billion, 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 (As Restated - Note 5)	2020 (As Restated - Note 5)
Statutory income tax rate	25%	30%
Income tax effect of reconciling items:		
Equity in net earnings of associate companies and joint ventures	(9)	(12)
Interest income subjected to final tax	(1)	(2)
Others	-	1
Effective income tax rate	15%	17%

27. 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Millions)</i>	
Within one year	₱13,150	₱9,141
Over one year to five years	23,231	18,963
Over five years	6,310	9,385
	₱42,691	₱37,489

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, 2022		
	Retail Stores, Office Spaces, Warehouses and		
	Land Use Rights	Others	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	₱26,952,441	₱27,339,351	₱54,291,792
Additions	1,138,124	3,710,101	4,848,225
Translation adjustment	106,771	6,249	113,020
Reclassifications (Note 11)	(1,280,292)	30,309	(1,249,983)
Retirements	-	(979,608)	(979,608)
As at end of year	26,917,044	30,106,402	57,023,446
Accumulated Depreciation and Amortization			
As at beginning of year	1,589,882	7,862,232	9,452,114
Depreciation and amortization	775,944	3,306,691	4,082,635
Translation adjustment	2,602	4,273	6,875
Reclassifications	-	76,558	76,558
Retirements	-	(733,544)	(733,544)
As at end of year	2,368,428	10,516,210	12,884,638
Net Book Value	₱24,548,616	₱19,590,192	₱44,138,808



December 31, 2021 (As Restated - Note 5)			
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
<i>(In Thousands)</i>			
Cost			
As at beginning of year	₱24,343,193	₱23,619,884	₱47,963,077
Additions	1,631,609	2,420,420	4,052,029
Effect of business combination (Note 5)	-	1,699,473	1,699,473
Translation adjustment	1,173,704	10,896	1,184,600
Retirements	(196,065)	(411,322)	(607,387)
As at end of year	26,952,441	27,339,351	54,291,792
Accumulated Depreciation and Amortization			
As at beginning of year	1,014,825	4,865,677	5,880,502
Depreciation and amortization	592,597	3,123,113	3,715,710
Translation adjustment	34,084	5,911	39,995
Retirements	(51,624)	(132,469)	(184,093)
As at end of year	1,589,882	7,862,232	9,452,114
Net Book Value	₱25,362,559	₱19,477,119	₱44,839,678

The rollforward analysis of lease liabilities follows:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
As at beginning of year	₱33,691,435	₱31,003,881
Additions	4,848,225	4,052,029
Effect of business combination (Note 5)	-	1,906,990
Interest expense (Note 24)	2,029,583	2,002,343
Concessions	(6,098)	(207,182)
Terminations	(319,772)	(381,609)
Payments	(4,853,925)	(4,692,207)
Reclassification and others	-	7,190
As at end of year	35,389,448	33,691,435
Less current portion (Note 18)	3,152,827	2,590,432
Noncurrent portion	₱32,236,621	₱31,101,003

Following are the amounts recognized in the consolidated statements of income:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Depreciation of ROU assets	₱4,082,635	₱3,715,710
Interest expense on lease liabilities	2,029,583	2,002,343



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:

	2022	2021 (As Restated - Note 5)
	<i>(In Millions)</i>	
Within one year	₱4,976	₱4,434
Over one year to five years	13,994	15,601
Over five years	47,750	37,099
	₱66,720	₱57,134

Tenants' deposits amounted to ₱24.8 billion and ₱22.2 billion as at December 31, 2022 and 2021, respectively.

28. 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, 2022 and 2021, after taking into account the effect of the swaps, approximately 79.1% and 82.5%, 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>
2022	100	(₱160.2)
	50	(80.1)
	(100)	160.2
	(50)	80.1
 2021 (As Restated - Note 5)	 100	 (₱238.3)
	50	(119.1)
	(100)	238.3
	(50)	119.1

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:

	2022		2021 (As Restated - Note 5)	
	US\$	PhP	US\$	PhP
	<i>(In Thousands)</i>			
Current assets:				
Cash and cash equivalents	\$110,236	₱6,146,210	\$5,310	₱270,790
Receivables and contract assets	2,732	152,311	28,274	1,441,957
Other current assets	–	–	139	7,065
Noncurrent assets:				
Time deposits	345,034	19,237,383	401,115	20,456,444
Other noncurrent assets	17,000	947,835	151,741	7,738,654
Total assets	475,002	26,483,738	586,579	29,914,910
Current liabilities:				
Accounts payable and other current liabilities	4,650	259,257	29,371	1,497,898
Current portion of long-term debt	–	–	107,858	5,500,668
Noncurrent liabilities:				
Long-term debt - net of current portion	434,458	24,223,206	348,963	17,796,754
Total liabilities	439,108	24,482,463	486,192	24,795,320
Net	\$35,894	₱2,001,275	\$100,387	₱5,119,590

As at December 31, 2022 and 2021, approximately 28.6% and 27.2%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of ₱209.0 million, ₱790.1 million and ₱268.0 million in 2022, 2021 and 2020, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
December 31, 2022	₱55.755
December 31, 2021	50.999
December 31, 2020	48.02

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>	
2022	₱1.50	₱53.8
	1.00	35.9
	(1.50)	(53.8)
	(1.00)	(35.9)
2021 (As Restated - Note 5)	₱1.50	₱150.6
	1.00	100.4
	(1.50)	(150.6)
	(1.00)	(100.4)



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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Cash and cash equivalents (excluding cash on hand)	₱104,545,323	₱87,538,808
Current portion of time deposits	8,788,848	311,233

The maturity profile of the Group's financial liabilities follow:

	2022			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	₱20,811,524	₱-	₱-	₱20,811,524
Accounts payable and other current liabilities*	157,445,676	-	-	157,445,676
Long-term debt (including current portion)**	97,110,996	296,798,872	148,709,180	542,619,048
Derivative liabilities**	459,320	294,403	-	753,723
Tenants' deposits**	204,813	2,849,930	21,607,970	24,662,713
Other noncurrent liabilities***	-	3,371,317	5,335,747	8,707,064
	₱276,032,329	₱303,314,522	₱175,652,897	₱754,999,748

*Excluding nonfinancial liabilities of ₱10.6 billion.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱15.4 billion.

	2021 (As Restated - Note 5)			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	₱27,167,173	₱-	₱-	₱27,167,173
Accounts payable and other current liabilities*	140,003,996	-	-	140,003,996
Long-term debt (including current portion)**	76,112,538	376,012,196	47,368,238	499,492,972
Derivative liabilities**	363,816	3,092,624	-	3,456,440
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
	₱243,685,950	₱404,508,207	₱50,892,269	₱699,086,426

*Excluding nonfinancial liabilities of ₱8.9 billion.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱13.8 billion.

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, 2022 and 2021, 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.

	2022			2021 (As Restated - Note 5)		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
	<i>(In Thousands)</i>					
Cash and cash equivalents (excluding cash on hand)	₱104,545,323	₱-	₱104,545,323	₱87,538,808	₱-	₱87,538,808
Time deposits including noncurrent portion	32,919,429	-	32,919,429	4,216,851	-	4,216,851
Financial assets at FVOCI	25,167,902	736,813	25,904,715	26,779,309	897,688	27,676,997
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	62,054,277	8,441,661	70,495,938	66,616,893	4,364,178	70,981,071
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)**	25,358,622	-	25,358,622	25,443,189	-	25,443,189
Escrow fund	621,490	-	621,490	468,043	-	468,043
Other noncurrent assets:						
Bonds and deposits	-	-	-	17,849,650	-	17,849,650
Long-term notes	-	-	-	5,371,668	-	5,371,668
Derivative assets (including noncurrent portion)	10,126,829	-	10,126,829	1,746,961	-	1,746,961
	₱260,793,872	₱9,178,474	₱269,972,346	₱236,031,372	₱5,261,866	₱241,293,238

*Excluding non-financial assets of ₱51.2 billion and ₱42.4 billion as at December 31, 2022 and 2021, respectively.

**Excluding non-financial assets of ₱204.3 million and ₱164.2 million as at December 31, 2022 and 2021, 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:

	Change in Equity Price	Effect on Equity <i>(In Millions)</i>
2022	+2.44%	₱670.3
	-2.44%	(670.3)
2021 (As Restated - Note 5)	+0.57%	₱109.5
	-0.57%	(109.5)

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

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Bank loans	₱20,811,524	₱27,167,173
Long-term debt (current and noncurrent)	484,896,917	445,325,439
Less:		
Cash and cash equivalents (excluding cash on hand)	(104,545,323)	(87,538,808)
Time deposits (current and noncurrent)	(32,919,429)	(4,216,851)
Net interest-bearing debt (a)	368,243,689	380,736,953
Total equity	692,190,011	623,608,185
Net interest-bearing debt and total equity (b)	₱1,060,433,700	₱1,004,345,138
Gearing ratio - net (a/b)	35%	38%



Gross Gearing Ratio

	2022	2021 (As Restated - Note 5)
	(In Thousands)	
Bank loans	₱20,811,524	₱27,167,173
Long-term debt	484,896,917	445,325,439
Total interest-bearing debt (a)	505,708,441	472,492,612
Total equity	692,190,011	623,608,185
Total interest-bearing debt and total equity (b)	₱1,197,898,452	₱1,096,100,797
Gearing ratio - gross (a/b)	42%	43%

29. 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:

	December 31, 2022				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱25,146,102	₱25,146,102	₱25,146,102	₱-	₱-
Unlisted shares of stock	736,813	736,813	-	-	736,813
Club shares	21,800	21,800	-	21,800	-
Derivative assets	10,126,829	10,126,829	-	10,126,829	-
	36,031,544	36,031,544	25,146,102	10,148,629	736,813
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	24,130,581	24,472,808	-	24,472,808	-
	₱60,162,125	₱60,504,352	₱25,146,102	₱34,621,437	₱736,813
Liabilities Measured at Fair Value					
Derivative liabilities	₱753,723	₱753,723	₱-	₱753,723	₱-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	397,849,704	397,980,746	-	-	397,980,746
Tenants' deposits and others*	34,051,278	32,172,765	-	-	32,172,765
	431,900,982	430,153,511	-	-	430,153,511
	₱432,654,705	₱430,907,234	₱-	₱753,723	₱430,153,511

*Excluding nonfinancial liabilities of ₱15.4 billion and noncurrent derivative liabilities of ₱294.4 million.

	December 31, 2021 (As Restated - Note 5)				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱26,764,759	₱26,764,759	₱26,764,759	₱-	₱-
Unlisted shares of stock	897,688	897,688	-	-	897,688
Club shares	14,550	14,550	-	14,550	-
Derivative assets	1,746,961	1,746,961	-	1,746,961	-
	29,423,958	29,423,958	26,764,759	1,761,511	897,688
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	3,905,618	3,930,229	-	3,930,229	-
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
	27,126,936	29,354,718	-	3,930,229	25,424,489
	₱56,550,894	₱58,778,676	₱26,764,759	₱5,691,740	₱26,322,177



	December 31, 2021 (As Restated - Note 5)				
	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>				
Liabilities Measured at Fair Value					
Derivative liabilities	₱3,456,440	₱3,456,440	₱-	₱3,456,440	₱-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	381,618,880	399,292,383	-	-	399,292,383
Tenants' deposits and others*	32,282,632	31,551,487	-	-	31,551,487
	413,901,512	430,843,870	-	-	430,843,870
	₱417,357,952	₱434,300,310	₱-	₱3,456,440	₱430,843,870

*Excluding nonfinancial liabilities of ₱13.8 billion and noncurrent derivative liabilities of ₱3.1 billion.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2022 and 2021.

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, 2022 and 2021, the Group's unlisted shares of stock were valued using discount rates of 9.3% to 12.3% and 9.3% to 16.1%, 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:

	2022	2021
Time deposits (noncurrent portion)	3.1% - 3.8%	-
Other noncurrent assets:		
Bond and deposits	-	1.0%
Long-term notes	-	0.2% - 1.0%
Tenants' deposits	2.7% - 6.9%	1.0% - 4.6%

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 3.1% to 8.4% and 0.3% to 6.2% as at December 31, 2022 and 2021, 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 7.4% to 8.5% and 4.7% to 5.2% as at December 31, 2022 and 2021, 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	(₱1,709,480)	(₱6,122,378)
Net changes in fair value during the year	10,216,086	4,730,641
Fair value on settled derivatives	866,500	(317,743)
	₱9,373,106	(₱1,709,480)

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2022, 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:

	Notional Amount	Agreed Equivalent	Fair Value	Interest Rate	Foreign Exchange Rate	Maturity
	<i>(In Thousands)</i>					
Parent						
Cross Currency Swaps	\$409,159	₱21,226,300	₱1,756,220	5.3% - 6.1%	₱51.15-₱53.42	2023 - 2024
SM Prime						
Cross Currency Swaps	\$260,000	₱13,142,200	₱1,644,111	3.6% - 6.4%	₱48.50 - ₱53.33	2023 - 2024
Cross Currency Swaps	286,000	¥1,919,208	568,337	3.9% - 4.0%	¥6.69 - ¥6.72	2024
Principal Only Swaps	270,000	¥1,753,285	(220,140)	-	¥6.38 - ¥6.68	2026 - 2027
Foreign Exchange Forward Swaps	715,000	₱39,820,155	1,148,261	-	₱53.94 - ₱60.39	2023 - 2026
Interest Rate Swaps	670,000	-	3,883,852	2.3% - 2.6%	-	2025 - 2026

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 ₱995.0 million gain in 2022, ₱216.0 million gain in 2021 and ₱6.5 million loss in 2020.

30. EPS Computation

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
	<i>(In Thousands Except Per Share Data)</i>		
Net income attributable to owners of the Parent (a)	₱61,653,665	₱40,411,896	₱23,889,971
Weighted average number of common shares outstanding (b)	1,211,846	1,204,583	1,204,583
EPS (a/b)	₱50.88	₱33.55	₱19.83



31. Change in Liabilities Arising From Financing Activities

	2022			2021 (As Restated - Note 5)		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	<i>(In Thousands)</i>					
Balance at beginning of year	₱27,167,173	₱445,325,439	₱33,691,435	₱24,126,000	₱398,316,235	₱31,003,881
Availments	66,878,421	100,256,801	4,848,225	53,296,257	129,529,420	4,052,029
Payments	(73,264,105)	(72,630,533)	(4,853,925)	(53,509,929)	(92,624,775)	(4,692,207)
Cumulative translation adjustment on cash flow hedges	5,535	2,229,038	–	–	4,467,951	–
Foreign exchange movement	–	9,718,606	–	218,345	2,202,275	–
Business combination (Note 5)	24,500	22,183	–	3,036,500	3,984,077	1,906,990
Others	–	(24,617)	1,703,713	–	(549,744)	1,420,742
Balance at end of year	₱20,811,524	₱484,896,917	₱35,389,448	₱27,167,173	₱445,325,439	₱33,691,435

There are no non-cash changes in accrued interest and dividends payable. Others include debt accretion and debt issue cost amortization.

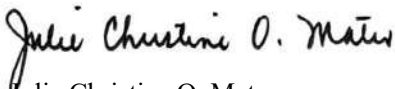


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, OneE-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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. 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. 9564675, January 3, 2023, Makati City

February 28, 2023

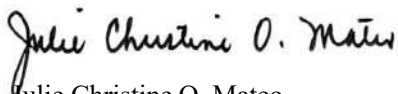


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, OneE-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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 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. 9564675, January 3, 2023, Makati City

February 28, 2023



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
AS AT DECEMBER 31, 2022
(Amounts in Thousands Except Per Share Data)

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
Temporary investments*:				
BDO Unibank, Inc.		₱74,206,713	₱-	₱989,662
China Banking Corporation		4,314,156	-	222,621
Others		1,152,641	-	407,853
		79,673,510	-	1,620,136
Time deposits – current*		8,788,848	-	89,004

Financial Asset at FVOCI:

Shares of Stock:				
Common shares:				
Shang Properties, Inc.	189,550,548 shares	481,458	481,458	31,276
Republic Glass Holdings Corporation	14,230,000 shares	44,113	44,113	427
PLCOP Resources, Inc.	40,000,000 shares	8,200	8,200	-
Benguet Corporation	266,757 shares	1,094	1,094	-
		534,865	534,865	31,703
Total Current Financial Assets		₱88,997,223	₱534,865	₱1,740,843

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
Financial Asset at FVOCI- noncurrent:				
Shares of Stock				
Listed:				
Ayala Corporation	28,249,341 shares	₱19,633,292	₱19,633,292	₱601,690
DMCI Holdings	164,312,700 shares	1,971,752	1,971,752	197,175
D.M. Wenceslao and Associates, Incorporated	79,167,800 shares	530,424	530,424	4,825
The Philippine Stock Exchange, Inc.	3,595,639 shares	568,111	568,111	39,552
ACEN	81,412,653 shares	620,364	620,364	112,361
Others		1,287,292	1,287,292	33,296
Unlisted:				
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	730,869	730,869	155,988
Others		2,036	2,036	–
		₱25,348,049	₱25,348,049	₱1,145,637

(Forward)

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
Club Shares				
Cebu Golf & Country Club	1 share	₱13,000	₱13,000	₱-
Baguio Country Club	1 share	6,000	6,000	-
Mimosa Golf & Country Club, Inc.	1 share	150	150	-
Country Club of Tagaytay Highlands	1 share	1,500	1,500	-
Camp John Hay	2 shares	400	400	-
Subic Bay Yacht Club	1 share	200	200	-
Splendido Taal Golf Club	1 share	150	150	-
Calatagan Golf Club	1 share	350	350	-
Cresta del Mar	1 share	35	35	-
Ridge Resort	1 share	15	15	-
		21,800	21,800	-
		25,369,849	25,369,849	1,145,637
Time Deposits – noncurrent*		24,130,581	-	847,630
Total Noncurrent Financial Assets		₱49,500,431	₱25,369,849	₱1,993,267

*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, 2022
(Amounts in Thousands)

<u>Name and Designation of Debtor</u>	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
<u>Accounts receivable – Tenants</u>							
SM Retail Inc.	P4,958	P138,112	(P132,363)	P-	P10,707	P-	P10,707
SM Mart, Inc.	76,260	407,313	(393,381)	-	90,192	-	90,192
Mainstream Business, Inc.	78,239	328,640	(312,616)	-	94,263	-	94,263
Major Shopping Management Corp.	37,882	200,622	(182,556)	-	55,948	-	55,948
Madison Shopping Plaza, Inc.	63,527	251,598	(235,671)	-	79,454	-	79,454
Mandurriao Star, Inc.	75,420	292,158	(277,849)	-	89,729	-	89,729
Mercantile Stores Group, Inc.	70,026	286,554	(267,189)	-	89,391	-	89,391
Manila Southern Associates, Inc.	60,790	237,343	(222,702)	-	75,431	-	75,431
Market Strategic Firm, Inc.	68,713	291,148	(272,111)	-	87,750	-	87,750
Metro Main Star Asia Corp.	62,293	264,084	(248,696)	-	77,681	-	77,681
Multi Stores Corporation	24,163	150,177	(141,161)	-	33,179	-	33,179
Metro Manila Shopping Mecca Corp.	55,202	223,749	(209,280)	-	69,671	-	69,671
Mindanao Shopping Destination Corp.	19,589	85,522	(81,965)	-	23,146	-	23,146
Meridien Business Leader Inc.	44,373	190,762	(168,161)	-	66,974	-	66,974
My Shoppinglane Cebu Corp..	10,838	82,518	(65,675)	-	27,681	-	27,681

(Forward)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Mindanao Shoppers Daily Destination Corp.	₱24,484	₱91,207	₱(85,744)	₱—	₱29,947	₱—	₱29,947
Master Shoppers Venue, Inc.	30,775	116,076	(101,455)	—	45,396	—	45,396
Mayon Shoppers Lifestyle Corporation	20,252	92,018	(75,658)	—	36,612	—	36,612
Middle Store United, Inc.	6,428	45,881	(24,341)	—	27,968	—	27,968
Main Shopping Princess Phils., Inc.	14,862	60,913	(51,019)	—	24,756	—	24,756
Shoemart, Inc. (formerly LTBG_Mgmt. Corp.)	1,359	9,797	(9,196)	—	1,960	—	1,960
Supervalu, Inc. (formerly SM Supermarket, Inc.)	502,190	3,250,174	(3,141,769)	—	610,595	—	610,595
Super Shopping Market, Inc.	215,218	1,365,242	(1,336,042)	—	244,418	—	244,418
Sanford Marketing Corporation	70,215	486,007	(483,052)	—	73,170	—	73,170
Waltermart Supermarket, Incorporated	—	5,485	(5,485)	—	—	—	—
Alfamart Trading Philippines, Inc.	14,193	82,171	(78,176)	—	18,188	—	18,188
HMS Development Corp	5,660	54,320	(51,562)	—	8,418	—	8,418
Forever Agape & Glory, Inc.	8,701	46,054	(42,156)	—	12,599	—	12,599
Modern Free Luxe Stores, Inc	—	15,096	(12,880)	—	2,216	—	2,216
Premium Global Essences Stores, Inc.	3,759	32,317	(31,372)	—	4,704	—	4,704
Walk EZ Retail Corp.	6,256	63,940	(59,862)	—	10,334	—	10,334
Mini Depato Corp.	28,413	253,340	(234,857)	—	46,896	—	46,896
ACE Hardware Philippines, Inc.	124,281	1,228,959	(1,169,663)	—	183,577	—	183,577
Homeworld Shopping Corporation	36,768	355,894	(337,029)	—	55,633	—	55,633
International Toy World, Inc.	38,678	289,776	(263,789)	—	64,665	—	64,665
Kultura Store, Inc.	9,991	79,897	(75,744)	—	14,144	—	14,144

(Forward)

Schedule C

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Nursery Care Corporation	₱2,135	₱25,030	(₱22,039)	–	₱5,126	₱–	₱5,126
Signature Lines, Inc.	3,904	44,045	(39,823)	–	8,126	–	8,126
Sports Central (Manila), Inc.	35,624	296,264	(273,362)	–	58,526	–	58,526
Star Appliance Center, Inc.	89,085	1,014,010	(957,348)	–	145,747	–	145,747
Supplies Station, Inc.	2	3,432	(3,081)	–	353	–	353
Warehouse Development Company, Inc.	62,714	249,066	(288,023)	–	23,757	–	23,757
Digital Advantage Corporation	8,589	276	(4,698)	–	4,167	–	4,167
Whiteplane, Inc.	634	4,136	(4,444)	–	326	–	326
Best Selection Retail Corporation	4,063	3,751	(7,814)	–	–	–	–
EC Steps Retail Corp.	292	3,855	(3,625)	–	522	–	522
SM Prime Holdings, Inc.	10,290	119,962	(94,316)	–	35,936	–	35,936
Summerhills Home Development Corp.	–	275	(275)	–	–	–	–
Costa del Hamilo, Inc.	415	3,686	(3,633)	–	468	–	468
Highlands Prime, Inc.	821	6,924	(6,930)	–	815	–	815
SM Hotels and Conventions Corp.	1,173	9,413	(9,306)	–	1,280	–	1,280
AIC Group of Companies Holdings Corp.	–	15,430	(8,824)	–	6,606	–	6,606
Manila Southcoast Development Corp.	279	1,301	(1,419)	–	161	–	161
Goldlocks Bakeshop Inc	–	273,416	(232,540)	–	40,876	–	40,876
2GO Group, Inc.	8,204	85,396	(78,330)	–	15,270	–	15,270
SM Investments Corporation	6,480	64,092	(55,523)	–	15,049	–	15,049
Total Accounts Receivable-Tenants	₱2,149,460	₱13,678,624	(12,977,580)	₱–	₱2,850,504	–	₱2,850,504

Schedule C

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
<u>Due From Related Parties</u>							
Allfirst Renewables Holdings, Inc.	P-	P16,000	P-	P-	P16,000	P-	P16,000
Belleshares Holdings, Inc. (formerly SM Commercial Properties, Inc.)	1,717,862	-	-	-	1,717,862	-	1,717,862
Hentfels Investments Co. Inc.	5,471,350	615,730	-	-	6,087,080	-	6,087,080
Intercontinental Development Corporation	125,000	43,100	-	-	168,100	-	168,100
Manila Southcoast Development Corp.	3,142,048	272,768	-	-	3,414,816	-	3,414,816
Mountain Bliss Resort and Development Corp.	979,317	-	-	-	979,317	-	979,317
Multi Realty Development Corporation	1,375,000	-	-	-	1,375,000	-	1,375,000
Primebridge Holdings, Inc.	1,000	-	-	-	1,000	-	1,000
Total Due From Related Parties	P12,811,577	P947,598	P-	P-	P13,759,175	P-	P13,759,175

Accounts receivable—royalty, management and service fees	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
SM Retail Inc.	₱1,911	₱199,597	(₱126,935)	₱—	₱74,573	₱—	₱74,573
SM Mart, Inc.	—	214,193	(214,193)	—	—	—	—
Mainstream Business, Inc.	1,771	157,262	(159,033)	—	—	—	—
Major Shopping Management Corp.	—	106,198	(106,198)	—	—	—	—
Madison Shopping Plaza, Inc.	1,605	109,565	(111,170)	—	—	—	—
Mandurriao Star, Inc.	1,317	139,010	(140,327)	—	—	—	—
Mercantile Stores Group, Inc.	—	139,192	(139,192)	—	—	—	—
Manila Southern Associates, Inc.	—	113,959	(113,959)	—	—	—	—
Market Strategic Firm, Inc.	235	144,129	(144,364)	—	—	—	—
Metro Main Star Asia Corp.	—	115,938	(115,938)	—	—	—	—
Multi Stores Corporation	—	68,028	(68,028)	—	—	—	—
Metro Manila Shopping Mecca Corp.	372	109,129	(109,501)	—	—	—	—
Mindanao Shopping Destination Corp.	2,134	41,806	(43,940)	—	—	—	—
Meridien Business Leader Inc.	683	75,534	(76,217)	—	—	—	—
My Shoppinglane Cebu Corp.	6,487	39,780	(46,267)	—	—	—	—
Mindanao Shoppers Daily Destination Corp.	11,972	43,572	(55,544)	—	—	—	—
Master Shoppers Venue, Inc.	10,253	—	—	—	10,253	—	10,253
Supervalu, Inc. (formerly SM Supermarket, Inc.)	221,651	622,465	(706,946)	—	137,170	—	137,170
Super Shopping Market, Inc.	140,580	377,734	(433,040)	—	85,274	—	85,274
Sanford Marketing Corporation	205,877	591,577	(666,358)	—	131,096	—	131,096
Alfamart Trading Philippines, Inc.	348	1,755	(2,103)	—	—	—	—

(Forward)

Accounts receivable—royalty, management and service fees	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Alfabetto Marketing, Inc.	₱5,718	₱36,277	(₱31,164)	₱—	₱10,831	₱—	₱10,831
Walk EZ Retail Corp.	4	490	(494)	—	—	—	—
Mini Depato Corp.	—	1,112	(1,112)	—	—	—	—
ACE Hardware Philippines, Inc.	323	—	(323)	—	—	—	—
Sports Central (Manila), Inc.	—	117	(117)	—	—	—	—
Star Appliance Center, Inc.	130,724	445,421	(424,531)	—	₱151,614	—	₱151,614
Whiteplane, Inc.	10	148	(158)	—	—	—	—
Digital Advantage Corporation	10,546	28,132	(13,030)	—	25,648	—	25,648
SM Prime Holdings, Inc.	5,588	235,469	(234,638)	—	6,419	—	6,419
Philippine Geothermal Production Company, Inc.	—	7,000	(5,870)	—	1,130	—	1,130
2Go Group, Inc.	4,222	29,548	(12,957)	—	20,813	—	20,813
Belleshares Holdings, Inc.	6,862	—	—	—	6,862	—	6,862
SM Investments Corporation	2,860	54,217	(54,217)	—	2,860	—	2,860
Accounts receivable—royalty, management and service fees	₱774,053	₱4,248,354	(₱4,357,864)	₱—	₱664,543	₱—	₱664,543

Dividends Receivable	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Multi-Really Development Corporation	₱49,573	₱254,546	(₱304,119)	₱-	₱-	₱-	₱-
SM Retail, Inc	8,035,921	7,726,849	(8,035,921)	-	7,726,849	-	7,726,849
SM Prime Holdings, Inc.	-	1,392,286	(1,392,286)	-	-	-	-
Henfels Investments Co. Inc.	-	160,000	-	-	160,000	-	160,000
Neo Subsidiaries	475,000	665,000	(1,140,000)	-	-	-	-
Nagtahan Property Holdings, Inc.	992	4,687	(992)	-	4,687	-	4,687
Prime Central Limited	-	100,016	(100,016)	-	-	-	-
Globalfund Holdings, Inc.	159,520	155,000	(264,520)	-	50,000	-	50,000
SM Investments Corporation	-	923	(923)	-	-	-	-
Total Dividends Receivable	₱8,721,006	₱10,459,307	(₱11,238,777)	₱-	₱7,941,536	₱-	₱7,941,536

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
AS AT DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Principal Stockholders	Others
Common Stock	2,790,000,000	1,222,023,358	—	102,035,881	537,750,659	582,236,818

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2022 AND 2021
(AMOUNTS IN THOUSANDS)

	December 31, 2022	December 31, 2021 (Restated)
i. Current ratio	Total current assets 361,549,410 Total current liabilities 293,025,159	306,367,530 261,628,704 1.23 : 1
ii. Acid test ratio	Total current assets less inventories and other current assets 200,382,180 Total current liabilities 293,025,159	166,746,300 261,628,704 0.68 : 1
iii. Solvency ratio*	Net income after tax + Depreciation and amortization 107,999,236 Total liabilities 789,694,555	75,580,146 739,198,795 13.7%
iv. Debt-to-equity ratio	Total interest-bearing debt 505,708,441 Total equity + Total interest-bearing debt 1,197,898,452	472,492,612 1,096,100,797 42 : 58
Net debt-to-equity ratio	Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits 368,243,689 Total equity + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits 1,060,433,700	380,736,953 1,004,345,138 35 : 65
Asset to equity ratio	Total assets 1,481,884,566 Total equity 692,190,011	1,362,806,980 623,608,185 2.14
vi. Return on assets	Net income after tax 84,345,373 Average assets 1,433,095,096	54,643,741 1,291,363,619 5.9%
vii. Return on equity <i>(Forward)</i>	Net income attributable to equity holders of the parent 61,653,665 Average equity attributable to equity holders of the parent 471,448,447	40,411,896 430,505,211 13.1%
		9.4%

viii	Interest rate coverage ratio	<u>Income from operations + Depreciation and amortization</u> Interest expense	<u>141,221,514</u> 21,547,070	6.55	<u>99,856,993</u> 19,138,771	5.22
ix	Net profit margin	<u>Net income after tax</u> Total revenues	<u>84,345,373</u> 553,771,115	15.2%	<u>54,643,741</u> 432,359,469	12.6%

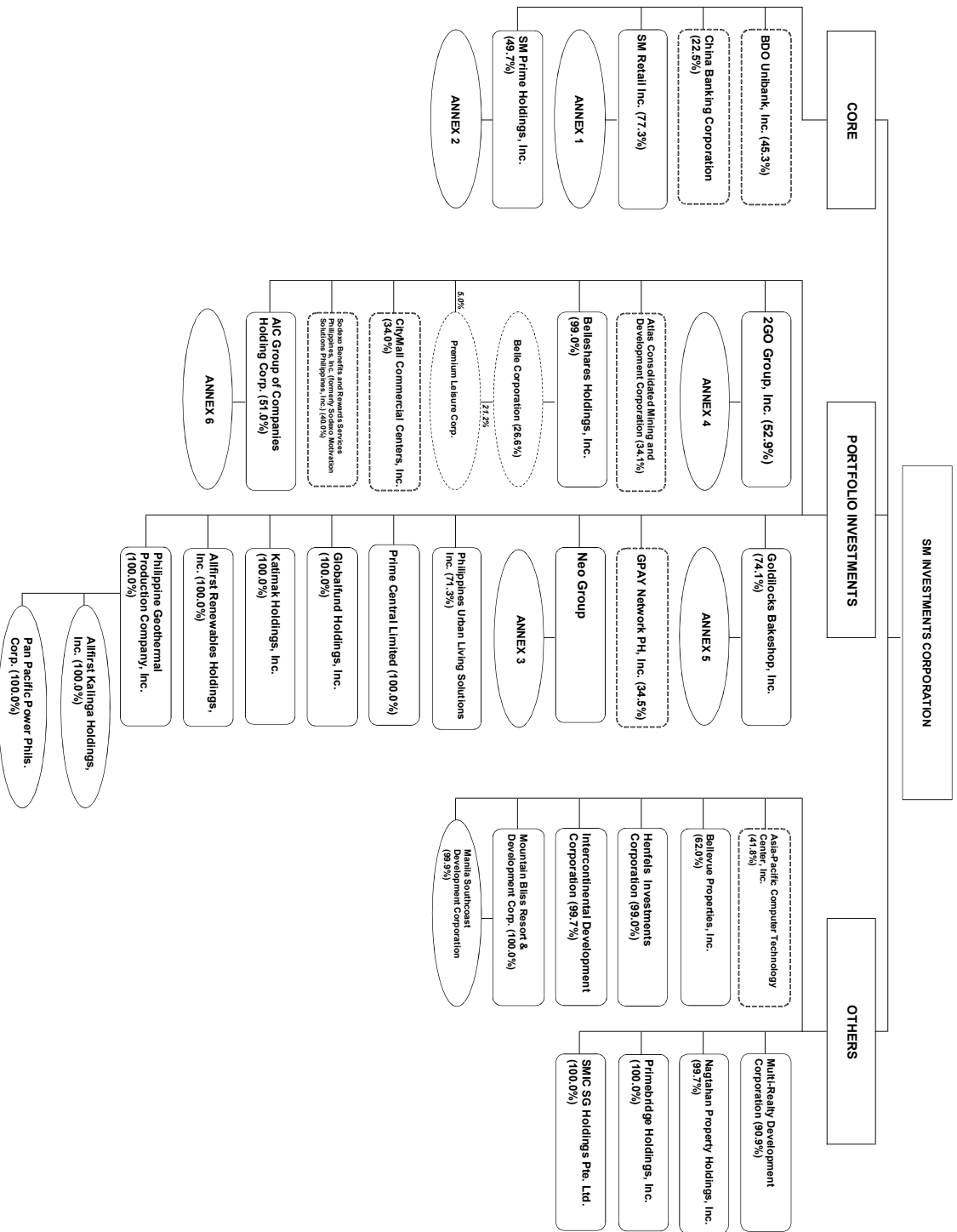
**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2022
(Amounts in Thousands)**

SM Investments Corporation

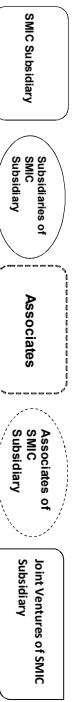
10th Floor, OneE-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-1A, Pasay City 1300

Unappropriated RE, December 31, 2021	₱30,430,754
Adjustments to beginning unappropriated RE:	
Rental income from straight-line amortization in excess of rental payments	(152,982)
Actuarial loss as at January 1, 2013 recorded as expense	48,548
	(104,434)
Unappropriated RE, as adjusted to available for dividend distribution, beginning	30,326,320
Net income during the period closed to Retained Earnings	11,653,075
Add: Rental payments in excess of rental income from straight-line amortization	44,097
	11,697,172
Net income actually earned during the period	11,697,172
Less: Cash dividends declared during the period	(7,528,643)
	(7,528,643)
Unappropriated RE, as adjusted to available for dividend distribution, December 31, 2022	₱34,494,849

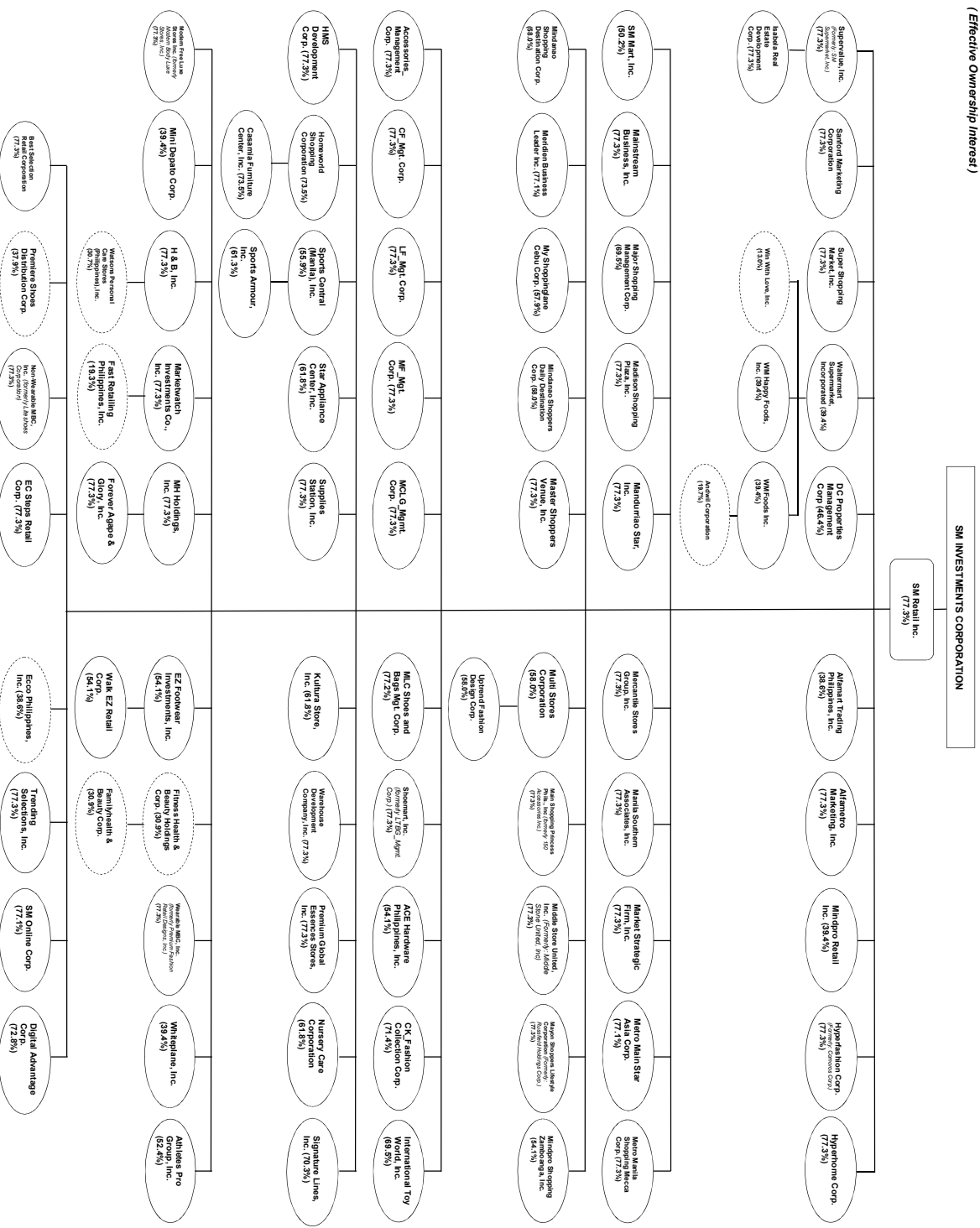
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONGLOMERATE MAP
 AS AT DECEMBER 31, 2022
 (Effective Ownership Interest)



Legend:

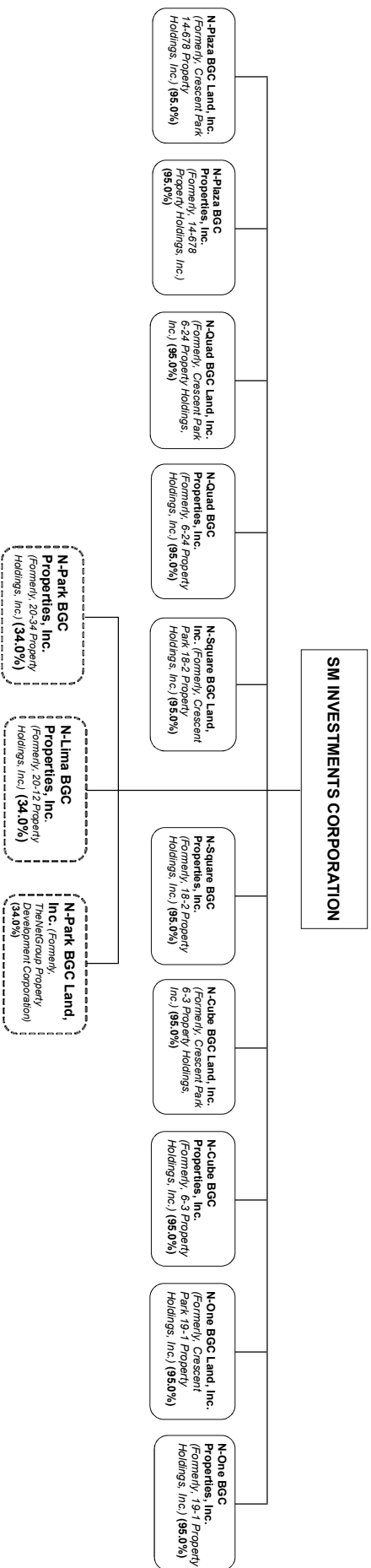


SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONSOLIDATED MAP
 AS AT DECEMBER 31, 2022
 (Effective Ownership Interest)

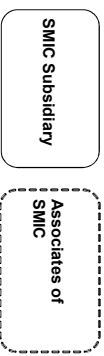


Legend:
 SMIC Subsidiary
 Subsidiary of SM Retail
 Associates of SM Retail

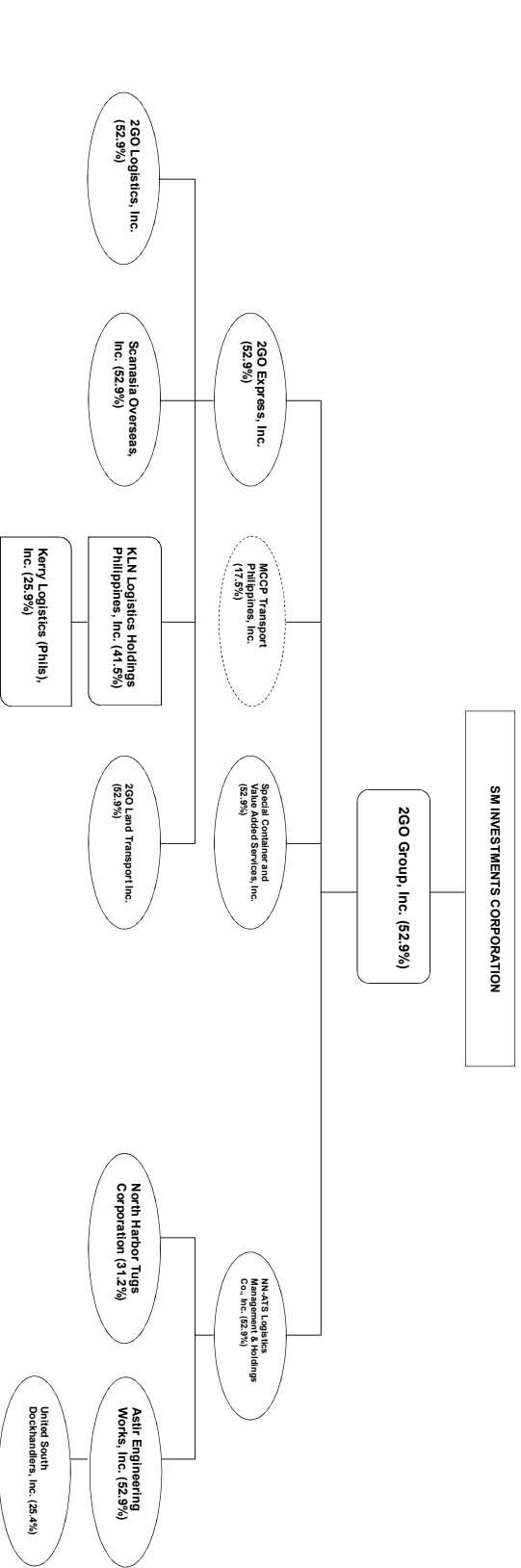
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONGLOMERATE MAP
 AS AT DECEMBER 31, 2022
 (Effective Ownership Interest)**



Legend:



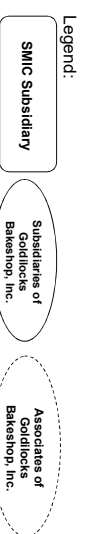
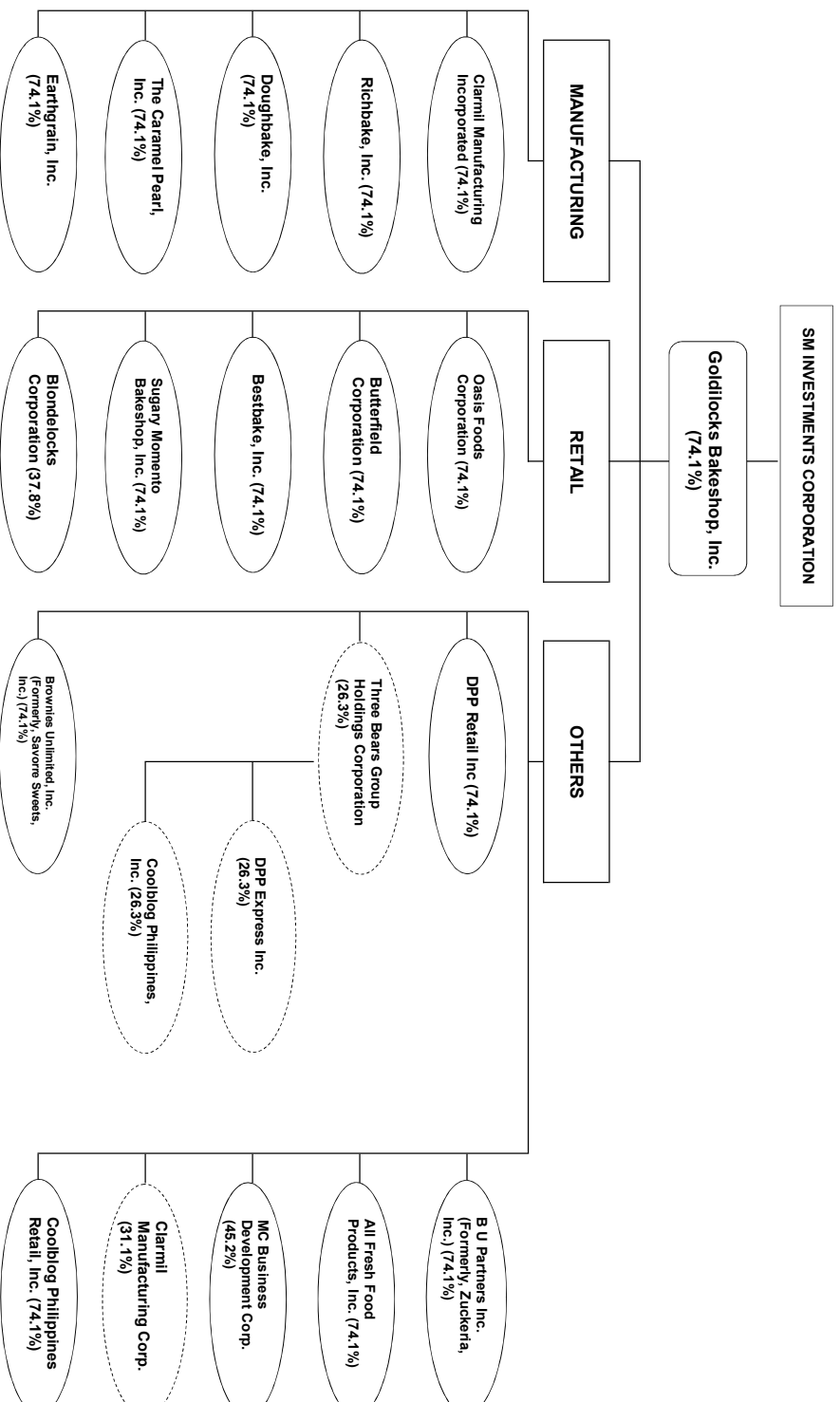
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONGLOMERATE MAP
 AS AT DECEMBER 31, 2022
 (Effective Ownership Interest)



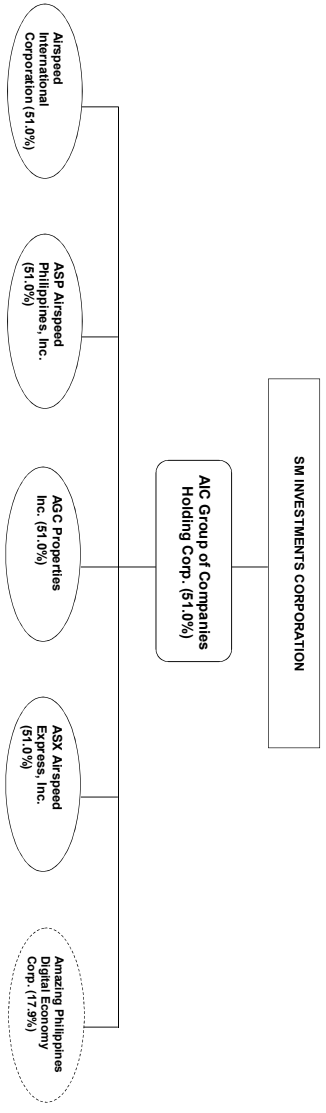
Legend:



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONGLOMERATE MAP
 AS AT DECEMBER 31, 2022
 (Effective Ownership Interest)



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONGLOMERATE MAP
 AS AT DECEMBER 31, 2022
 (Effective Ownership Interest)



Legend:

SMIC Subsidiary

Subsidiary of AIG Group of Companies Holding Corp.

Subsidiary of AIG Group of Companies Holding Corp.



SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

Receiving: Salvador Baculanta

Receipt Date and Time: April 04, 2023 03:18:33 PM

Company Information

SEC Registration No.: 0000016342

Company Name: S.M. INVS. CORP.

Industry Classification: J66110

Company Type: Stock Corporation

Document Information

Document ID: OST1040420238996136

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2022

Submission Type: Parent

Remarks: None

Acceptance of this document is subject to review of forms and contents

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				

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

A	A	P	F	S
---	---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

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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)
1,251	04/26	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

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

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.



From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Monday, April 3, 2023 6:40 PM
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."

Hi SM INVESTMENTS CORPORATION,

Valid files

- EAFS000169020ITRTY122022.pdf
- EAFS000169020AFSTY122022.pdf
- EAFS000169020TCRTY122022-01.pdf
- EAFS000169020RPTTY122022.PDF
- EAFS000169020TCRTY122022-02.pdf
- EAFS000169020TCRTY122022-03.pdf
- EAFS000169020OHTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-QQ42S33Z0KC9G68PZXN4YXQ0C9ADEB8K**
Submission Date/Time: **Apr 03, 2023 06:40 PM**
Company TIN: **000-169-020**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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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 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, 2022 and 2021, 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.

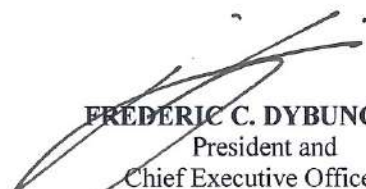
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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 28th day of February 2023

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

MAR 01 2023

MAKATI CITY


SUBSCRIBED AND SWORN to before this _____ at _____, affiants
exhibiting to me their Taxpayer Identification Number ID, as follows:

NAMES

TIN

JOSE T. SIO
FREDERIC C. DYBUNCIO
ERWIN G. PATO

DOC No. 01
PAGE No. 01
BOOK No. 11
SERIES of 2023


ATTY. REINIER S. QUIAMBAO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
PTR NO. 9583895 / 01.03.23 / MAKATI CITY
IBP NO. 256831 / 01.01.23 / TARLAC CITY
TIN 238-251-699 ROLL NO. 62283
MCLE NO. VII - 0016570 / 04.28.22

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SM Investments Corporation
10th Floor, OneE-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, 2022 and 2021, 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, 2022 and 2021, 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.

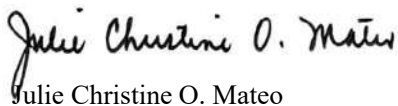


Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

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. 9564675, January 3, 2023, Makati City

February 28, 2023



SM INVESTMENTS CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 23 and 27)	₱5,100,636,151	₱3,668,276,070
Time deposits (Notes 7, 23 and 27)	8,753,535,000	–
Receivables (Notes 8, 23 and 27)	26,495,963,483	27,981,688,872
Prepaid taxes and other current assets (Note 10)	3,722,220,685	4,082,145,288
Total Current Assets	44,072,355,319	35,732,110,230
Noncurrent Assets		
Time deposits (Notes 7, 23, 27 and 28)	19,514,250,000	–
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 27 and 28)	11,949,235,547	14,275,685,206
Investments in subsidiaries and associates (Note 11)	208,365,311,782	196,284,289,019
Property and equipment (Note 12)	428,009,839	474,000,147
Investment properties (Note 13)	3,410,549,752	3,424,165,186
Right-of-use assets (Note 26)	485,409,284	391,303,862
Other noncurrent assets (Notes 14, 23, 27 and 28)	2,060,610,024	24,313,483,531
Total Noncurrent Assets	246,213,376,228	239,162,926,951
	₱290,285,731,547	₱274,895,037,181
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 23, 27 and 29)	₱9,995,000,000	₱12,250,000,000
Accounts payable and other current liabilities (Notes 16, 23, 26, 27 and 28)	5,138,566,292	4,465,722,740
Provisions (Notes 17 and 27)	5,024,677,247	3,583,606,314
Current portion of long-term debt (Notes 18, 23, 27 and 29)	28,612,743,250	21,363,677,814
Total Current Liabilities	48,770,986,789	41,663,006,868
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 23, 27, 28 and 29)	89,291,121,274	87,359,937,072
Defined benefit liability (Note 24)	56,535,877	277,539,870
Deferred tax liabilities (Note 25)	242,587,405	270,841,057
Derivative liabilities (Notes 18, 27 and 28)	–	1,265,773,653
Lease liabilities - net of current portion (Notes 23, 26, 27 and 29)	511,532,486	404,235,894
Tenants' deposits and others (Notes 23, 26, 27 and 28)	725,766,233	1,052,285,073
Total Noncurrent Liabilities	90,827,543,275	90,630,612,619
Total Liabilities	139,598,530,064	132,293,619,487
Equity		
Capital stock (Note 19)	12,261,145,780	12,045,828,670
Additional paid-in capital	67,452,883,265	62,383,270,999
Treasury stock (Note 19)	(40,912,200)	–
Remeasurement loss on defined benefit liability (Note 24)	(756,412,722)	(878,938,185)
Net unrealized gain on financial assets at FVOCI and others (Notes 9 and 28)	215,310,779	1,620,501,891
Retained earnings (Note 19):		
Appropriated	37,000,000,000	37,000,000,000
Unappropriated	34,555,186,581	30,430,754,319
Total Equity	150,687,201,483	142,601,417,694
	₱290,285,731,547	₱274,895,037,181

See accompanying Notes to Parent Company Financial Statements.



SM INVESTMENTS CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUES		
Dividends (Note 23)	₱16,256,320,527	₱15,391,233,745
Royalty and service fees (Notes 20 and 23)	5,471,005,720	3,589,137,656
Rent (Notes 13, 23 and 26)	1,243,619,670	1,151,844,483
	22,970,945,917	20,132,215,884
COSTS AND EXPENSES (Note 21)	6,905,113,461	(1,628,935,153)
OTHER INCOME (CHARGES)		
Interest expense (Notes 22 and 23)	(6,145,333,832)	(6,021,174,271)
Interest income (Notes 22 and 23)	1,328,896,648	1,232,448,877
Impairment loss on investment (Note 11)	(740,000,000)	-
Gain on fair value changes on derivatives - net (Note 28)	911,479,958	215,971,488
Gain on sale of investment in subsidiaries and associates (Note 11)	11,209,801	-
Foreign exchange gain and others - net (Note 27)	515,974,103	1,101,560,191
	(4,117,773,322)	(3,471,193,715)
INCOME BEFORE INCOME TAX	11,948,059,134	18,289,957,322
PROVISION FOR INCOME TAX (Note 25)	294,983,953	139,060,810
NET INCOME	11,653,075,181	18,150,896,512
OTHER COMPREHENSIVE INCOME (LOSS)		
Item to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain on financial assets at fair value through other comprehensive income (FVOCI) and others (Note 28)	1,076,035,129	837,755,486
Income tax relating to items to be reclassified to profit or loss in subsequent periods (Note 25)	(42,468,698)	-
	1,033,566,431	837,755,486
Items not to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain (loss) on financial assets at FVOCI and others (Note 9)	(2,559,888,060)	428,723,749
Remeasurement gain on defined benefit liability (Note 24)	122,525,463	105,586,394
Income tax relating to items not to be reclassified to profit or loss in subsequent periods (Note 25)	121,130,517	(23,270,312)
	(2,316,232,080)	511,039,831
OTHER COMPREHENSIVE INCOME (LOSS)	(1,282,665,649)	1,348,795,317
TOTAL COMPREHENSIVE INCOME	₱10,370,409,532	₱19,499,691,829

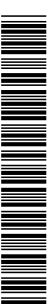
See accompanying Notes to Parent Company Financial Statements.



SM INVESTMENTS CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock	Additional Paid-in Capital	Treasury Stock	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, 2022	₱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
Net income	-	-	-	-	-	-	11,653,075,181	11,653,075,181
Other comprehensive income (loss)	-	-	-	122,525,463	(1,405,191,112)	-	11,653,075,181	(1,282,665,649)
Total comprehensive income (loss)	-	-	-	122,525,463	(1,405,191,112)	-	11,653,075,181	10,370,409,532
Effect of merger (Note 5)	215,317,110	5,069,612,266	(40,912,200)	-	-	-	-	5,244,017,176
Cash dividends - ₱6.25 a share	-	-	-	-	-	-	(7,528,642,919)	(7,528,642,919)
As at December 31, 2022	₱12,261,145,780	₱67,452,883,265	(₱40,912,200)	(₱756,412,722)	₱215,310,779	₱37,000,000,000	₱34,555,186,581	₱150,687,201,483
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	-	18,150,896,512	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

See accompanying Notes to Parent Company Financial Statements.



SM INVESTMENTS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱11,948,059,134	₱18,289,957,322
Adjustments for:		
Dividend income (Note 23)	(16,256,320,527)	(15,391,233,745)
Interest expense (Notes 22 and 23)	6,145,333,832	6,021,174,271
Provisions (reversal of provisions) - net (Notes 17 and 21)	3,318,500,000	(4,122,000,000)
Interest income (Notes 22 and 23)	(1,328,896,648)	(1,232,448,877)
Gain on fair value changes on derivatives - net (Note 28)	(911,479,958)	(215,971,488)
Impairment loss on investment (Note 11)	740,000,000	-
Depreciation and amortization (Notes 12, 13, 14, 21 and 26)	395,139,732	312,667,671
Net benefit expense (Notes 21 and 24)	104,278,268	131,765,685
Gain on sale of investment in subsidiaries and associates (Note 11)	(11,209,801)	-
Amortization of deferred rent income	(6,535,273)	(8,615,487)
Net unrealized foreign exchange loss (gain)	384,653,536	(21,102,388)
Income before working capital changes	4,521,522,295	3,764,192,964
Decrease (increase) in:		
Receivables	1,298,609,068	8,135,959,091
Prepaid taxes and other current assets	161,789,656	(223,538,209)
Increase (decrease) in:		
Tenants' deposits and others	106,004,216	(323,699,338)
Accounts payable and other current liabilities	(326,925,280)	(199,180,349)
Cash generated from operations	5,760,999,955	11,153,734,159
Contributions to plan assets (Note 24)	(202,756,798)	(203,650,280)
Income tax paid	(78,748,348)	(57,472,397)
Net cash provided by operating activities	5,479,494,809	10,892,611,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments in subsidiaries and associates (Note 11)	(423,287,897)	(19,146,729,759)
Property and equipment (Note 12)	(76,318,507)	(90,464,055)
Investment properties (Note 13)	(286,470,006)	(441,725,219)
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	-	(1,014,074,565)
Proceeds from sale in investment in subsidiaries and associates (Note 11)	77,149,800	-
Dividends received	16,663,136,554	15,574,800,939
Interest received	944,220,604	1,028,799,578
Decrease (increase) in:		
Other noncurrent assets	23,570,166,635	1,987,092,406
Time deposits	(27,084,025,000)	11,942,727
Effect of merger (Note 5)	104,809,541	-
Net cash provided by (used in) investing activities	13,489,381,724	(2,090,357,948)

(Forward)



	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Bank loans (Notes 15 and 29)	₱32,966,000,000	₱24,606,480,000
Long-term debt (Notes 18 and 29)	19,285,070,024	25,308,750,000
Payments of:		
Bank loans (Notes 15 and 29)	(35,221,000,000)	(12,356,480,000)
Long-term debt (Notes 18 and 29)	(21,380,216,742)	(40,310,164,993)
Interest	(5,599,017,222)	(5,854,755,355)
Dividends (Note 19)	(7,528,642,919)	(5,119,477,185)
Lease liabilities (Notes 26 and 29)	(64,092,405)	(60,893,229)
Net cash used in financing activities	(17,541,899,264)	(13,786,540,762)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,426,977,269	(4,984,287,228)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,382,812	(22,806,670)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	3,668,276,070	8,675,369,968
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱5,100,636,151	₱3,668,276,070

See accompanying Notes to Parent Company Financial Statements.



SM INVESTMENTS CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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, OneE-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Company 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 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, 2023.

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.

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 and fair value hierarchy.

“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, 2022 and 2021, 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	5–10 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.

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.

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.



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.

Treasury Stock

The acquisition of the Company's own capital stock (referred as treasury stock) is recorded at cost. The cost of treasury stock is shown in the parent company balance sheet as a deduction from total equity. No gain or loss is recognized in the SCI on the purchase, sale, issuance or cancellation of treasury stock.

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 in the accounting period, 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 four reportable operating segments as follows: property, retail, banking and portfolio investments.

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 segment includes the operations of BDO Unibank Inc. and China Banking Corporation.

The portfolio investments segment includes 2GO Group, Inc. (2GO), Philippine Geothermal Production Company, Inc. (PGPC), Neo subsidiaries and associates, Atlas Consolidated Mining and Development Corporation (Atlas), Belle Corporation (Belle), Goldilocks Bakeshop, Inc. (GBI) and others.

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 new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have a significant impact on the parent company financial statements.

▪ 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 Philippine Accounting Standard (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.

▪ Amendments to PAS 16, *Property, 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 shall be recognized in profit or loss.

▪ 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.



▪ *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.

- *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.

- *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.

Effective beginning on or after January 1, 2023

▪ *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.

▪ *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 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.

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 70 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current and 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.

- Amendments to PFRS 16, *Lease liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction such that the gain or loss that relates to the right of use retained is not recognized.

The amendments are effective on or after January 1, 2024 and must be applied retrospectively, with early adoption permitted.

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 and Sustainability 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.

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 in 2021, the Company waived rentals amounting to ₱47.5 million in addition to deferral of rental payments. In 2022, there were no such waived and deferred rentals. These 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 12 and 13 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. Management assessed that the Company has significant influence over PLC through its associate, Belle.

See Note 11 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 8 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 11 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 12, 13, 14 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 12, 13 and 14 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 ₱5,024.7 million and ₱3,583.6 million as at December 31, 2022 and 2021, 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.

5. Corporate Restructuring and Significant Acquisitions

Allfirst Equity Holdings, Inc. (Allfirst) Merger

In April 2022, the BOD and stockholders of the Company approved its merger with Allfirst, a related party, with the Company as the surviving entity. Allfirst is the holding company for PGPC.

PGPC operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. These two steam fields generate geothermal steam sufficient to produce approximately 300 MW of electricity. In addition to its two producing steam fields, PGPC has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

In August 2022, the Company received approval from the SEC for its acquisition of 81.0% stake of related parties in Allfirst. This transaction brings the Company's ownership in PGPC to 100.0%. The Company and Allfirst are under the common control of the Sy Family before and after the merger. Thus, the merger was considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the financial statements.

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination except those necessary to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The parent company statement of comprehensive income in the year of acquisition reflects the results of the combining entities when the combination took place; and
- Comparatives are presented only for the period that the entities were combined.

Acquisition of AIC Group of Companies Holding Corp. (AIC)

In August 2022, the Company acquired 10,000,002 shares, increasing its equity interest from 35.0% to 51.0% (see Note 11).



6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks (Note 23)	₱822,918,246	₱154,258,562
Temporary investments (Note 23)	4,277,717,905	3,514,017,508
	₱5,100,636,151	₱3,668,276,070

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.

7. Time Deposits

This account consists of:

	2022	2021
Current (Notes 23 and 27)	₱8,753,535,000	₱-
Noncurrent (Notes 23, 27 and 28)	19,514,250,000	-
U.S. dollar-denominated	₱28,267,785,000	₱-

As at December 31, 2022, the U.S. dollar-denominated time deposits bear an annual interest ranging from 4.0% to 4.5%.

Interest income earned from time deposits is disclosed in Note 22.

8. Receivables

This account consists of:

	2022	2021
Receivables from related parties (Note 23)	₱13,759,174,799	₱12,811,577,569
Dividends (Note 23)	8,107,994,298	8,757,750,903
Royalty and service fees (Notes 20 and 23)	2,826,296,025	2,660,866,896
Receivables from tenants (Note 23)	314,887,416	418,943,888
Accrued interest (Notes 6, 7, 14 and 23)	120,467,861	50,399,524
Non-trade receivables and others	1,367,143,084	3,282,150,092
	₱26,495,963,483	₱27,981,688,872

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:

	2022		Total
	Neither Past Due nor Impaired	Over 31 Days Past Due but not Impaired	
Receivables from related parties	₱13,759,174,799	₱-	₱13,759,174,799
Dividends	8,107,994,298	-	8,107,994,298
Royalty and service fees	2,826,296,025	-	2,826,296,025
Receivables from tenants	292,661,089	22,226,327	314,887,416
Accrued interest	120,467,861	-	120,467,861
Non-trade receivables and others	1,367,143,084	-	1,367,143,084
	₱26,473,737,156	₱22,226,327	₱26,495,963,483

	2021		Total
	Neither Past Due nor Impaired	Over 31 Days Past Due but not Impaired	
Receivables from related parties	₱12,811,577,569	₱-	₱12,811,577,569
Dividends	8,757,750,903	-	8,757,750,903
Royalty and service fees	2,660,866,896	-	2,660,866,896
Receivables 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
	₱27,907,931,831	₱73,757,041	₱27,981,688,872

9. Financial Assets at FVOCI

This account consists of:

	2022	2021
Equity instruments:		
Shares of stock:		
Listed (Notes 27 and 28)	₱11,923,927,047	₱13,440,439,924
Unlisted (Notes 5, 27 and 28)	3,908,500	820,945,282
Club shares (Notes 27 and 28)	21,400,000	14,300,000
	₱11,949,235,547	₱14,275,685,206

- 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:

	2022	2021
Balance at beginning of year	₱2,526,662,228	₱2,121,208,791
Net gain (loss) due to changes in fair value of financial assets at FVOCI	(2,438,757,543)	405,453,437
Balance at the end of year	₱87,904,685	₱2,526,662,228

10. Prepaid Taxes and Other Current Assets

This account consists of:

	2022	2021
Prepaid taxes and other prepayments	₱2,012,913,638	₱4,052,554,391
Derivative assets (Note 28)	1,707,743,299	28,449,178
Supplies inventory	1,563,748	1,141,719
	₱3,722,220,685	₱4,082,145,288

Prepaid taxes and other prepayments substantially consist of creditable tax certificates received by the Company.

11. Investments in Subsidiaries and Associates

The movements in this account follow:

	2022	2021
Acquisition cost:		
Balance at beginning of year	₱200,903,052,065	₱181,756,322,306
Additions (Note 5)	423,287,897	19,146,729,759
Disposal	(65,939,999)	-
Effect of merger (Note 5)	12,463,674,865	-
Balance at end of year	213,724,074,828	200,903,052,065
Allowance for impairment loss:		
Balance at beginning of year	4,618,763,046	4,618,763,046
Additions	740,000,000	-
Balance at end of year	5,358,763,046	4,618,763,046
	₱208,365,311,782	₱196,284,289,019

The Company regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. In 2022, the Company recognized ₱740.0 million of impairment loss due to market condition on certain investments.



The subsidiaries and associates of the Company follow:

Company	Principal Activities	Percentage of Ownership			
		2022		2021	
		Direct	Indirect	Direct	Indirect
Subsidiaries					
Property					
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
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
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 ^(a)	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	71	–
Retail					
SM Retail Inc. and Subsidiaries (SM Retail)	Retail	77	–	77	–
Others					
Primebridge Holdings, Inc.	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	99	–	99	–
Belleshares Holdings, Inc.	Investment	99	–	99	–
Digital Advantage Corp. (DAC)	Investment	–	94	94	–
GBI	Bakery products and other food items	74	–	74	–
2GO	Integrated supply chain	53	–	53	–
Globalfund Holdings, Inc. (Globalfund)	Investment	100	–	98	2
AIC	Investment	51	–	–	–
SMIC SG Holdings Pte. Ltd.*[Singapore]	Investment	100	–	–	–
PGPC	Renewable energy	60	40	–	19
Katimak Holdings, Inc.	Investment	100	–	–	19
Allfirst Renewables Holdings, Inc.	Investment	89	11	–	19
Associates					
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	–

(Forward)



Company	Principal Activities	Percentage of Ownership			
		2022		2021	
		Direct	Indirect	Direct	Indirect
CityMall Commercial Centers, Inc.	Real estate development and tourism	34	–	34	–
PLC	Gaming	5	–	5	–
Neo Associates ^(b)	Real estate development	34	–	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.	Investment	–	–	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 April 2022, the Company transferred 65,939,999 shares equivalent to 94.2% equity interest to SM Retail.

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 August 2022, the Company acquired additional 100,000 shares, increasing its equity interest to 100.0%. In September 2021, the Company acquired 4,900,000 shares equivalent to 98.0% equity interest.

12. 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
Cost					
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
Balance as at December 31, 2021	107,116,840	29,878,349	444,485,133	1,037,373,226	1,618,853,548
Additions	7,369,090	–	–	68,949,417	76,318,507
Balance as at December 31, 2022	₱114,485,930	₱29,878,349	₱444,485,133	₱1,106,322,643	₱1,695,172,055
Accumulated Depreciation					
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
Balance as at December 31, 2021	73,851,023	25,203,681	154,779,783	891,018,914	1,144,853,401
Depreciation (Note 21)	8,403,000	896,261	24,214,414	88,795,140	122,308,815
Balance as at December 31, 2022	₱82,254,023	₱26,099,942	₱178,994,197	₱979,814,054	₱1,267,162,216
Net Book Value					
As at December 31, 2022	₱32,231,907	₱3,778,407	₱265,490,936	₱126,508,589	₱428,009,839
As at December 31, 2021	33,265,817	4,674,668	289,705,350	146,354,312	474,000,147



13. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
Cost					
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)
Balance as at December 31, 2021	1,827,590,524	3,392,055,905	129,489,265	27,309,698	5,376,445,392
Additions	6,005,051	221,415,924	4,664,348	54,384,683	286,470,006
Write-off	–	(103,189,106)	–	–	(103,189,106)
Balance as at December 31, 2022	₱1,833,595,575	₱3,510,282,723	₱134,153,613	₱81,694,381	₱5,559,726,292
Accumulated Depreciation					
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
Balance as at December 31, 2021	127,090,174	1,740,689,976	84,500,056	–	1,952,280,206
Depreciation (Note 21)	85,285,667	138,569,386	9,917,024	–	233,772,077
Write-off	–	(36,875,743)	–	–	(36,875,743)
Balance as at December 31, 2022	₱212,375,841	₱1,842,383,619	₱94,417,080	₱–	₱2,149,176,540
Net Book Value					
As at December 31, 2022	₱1,621,219,734	₱1,667,899,104	₱39,736,533	₱81,694,381	₱3,410,549,752
As at December 31, 2021	1,700,500,350	1,651,365,929	44,989,209	27,309,698	3,424,165,186

No impairment loss was recognized in 2022 and 2021.

The fair value of the investment properties amounting to ₱38,577.1 million as at December 31, 2022 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 ₱1,243.6 million and ₱1,151.8 million in 2022 and 2021, respectively. The corresponding direct operating expenses amounted to ₱1,055.0 million and ₱883.6 million in 2022 and 2021, respectively.

The Company has no restriction on the realizability of its investment properties.

14. Other Noncurrent Assets

This account consists of:

	2022	2021
Derivative assets (Note 28)	₱1,080,764,612	₱–
Bonds and deposits (Notes 23, 27 and 28)	815,216,249	18,772,519,360
Escrow fund (Note 27)	130,000,000	130,000,000
Refundable deposits (Note 27)	34,509,220	35,227,351
Software (Note 21)	119,943	4,068,579
Long-term notes (Notes 23, 27 and 28)	–	5,371,668,241
	₱2,060,610,024	₱24,313,483,531



- 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.
- 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.
- Software includes the cost of computerized accounting system and other computer applications, programs and licenses. Software is carried at cost less accumulated amortization. Amortization is disclosed in Note 21.
- 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 has been collected in full as of December 31, 2022.
- 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 ₱9,995.0 million and ₱12,250.0 million as at December 31, 2022 and 2021, respectively. The loans bear fixed interest ranging from 1.9% to 4.6% in 2022 and 2021.

Interest expense on bank loans is disclosed in Note 22.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021
Subscriptions payable	₱1,966,477,148	₱1,966,477,148
Accrued interest (Notes 15, 18 and 23)	874,194,004	730,213,100
Payable to government agencies	633,646,035	586,817,614
Payable to suppliers	630,948,566	461,810,117
Derivative liabilities (Notes 27 and 28)	439,824,197	28,449,178
Accrued expenses	312,852,795	438,732,607
Advance rentals and deposits	175,846,489	149,877,510
Payable to related parties (Note 23)	83,020,754	83,020,754
Lease liabilities (Notes 23 and 26)	21,756,304	20,324,712
	₱5,138,566,292	₱4,465,722,740

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.

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.

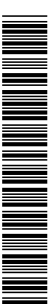


18. Long-term Debt

This account consists of:

	Availment	Maturity	Security	Interest Rate/Term	2022	2021
U.S. dollar-denominated:						
Fixed rate bonds						
US\$350.0 million senior bonds	June 10, 2014	June 10, 2024	Unsecured	Fixed 4.9%; semi-annual	₱19,514,250,000	₱17,849,650,000
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	11,661,645,662	10,666,886,685
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	11,151,000,000	10,199,800,000
Other U.S. dollar bank loans	March 31, 2017 to May 4, 2017	March 28, 2022 to May 4, 2022	Unsecured	Floating three-month LIBOR + margin; quarterly	-	5,507,892,000
Peso-denominated:						
Fixed rate retail bonds						
Series D Bonds	July 16, 2012	July 16, 2022	Unsecured	Fixed 6.9%; semi-annual	-	7,683,810,000
Series H Bonds	October 2, 2020	April 2, 2024	Unsecured	Fixed 3.4%; semi-annual	10,000,000,000	10,000,000,000
Series I Bonds	February 18, 2022	February 18, 2025	Unsecured	Fixed 3.6%; semi-annual	7,500,000,000	-
Series J Bonds	February 18, 2022	February 18, 2027	Unsecured	Fixed 4.8%; semi-annual	7,500,000,000	-
Fixed rate note	July 22, 2020	January 22, 2022	Unsecured	Fixed 2.9%; semi-annual	-	5,600,000,000
Other Peso bank loans (Note 23)	April 23, 2013 to August 1, 2022	May 25, 2022 to May 14, 2031	Unsecured	Fixed 3.0% to 5.6% and three-month PHP BYAL + margin; semi-annual and quarterly	51,124,350,000	41,889,800,000
Less debt issue cost					118,451,245,662	109,397,838,685
					547,381,138	674,223,799
Less current portion					117,903,864,524	108,723,614,886
					28,612,743,250	21,363,677,814
					₱89,291,121,274	₱87,359,937,072

LIBOR – London Interbank Offered Rate
BYAL – Bloomberg Valuation



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:

	2022	2021
Balance at beginning of year	₱674,223,799	₱719,941,743
Additions	214,929,976	191,250,000
Amortization (Note 22)	(351,789,030)	(240,203,243)
Foreign exchange movement	10,016,393	3,235,299
Balance at end of year	₱547,381,138	₱674,223,799

Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2022 follows:

	Gross Debt	Debt Issue Cost	Net
Within one year	₱28,672,095,662	₱59,352,412	₱28,612,743,250
Over one year to five years	75,203,150,000	395,529,044	74,807,620,956
Over five years	14,576,000,000	92,499,682	14,483,500,318
	₱118,451,245,662	₱547,381,138	₱117,903,864,524

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, 2022 and 2021, the Company is in compliance with the terms of its debt covenants.

19. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2022	2021
Authorized – ₱10 par value per share	2,790,000,000	2,790,000,000
Subscribed		
At beginning of year	1,204,582,867	1,204,582,867
Additions	21,531,711	–
At end of year	1,226,114,578	1,204,582,867
Issued and outstanding		
At beginning of year	1,204,582,867	1,204,582,867
Issuance	21,531,711	–
Treasury stock	(4,091,220)	–
At end of year	1,222,023,358	1,204,582,867



As at December 31, 2022 and 2021, 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:

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
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10

The total number of shareholders of the Company is 1,251 and 1,261 as at December 31, 2022 and 2021, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2022	2021
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2022 and 2021.



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, 2022 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
Debt service	2023-2024	₱27,000,000,000
Investments	2023-2024	10,000,000,000
		₱37,000,000,000

b. Unappropriated

The cash dividend declarations in 2022 and 2021 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
April 27, 2022	May 13, 2022	May 26, 2022	₱6.25	₱7,528,642,919
April 28, 2021	May 13, 2021	May 27, 2021	4.25	5,119,477,185

The retained earnings of the Company available for dividend declaration amounted to ₱34,494.8 million and ₱30,295.3 million as at December 31, 2022 and 2021, respectively.

20. Royalty and Service Fees

The disaggregation of royalty and service fees follows:

	2022	2021
Retail	₱5,246,043,437	₱3,445,459,388
Property	113,063,766	78,652,598
Banking and portfolio investments	111,898,517	65,025,670
	₱5,471,005,720	₱3,589,137,656



21. Cost and Expenses

This account consists of:

	2022	2021
Personnel cost (Note 23)	₱1,653,961,672	₱1,662,221,957
Management and service fees and outside services (Note 23)	475,958,497	421,350,561
Depreciation and amortization (Notes 12, 13, 14 and 26)	395,139,732	312,667,671
Repairs and maintenance	348,847,111	306,739,475
Donations and contributions	249,658,624	33,293,272
Communication	238,655,340	211,666,020
Dues and subscription	211,893,395	104,647,637
Taxes and licenses	174,458,069	109,664,999
Utilities	167,081,368	131,769,642
Advertising and promotions	144,424,358	60,909,711
Entertainment, amusement and recreation	54,149,986	47,663,413
Insurance	14,514,402	12,025,242
Others	301,707,373	148,174,532
	4,430,449,927	3,562,794,132
Various reimbursements	(843,836,466)	(1,069,729,285)
	3,586,613,461	2,493,064,847
Provisions (reversal of provisions) - net (Note 17)	3,318,500,000	(4,122,000,000)
	₱6,905,113,461	(₱1,628,935,153)

Personnel cost consists of:

	2022	2021
Salaries and wages (Note 23)	₱1,525,899,018	₱1,507,100,369
Pension benefits (Notes 23 and 24)	104,278,268	131,765,685
Other employee benefits	23,784,386	23,355,903
	₱1,653,961,672	₱1,662,221,957

Other employee benefits pertain to government-mandated bonuses.

22. Interest Income and Expense

The sources of interest income and interest expense follow:

	2022	2021
Interest income on:		
Time deposits (Notes 7 and 23)	₱980,185,154	₱595,856
Long-term notes (Notes 14 and 23)	237,830,117	352,192,066
Cash and cash equivalents (Notes 6 and 23)	107,948,205	87,037,736
Bonds and deposits (Notes 14 and 23)	-	790,953,440
Others (Note 14)	2,933,172	1,669,779
	₱1,328,896,648	₱1,232,448,877



	2022	2021
Interest expense on:		
Long-term debt (Notes 18 and 23)	₱5,448,450,969	₱5,698,818,151
Debt issue cost (Note 18)	351,789,030	240,203,243
Bank loans (Notes 15 and 23)	294,547,158	37,728,122
Lease liabilities (Notes 23 and 26)	43,604,963	35,770,104
Others	6,941,712	8,654,651
	₱6,145,333,832	₱6,021,174,271

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 and SM Retail for the management of its office premises and of its various commercial properties (see Note 21).

The Company also provides 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 and service fees based on a certain percentage of the related companies' net sales as defined in the contracts (see Note 20).



d. Cash Placements and Loans

The Company has certain bank accounts, short-term placements and time deposits with BDO and China Bank that earn interest based on prevailing rates (see Notes 6 and 7).

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>					
<i>Subsidiaries</i>					
Dividend income	2022	₱10,458,384	₱7,941,536	Noninterest-bearing	Unsecured, no impairment
	2021	11,657,602	8,331,943		
Royalty and service fee income	2022	3,970,865	662,298	Noninterest-bearing, 30 to 180 days terms	Unsecured, no impairment
	2021	2,411,061	767,919		
Rent income	2022	599,378	68,294	Noninterest-bearing, 30 day terms	Unsecured, no impairment
	2021	566,157	101,507		
Management and service fee expense	2022	54,027	2,320	Noninterest-bearing	Unsecured
	2021	51,600	4,752		
Interest expense on lease liabilities	2022	43,605	–	Noninterest-bearing	Unsecured
	2021	35,707	–		
Receivable from related parties	2022		13,759,175	Noninterest-bearing	Unsecured, no impairment
	2021		12,811,578		
Payable to related parties	2022		83,021	Noninterest-bearing	Unsecured
	2021		83,021		
Lease liabilities	2022		533,289	Noninterest-bearing	Unsecured
	2021		424,561		
<i>Associates</i>					
Dividend income	2022	5,384,563	120,450	Noninterest-bearing	Unsecured, no impairment
	2021	3,608,367	379,800		
Royalty and service fee income	2022	1,415,782	2,162,206	Noninterest-bearing, 30 to 180 day terms	Unsecured, no impairment
	2021	1,137,275	1,883,334		
Rent income	2022	47,145	7,900	Noninterest-bearing, 30 day terms	Unsecured, no impairment
	2021	39,641	7,018		
Interest income	2022	1,159,653	120,148	0.1% to 5.4%, 90 to 180 day terms	Unsecured, no impairment
	2021	1,094,002	50,267		
Interest expense	2022	865,819	172,878	Fixed 2.0% to 5.6%, 90 to 180 day terms	Unsecured
	2021	506,909	62,438		
Cash and cash equivalents	2022		5,013,820	Interest-bearing, 0.1% to 3.0%	Unsecured, no impairment
	2021		3,582,452		
Time deposits	2022		19,514,250	Interest-bearing, 4.0% to 4.5%	Unsecured, no impairment
	2021		–		
Other noncurrent assets - Long-term notes	2022		–	5.4% interest, payable quarterly	Unsecured, no impairment
	2021		5,371,668		
Other noncurrent assets - Bonds and deposits	2022		–	4.5% interest, payable semi-annual	Unsecured, no impairment
	2021		17,849,650		
Bank loans	2022		–	Interest-bearing, 2.0%	Unsecured
	2021		6,500,000		
Long-term debt	2022		28,135,250	Interest-bearing, 3.0% to 5.6%	Unsecured
	2021		18,840,600		



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 2022 and 2021 consist of short-term employee benefits amounting to ₱520.9 million and ₱508.3 million, respectively, and post-employment benefits amounting to ₱87.1 million and ₱107.8 million, respectively.

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, 2022 report.

Changes in defined benefit liability in 2022 follow:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
As at December 31, 2021	₱1,513,774,795	₱1,236,234,925	₱277,539,870
Net benefit expense in profit or loss (Note 21):			
Current service cost	95,189,582	-	95,189,582
Net interest	72,509,813	63,421,127	9,088,686
	167,699,395	63,421,127	104,278,268
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	-	(94,135,842)	94,135,842
Actuarial changes arising from:			
Changes in financial assumptions	(98,816,987)	-	(98,816,987)
Changes in demographic assumptions	(9,006,184)	-	(9,006,184)
Actuarial changes due to experience adjustment	(108,838,134)	-	(108,838,134)
	(216,661,305)	(94,135,842)	(122,525,463)
Actual contributions	-	202,756,798	(202,756,798)
Benefits paid	(26,796,233)	(26,796,233)	-
Transfer to the plan	(366,677)	(366,677)	-
As at December 31, 2022	₱1,437,649,975	₱1,381,114,098	₱56,535,877

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

(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)	₱-	₱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

The Company expects to contribute ₱159.9 million to its Pension Plan in 2023.

The principal assumptions used in determining the Company's pension obligation follow:

	2022	2021
Discount rate	7.0%	4.8%
Future salary increases	8.0%	8.0%

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 value of the Plan assets, follow:

	2022	2021
Cash and cash equivalents	₱11,818,768	₱17,729,919
Investment in debt and other securities	237,563,565	150,420,517
Investment in common trust funds	513,937,138	494,171,051
Investment in equity securities	5,168,174	11,997,536
Investment in government securities	605,824,662	556,269,263
Others	6,801,791	5,646,639
	₱1,381,114,098	₱1,236,234,925

- 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 8.0% and have maturities from April 2022 to December 2029.
- 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 2.1% to 11.9% 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:

	2022	2021
Balances:		
Cash and cash equivalents	₱11,818,768	₱17,729,919
Investment in common trust funds	513,937,138	494,171,051
Transactions:		
Interest income from cash and cash equivalents	61,541	352,429,002
Net loss from investment in common trust funds	(40,496,990)	-

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, 2022 and 2021, assuming all other assumptions were held constant:

		Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
2022	Discount rates	50	(₱38,372,992)
		(50)	42,498,257
	Future salary increases	100	41,665,459
		(100)	(38,362,752)
	No attrition rate	-	86,460,225
2021	Discount rates	50	(₱53,260,404)
		(50)	59,896,269
	Future salary increases	100	57,446,446
		(100)	(52,220,871)
	No attrition rate	-	200,879,721

The average duration of the defined benefit obligation as at December 31, 2022 and 2021 is 3 and 4 years, respectively.

The maturity analysis of the undiscounted benefit payments follows:

	2022	2021
Year 1	₱957,360,345	₱900,062,331
Year 2	74,987,725	72,333,699
Year 3	68,190,853	78,098,898
Year 4	68,617,516	73,289,735
Year 5	83,709,575	81,126,468
Year 6-10	638,878,449	627,779,509

The Plan assets are not matched to any specific defined benefit obligation.



25. Income Tax

The provision for income tax consists of the following:

	2022	2021
Final tax on interest income	₱165,827,438	₱136,493,367
Current income tax	78,748,348	57,472,397
Deferred income tax	50,408,167	(54,904,954)
	₱294,983,953	₱139,060,810

The provision for current income tax in 2022 and 2021 represents MCIT.

The details of the Company's deferred tax liabilities follow:

	2022	2021
ROU assets	₱121,352,321	₱97,825,966
Cross currency swaps	42,468,698	-
Debt issue cost amortization	41,682,297	-
Cumulative excess of rent income over lease payments	36,295,012	50,993,888
Unamortized deferred rent income, net of accretion on tenants' deposits	789,077	890,686
Excess of fair value over cost of equity instruments	-	121,130,517
	₱242,587,405	₱270,841,057

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:

	2022	2021
NOLCO	₱5,398,270,806	₱6,102,823,211
Allowance for impairment losses	5,358,763,046	4,618,763,046
Net unrealized foreign exchange loss	603,051,958	257,616,188
Lease liabilities	533,288,790	424,560,606
Unamortized past service cost	448,160,356	409,928,469
MCIT	243,254,481	428,961,263
Non-refundable advance rentals	174,481,220	148,512,241
Defined benefit liability	56,535,877	277,539,870
Cross currency swaps	-	906,160,337

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3,423.4 million and ₱3,715.4 million as at December 31, 2022 and 2021, 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 30.0% to 20.0% 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 30.0% to 25.0% for all other corporations;
- Reduction in the MCIT rate from 2.0% to 1.0% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10.0% 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, 2022, the Company’s NOLCO which can be claimed as deduction from its regular taxable income, follow:

Year Incurred	Availment Period	Amount	Applied in Previous Years	Expired	Applied in the Current Year	Unapplied
2019	2020-2022	₱2,199,304,183	₱-	₱2,199,304,183	₱-	₱-
2020	2021-2025	3,570,422,401	-	-	-	3,570,422,401
2021	2022-2026	333,096,627	-	-	-	333,096,627
2022	2023-2025	1,494,751,778	-	-	-	1,494,751,778
		₱7,597,574,989	₱-	₱2,199,304,183	₱-	₱5,398,270,806

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
2022	2025	₱78,748,348
2021	2024	84,230,831
2020	2023	80,275,302
		₱243,254,481

MCIT amounting to ₱264.5 million expired in 2022.



The reconciliation between the statutory tax rate and the Company's effective tax rate follows:

	2022	2021
Statutory income tax rate	25%	25%
Income tax effects of reconciling items:		
Dividends exempt from income tax	(34)	(19)
Change in unrecognized deferred tax assets	6	1
Interest income subjected to final tax	(1)	(1)
Nondeductible interest expense	1	1
Other nondeductible expenses	5	6
Effective income tax rate	2%	1%

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:

	2022	2021
Within one year	₱1,509,209,011	₱1,157,414,730
Over one year to five years	1,528,555,587	1,817,949,832
Over five years	67,448,480	154,459,550
	₱3,105,213,078	₱3,129,824,112

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 ₱10.3 million and ₱16.8 million as at December 31, 2022 and 2021, 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
Cost			
As at December 31, 2021	₱477,196,842	₱6,747,086	₱483,943,928
Additions	129,215,626	–	129,215,626
As at December 31, 2022	₱606,412,468	₱6,747,086	₱613,159,554
Accumulated Depreciation			
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
As at December 31, 2021	85,892,980	6,747,086	92,640,066
Depreciation (Note 21)	35,110,204	–	35,110,204
As at December 31, 2022	₱121,003,184	₱6,747,086	₱127,750,270
Net Book Value			
As at December 31, 2022	₱485,409,284	₱–	₱485,409,284
As at December 31, 2021	391,303,862	–	391,303,862

The following are the amounts recognized in the SCI:

	2022	2021
Interest expense on lease liabilities (Notes 22 and 23)	₱43,604,963	₱35,770,104
Depreciation expense on ROU assets (Note 21)	35,110,204	30,101,927
Rent expense related to short-term leases	572,620	40,792
Rent expense related to leases on low-value assets	300,311	206,648
	₱79,588,098	₱66,119,471

The rollforward analysis of lease liabilities follows:

	2022	2021
Balance at beginning of year	₱424,560,606	₱449,683,731
Additions	129,215,626	–
Interest expense (Notes 22 and 23)	43,604,963	35,770,104
Payments	(64,092,405)	(60,893,229)
Balance at end of year	533,288,790	424,560,606
Less current portion (Notes 16 and 23)	21,756,304	20,324,712
Noncurrent portion (Note 23)	₱511,532,486	₱404,235,894

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:

	2022	2021
Within one year	₱69,448,935	₱54,203,603
Over one year to five years	290,783,109	207,532,478
Over five years	497,027,242	448,078,770
	₱857,259,286	₱709,814,851

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, 2022 and 2021, after taking into account the effect of the swaps, approximately 90.0%, 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 through the impact of floating rate financial liabilities.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax <i>(In Millions)</i>
2022	100	(₱125.3)
	50	(62.6)
	(100)	125.3
	(50)	62.3
2021	100	(₱131.0)
	50	(65.5)
	(100)	130.1
	(50)	65.5

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:

	2022		2021	
	US\$	PhP	US\$	PhP
Current assets:				
Cash and cash equivalents	\$549,126	₱30,616,492	\$1,317,278	₱67,179,865
Receivables	2,154,920	120,147,578	985,645	50,266,891
Noncurrent assets:				
Time deposits	350,000,000	19,514,250,000	-	-
Bonds and deposits	17,000,000	947,835,000	367,000,000	18,716,633,000
Long-term notes	-	-	105,328,894	5,371,668,241
Total foreign currency-denominated assets	369,704,046	20,612,849,070	474,631,817	24,205,747,997
Current liabilities:				
Accounts payable	1,184,896	66,063,867	1,145,573	58,423,083
Current portion of long-term debt	-	-	107,858,353	5,500,668,138
Noncurrent liability:				
Long-term debt-net of current portion	349,458,006	19,484,031,133	348,962,812	17,796,754,456
Total foreign currency-denominated liabilities	350,642,902	19,550,095,000	457,966,738	23,355,845,677
Net foreign currency-denominated assets	\$19,061,144	₱1,062,754,070	\$16,665,079	₱849,902,320



As at December 31, 2022 and 2021, approximately 33.0% and 36.0%, respectively, of the Company's borrowing are denominated in U.S. dollars.

The Company recognized ₱26.5 million and ₱2.5 million net foreign exchange gain in 2022 and 2021, respectively. This resulted from the movements of the U.S. dollar against the Philippine Peso. As at December 31, 2022 and 2021, the U.S. dollar to Philippine Peso exchange rate is ₱55.755 and ₱50.999, 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>
2022	₱1.50	(₱28.6)
	1.00	(19.1)
	(1.50)	28.6
	(1.00)	19.1
 2021	 ₱1.50	 (₱25.0)
	1.00	(16.7)
	(1.50)	25.0
	(1.00)	16.7

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 has available credit facilities wherein funds can be withdrawn in case an immediate settlement is demanded on its current obligations.

The Company's financial assets, which have maturities of less than 12 months and used to meet short-term liquidity needs, include the following:

	2022	2021
Cash and cash equivalents (excluding cash on hand)	₱5,100,559,151	₱3,668,204,070
Current portion of time deposits	8,753,535,000	—



The maturity profile of the Company's financial liabilities follow:

	2022			Total
	Within 1 Year	1 Year to 5 Years	More than 5 Years	
Bank loans, including interest	₱10,026,445,313	₱-	₱-	₱10,026,445,313
Accounts payable and other current liabilities*	3,889,249,573	-	-	3,889,249,573
Provisions	5,024,677,247	-	-	5,024,677,247
Long-term debt, including interest	29,239,704,793	82,237,524,342	19,011,411,511	130,488,640,646
Derivative liabilities	439,824,197	-	-	439,824,197
Lease liabilities	-	290,783,109	497,027,242	787,810,351
Tenants' deposits and others**	-	701,441,977	14,052,696	715,494,673
	₱48,619,901,123	₱83,229,749,428	₱19,522,491,449	₱151,372,142,000

*Excluding payables to government agencies, and advance rentals and deposits amounting to ₱809.5 million as at December 31, 2022, the amounts of which are not considered as financial liabilities.

**Excluding deferred rent income amounting to ₱10.3 million as at December 31, 2022, the amounts of which are not considered as financial liabilities.

	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
	₱41,245,020,046	₱81,059,084,663	₱22,633,576,105	₱144,937,680,814

*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.

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, 2022 and 2021, 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.

	2022		Total
	High Quality	Standard Quality	
Cash and cash equivalents (excluding cash on hand)	₱5,100,559,151	₱-	₱5,100,559,151
Time deposits	28,267,785,000	-	28,267,785,000
Financial assets at FVOCI	11,945,327,047	3,908,500	11,949,235,547
Receivables*	26,263,704,562	165,364,118	26,429,068,680
Other noncurrent assets:			
Escrow fund	130,000,000	-	130,000,000
Refundable deposits	-	34,509,220	34,509,220
	₱71,707,375,760	₱203,781,838	₱71,911,157,598

*Excluding past due receivables amounting to ₱22.2 million and nonfinancial other receivables amounting to ₱44.7 million as at December 31, 2022.

	2021		Total
	High Quality	Standard Quality	
Cash and cash equivalents (excluding cash on hand)	₱3,668,204,070	₱-	₱3,668,204,070
Financial assets at FVOCI	13,454,739,924	820,945,282	14,275,685,206
Receivables*	27,690,561,474	193,493,428	27,884,054,902
Other noncurrent assets:			
Bonds and deposits**	17,849,650,000	-	17,849,650,000
Long-term notes	5,371,668,241	-	5,371,668,241
Escrow fund	130,000,000	-	130,000,000
Refundable deposits	-	35,227,351	35,227,351
	₱68,164,823,709	₱1,049,666,061	₱69,214,489,770

*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.

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)
2022	+2.4%	₱272.8
	-2.4%	(272.8)
2021	+0.6%	₱72.7
	-0.6%	(72.7)

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 50.0% of the sum of net debt and equity.

Net Gearing Ratio

	2022	2021
Bank loans	₱9,995,000,000	₱12,250,000,000
Long term debt (including current portion)	117,903,864,524	108,723,614,886
Less:		
Cash and cash equivalents (excluding cash on hand)	(5,100,559,151)	(3,668,204,070)
Time deposits	(28,267,785,000)	–
Total net interest-bearing debt (a)	94,530,520,373	117,305,410,816
Total equity	150,687,201,483	142,601,417,694
Total net interest-bearing debt and equity (b)	₱245,217,721,856	₱259,906,828,510
Gearing ratio (a/b)	39%	45%

Gross Gearing Ratio

	2022	2021
Bank loans	₱9,995,000,000	₱12,250,000,000
Long term debt (including current portion)	117,903,864,524	108,723,614,886
Total interest-bearing debt (a)	127,898,864,524	120,973,614,886
Total equity	150,687,201,483	142,601,417,694
Total interest-bearing debt and equity (b)	₱278,586,066,007	₱263,575,032,580
Gearing ratio (a/b)	46%	46%

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	2022			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial Asset at FVPL					
Derivative assets	₱2,788,508	₱2,788,508	₱–	₱2,788,508	₱–
Financial Assets at FVOCI:					
Listed shares of stock	11,923,927	11,923,927	11,923,927	–	–
Unlisted shares of stock	3,908	3,908	–	–	3,908
Club shares	21,400	21,400	–	21,400	–
	14,737,743	14,737,743	11,923,927	2,809,908	3,908
Assets for which Fair Values are Disclosed					
Time deposits (noncurrent portion)	19,514,250	19,843,800	–	–	19,843,800
	₱34,251,993	₱34,581,543	₱11,923,927	₱2,809,908	₱19,847,708



2022					
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Liabilities Measured at Fair Value					
Financial Liability at FVPL:					
Derivative liabilities	₱439,824	₱439,824	₱-	₱439,824	₱-
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	89,291,121	95,252,140	-	-	95,252,140
Tenants' deposits and others*	715,495	706,417	-	-	706,417
	90,006,616	95,958,557	-	-	95,958,557
	₱90,446,440	₱96,398,381	₱-	₱439,824	₱95,958,557

*Excluding deferred rent income amounting to ₱10.3 million as at December 31, 2022, the amounts of which are not considered as financial liabilities.

2021					
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial Asset at FVPL					
Derivative Asset	₱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	-
	14,304,134	14,304,134	13,440,440	42,749	820,945
Assets for which Fair Values are Disclosed					
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
	23,221,318	25,424,489	-	-	25,424,489
	₱37,525,452	₱39,728,623	₱13,440,440	₱42,749	₱26,245,434
Liabilities Measured at Fair Value					
Financial Liability at FVPL:					
Derivative liabilities	₱1,265,774	₱1,265,774	₱-	₱1,265,774	₱-
Liabilities for which Fair Values are Disclosed					
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, 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, 2022 and 2021.

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, 2022 and 2021, the Company's unlisted shares of stock were valued using discount rates of 9.3% to 12.3%.



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:

	2022	2021
Time deposits (noncurrent portion)	3.8%	–%
Other noncurrent assets:		
Bonds and deposits	–%	1.0%
Long-term notes	–%	0.2%-1.0%
Tenants' deposits and others	3.9%-6.6%	1.0%-4.6%

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 3.8% to 6.8% and 0.3% to 4.8% as at December 31, 2022 and 2021, 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 value of cross-currency swaps and non-deliverable forwards and swaps are based on quotes obtained from counterparties.

Derivative Instruments Designated as Accounting Hedges

As at December 31, 2022, the Company have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign-currency denominated debt. Details follow:

	Notional Amount	Agreed Equivalent	Fair Value	Interest Rate	Foreign Exchange Rate	Maturity
Cross currency swap	US\$209,158,742	₱10,971,300,000	₱675,455,842	5.3% - 6.1%	₱52.10 - ₱53.42	2023
Cross currency swap	200,000,000	10,255,000,000	1,080,764,612	5.4% - 5.5%	51.15 – 51.40	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 Company recognized derivative assets amounting to ₱1,032.3 million and derivative liabilities amounting to ₱439.8 million as of December 31, 2022 from the outstanding forward and swap contracts. The net fair value changes from the settled forward and swap contracts amounted to ₱319.0 million and ₱216.0 million gain in 2022 and 2021, respectively.

Fair Value Changes on Derivatives

The movements in the fair value of derivative instruments follow:

	2022	2021
Balance at beginning of year	(₱1,265,773,653)	(₱3,321,185,555)
Net changes in fair value during the year	3,933,474,065	2,271,383,390
Fair value change on settled derivatives	(319,016,698)	(215,971,488)
Balance at end of year	₱2,348,683,714	(₱1,265,773,653)



In 2022 and 2021, the net changes in fair value include mark-to-market net gain on derivatives accounted for as cash flow hedges amounting to ₱3,022.0 million and ₱2,055.4 million, respectively, 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 ₱911.5 million and ₱216.0 million, respectively, which is included under the “Gain on fair value changes of derivatives - net” account.

29. Change in Liabilities Arising from Financing Activities

	2022		
	Bank Loans (Note 15)	Long-term Debt (Note 18)	Lease Liabilities (Note 26)
Balance at beginning of year	₱12,250,000,000	₱108,723,614,886	₱424,560,606
Availments	32,966,000,000	19,285,070,024	129,215,626
Payments	(35,221,000,000)	(21,380,216,742)	(64,092,405)
Effect of merger	–	7,323,000,000	–
Debt issue cost amortization	–	351,789,030	–
Foreign exchange movement	–	1,654,648,348	–
Others	–	1,945,958,978	43,604,963
	₱9,995,000,000	₱117,903,864,524	₱533,288,790

	2021		
	Bank Loans (Note 15)	Long-term Debt (Note 18)	Lease Liabilities (Note 26)
Balance at beginning of year	₱	₱120,907,096,325	₱449,683,731
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
	₱12,250,000,000	₱108,723,614,886	₱424,560,606

There are no non-cash changes in dividends and accrued interest. Others include cumulative translation adjustment on cash flow hedges and interest expense on lease liabilities.

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. ¹

¹ 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

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)</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>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<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>		

Climate-related risks and opportunities²

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts ³ 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	

² 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.

³ 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		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>Identify the opportunity/ies related to material topic of the organization</p>		

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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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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Incidents of Corruption

Disclosure	Quantity	Units
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		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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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>
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<i>Identify the opportunity/ies related to material topic of the organization</i>		

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

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>		
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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

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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Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> renewable 		kg/liters

• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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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 ⁴ Red List species and national conservation list species with habitats in areas affected by operations	(list)	

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
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⁴ International Union for Conservation of Nature

organization's involvement in the impact?		
<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

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)		Tonnes

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<i>linked to impacts through its business relationship)</i>		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
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Air pollutants

Disclosure	Quantity	Units
NO _x		kg
SO _x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

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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

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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
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Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		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)</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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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
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Effluents

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

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)</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

Disclosure	Quantity	Units
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		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁵		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate ⁶		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>

⁵ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁶ 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>	
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Employee Training and Development

Disclosure	Quantity	Units
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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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Labor-Management Relations

Disclosure	Quantity	Units
-------------------	-----------------	--------------

% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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What are the Opportunity/ies Identified?	Management Approach
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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).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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What are the Risk/s Identified?	Management Approach

<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
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		#

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Labor Laws and Human Rights

Disclosure	Quantity	Units
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		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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<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		

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,</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>
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Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

**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: _____

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		

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) 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>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Health and Safety

Disclosure	Quantity	Units
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.

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>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>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	

Marketing and labelling

Disclosure	Quantity	Units
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.

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>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>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<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.

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>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>
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<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		#

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>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>

What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	
What are the Opportunity/ies Identified?	Management Approach
<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
2022 INTEGRATED REPORT

Serving Communities





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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 Do

Our core business is in retailing, banking, and developing properties into integrated lifestyle cities to benefit millions of Filipinos nationwide. Across all its entities, the group acts as a catalyst for responsible development in communities nationwide.

Retailing is at the heart of SM. The SM Store is our anchor department store on top of more than 30 other retail brands that have a leading presence in most retail categories. SM is also a partner of choice of foreign brands that have established their presence in the Philippines.

In grocery retailing, SM operates a range of different sized formats, ranging from stand-alone hypermarkets and large supermarkets in malls, to mid-sized stores in neighborhoods and small local minimarts.

We deliver a full range of banking services to corporate enterprises and small- and medium-sized businesses. We also serve entrepreneurs, family-run businesses, and individuals. We have also dedicated ourselves to bringing financial inclusion to the majority of Filipinos who have yet to open bank accounts.

In property development, we manage and build integrated developments that consist of a mix of retail, office and entertainment buildings, condominiums, hotels, convention centers, and entertainment facilities that are centered on our network of malls.

SM also invests in key sectors in the Philippines with high growth potential, including logistics, bakeshops, urban dormitories, leisure, mining, and geothermal energy.

The businesses of SM all work together as an ecosystem with high synergies that also support its many thousands of partners.

Who We Are

In the late 1950s, our founder Henry Sy put up a small shoe store on Carriedo St., Manila. It was called Shoemart.

Today, SM is the country's leading conglomerate, a network of sustainable businesses that specializes in retail, property, and banking, impacting the lives of millions of Filipinos.

We are fueled by our passion to serve our customers better, look after our employees, deliver sustained returns to our shareholders, and practice good governance in everything we do. We take pride in helping other businesses achieve their own success as leaders.

Since our beginnings more than 60 years ago, we have remained anchored on values of drive and enthusiasm, leadership, integrity, teamwork, and entrepreneurship.

We are one of the country's largest employers with more than 140,000 people in our organization. We enjoy working with a shared sense of purpose, committed to improving the quality of life for our communities, constantly finding ways to provide opportunities for personal and social growth. In this manner, we help address the needs of millions of Filipinos, creating shared value, and driving national development.

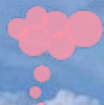
It's not just about business. We are also aware of our impact on the planet. We strive for transparency and accountability across all areas of our business, and are focused on becoming a global leader in sustainable business practices.

As we look to the future, we envision a strong ecosystem of sustainable businesses that are catalysts for responsible development in the communities we serve.

What We Stand For



**Drive and
Enthusiasm**



Leadership



Integrity



Teamwork



Entrepreneurship



Our Board's Report

To our Stakeholders

At SM, we are one of the leading players in a growing, rapidly developing country with many communities to serve. We understand the important role we play in serving and helping build communities across the Philippines. As such, our businesses aim to act as catalysts for their growth.

As we grow too, we are aware of the many thousands of business partners and individuals who depend upon us for their livelihood, and the millions of Filipino customers who trust and rely on SM for access to modern retailing, banking, property and our other services. We have a responsibility to them, our stakeholders, and to the unique natural environment in which we operate.

In 2022, the pandemic was largely behind us and we were focused on serving Filipinos and helping lead responsible development across the regions as the country returned to normality.

In doing so, our businesses delivered record financial results last year. This came from a rapid return to normal economic activity, employment and spending by Filipino consumers. We also benefited from the deliberate actions we took during the difficult times to strengthen our businesses, support our stakeholders and acquire new assets in high growth sectors. These priorities have begun to pay off. SM is a stronger, more dynamic and more responsible ecosystem today.

We would like to thank our leadership and people for their dedicated efforts, our private and public sector partners for their continued support, and our customers for their ongoing loyalty. We would also like to thank our Board members for their service and our shareholders for their confidence in us.

A portrait of Jose T. Sio, an elderly man with glasses, wearing a dark pinstriped suit jacket, a white shirt, and a patterned tie. He is standing against a white background with a large blue circle behind him.

Jose T. Sio
Chairman

A portrait of Teresita T. Sy, a woman with short dark hair, wearing a dark blazer over a white top. She is standing against a white background with a large blue circle behind her.

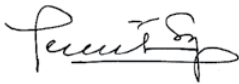
Teresita T. Sy
Vice Chairperson

Despite the continuation of global uncertainties, the Philippines remains a bright spot, and SM remains a strong player with a growth mindset and many opportunities ahead.

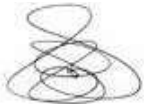
We look forward to serving more Filipinos in the future.



Jose T. Sio / Chairman



Teresita T. Sy / Vice Chairperson



Henry T. Sy, Jr. / Vice Chairman



We are a leading player in a growing, rapidly developing country with many communities to serve



A stronger, more dynamic and more responsible ecosystem today



SM remains a strong player with a growth mindset towards many opportunities ahead



Henry T. Sy, Jr.
Vice Chairman

Our President's Report



Frederic C. DyBuncio
President and CEO



To our Stakeholders

I am very pleased to report that 2022 was an exceptional year for the SM group. It was a year of remarkable growth, benefits to our communities, impact towards our key advocacies, and record results.

Behind this was the resurgence of economic activity that came following the removal of COVID era restrictions and which enabled us to open up and perform for our stakeholders. Philippine GDP grew by 7.6%, remittances by overseas Filipino workers grew by 3.6% and unemployment fell to 4.3%. This created an environment of economic activity, active growth and consumer confidence.

All of our businesses participated in this. We were conscious of inflationary risks and adapted our business operations and customer offerings accordingly. As a result, all our businesses delivered good growth.

Our banks started the year from a position of strength, having already recovered from the pandemic in 2021. In 2022, they showed revenue growth across their core activities, with lower non-performing loans (NPLs) than provided for and strong balance sheets in place. Rising interest rates helped improve margins and positive business sentiment helped deliver profit growth.

Normalized movement and social activity resumed from the second quarter onwards and resulted in strong growth in our retailing businesses, particularly in non-food formats. Our wide portfolio of brands experienced both pent up 'revenge spending' as consumers resumed shopping and going out, and also sustained spending as they returned to higher earnings and daily social activity.

The optimism of consumers in turn enabled our malls to return to full rental arrangements with their tenants by the mid-year. With high tenant occupancy and foot traffic above pre-pandemic levels, our property arm, SM Prime, also delivered strong growth.

Additionally, we were able to improve operating margins across our businesses due to the rigorous review of efficiencies and cost saving actions taken over the last two years.

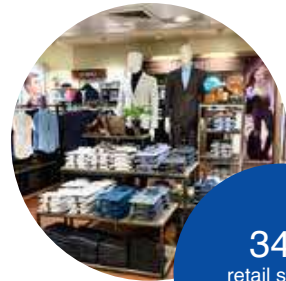
Overall SM grew consolidated revenues by 28% to PHP554 billion and earnings by 53% to PHP62 billion in 2022. This exceeded pre-pandemic performance.

Business Expansion

At the same time, we returned to our pre-pandemic strategy of expanding our footprint nationwide, opening new stores, malls, residences and bank branches, allowing us to reach and serve more Filipinos. As economic growth strengthens in the provinces, we opened 348 retail stores, added 300,000 square meters of mall floor area and over 100 new bank branches outside Metro Manila in 2022.



PHP554bn
Consolidated Revenues



348
retail stores
opened in 2022



over **100**
new bank
branches

Heading into 2023, we remain optimistic as a group. Opportunities for growth in the Philippines remain high. Our businesses are well-positioned and have clear strategies to participate in this.

New Businesses

As a strategy to participate in emerging high growth sectors we have invested in several related businesses in recent years, identifying where we can add value to our partners from synergies within the SM ecosystem. In 2022, we increased our involvement in the logistics sector, bringing our stake in Airspeed to 51%, and in geothermal steam for renewable energy generation, acquiring 100% of Philippine Geothermal Production Company (PGPC). Meanwhile 2GO, our end-to-end logistics partner, delivered turnaround profits last year, and our other partner businesses continued to innovate and grow. We are particularly optimistic about these opportunities.

All of the companies active in our portfolio investments are currently profitable. Indeed, they collectively contributed 11% of consolidated earnings last year and we expect this to increase over time.

Community Impact

As we grow, we work to ensure that we create and share value with our partners and our communities, helping build strong social foundations. Last year, we carried on with our programs providing access to food security through farmer training, quality education with our school building and scholar programs, and healthcare with our facilities building and medical missions.

SM Supermalls was the biggest private sector partner of the government to vaccinate Filipinos in the country as it administered more than 10.5 million doses of COVID-19 vaccines nationwide by the end of 2022 using its nationwide mall network as vaccination centers.

We also continue to champion inclusive societies. Within our own workplace, we recently appointed our first Group Diversity Officer to develop and ensure a group-wide approach in promoting diversity, equity, inclusion and belonging among our people. This mirrors the same inclusivity we offer to our customers and other stakeholders.

Climate Advocacy

We partnered with WWF to host a conference for private and public sector action towards climate change last year and to launch a private sector climate alliance. The Philippines' unique exposure as one of the most at-risk countries to climate change calls for concerted efforts, both towards reducing emissions and also towards critical adaptation efforts, where SM remains a leading advocate. We took actions on both fronts.

SM Investments published its Climate Position this year (see p.95) and the group made a number of moves towards using, funding and driving renewable energy growth in the Philippines. SM Prime notably achieved at least 50% of its energy use coming from renewable sources last year. BDO meanwhile issued the first private sector Blue Bond in South East Asia, providing financing for projects to preserve clean water resources, help prevent marine pollution and support the country's climate goals.



We continued to plant trees and have so far planted and maintained over 2.6 million seedlings and trees through SM Foundation, Belle, Hamilo Coast and Carmen Copper. We also launched our Grow Trees Community through SM Foundation and with our partner, Fast Retailing Foundation. The program focuses on the development of long-term reforestation by involving an ecosystem of partners to care for the trees, especially after they are planted as seedlings.

Recognitions

It was gratifying to be recognized by leading awards bodies for our efforts in a number of these areas. I am particularly proud that SM Investments was Top Rated by Sustainalytics ESG

rating agency in two categories last year—top among diversified financial companies globally, and top among all companies in Asia Pacific. Additionally, Forbes Magazine included SM among its World’s Best Employers. Meanwhile, 6 companies within the group were highly recognized by the ASEAN Corporate Governance Scorecard awards.

On behalf of the SM group, I’d like to thank our customers, our people, our partners in both business and in the public sector, and our many stakeholders across the country for continuing to trust in us and support us in our ambitions to grow and help serve our communities nationwide. We are inspired by the people we work with and motivated to do more.

Heading into 2023, we remain optimistic as a group. Opportunities for growth in the Philippines remain high. Our businesses are well-positioned and have clear strategies to participate in this. We are focused on expansion around the country and on ensuring that our ecosystem of businesses work together to create shared value for all our stakeholders.

Thank you.

Frederic C. DyBuncio
President and CEO

Our Business Footprint



SM Retail

77.3%
Effective Interest

PHP378.2bn
Revenues

72
The SM Store

215
Savemore

1,611
Brand Affiliates

1,412
Alfamart

65
SM Supermarket

54
SM Hypermarket

82
Walmart

1
MindPro



BDO Unibank, Inc.

45.3%
Effective Interest

1,650
Branches in
the Philippines

PHP149.2bn
Net Interest Income

4,655
ATMs

PHP57.1bn
Net Income

2
Foreign
Branches



China Banking Corporation

22.5%
Effective Interest

PHP45.6bn
Net Interest Income

PHP19.1bn
Net Income

640
Branches

1,044
ATMs



SM Prime Holdings

49.7%
Effective Interest

PHP105.8bn
Consolidated Revenues

22
Integrated
Lifestyle Cities

64
Residential
Projects

6
Convention
Centers

82
Malls in the
Philippines

18
Office Buildings

2
Trade Halls

7
Malls in China

9
Hotels

Portfolio Investments

26.6%
Belle Corp.

71.3%
PULS

34%
CityMall

52.9%
2GO Group

95%
NEO Subsidiaries

74.1%
Goldilocks

34.1%
Atlas Mining

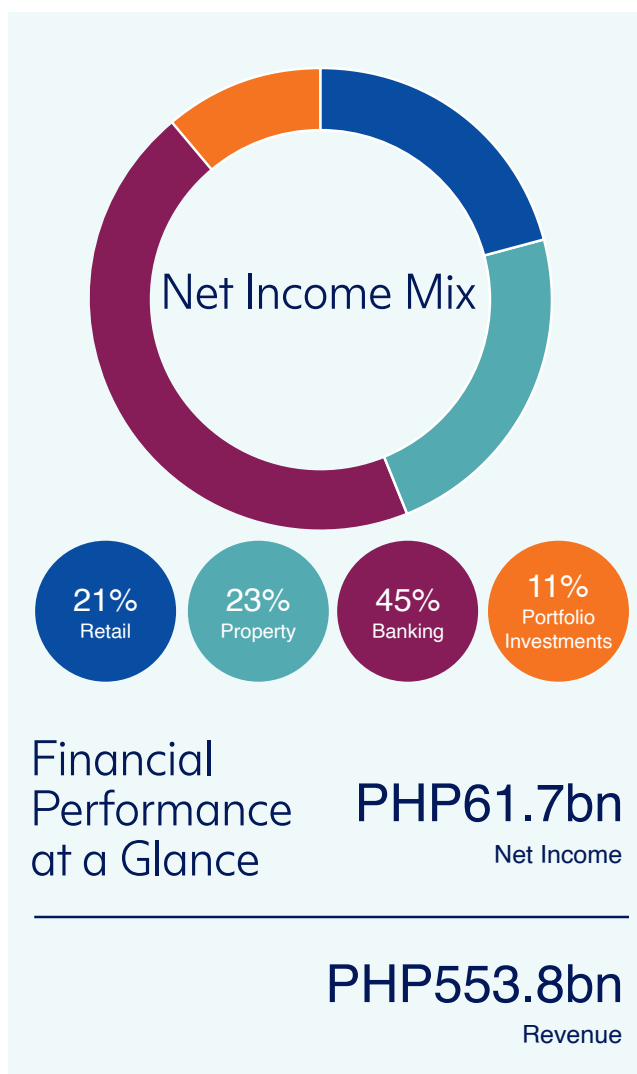
34%
NEO Associates

51%
Airspeed



Effective Interest

Our Financial Highlights



Core Businesses

FY 2022 Performance

	Revenues	% Chg	Net Income	% Chg
SM Retail	PHP378.2bn	24%	PHP17.9bn	86%
SM Prime	PHP105.8bn	29%	PHP30.1bn	38%
BDO	*PHP149.2bn	14%	PHP57.1bn	33%
China Bank	*PHP45.6bn	17%	PHP19.1bn	27%

Note: *Net Interest Income

Financial Position (PHP bn)	2022	2021	2020
Revenues	553.8	432.4	397.1
Consolidated Income	61.7	40.4	23.9
Total Assets	1,481.9	1,362.8	1,242.9
Total Liabilities	789.7	739.2	669.6
Stockholders' Equity	692.2	623.6	573.3
Financial Ratios			
Current Ratios	1.2	1.2	1.1
Return on Equity	13%	9%	6%
Debt-Equity Ratio (Net)	35:65	38:62	37:63
Dividend Payout Ratio (based on SMIC Parent's net income)	41%	85%	50%
Per Share Data (PHP)			
Earnings per Share	50.9	33.5	19.8
Book Value per Share	406.6	371.6	342.4
Price Earnings Ratio	17.7	28.1	52.9
EBITDA	141.2	99.9	77.9

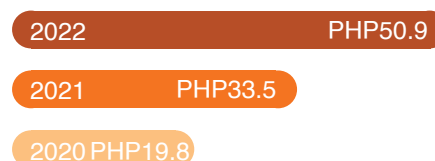
Share Performance

As of December 31, 2022

Share Price



Earnings Per Share



Awards



Sustainalytics
ESG Industry Top Rated Company
ESG Regional Top Rated Company (Asia Pacific)



Listed among Forbes
2022 World's Best Employers



The Asset ESG Corporate Awards
Platinum Award



ASEAN Corporate Governance Scorecard (ACGS)
ASEAN Asset Class Award

6 SM companies (SM Investments, SM Prime, BDO, China Bank, 2GO, Belle Corp.) were recognized among the top-performing companies as part of the ASEAN Asset Class

Golden Arrow Awards
 SM Companies received the Golden Arrow recognition from the Institute of Corporate Directors (ICD) for performing well in the ASEAN Corporate Governance Scorecard

- **China Bank** – 5 Arrows
- **SM Investments, SM Prime, BDO and Belle Corp.** – 4 Arrows
- **2GO Group and APC Group** – 3 Arrows
- **Premium Leisure Corp.** – 2 Arrows
- **Atlas Consolidated Mining** – 1 Arrow



**Alpha Southeast Asia
12th Institutional Investor
Corporate Awards**
*Most Organized Investor Relations
Best Senior Management IR Support
Strong Adherence to Corporate Governance
Most Consistent Dividend Policy*



**Corporate Governance Asia
12th Asian Excellence Awards**
*Asia's Best Corporate Social Responsibility
Best Corporate Communications
Best Investor Relations Company*
Mr. Frederic DyBuncio (President and CEO), *Asia's Best CEO*
Mr. Erwin Pato (EVP and Treasurer) and
Mr. Franklin Gomez (SVP for Finance) – *Co-Awardees,
Asia's Best CFO*

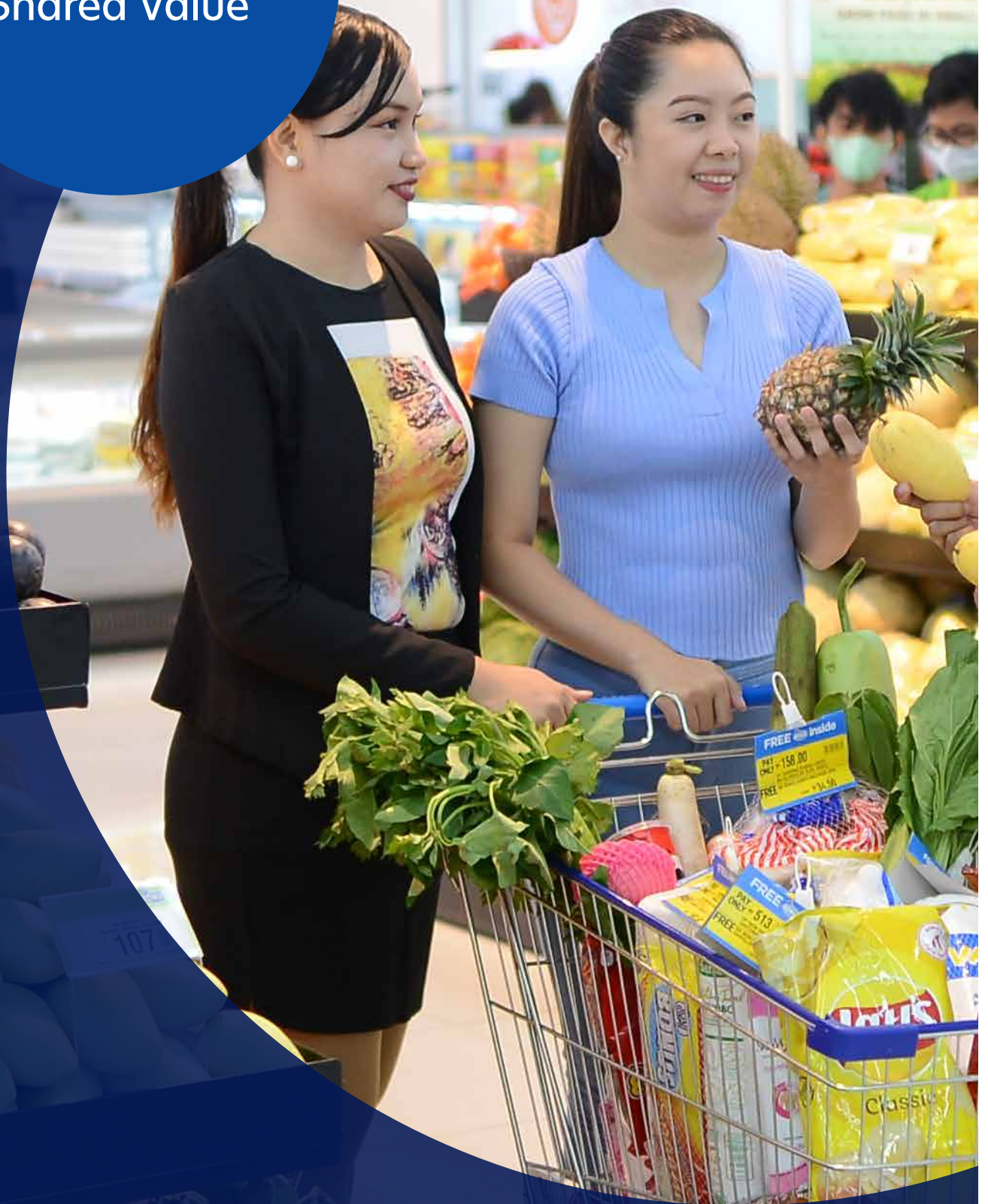


**Asia Responsible Enterprise
Awards (AREA)**
Hall of Famer in the Corporate
Governance Category



**IR Magazine Southeast Asia
Awards**
Best Crisis Management

How We Create Shared Value



How We Create Shared Value

+ Our Valued Resources

Our ability to operate is based on our access to several capitals that provide our financial, non-financial and critical relationship assets.



Our Brand



Our Connection to Our Customers



Our Empowered People



Our Integrated Developments



Our Relationship with Our Communities



Our Inclusive Supply Chain Network



Our Natural Resources



Our Financial Resources

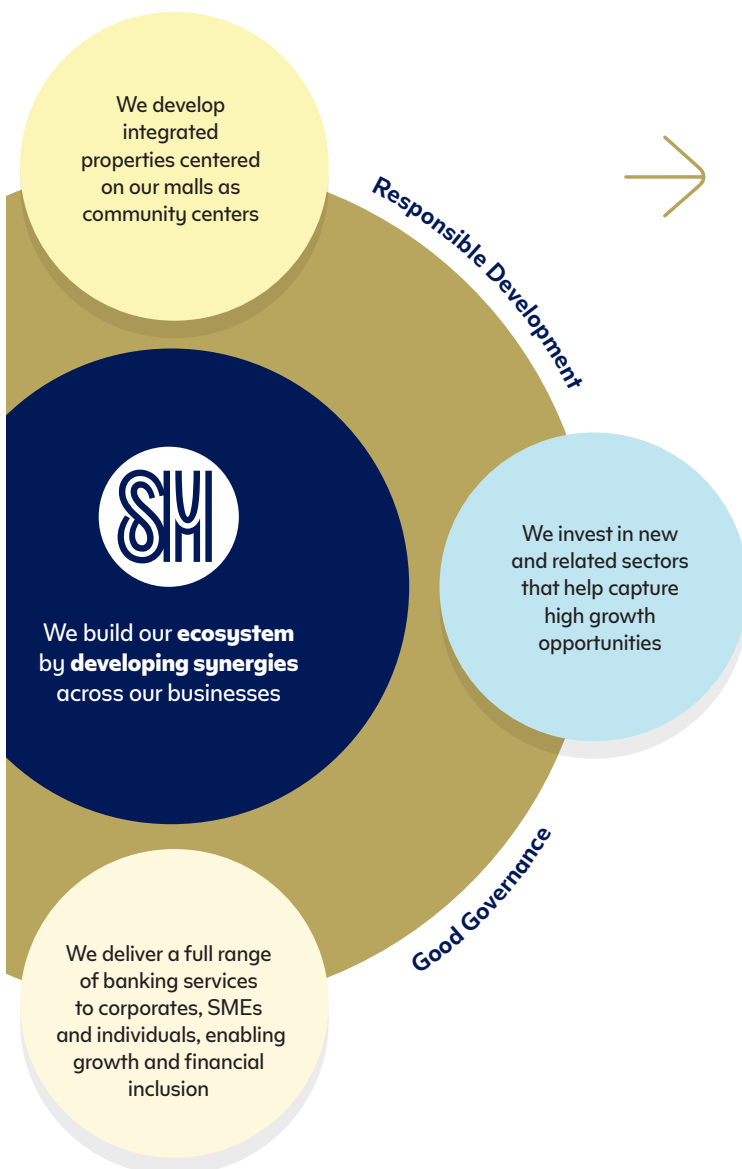


+ What We Do

These enable our businesses to work together as an ecosystem of related activities to achieve their collective goals. This makes us quite unique.

How we operate

As a retail centered group, our customer focus is key to our operations. In a high growth market, it's also important we remain focused on our expansion to serve more Filipinos. As a long-term thinking group, financial prudence and good governance are also essential for us to stay the course.



We keep an eye on the future

Identifying Risks and Opportunities

- Trends that Shape Changing Demographics
- Climate Related and Geopolitical Risks
- Limitation in Resources
- Shift in Human Capital Skills
- Underlying Technological Innovation

Why we're here

- Ecosystem that serves as a growth driver in provinces
- Real Impact for Communities
- Stewardship of the Environment
- Empowered Teams that Deliver

For us, good governance means

- Sustainable Business Vision from Principals and Board
- Capable and Innovative Management Teams Ensuring Delivery
- Clear, Communicated and Measurable Objectives
- Customer-Focus, Service-Driven Culture



What's Important

Operating this way means we can pursue impact in important and material areas.



What We Delivered

Towards these ends, we progressed on the following this year.



Driving Innovation to Meet Ever-Evolving Customer Aspirations



Promoting Equal Opportunity through Diversity and Inclusion



Managing Environmental Impacts and Finding Practical Solutions



Accelerating Inclusive Economic Activities and Partnerships



Identifying Businesses to Enhance Our Unique Ecosystem Value

- **Customer Rights and Data Privacy**
- **Engagement of Our Customer in Social Development and Environmental Sustainability Programs**
- **Visibility, Accessibility and Reliability of the SM Brand**
- **Access to Sustainable Products and Services**

- **Labor Rights of Our People**
- **Diversity, Inclusiveness, Equity and Belonging**
- **Women Empowerment and Leadership Development**

- **Waste Management**
- **Water Recycling and Management**
- **Shift to Renewable Energy Sources**
- **Shift to Electric Vehicles and Green Mobility**
- **Climate Risk Management and Accounting of GHG**

- **We build SM's business resiliency to serve as a platform for our supply chain network's resiliency**
- **We provide growth opportunities for our MSME partners alongside our banks and malls**
- **We build the capacity of our MSME partners to mainstream retailing**
- **We provide access to basic services for the communities we serve**

- **Business mix that delivers sustained results and serves as a catalyst for development**
- **Operating Efficiency, Cost Avoidance and Savings**
- **Alignment with Global Social Development and Environmental Responsibility Standards and Initiatives as a seal of sustainable business practices**

+ Our Impact

And we think we are having a real impact on our important stakeholders in the following areas.

We Create Socio-Economic Opportunities

140,029

Jobs Created

68%

Mall Tenants that are MSMEs

PHP62.72bn

Loans Released to MSMEs

Diversity

62% Women

We Create Positive Community Impact

11,750

Scholars to date

317

Health Centers and Medical Facilities built and renovated to date

1.24mn Patients

served in **1,847** Medical Missions

10.5 million +

vaccine doses administered in SM Malls

We Facilitate Responsible Urbanization and Development

3 Marine

Protected Areas

42.5mn m³

Total Water Recycled

10%

CapEx for Disaster Resiliency & Sustainability

84 SMDC

Residential Units

58 Renewable

Projects Funded with **2,252 MW** Capacity

at least **50%** of SMPH Energy use from Renewable sources

18

Office Buildings

22

Total Integrated Lifestyle Cities Nationwide

We Promote Natural Habitats and Environmental Stewardship

PHP22.7bn

Payment to the government

PHP56.7bn

BDO financing for national projects

PHP61.7bn

Net Income

PHP7.5bn

Total dividends paid in 2022

WWF x SM Climate Summit for Climate Alliance

UN WEPs signatory

Awarded **Industry Top Rated, Regional Top Rated** by Sustainalytics

6

SM companies awarded by ASEAN CG Awards

over **2.6mn** seedlings and trees planted and maintained





PRIME

BITANO





Our Communities

At SM, we embrace our communities with a common objective: to create sustainable development through the creation of shared value. We do this by helping develop local economies through providing inclusive economic opportunities, while creating positive social impact.

Our Customers

We made our name—and our businesses—by continuously aiming to make the lives of our customers better. Our relationship with them goes beyond simple transactions, and is rooted in making every experience with us accessible, convenient, and enjoyable.



Our Partners

The partnerships we nurture with our suppliers, consignors, tenants, and brand affiliates allow us to be excellent and consistent in our delivery of service and products to our customers. We create an environment where our partners can thrive so they can better serve the community as well.

Our People

Our people are the heart of our company. Each of our more than 140,000 employees is guided by our company's values and purpose, and is driven by a powerful commitment to customer service.



Our Communities

We always make sure we do all we can to address the needs of the communities around us.

From education, healthcare, and agriculture, to addressing the urgent needs of the community and the marginalized sectors, the way we serve our neighbors defines our presence and our purpose.

Our Shareholders

We invest in sectors that generate value. We continue to choose new areas for investment and aim for high-growth opportunities and sustainable returns.

Our
Business





Unique Ecosystem of Businesses

The businesses of SM all work together as a unique ecosystem with high synergies that also support its many thousands of partners.

SM INVESTMENTS

Our business continues to grow to reach more Filipinos around the country.

RETAIL

Serving the community

In the post-war Philippines, our founder Henry Sy, Sr. saw the need for every Filipino to have a decent pair of shoes. This gave birth to the first Shoemart that opened as a humble shoe store in 1958 in Manila.

Today, we operate in a variety of retail formats - 72 Department Stores, 1,611 Food and Non-Food Brand Affiliates, 65 Supermarkets, 54 Hypermarkets, 1,412 Minimarts and e-commerce formats.

Through our nationwide reach, our retail business continues to provide not only a decent pair of shoes but a more complete offering for the needs of our customers.

PROPERTIES

Building for the needs of the community

Already a visionary, Mr. Sy defied the odds when he opened SM North EDSA in 1985 in the middle of a swampland during one of the most turbulent times in Philippine history. He saw the opportunity to serve the needs of the community by providing a place where special moments for family and friends happen.

Today, we are going beyond developments as we develop integrated and sustainable cities with malls, banking, commercial, residential, and leisure properties.

BANKING

Helping fuel the development of partners

In the 1970s, Mr. Sy saw an opportunity to buy a small bank to reach out to more industries and help his suppliers get loans to expand their businesses.

Through our banking investments, we continue to serve the banking needs of the Filipinos especially small businesses as we aim to help grow the Philippine MSME sector. Today, BDO is the biggest bank in the country with the largest distribution network while China Bank continues to be successful in providing financial assistance to growing businesses.

PORTFOLIO INVESTMENTS

Investing in the emerging needs of the community

Anchored on our founder's belief that our communities should grow as we grow, we invest in key sectors in the Philippines with high growth potential that will create value for them.

The country's dynamic economy needs to grow across the country, thus we invest in products and services that elevate the standards of our consumers ranging from logistics through 2GO and Airspeed, geothermal energy through Philippine Geothermal Production Company, food through Goldilocks, urban living solutions through MyTown, leisure destinations through Belle Corporation and responsible mining through Atlas Mining.



Our Retail Businesses

Retailing is at the heart of SM. The SM Store is our anchor department store on top of more than 30 other retail brands that have a leading presence in most retail categories. SM is also a partner of choice of foreign brands that have established their presence in the Philippines.

In grocery retailing, SM operates different sized formats, ranging from stand-alone hypermarkets and large supermarkets in malls, to mid-sized stores in neighborhoods and small local minimarts.



skin



SM RETAIL

We've Got It All for Every Filipino

We're deeply aware of how our customers choose to shop, dine, and enjoy life and how this has evolved throughout the years. Our retail business has always been deeply committed to growing with them by bringing them high-quality yet affordable choices for all their needs.

We also continue to expand their experiences and deliver continuous innovation together with our local partner enterprises and our global brands.

The retail businesses, which consist of food and non-food business, showed a strong performance last year as it reported a 24% increase in revenues to PHP378.2 billion from PHP304 billion.

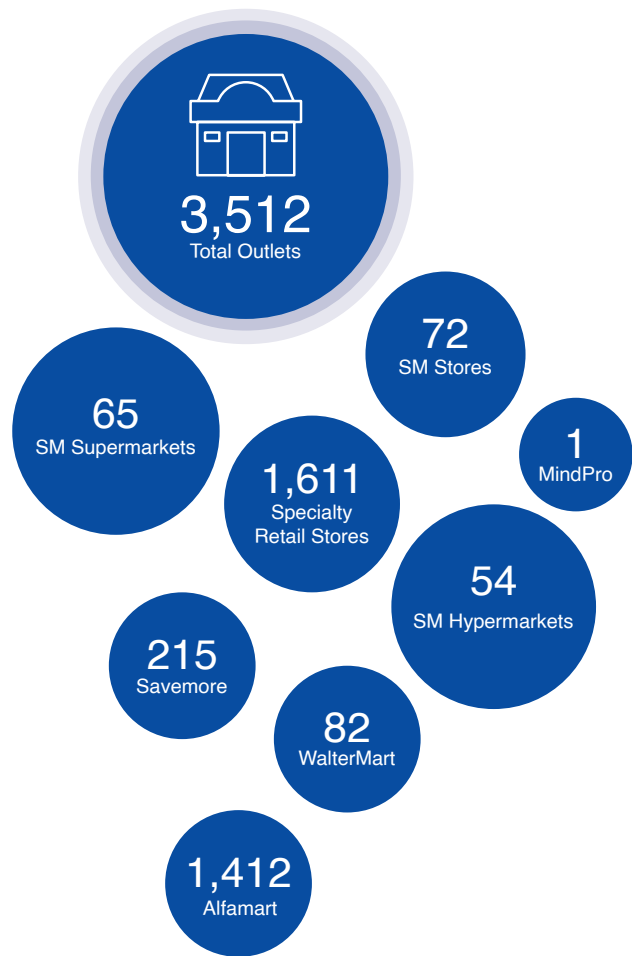
This pushed our net income to an 86% growth to PHP17.9 billion from PHP9.6 billion, driven by non-food sales. These numbers are stronger than our pre-pandemic record.



Meanwhile, we continued to expand our retail footprint as The SM Store welcomed four new stores in Roxas, Tanza, Sorsogon, and Tuguegarao. The food group, which includes SM Supermarket, SM Hypermarket, Savemore, Alfamart, and Waltermart added 231 new stores in 2022.

We ended the year with an additional 348 new stores across the entire portfolio of department stores, groceries and specialty retail brands for a total of 3,512 outlets.

Looking ahead, we'll continue to find innovative ways to cater to our customers' needs and reach them wherever they are.



77.3%
Effective Interest

PHP378.2bn
Revenues

PHP17.9bn
Net Income

SM Green Finds

Where Filipinos Find Sustainable Living



Green Finds

Filipinos prefer to live greener. According to a study by Kantar World, 75% of Filipinos want to support environment-friendly options, but 55% of them find sustainable items too expensive or inaccessible.

SM Green Finds addresses this discrepancy through unique and accessible ecologically responsible product offerings.

The Rise of the Green Find Badge

We have joined our customers in their journey toward greener living. Taking a closer look at our retail products, we discovered that many of our products meet the demands of the eco-conscious customer.

Together with our supplier partners, we introduced Green Finds, a curation of everyday items that are made of natural ingredients, have eco-friendly properties, and that support local communities.

Each Green Finds item is accompanied by a 'Green Finds' badge. The badge allowed our customers to easily spot green products, and find out why these items are good for local communities and the environment. The Green Finds badge also puts the spotlight on our partner suppliers who are taking steps towards green practices.

Along with the SM Store, our retail affiliates such as Watsons, The Body Shop, Kultura, ACE Hardware, Baby Company, Sports Central, Levi's, and Pet Express also helped bring Green Finds to our customers.

From fashion pieces, personal care items, home improvement solutions, and even pet care—the Green Find badge makes shopping for green choices easier for our customers and their ever-evolving needs.

To bring Green Finds closer to our customers, the first Green Finds Flex Area opened in SM Mall of Asia, bringing together our curated Green Finds items in one stop shop. This was followed by SM Makati, SM North EDSA, SM Aura, SM Megamall, SM Store Estancia, and SM Lanang.

We are working with our retail brands and partners to bring Green Finds to more SM stores nationwide.



Celebrating Filipino Ingenuity

Proving Filipino Pride

Micro, Small, and Medium-scale Enterprises are the backbone of the Philippines' economy. But MSMEs still face everyday challenges in reaching customers in the mainstream retail sector.

At Kultura, we give our partner MSMEs a marketplace to showcase their products and reach a wider market. Kultura carries a wide range of handmade souvenirs, eco-friendly apparel and homeware, artisanal snacks, and unique textiles that celebrate our heritage—while supporting communities and helping grow small businesses.

These local finds are not just proudly made in the Philippines. Big or small, each item carries a part of our rich heritage and culture—a testament that there are many reasons to be proud to be Filipino.

The First Filipino Design Studio

Kultura aims to elevate Filipino designers and artisans, creating a space of inspiration and community.

Last September, the Kultura store at The Podium transformed into the Filipino Design Studio, a curated collection of over 50 homegrown brands and guest exhibitors in celebration of Pinoy craftsmanship and creativity.

The Filipino Design Studio served as a powerful platform for designers, artisans, and crafters to reach a wider market and expand their customer base.

Filipino Christmas Market

With the pandemic dampening holiday festivities over the past two years—in a nation famous for having one of the longest Christmas seasons in the world—Kultura aimed to bring back the true spirit of Filipino Christmas.

The Kultura Christmas Market featured partnerships with local brands to showcase decor, gifts, and more, all in-store at all Kultura outlets nationwide.

The market boasted of a proud selection of products; everything you need for a Uniquely Filipino Christmas, all under one roof, such as decor handmade in Bicol, Cebu and other provinces, table napkins hand painted by artisans, local liquor, coffee and teas to artisanal bean-to-bar Davao chocolates, statement jewelry, and more.

Our customers also enjoyed services such as customized gifts and special gift wrapping with sustainable Filipino packaging.

Crafts for a Cause

We partnered with several foundations for Crafts for a Cause, a special product line that brings together products made through development programs all over the Philippines.

The collection gathers upcycled products crafted by underserved communities with the aim of providing sustainable livelihood, empowering them with new skills and resources to improve their quality of life.





Helping Build Communities



Always Handy to Help Communities

The pandemic years saw Filipino homes transformed: suddenly, our homes also served as schools, offices, gyms, and entertainment spaces. More and more Filipinos found fulfillment in home improvement and development.

Accordingly, we saw our customers' needs shift from small fix-ups to updating their living and working spaces. We saw their growing interest in green living through adapting energy and water-saving fixtures, or enhancing their own green spaces at home.

Helping elevate spaces is what we do at ACE Hardware—from being a one stop shop for lifestyle improvements to supporting community building wherever we are.

Help is Always Here

In 2022, we launched a “We Can Help” campaign, a program that encompassed all the aspects of being of assistance—from taking care of our people, customers, and the communities that we serve.

We continued to find new ways to reach and serve our customers face-to-face and online. We continued to ramp up our digital presence to deliver not just

products, but a host of content that featured lifestyle solutions. We also opened ten new ACE stores in 2022, nine of which are located outside Metro Manila.

For our efforts to adapt and respond to the unique challenges faced by the retail sector due to the COVID-19 Pandemic, ACE Hardware was hailed “Hardware Retailer of the Year” at the 2022 Retail Asia Awards.

Help that Makes Communities Thrive

In 2022, we took a more active role in elevating communities through various partnerships. Volunteer employees helped build better homes and safer learning environments for school children.

Through Brigada Eskwela, ACE Hardware participated in the rehabilitation of over 200 public schools and donated sanitation and virus protection products to help minimize the spread of COVID.

We also teamed up with Habitat for Humanity for the home improvement of two four-storey structures that serve as a home for at least 120 families in Pasig 1. The structures used our eco-friendly and sustainable painting products to give new life to their surroundings.



Ushering in a Healthier Future

Today's Filipino deeply understands the importance of accessible, affordable healthcare. At Watsons, we are committed to serve their needs, wherever they may be.

In 2022, we continued to expand our store network, reaching over 1,000 stores nationwide. We also improved our delivery and online services, expanding our Watsons Express Delivery Service to Visayas and Mindanao, covering Cagayan de Oro, Cebu, and Davao.

Our Click & Collect feature on the Watsons App also gave our customers the welcome option to order products and collect them in the store within 30 minutes of placing an order.

We also partnered with leading telemedicine service platform, KonsultaMD in order to provide complimentary consultations to customers for a minimum purchase made in our stores.

Healthier Communities

Our efforts under the Alagang Pangkalusugan program continued to give more Filipinos access to health services and healthcare.

With the help of our employee volunteers, suppliers, and healthcare professionals we conducted medical missions in Las Piñas, Villar, Sipag, and Calamba, Laguna where we gave medical consultations and free medicines to over 800 beneficiaries.

Our partnership with Operation Smile allowed us to perform cleft palate procedures in Isabela, Cebu, and Naga. Last year, our Operation Smile initiative in Cebu became the fourth in the world to have an all-female international surgical and educational team on a mission.

Healthier Planet

We went beyond the health of the individual and the community to address the health of the environment. In partnership with Communities Organized for Resource Allocation (CORA), we held our first coastal cleanup drive in the Las Piñas-Parañaque Critical Habitat and Ecotourism Area (LPPCHEA).

LPPCHEA's mangroves provide food for about 5,000 birds per day, making it a critical habitat. Together with 200 volunteers from employers and our partner-suppliers, we collected more than 1,000 kilos of waste for turning over to CORA's facility for recycling.

800
beneficiaries for
doctors' consultations
and free medicines





A Light in the Neighborhood



The neighborhood of Sta. Rita is one among 14 barangays in Guiguinto, Bulacan. Bustling during the day, its commercial activities are shuttered for the night, leaving many of its residents' needs unserved.

Our advocacy for community development pushed us to bring the Alfamart shopping experience to the people of Santa Rita.

Sta. Rita residents today say that having an Alfamart in the area has brought new life to their community. Our reassuring presence has turned out not only to be a sound financial investment, but a catalyst for economic activity.

“Having an Alfamart near my place is a great improvement, as it lit up the area, which was otherwise too dark for comfort,” said Ms. Cecilia Ventura, a resident and one of Alfamart’s community partners.

“Alfamart continues to save the community time and fuel, especially when prices of different commodities are spiking,” she added.

Serving More Communities

In our commitment to making everyday grocery runs convenient, accessible, and complete, we also opened our first Alfamart store in Quezon Province. With the new branch in Pagbilao, we went beyond our initial target of expansion in 2022 and added over 200 additional stores, to reach a store count of 1,412 by year end.

All of these stores are supported by an unhampered supply chain through our distribution channels in Cavite, Bulacan and Pampanga.

The warm welcome we receive wherever a new Alfamart is opened affirms our mission to help boost local employment and create opportunities for local MSMEs—new life for the neighborhoods we serve.

Galvanizing Communities into Regional Centers

We reach out to more communities through expansion. As we expand, we help galvanize communities to develop into high growth regional centers.

Our forerunner and more agile brand, Savemore, is the first national brand that enters new territories such as fourth class municipalities. We see the potential in these communities that continue to grow at a fast pace. This initial foray ushers in the entry of bigger industry players, therefore providing more investment opportunities and further development for the community.

When we enter a community, we expand and create new markets. We complement existing markets, allow shoppers to experience the highest level of operational standards including food safety and customer service, and urge them to patronize our developments.

In the past year, we opened the doors to new grocery locations in Marilao, Tanza, San Jose Del Monte, Sorsogon, Tuguegarao, and Taytay, on top of already existing branches expanding our food retail presence in the area.

Considered as the “big brother” in the locality, we help spur more economic activity. Each time we open a new store, we generate jobs providing livelihood opportunities to those we employ and their families. As we generate revenues and enhance trade, the development of the municipalities as regional hubs follows.

Our food tenants and suppliers, which are largely MSMEs, continue to grow with us. By doing business with us, we helped transform their lives. We extended a hand in expanding their products’ reach, as well as their development and promotion.





As these municipalities and cities grow into city centers, the needs of the local community also expand. Our SM Markets brands, SM Supermarket, SM Hypermarket and Savemore ensure that we are well positioned to answer their evolving needs; that we have everything they need; that they can get it in a convenient way and according to their shopping preference.

This fosters an ecosystem where quality, fresh food and other essential items are accessible whenever and wherever our customers are, sustaining the economy and the needs of the communities.



Our Property Business





In property development, we manage and build integrated developments that consist of a mix of retail, office and entertainment buildings, condominiums, hotels, convention centers, and entertainment facilities that are centered on our network of malls.

Creating Meaningful Communities



With the post-pandemic new normal came a deeply evolved relationship with our communities.

Today, our developments create spaces and services that serve Filipinos from all walks of life, building thriving communities with meaningful connections.

We build innovative and sustainable developments that cater to the ever-changing needs of our customers.



SM Prime's consolidated net income grew to PHP30.1 billion in 2022, 38% higher than the PHP21.8 billion income registered in 2021, brought about by the performance of our mall business.

We expanded some of our malls and opened new ones outside Metro Manila: SM City Roxas in Capiz, SM City Tanza in Cavite, SM City Sorsogon in Bicol, and SM City Tuguegarao in Cagayan.

This brings our total to 82 malls in the Philippines, with 58 malls in the provincial areas, and 24 malls in Metro Manila. We boosted our renewable energy consumption to at least 50% in our malls in support of the National Renewable Energy Program.

We continued to bring new spaces for Filipino homeowners of all life stages. In 2022, we launched three new residential developments in different provincial cities in the Philippines: Vail Residences in Cagayan de Oro, Now Residences in Pampanga, and Zeal Residences in General Trias, Cavite.

PHP30.1bn
Consolidated Net Income

82
Malls in the
Philippines

We also opened FourE-Com Center in MOA Complex, Pasay City. Additionally, we welcomed new developments in Pampanga through the SMX Clark Convention Center, which is nestled alongside SM City Clark and Park Inn Radisson Clark.

From our malls and residential developments to hotels, office buildings, and convention centers, we remain committed to making life innovative, conveniently connected and sustainable.





Sustainable, World-Class Communities for More Filipinos



A sprawling oasis, Vine Residences promotes green and healthy living in all aspects.



Regardless if you're a young professional, a start-up family, or a seasoned property investor—homebuyers nowadays share the same priorities: proximity to key places of interest, easy access to major thoroughfares and public transportation, a nearby place to unwind and enjoy, and green spaces to take a breather.

Steadfast in addressing the ever-evolving needs of Filipino homebuyers, SM Development Corporation (SMDC) has long been at the forefront of sustainable development. A builder of award-winning communities with flawlessly-integrated

residential and commercial spaces in key economic corridors across the country, SMDC curates a lifestyle desired by all—that is attainable to all.

At the core of their vision is to make the Philippines a nation of homeowners, with homes that are convenient, accessible, community-centric, with five-star hotel and resort-themed amenities, and yet, still affordable.

Within the SM City Novaliches complex is Vine Residences that exemplifies SMDC's commitment to promoting environmental stewardship and social connectedness. For one, the development was engineered for disaster risk reduction and social resilience.

Various health and wellness amenities are strewn around Vine Residences for residents to build meaningful relationships—from a jogging trail, to a multi-purpose court, and even their very own camp hill site.

To prevent and manage natural catastrophes, the development dedicates 52% of its total land area to greenery. Likewise, a water detention tank and stilts that suspend portions of the structure from the site's soil grade both preserve the trees in the community, and act as a natural defense against flooding.

Primed for an investment evolution, Vine Residences is poised to benefit from the soon-to-be-completed MRT Line 7, and Novaliches' emergence as a well-connected district.

Together with internationally renowned designers and master-planners, SMDC is resolute in providing homebuyers the best value for their hard-earned money—now venturing into township projects that further elevate quality of life.



Gold City, SMDC's first township development, holds an exceptional spot in Paranaque city.

Elevating Filipino Hospitality

We take pride in how we elevate our guests' experiences through Filipino warmth and hospitality.

Our guests get a taste of the best of the Philippines through the food we serve. We draw inspiration from local delicacies and ingredients and incorporate them in our menu wherever we are.

We promote Filipino culture and heritage by bringing them closer to our guests from all walks of life by making a fusion of global culinary standards and tapping local gems that make each dish unique. We give our guests an experience to remember as we empower our workforce to become world class hoteliers.





At least 80% of our workforce are locally-employed. We opened our doors to community members by giving them employment opportunities in the hospitality industry.

We create opportunities to upskill and expand our workforce through talent engagement programs, and coach them to be empowered leaders in the workforce. This allows them to continuously expand their knowledge from entry-level roles to become hoteliers and culinary experts.

We also pave the way for equal opportunities for everyone. At least 49% of our workforce are women in various fields—including engineering, IT, culinary, and in our senior leadership team.

We understand the value of real world experience for our young hoteliers. We work with partner universities wherever we are to train young students to become experienced hoteliers. We trained 1,900 students across our 9 hotels and 6 Convention Centers.

Green Development

Efficient, Sustainable, Visionary



SM plays an active role in every community it serves in keeping our business ecosystem efficient and sustainable. Through energy, waste, and water management measures and solutions, we have deeply integrated sustainability into the way we work and do business, and the way we serve Filipinos.

Consuming Less, Providing More

Our malls and offices are designed for optimal light ventilation through the use of clerestory windows and skylight to reduce energy use and carbon emission. Prime examples are SM Aura Premier, The Podium Complex, and SM North Towers. These LEED Gold Certified facilities and their efficient LED lighting systems have made major contributions to savings and the reduction of carbon emission.

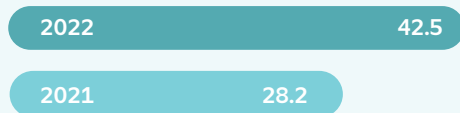
Managing Plastic Wastes In Our Community

We are committed to providing additional solutions on how we manage our wastes within our communities. For 2022, our Trash to Cash program across the country collected 1,185,528.43 kilograms of waste compared to over 700,000 kilograms in 2021.



Water Recycled

in million cubic meters



Protecting the community, recycling the water

An average of 20 typhoons hit the country annually, making seasonal flooding a nationwide problem. By retrofitting our malls with safety measures such as installing Rainwater Catchment Basins, just like SM City Cabanatuan for example, we play a large role in protecting our communities.

We have also employed water conservation measures. Processed water from our sewage treatment plants are recycled for water closet flushing, landscape maintenance and to supply water to the cooling towers which are primarily used by the building air conditioning system.

Our Banking Businesses





We deliver a full range of banking services to corporate enterprises and small- and medium-sized businesses. We also serve entrepreneurs, family-run businesses, and individuals. We have dedicated ourselves to bringing financial inclusion to the majority of Filipinos who have yet to open bank accounts.



BDO's support and financial inclusion

We Go Where We Are Needed



MSMEs are gradually recovering from the impact of the pandemic and are now back to normal operations, thanks to BDO Network Bank's support through the MSME Kabuhayan Loan.



Cash Agad has 10,429 partner-agents nationwide

Over 34 million adult Filipinos are still unserved and do not have bank accounts, while others, including businesses, remain underserved or lack access to other financial services, especially those in rural areas.

Access to financial solutions uplifts lives and livelihoods. Banks providing access to financial services can help unserved and underserved communities save for the future, invest in business opportunities, manage risks and build financial strength. This, in turn, can facilitate economic development, thus, alleviating poverty.

Fully recognizing the requirement to serve these communities, BDO Unibank steered BDO Network Bank to reach them wherever they are to deliver the financial solutions they need and deserve.

“We go where we are needed,” says BDO Network Bank president Jesus Antonio S. Itchon on their service philosophy. “We have over 470 branches and loan offices and will continue expanding.”

He said one of the critical ways of serving unserved and underserved communities is to be accessible, especially for areas where infrastructure is still a challenge and connectivity is insufficient.

For this reason, BDO Network Bank carries out inventive ways of serving individuals and businesses by having tellers and account officers go to their places of work and homes, even if this requires traveling long distances.

“Micro-entrepreneurs, for example, cannot just leave their businesses to go to the bank to do their transactions. So we go to them and even bring along point-of-sale (PoS) terminals to enable deposits and withdrawals,” Itchon notes.

Reality continues to bite, though, as there are more areas in the country that banks cannot yet reach and penetrate. So it’s a good thing the Bangko Sentral ng Pilipinas paved the way to introduce agency banking to make bank services physically accessible to more clients.

These agents are retail outlets in the community (e.g., accredited convenience stores, pharmacies, pawnshops, tailors and barber shops) where one can avail of banking services such as cash deposit and withdrawal, fund transfer, and bills payment.

Cash Agad, the agency banking service of BDO Unibank, has been doing precisely that since 2014, accommodating all ATM card holders.

“BDO started Cash Agad with a vision in mind: How can we deliver banking to more Filipinos who don’t have access, particularly in low-income and

rural areas? So we deployed PoS machines to our partners, mostly micro businesses with established community operations,” explains Jaime M. Nasol, BDO senior vice president and head of agency banking.

As of the end of 2022, there are 10,429 Cash Agad partner agents nationwide.

“100% of the 82 provinces have Cash Agad, and we have covered 90% of the total 1,500 municipalities in the country,” shares Nasol.

Cash Agad will continue to expand its coverage through more agent partnerships, and add more services such as cash-in and bills payment, to make banking accessible to more Filipinos. ATM or access to money is, after all, the very mission of agency banking.

Financial Performance

BDO’s strong performance in 2022 supports further expansion in service of more rural areas. It reported its net income grew 33% to PHP57.1 billion in 2022. Gross customer loans went up by 9% year-on-year on broad-based growth due to the economic re-opening. Total deposits rose by 14%, with net interest income growing by 14% to PHP149.2 billion.

PHP57.1bn

Net Income

9%

growth of Gross Customer Loans

PHP149.2bn

Net Interest Income

Sustainable Energy

BDO recognizes that the banking industry plays a critical role in the Philippines' committed transition to a low-carbon economy with access to affordable, reliable, sustainable, and clean energy.

To further drive sustainable development for the country through sustainable finance, BDO publicly announced its approach to energy transition finance, particularly coal financing and divestment. BDO ceased lending to new coal-fired power plant capacity since 2019. The Bank commits to reduce its coal exposure by 50% by 2033, while ensuring that its coal exposure does not exceed 2% of its total loan portfolio by 2033. BDO believes that the transition is a journey that requires adopting a balanced approach, between national economic development that depends on affordable and reliable energy, and the relentless pursuit of the broader goal of climate

sustainability. To view the full BDO Energy Transition Finance statement, see <https://www.bdo.com.ph/bdo-energy-transition-finance-statement> at www.bdo.com.ph.

Blue Bond

As a pioneer in sustainable finance in the Philippines, BDO continues to find ways to protect the environment and identify financing instruments that can contribute to sustaining the availability of natural resources.

In May 2022, BDO issued its first Blue Bond amounting to US\$100 million, through an investment from the International Finance Corporation (IFC).



This issuance will expand financing for projects that preserve clean water resources and help prevent marine pollution, while supporting the country's climate goals. The Blue Bond is the first in South East Asia and the first to use the IFC's Blue Finance Guidelines.

BDO has refinanced four key businesses that provide water and waste water services, bulk water and operations management, waste and wastewater treatment solutions, and bulk water and distribution facilities benefit from the Blue Bond proceeds.

BDO Foundation Disaster Response and Reconstruction

The Philippines has one of the highest disaster risk levels in the world. In 2022, BDO Foundation provided 70,960 families with food packs, rice, and drinking water to families displaced by typhoons or tropical storms, flooding, landslides, earthquakes, volcanic eruptions and fire-related incidents. The disaster response efforts were made possible by volunteers from partner parishes, diocesan social action centers, non-governmental organizations, local government units, the military and the police.

BDO Foundation provides access to consultations, outpatient care, and medicines for disaster-prone areas by rehabilitating rural health units (RHUs), with 131 RHUs rehabilitated in 2022 for 6.9 million Filipinos.

BDO Foundation also built 60 classrooms for elementary students, 60 classrooms for high school students and 4 technical-vocational training facilities. BDO also supports improving literacy and numeracy by providing financial literacy sessions and supporting the public schools in the Philippines, and scaled this to online and in-person financial education sessions with 1 million employees of the Bureau of Fire Protection, Civil Service Commission, Bureau of Fisheries and Aquatic Resources, Department of Education, and the Overseas Workers Welfare Administration.



70,960

Families provided with food packs

124

Classrooms built

131

RHUs rehabilitated



Moving Forward With Our Stakeholders



The year 2022 was another banner year for China Bank. We continued to deliver on our strategic priorities and to help our clients and other stakeholders recover and move successfully forward.

We recorded better-than-expected financial results in 2022. China Bank's net income reached an all-time high of PHP19.1 billion, up 27%. Our return on equity of 15.1% was the highest among the major domestic universal banks in the country. We maintained our position as the fourth largest private domestic bank with total assets of PHP1.3 trillion, up 20%.

As we pursued growth, we continued to work towards governance excellence, digitalization, and sustainability.

We are driven to do what's right and to do right by our stakeholders, and in 2022, our commitment to high governance standards was again recognized. The ASEAN Capital Markets Forum named China Bank as among the Top 20 Publicly Listed Companies in ASEAN and among the Top 3 in the Philippines. The Bank was also distinguished as an ASEAN Asset Class. The Institute of Corporate Directors conferred its highest governance recognition to China Bank, the Five-Golden Arrow Award, making us the only bank in the country with such an honor.

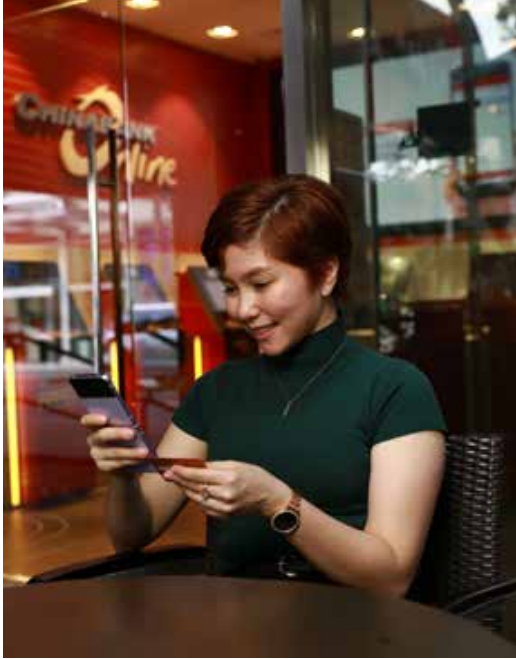
Boosting Financial Inclusion

To make it easy and affordable for more Filipinos to open a bank account, we launched our

PHP19.1bn
Net Income

PHP1.3tn
Total Assets

15.1%
Return on Equity



online account opening mobile app China Bank START. We also actively promote digital payments to drive financial inclusion. China Bank was among the first banks to be part of PesoNet, InstaPay, QRPH person-to-person (QRPH P2P), and QRPH person-to-merchant (QRPH P2M).

To serve customers' cash and other banking needs, we also beefed up our ATM network to 1,044 nationwide. In remote areas where deploying and servicing an ATM is difficult, we provide POS Cashout Service, enabling

customers to withdraw from their debit or ATM accounts via a POS terminal. In the aftermath of Typhoon Paeng in October 2022, our POS Cashout Service in Maguindanao helped affected families in the province and nearby towns, which lacked ATM and cash out facilities, with their cash needs.

To further embed sustainability in the way we do business, we redefined our sustainability strategy and created a Sustainability Oversight Committee.




In 2022, we deployed nearly PHP19 billion in loans to MSMEs and over PHP36 billion in loans for energy access and renewable energy projects. In addition, our investment banking subsidiary, China Bank Capital, raised over PHP43 billion in sustainability-related financing.

These developments support our continuing mission to be a catalyst of wealth and value creation for our stakeholders. Through our products and services, we help our customers achieve their financial and business goals. And by conducting our business ethically and responsibly, we contribute to a sustainable future for all.

We are committed to doing everything we can to be worthy of our stakeholders' trust and to making a positive impact on the environment and on the lives of the people we serve.

Portfolio
Investments





SM invests in key sectors in the Philippines with high growth potential, including logistics, bakeshops, urban dormitories, leisure, mining and geothermal steam for renewable energy.

2GO Connecting the Nation

As consumer demand rose over the past year, 2GO ensured secure, on-time delivery of goods across the nation—whether they were in 40-foot containers or small parcels.

Our shipping arm, 2GO Sea Solutions, moved more than 200,000 Twelve Foot Equivalent Unit (TEUs) of cargo in 2022, reaching as far as Davao within 3 days. Scanasia filled the shelves of more than 4,000 stores with over 1 million cases of products. Its special container unit transported almost 17,000 TEUs of refrigerated and frozen products as well as almost 85,000 liters of special liquids that required special handling. 2GO fulfilled 60,000 e-commerce orders on average per day through its express business during the year, peaking at 110,000 during the holiday season.

2GO Travel continues to provide travelers a relaxed, safe and affordable way to experience the Philippines. The resurgence of tourism saw us welcoming travelers with upgraded vessel amenities

and an enhanced onboarding experience. In 2022, 2GO Travel carried more than 700,000 passengers, a two-fold increase, to 15 local destinations.

The strong rebound in Philippine economic activity, combined with 2GO's campaign to improve its operations, resulted in a financial turnaround for the business in 2022. The company registered earnings of PHP312 million on the back of robust revenues that increased 25% to PHP19.3 billion.

2GO continues its commitment to help the country reach its development goals by shaping and modernizing Philippine logistics through capital investments. 2GO Sea Solutions aims to expand its vessel fleet and port equipment to improve cargo volume throughput. Ongoing IT upgrades already seamlessly synchronize our various business units. We also continue to enhance the 2GO customer experience by loading more services onto our newly launched 2GO App.





More Power to the Filipino



We are an energetic advocate of education. PGPC offers college scholarships to outstanding but financially challenged students in communities in Albay and Laguna-Batangas provinces. We continue to reach out to our host communities for post-disaster school building repairs and builds. Recently, we reached out to Northern Samar for post-Yolanda actions by partnering in school building programs needed in the area.

Towards Climate Change Action

The global shift to green energy has highlighted the importance of geothermal resources as a significant energy source in the Philippines.

The Philippines has the world's third-largest geothermal capacity after Indonesia and the United States. As baseload energy supplied to the national grid, our geothermal power is always on 24/7, a reliable source of electricity.

In 1971, PGPC transformed a 2.5 kilowatt experiment into the first commercial geothermal power project in the Philippines—and in Southeast Asia. As the country's pioneer geothermal power producer, we remain strongly committed to deliver clean, reliable and renewable geothermal energy in service of the national need for power.

Today, the Tiwi and Mak-Ban steam fields generate enough geothermal steam to produce approximately 300 megawatts

of electricity. Drilling of wells for the past two to three years also provided additional equivalent capacity for PGPC. This helps increase the renewable energy mix in the Philippines at prices aligned with the Wholesale Electricity Spot Market, increasing supply and less dependency on higher cost energy.

Commitment to National and Global Goals

In 2022, PGPC was fully brought into the SM Group, reflecting SM's deep understanding of our environmental challenges, as well as our deepening commitment to national and global goals.

We are aware that the sustainable development and use of renewable energy will improve many aspects of Filipino life, including energy security, environmental sustainability, the economy, mechanical manufacturing, construction, and transportation. Renewable energy will also help create new jobs.

We take an active part in climate change action, enhancing the town of Tiwi's disaster preparedness and adaptation capabilities by training local emergency teams and planting over 1,000 trees which will serve as natural barriers for strong typhoons and surges. We also help develop Tiwi's coastal eco-tourism potential by strengthening coastal protection and creating more jobs and opportunities for local communities and businesses.

For the Mount Makiling Forest Reserve, we help protect and conserve the mountain by implementing an entire cycle of tree planting and adopting a community-based approach to natural resource management.

About 78% of our employment contracts are sourced from local communities outside of the National Capital Region. We nurture homegrown talents and enrich their careers, giving them paths to leadership.



Celebrating Filipino Moments



Every Filipino celebration is centered on food: enjoyed in the spirit of both every day moments and milestones celebrations shared among loved ones. Goldilocks is every Filipino's partner in making every occasion a celebration.

As we continue to nurture and sustain Filipino celebrations, we always find ways to innovate our food and our services, including the ways we bring Goldilocks closer to every customer.

Three new cake launches were introduced last year—limited-edition cakes on special occasions: Salted Caramel Popcorn for Father's Day and Candy Pop Cake for Children's Month, and the Coffee Caramel Cake, which is now a regular in our chillers. Infusing creativity and innovation in our flavor offerings is our approach in meeting our customer's evolving taste preference.

We also strengthened our presence in non-mall locations in provincial areas including Pangasinan, Iloilo, South Cotabato, and Rizal.

Our VisMin stores grew by 7%, while stores in outskirt provinces in Luzon grew by 6%. On average, Goldilocks opened at least 8 stores per month starting in the second quarter of 2022. In total, we have over 900 stores by the end of the year nationwide. This supports our ambition of making Goldilocks the most accessible bakeshop brand for every kind of Filipino celebration.

Our innovations went well beyond our food and our service, as we also aspire to improve our footprints in the communities where we operate in.

Our shift to Mondomix tanks last year reduced our water consumption, allowing the water to be reused for other purposes, saving our production plants 2,500 liters per day. We also began our shift to solar powered lights, helping reduce electricity consumption by at least 16kW for every 12 hours of operation.

As we reach more and more Filipinos and help them celebrate their everyday moments, we also want to make sure that we're also doing our share in looking after our shared future.



Full Speed Growth

Many local enterprises greatly depend on logistics solutions to reach their customers. At Airspeed, we understand the challenges of end-to-end logistics and are committed to bridging every gap in the journey.

In 2022, we continued to grow our network of pick-up and drop-off locations nationwide. Apart from our kiosks in SM Supermalls and standalone branches, we grew our networks through partnerships with M Lhuillier and other provincial service agents.

We launched Speedgifts, UnboxMe, and Pinaspeed, digital platforms that allowed our customers to order and send items safely to their loved ones, and gave enterprises access to new markets.

We also enhanced our e-fulfillment services, a customized solution for e-commerce companies. These services help ensure that items ordered online are stored safely, reach the buyer on a guaranteed timetable, and in cases of returns, are smoothly sent back to the seller for item replacement.

Looking ahead, we will be launching PopBox, a service that gives our customers a contactless delivery option. This does not only enhance our customer experience, but also reduces our overall carbon footprint, ensuring a sustainable way forward.



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.

Our Brand

Our Connection to Our Customers

Our Empowered People

Our Integrated Developments

Our Relationship with Our Communities

Our Inclusive Supply Chain Network

Our Natural Resources

Our Financial Resources

INTELLECTUAL CAPITAL

What the SM Brand Means to Our Consumers

Our brand has been around for nearly 65 years. During that time it has remained vibrant, current, and relevant to our consumers. Our constant innovation allows us to move with the times, maintaining our high level of recognition and customer loyalty.

Given recent rapid changes in society, technology and communications, we initiated our latest brand refresh to reenergize our appeal to a new generation of consumers, while still retaining our loyal customer base.

The roll out of the brand refresh in the last twelve months has allowed our consumers to recognize and interact with our brand with a consistency across all our companies and formats. It has also resulted in a clearer digital presence and experience.



Hello

By putting our brand at the heart of every SM experience, we evolve with our consumers while still respecting our past. This has allowed us to express a more dynamic brand personality and attitude.

The refreshed SM master brand is dynamic, yet consistent and familiar. We created our own unique color, called “electric blue,” and developed our own unique typeface called Henry Sans.

Across the entire SM Brand Architecture, our refreshed brand stands out with its very own dynamic and vibrant design language.



Scan QR code to
watch the Brand video



SOCIAL CAPITAL

Our Connection With Our Consumers

We have always strived to answer the needs of our customers—not just with our products and services, but the ways in which we deliver them.

As the world becomes more digital, we need to adapt to be more integrated across all our channels and touchpoints. This includes our stores and malls, our online websites, our mobile apps, and in social media, where we want to provide a consistent and seamless experience.

The pandemic period provided us opportunities to leverage our omni-channel strategy. During the pandemic, the share of online sales for SM Stores peaked at 13% of total sales. As our customers came back to enjoy physical shopping, in-store sales recovered, leveling digital sales at 9%.

Our omni-channel approach allows us to create a personalized and convenient shopping experience. Customers now have the option to enjoy shopping in our physical stores, or they can browse products online and order them from the comfort of their homes. They can pick up the items in-store, or have them delivered at their doorstep. Our malls can even collect delivery orders from different stores for added convenience.

We understand that our customers online have a 'saving mindset'. As they focus on the best deals and savings, we improved our digital offerings through the ShopSM App.

We offered stackable vouchers, omni-channel order routing and store fulfillment, SMAC Account linking and earning of SMAC points in all purchases made through the ShopSM App. We also made sure that our customers have consistent cross-platform experiences from the ShopSM website to its app.

These efforts grew our online customer base to 48% vs 2021, with 21% additional new ShopSM users. Average order value of users also increased to PHP1,600, which is significantly higher compared to leading eCommerce platforms.

Another way we addressed evolving customer expectations is through the online experience of our SM Supermalls. The SM Malls Online App allows access in 73 malls through ShopSM and





SM Malls Online Product Innovations for 2022

SM Markets, while users have access to full services from food, Cyberzone, and our other stores in our 12 malls in Metro Manila and Cavite. The integration of ShopSM and SM Markets enables our customers to shop for groceries and get nationwide deliveries.

We also enabled prepayment through cashless transactions, tapping millions of e-wallet users.

In 2022, we reached one million online shoppers with over a million products delivered from more than 500,000 tenant orders. This coincided with the introduction of our Shipmate App, our runner and rider pick-up and delivery app that makes for an even more seamless customer experience.

Far from digital shopping taking customers away from our malls and stores, our omni-channel approach is bringing us closer to Filipinos by giving them added flexibility and ways to engage with us. In turn they use SM in all the ways they've grown used to. As we offer them more options, we stay close to them, we understand them and can serve them even better.



Shipmate App

Our runner and rider app—built in-house—allows partner riders and runners to track assigned orders for pickup and delivery.



ShopSM, SM Markets Integration

Enabling all customers to shop for groceries and get nationwide delivery through the app by integrating ShopSM and SM Markets inventories.



All Malls Expansion

We expanded our reach by having ShopSM and SM Markets accessible by anyone in the country.



e-Wallet Integration

We enabled e-wallet payments to allow customers to go cashless for their orders, harnessing millions of e-wallet users.



Hyperlocal Deeplinking

Not even the biggest e-commerce app could do hyperlocal deeplinking, but we slowly allowed customers to shop from an ad to their preferred mall and store in click.

SOCIAL CAPITAL

Our Relationship With Our Communities

Our communities are our hosts and our aim is to ensure that our developments, in turn, develop them.

Through our facilities we provide not only access to modern goods and services, but we create employment, social hubs, income, taxes, infrastructure and help with urban development. In addition, through our Foundations, SM invests in local education, healthcare and food security.

As we look ahead at the long term risks we face we do so for our neighbors too—we plan ahead for community resilience and relief where needed in the face of potential climate and other disasters.

As a signatory of the UN Global Compact and a supporter of the UN Sustainable Development Goals, we are committed to promote and protect basic universal human rights. These rights begin with having access to basic services that make for a decent quality of life.

During the tail end of the pandemic, we became a major channel for delivering the COVID-19 vaccination needs of the country. We became a main point of distribution for vaccines by transforming our malls into accessible and convenient venues for local governments to conduct national vaccination programs.

SM Supermalls was the biggest private sector partner of the government to vaccinate Filipinos. A total of 10,581,635 doses of COVID-19 vaccines were administered nationwide across 77 mall vaccination sites by the end of 2022.

Quality Education for Every Filipino

Every Filipino has the right to education. We do our share in delivering this right by closing gaps in the quality of public-school education and helping develop Filipino talent wherever and whenever we can.

Our School and Classroom Building Program and our grant programs for continuing studies through our College and Technical Vocational Scholarship Programs are examples of how we take our role in developing the Filipino seriously.

School and Classroom Building Program

342

School buildings built and refurbished

1,110

Classrooms built and refurbished

Scholarship Program

1,750

Scholars in 2022

10,000

Scholar graduates to date

11,750

Scholars supported to date



Proper Medical Care

By working with the Department of Health, we also help every Filipino claim their right to quality healthcare. Through the renovation of public health centers to meet PhilHealth Accreditation standards, we allow an increase in PhilHealth utilization, helping decongest city hospitals and minimizing the spread 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 governments.



Healthcare

317

Health centers and medical facilities built and renovated

1,847

Medical missions conducted

1,239,642

Patients served (Medical Missions)

5,153,575

Patients served (Wellness Centers)

6,393,217

Patients served (Medical Missions + Wellness Centers)

Freedom from Hunger

We help families free themselves from hunger and malnutrition by providing backyard farmer training to families in vulnerable communities. Through proper skills and education, parents can provide more nutritious yet cheaper choices for their children—supporting their nutritional growth requirements.



Food Security through Farmers' Training

28,550

Farmers trained

266

Farmers' training sessions

Resilient Communities

Through SM Foundation's Operation Tulong Express, we are quick to respond whenever there is a need for food and basic goods in the aftermath of typhoons, earthquakes and other calamities.

Through SM Prime, we have taken a leadership role in UN ARISE Philippines through SM Prime's Executive Committee Chairman, Hans T. Sy.

As a leader in the local network of ARISE Global, the Private Sector Alliance for Disaster Resilient Societies, we have been advocating to make resiliency a key part of business and local government planning.

We also partner with the government through the Adopt-a-City Program, focused on building more climate-resilient communities in the country. Additionally, we are supportive of the Galing Pook awards, which recognize innovative local government programs that exhibit exemplary service to Filipino communities.

Disaster Response*

819,024

Kalinga packs distributed to date

663

Operation Tulong Express conducted

**Updated figures as of end 2022*

SOCIAL CAPITAL

Our Network of Supply Chain Partners

We understand the importance of adopting Environmental, Social, and Governance (ESG) practices in all our businesses, and we are committed to help our supply chain partners on their own journey towards responsible ESG practices.

The adoption of sustainable business practices allows our partners to reduce their environmental footprint, improve the working conditions of their employees, and adopt ethical business practices.

Green Procurement

SM Hotels partnered with the Philippine Center for Environmental Protection and Sustainable Development Inc. for a Green Procurement Workshop. We invited 100 top suppliers of Taal Vista Hotel, Pico Sands Hotel, Pico de Loro Club, Tagaytay Highlands, SM Investments Corporation procurement group, and SM Retail for a discussion on sustainability in procurement. This workshop allowed us to take a closer look at the health, environmental, and social impacts of our supplier choices throughout the entire supply chain.

This Green Procurement Workshop also helped our procurement staff and suppliers make informed and empowered decisions on how to adopt ESG practices. For example, we set sustainable product specifications for paper materials used in both goods and packaging, as well as green cleaning products for housekeeping.

We also implemented an e-ordering system to reduce the environmental impact of printing and transporting paper documents. We choose our suppliers based on their solid credentials for sustainability, and replace those who use harmful materials in their products.

Green Finds

We highlight our sustainable supplier partners through our Green Finds program. Green Finds is a curation of everyday items that are sustainable, support local communities, and are made of natural ingredients.



SM Retail promotes them, giving customers affordable and easy to find choices. In doing so, we help customers make the informed choices they tell us they want, and as customers to buy more green products. Our supply chain partners are recognized and encouraged to develop more of their own green offerings.

Elevating Filipino Cuisine with Green Sourcing

Each SM Hotel brings together the best resources that our locations offer. They work with local producers to help lessen their carbon footprint. They also tap local farming communities for fresh produce, strengthening the sustainability of our food chain.

We also empower our partners and team members to make greener decisions. Our green procurement process helps our partners and staff adopt sustainable practices in vetting products and suppliers.



Rice Cake Mochi Balls with Tres Leches Sauce



Taza Restaurant in Taal Vista Hotel's Duck Confit using local duck from Laguna.



Batuan Ice Cream with Piaya Cookies at Park Inn by Radisson in Iloilo

This enables us to source the freshest ingredients and incorporate seasonal ingredients in every one of our locations, making our customers' experience uniquely and profoundly Filipino.

Going Glocal

Our 'Glocal Cuisine' elevates Filipino cuisine by staying true to global standards while using local ingredients to make each dining experience unforgettable for our guests.

Some of our exciting offerings made possible by green procurement are our Pico Lobsters at Pico Sands, using lobsters sourced from Fortune Island, Batangas, and our Batuan Ice Cream with Piaya Cookies at Park Inn by Radisson in Iloilo, a creation that brings together the unique flavors of Batuan fruit and local delicacy, piaya.

HUMAN CAPITAL

Connecting with Our People by Recognizing the Importance of Diversity, Equity, Inclusion and Belonging

We recognize the importance of Diversity, Equity, Inclusion, and Belonging (DEIB) in ensuring a thriving workplace culture.



DEIB principles guide the development of our social capital, helping provide an inclusive workplace by providing a sense of belonging among all individuals.

Building social capital in this way requires special efforts to foster connections and to cultivate a sense of community among employees from diverse backgrounds. By doing so, we tap the full potential of our workforce and create a culture of inclusion and empowerment.

SM Life

The employee demographics of the SM group is continuously evolving. With 80% of our people categorized as Millennials and Gen Zs, there has been a need to reintroduce the refreshed SM Life values to all our team members.

As the company with the largest number of employees within the SM Group, SM Retail took the first step with its SM Life Values Cascade last year.

DELITE in Action

The SM Life Values Cascade begins with the identification of SM Life Culture Champions—people who share the values of SM. They embody our values of Drive and Enthusiasm, Leadership, Integrity, Teamwork, and Entrepreneurship (DELITE).

In over two months, 24,275 employees across 600 batches, were successfully reached by 116 Culture Champions across SM Retail for workshops on SM's Values. This represents an overall attendance of 95%. On top of this, over 2,000 newly hired employees also joined sessions.

Nationwide, more than 500 sessions were conducted by SM Store branches and Retail Affiliates, with 50 sessions at the SM Retail HQ, four sessions at the warehouse, and more than 20 sessions conducted virtually.

SM Employees Are Living Green and Feeling Good

With a better understanding of the core values of the company, employees are now actively participating in activities that are initiated by the SM Life team.

Feel Good programs are a particular set of initiatives which encourage and support the mental health and well-being of our employees. This includes webinars that teach our members new ways to be present, and new ways to better experience happiness and gratitude. Among the Feel Good moments are surprise pop-up stations that distributed fruit cups and smoothies for employees.

The SM Retail Values Cascade is paving the way for an outstanding employee experience for every SM team member. The SM Life employee experience at SM Retail is just the beginning.



Our First Group Diversity Officer

Diversity recognizes the uniqueness and variety of different groups and societies. This can include differences in age, gender, sexuality, disability, race, ethnicity, origin, religion, economic or other status. Social inclusion is the process by which efforts are made to ensure equal opportunities for all—that everyone, regardless of their background, can achieve their full potential in life.

SM Investments appointed Ms. Elizabeth Anne "Lizanne" C. Uychaco as its first Group Diversity Officer, tasked to work with the different companies of the SM group in advancing gender equality and championing inclusion.

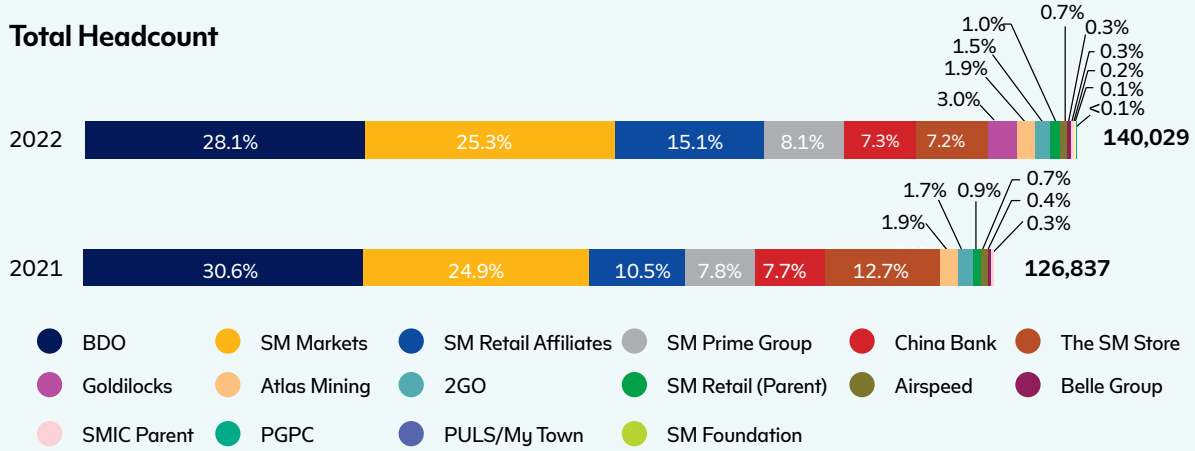
UN Women Empowerment Principles

The SM group has proven itself exemplary in women empowerment. Women comprise 62% of its workforce, and 57% in senior leadership roles.

SM Investments signed on as a supporter of the United Nations Global Compact Women Empowerment Principles (WEPs), joining over 3,000 other business leaders around the world. Established by UN Global Compact and UN Women, the WEPs are a set of principles offering guidance to businesses on how to promote gender equality and the empowerment of women in the workplace, marketplace, and community.

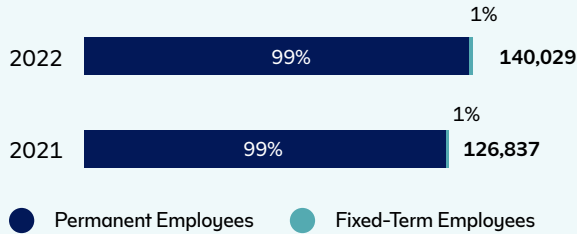
Our Sustainability Performance

Total Headcount



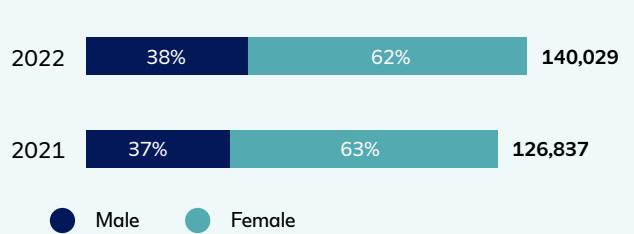
Additional Scope for 2022 includes Goldilocks, PGPC, and PULS/MyTown

By Contract

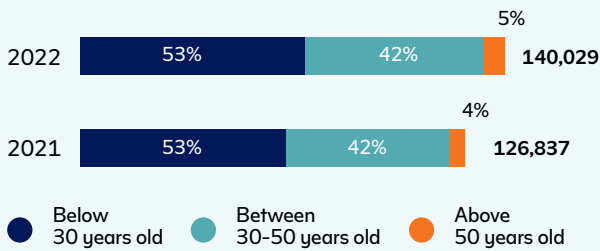


Permanent employees include regular and probationary status
Fixed-Term employees include project-based and seasonal contract status

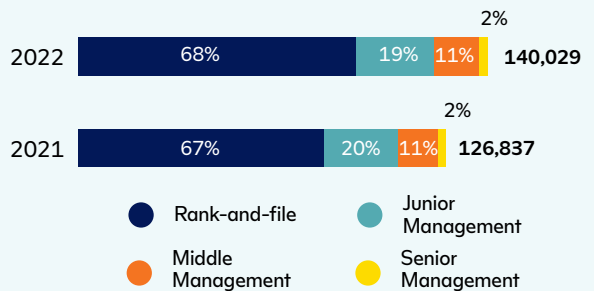
By Gender



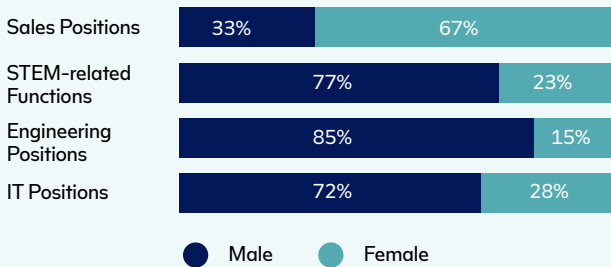
By Age Group



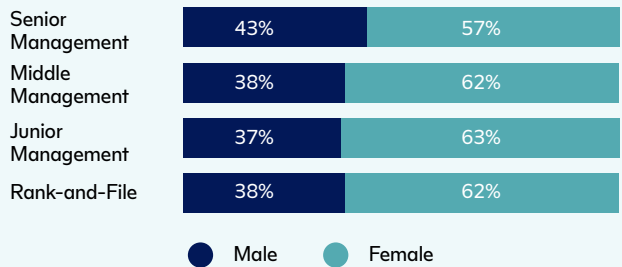
By Level



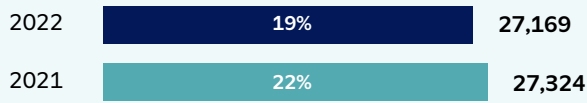
By Job Function and Gender (2022)



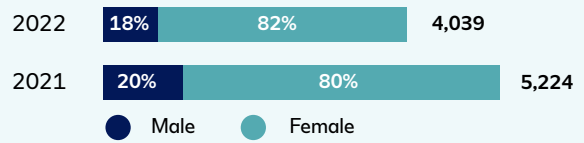
By Level and Gender (2022)



Employees Covered by Collective Bargaining Agreement

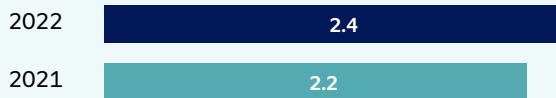


Availment of Parental Leaves

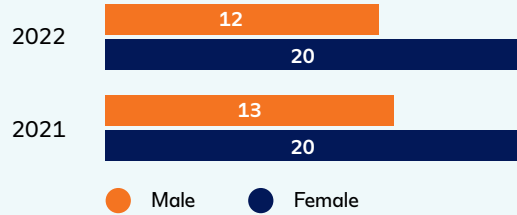


Training Hours

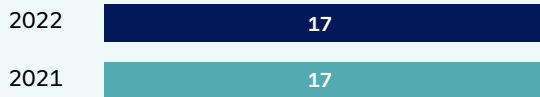
in million hours



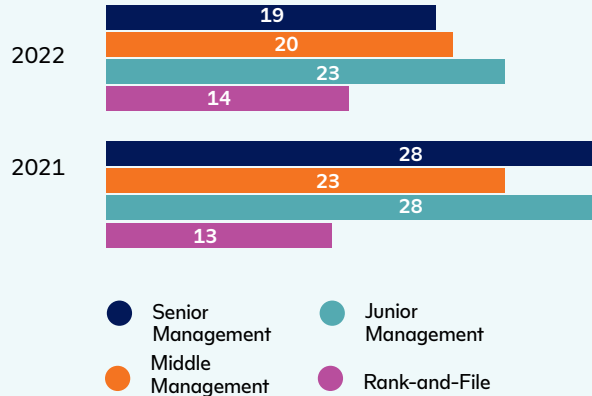
Average Training Hours by Gender



Average Training Hours per Employee

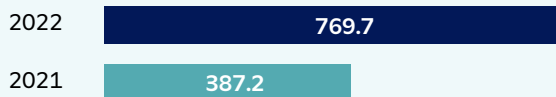


Average Training Hours by Level



Average Amount Spent per Employee on Training

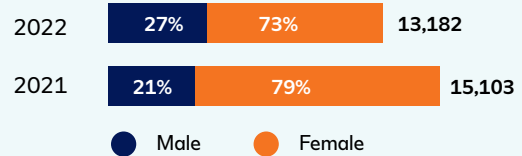
in PHP



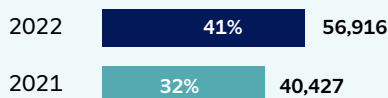
Appraisal Rate



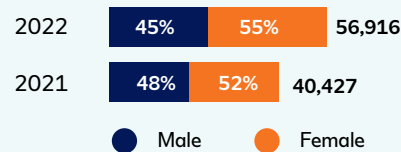
Promotion



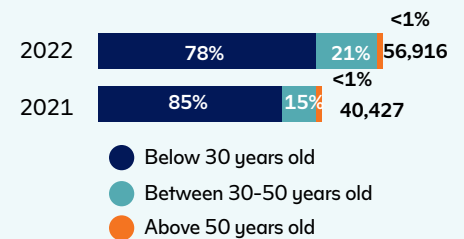
Hiring Rate



Hiring Rate by Gender



Hiring Rate by Age Group



MANUFACTURED CAPITAL

Our Developments

We understand that our developments play a crucial role in creating sustainable spaces for all—places where people can gather and communities can thrive. We strive to build integrated developments that improve the quality of life, while also being climate-resilient to protect both our assets and the communities that host us.

Our developments aim to provide an integrated lifestyle. Many of our malls have evolved into city centers, around which are gathered residences, commercial buildings, social infrastructure and open leisure spaces, serving multigenerational populations.

Sustaining Integrated Lifestyles

We support integrated lifestyles through our developments. By creating developments with malls, residences, and office spaces together, we help create a well-balanced lifestyle for our people.

Having a mall nearby provides easy access to shopping, entertainment, and dining experiences. By having residences and offices located in the same development, we reduce commuting time and help Filipinos achieve a better work-life balance.

We also add open green spaces that provide opportunities for recreation, exercise, and relaxation, which promote physical and mental well-being.

In addition, our integrated building developments enhance social interactions and create a sense of community. When people live, work, and play in the same area, they are more likely to engage with each other and form meaningful connections.

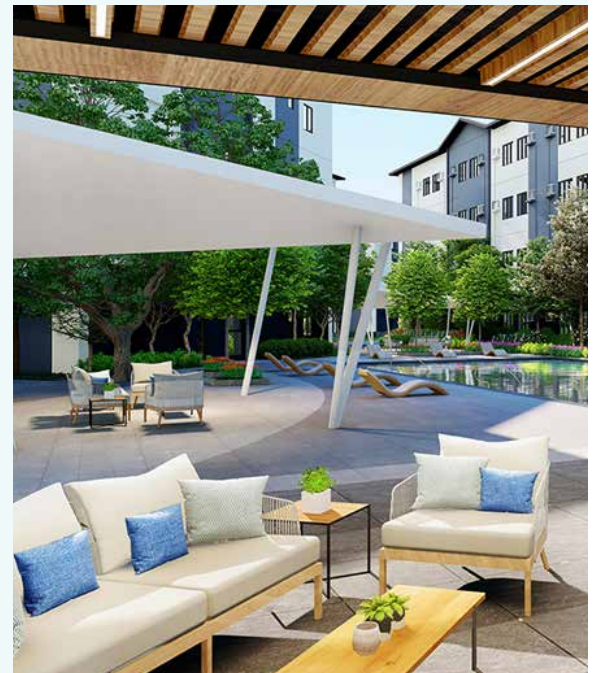
Our developments are also accessible for all through accessible transport links and pedestrian-friendly design to make it easier for people to move around the area.

Spaces that Nurture Connections

We Develop Spaces that are Good for People, Communities, and the Planet.

Our developments are designed to address the evolving needs of people and communities by adding amenities for them to enjoy, adapting technologies to help with climate resiliency, and finding ways to mitigate our environmental impact.





Reaching More Communities

Our team of engineering experts ensure that we design our developments to respond to communities' most pressing needs and add value to their way of life. In the provinces, our developments are tailored to unique local needs, such as providing social amenities, helping create inclusion, and developing employment as well as facilities for disaster resilience.

NATURAL CAPITAL

Developing Responsibly

We have a unique and highly diverse natural capital in the Philippines, both on land and underwater. Our natural capital strategy aims to preserve and enhance these natural resources, operating as stewards and driving responsible economic and social development. We also aim to promote a more circular economy, towards a more resilient and sustainable future.

Sustainable Solutions

By focusing on sustainable building development through the efficient management of water, waste, and energy, we help create crucial solutions that reduce the environmental impact of buildings and promote a more sustainable future.

Water Management

Rainwater catchment basins are currently installed in 23 SM malls. They not only help control the flooding in the communities around them, but also create significant water savings through recycling. The collected rainwater is used for greening irrigation, cleaning sidewalks and driveways, and cooling air conditioning systems.

Waste Management

We recognize our duty to responsibly manage our waste and identify programs to reduce plastic waste in landfills. Our malls have become venues for the community to participate in the circular economy via recycling. To date, our program has helped divert almost 20,000kg of post-consumer plastics, equivalent to 32,330kg of carbon dioxide (CO₂), from landfills, oceans and rivers.

Energy Management

Designing buildings with energy-efficient features such as proper insulation, efficient HVAC systems, and energy-efficient lighting greatly helps reduce energy consumption. Installing renewable energy systems such as solar panels also allows buildings to generate their own energy.

We continue our transition to embrace clean energy. At least 50% of SM Prime's energy use today is sourced from renewable sources. Our bank, BDO Unibank, currently funds 58 renewable energy projects and our parent, SM Investments recently acquired 100% of geothermal steam producer for renewable energy, Philippine Geothermal Production Company (PGPC).

Integrated Approach

Implementing an integrated approach to building design and management ensures that water, waste, and energy systems work together to optimize efficiency and reduce environmental impact. This includes using building automation systems to monitor and optimize energy use, as well as implementing green building certification programs such as LEED.

Sustainable building development requires a holistic approach integrating water, waste, and energy management.





Building Forests of the Future

Planting trees is a highly effective way of restoring and conserving natural capital. Trees provide a wide range of ecosystem services that benefit both humans and the environment. They also act as carbon sinks and help combat climate change.

We have several different approaches to facilitate tree planting within the SM group, including reforestation, afforestation, and agroforestry.

Grow Trees Community

In support of the SM Green Movement, we launched our Grow Trees Community (GTC) through the SM Foundation and our partner, Fast Retailing Foundation. This program focuses on the development of long-term reforestation by involving an ecosystem of partners to care for the trees, especially after they are planted as seedlings.

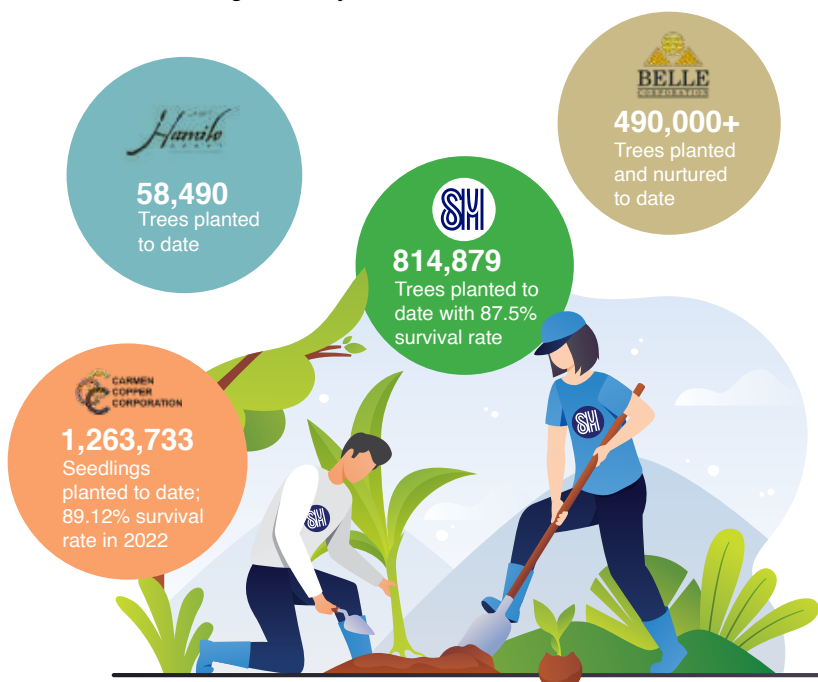
Creating More Powerful Opportunities

We go beyond just planting trees. We also look after the seedlings and identify opportunities for the local residents to benefit from the growing trees. By working closely with community organizations, we create more jobs. Tourism, community-based training on crop production, coffee processing, and bamboo crafting are examples of new areas of livelihood.

The Grow Trees Community in Tuba, Benguet provided training to the Nagawa, Manganese, Liw-Liw, Saddle Agroforestry Association Inc. (NAMALISA) People's Organization on bamboo crafting.

The Grow Trees Community in Macabebe, Pampanga provided livelihood kits composed of chicken and hog feed, sari-sari store/ice dealership livelihood kits, and fishing nets.

At Carmen Copper, foresters and people's organizations are also tapped to plant and help the trees grow.



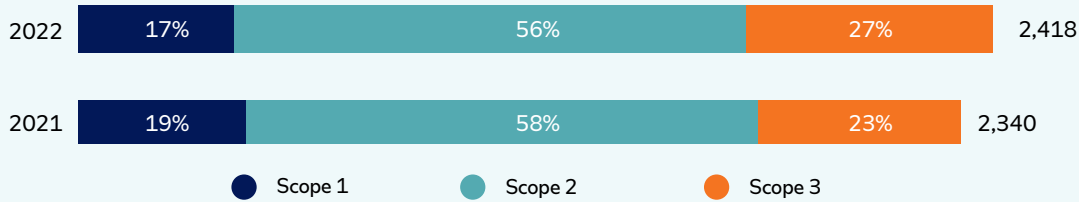
Grow Trees Community

	No. of Trees	Survival rate
Nasugbu, Batangas	8,400	93%
Macabebe, Pampanga	200,000	86%
Tuba, Benguet	10,000	85%

Our Sustainability Performance

Greenhouse Gas (GHG) Emissions

in '000 MT CO₂e

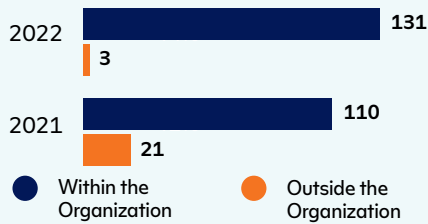


- Scope 1** - Emissions arising from the use of diesel, gasoline, liquefied petroleum and compressed natural gas in facilities fully owned and controlled by the company including generator sets and company-owned vehicles
- Scope 2** - Emissions arising from our use of purchased electricity in facilities that are fully controlled and operated by the company (21% of Scope 2 total emissions are from renewable energy sources)
- Scope 3** - Emissions arising from sources that are neither owned nor controlled by the company such as fuel and energy-related activities not included in Scope 1 or Scope 2

Calculated following the operational approach of the Greenhouse Gas Protocol. Scope 2 emissions were computed using the 2015-2017 National Grid Emission Factors provided by the Department of Energy.

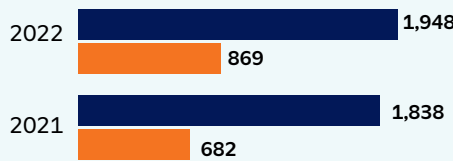
Fuel Consumption

in million liters



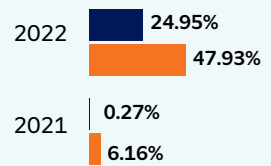
Electricity Consumption

in million kWh



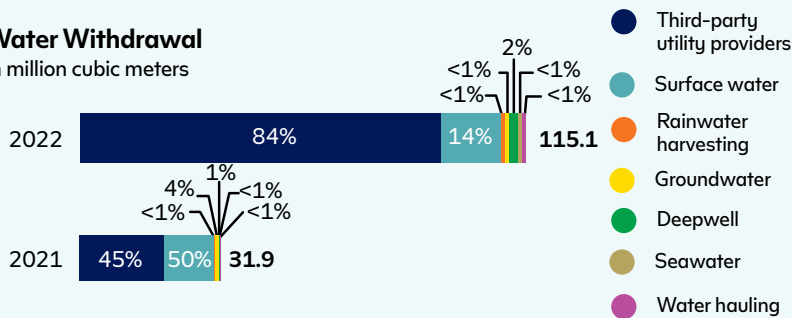
Percentage of Electricity Consumption from Renewable Energy Sources

in million kWh



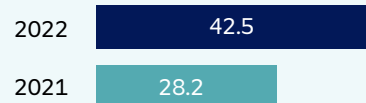
Water Withdrawal

in million cubic meters



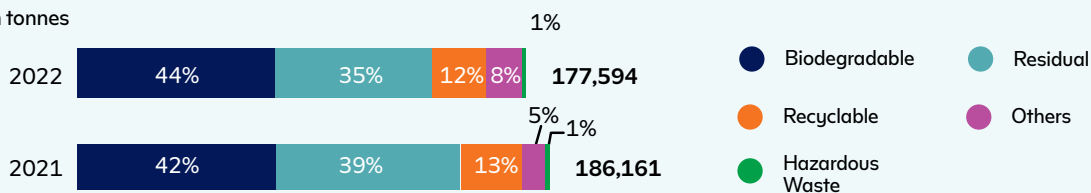
Water Recycled

in million cubic meters



Waste Generated

in tonnes



FINANCIAL CAPITAL

Our Approach

At SM, we employ financial strategies that are aligned with our values. We take a long-term view and exercise prudence in how we use our capital to ensure our success and the success of the businesses within our ecosystem.

SM Investments Corporation and Subsidiaries Economic Value Table (in PHP millions)

	2022	2021 As Restated	2020 As Restated
Direct Economic Value Generated	557,251	435,390	399,922
Economic Value Distributed	484,941	389,702	373,664
Operating costs	399,050	320,401	302,106
Employee wages and benefits	28,257	24,140	26,153
Payments to providers of capital	34,261	28,792	28,574
Payments to government	22,691	15,889	15,792
Community investments	682	480	1,039
Economic Value Retained	72,310	45,688	26,258
<i>% of community investments over economic value retained</i>	<i>0.9%</i>	<i>1.1%</i>	<i>4.0%</i>

Because each business is different, we implement financial strategies that are tailored to their unique needs. For example, our retail business utilizes a capital light model allowing it to have a low capital structure and be nimble in responding to ever-changing consumer needs. Meanwhile, our capital-intensive property and banking businesses reinvest a significant portion of their earnings to fund their growth internally. While the financial strategies of these businesses differ, their goals are the same: to be catalysts for responsible development in the communities they serve.

All of our businesses operate independently, managing their respective finances. The parent company coordinates these efforts, helping maximize operating synergies between businesses and ensuring efficient capital-raising activities.

Through the pandemic years, we continued to invest and expand across all sectors that we operate in. As the economy reopened in 2022, our businesses performed exceptionally well. Group revenues rose 28% to PHP553 billion while net income grew 53% to PHP62 billion.

We continued to expand our portfolio investments by increasing our stake in Airspeed to 51% and acquiring 100% of Philippine Geothermal Production

Company (PGPC) last year. Both companies are high growth businesses and leaders in their respective sectors. They have existing and future potential synergies with our other businesses. For example, PGPC allowed our property arm to meet its objective of utilizing at least 50% renewable energy by end of 2022. Today, this portfolio of investments contributes 11% to our consolidated earnings and each business in the portfolio was profitable in 2022.

Our balance sheet strengthened in 2022. Total assets grew 9% while maintaining our consolidated Net Debt to Total Equity ratio at 35:65. This ratio reflects our conservative approach of keeping assets booked at their historical costs on our balance sheet.

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 above.

We will continue to cultivate synergies between our businesses. We will maintain our collective financial strength. We will continue to grow to address the enormous potential of the Philippines. This will enable us to add value to all our stakeholders and uplift the lives of the communities we serve.

Our Reports





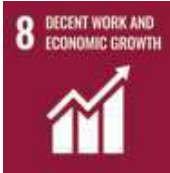





We're not just about profits. We are also aware of our impact on the planet. We strive for transparency and accountability across all areas of our business, and are focused on becoming a global leader in sustainable business practices.

Reporting on the Principles of the United Nations Global Compact

UN Principles	SM Policies and Guidelines
Principles 1-2 Human Rights	Human Rights Policy SMIC's Human Rights Policy aligns with our Code of Ethics, Business, and Environmental policies covering diversity, environment, health and safety and employee relations. We are committed to the principles that all persons should be treated with respect.
Principles 3-6 Labor Rights	Human Rights Policy Child Labor SMIC will not employ child labor, consistent with the provisions of the labor laws of the Philippines. Freedom of Association and Speech We promote open communication and forums that allow our employees to bring concerns, suggestions, and ideas forward to produce and facilitate improved methods and efficiencies. Forced Labor and Human Trafficking The company will not use slavery or involuntary labor, whether bonded, prison, military, compulsory labor, including debt servitude or human trafficking with respect to any aspect of its operations. Discrimination and Harassment SMIC believes that every employee has the right to be treated fairly and deserves a comfortable and safe working environment. SMIC prohibits discrimination based on age, race, color, religion, sex, nationality, marital status, disability, citizenship, sexual orientation, gender identity or expression, or other-protected characteristic. Everyone has the right to work without fear or intimidation. SMIC does not accept abusive conduct or harassment—a policy made clear from the first day of employees' orientation. Employees are expected to report situations that compromise their ability to do their jobs. Formal channels are available for employees who seek advice or a solution, and our policies strictly prohibit retaliation against employees who express concerns. We manage our business operations so that employees feel they are being treated fairly and respectfully.
Principles 7-9 Environment	Sustainability Policy SMIC aims to create shared value through environmental responsibility by pursuing: Environmental initiatives <ul style="list-style-type: none">• Participating in efforts to improve environmental protection and understanding, and adherence to water conservation initiatives (e.g., implementing the use of waterless urinal facilities, reduce carbon emissions);• Ensuring the responsible use of energy throughout the organization (e.g., using energy efficiently, increasing the use of renewable energy, where feasible producing renewable energy such as through the use of solar panels);• Conserving natural resources by reusing and recycling waste materials (i.e., prevent pollution and promote zero waste);• Evaluating climate change risks and vulnerabilities and adopting measures to mitigate its impact on the short-term and long-term effects on the Company's operations;• Being an environmentally responsible entity in our communities (i.e., where responsibility is assigned, shared and understood by all levels of the organization);• Using, in our own operations, processes that do not adversely affect the environment (e.g., utilizing biodegradable plastic bags in our operations);
Principle 10 Anti-Corruption	Anti-Bribery and Anti-Corruption Policy SMIC is committed to conducting business in an ethical and honest manner and implementing and enforcing systems that ensure bribery is prevented. We are committed to acting professionally, fairly, and with integrity in all our business dealings and relationships.

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	2022	2021	2020
	Employee wages and benefits	PHP28.3bn	PHP24.1bn	PHP26.2bn
	BDO and China Bank outstanding SME/MSME loans	PHP62.72bn	PHP61bn	PHP63.4bn
	% of Mall tenants that are MSMEs	68%	>66%	> 65%
	Partner agents under BDO's Cash Agad	10,429	9,530	8,872
	CapEx allocated to incorporate disaster-resilient features	10%	10%	10%
	SM Malls certified with Business Continuity Management System (ISO 22301) to date	75	71	53
	Gold-Certified LEED Buildings	6, 1 pre-certified	3, 2 pre-certified	3, 1 pre-certified
	Malls with water catchment facilities to date	23	20	20
	Mangroves protected	10ha	10ha	10ha
	Marine protected areas	3	3	3
	Capacity of solar panels installed in SM Supermalls	12.67MWp	10.6MWp	9.2MWp
	Renewable energy projects funded by BDO	58	54	50
	Recycled water	42.5mn m³¹	28.2mn m ³ ²	29.3mn m ³ ²
	College, high school, technical vocational scholars supported to date	11,750	11,266	10,392
	Schools built and refurbished to date	342	282	272
	Scholar graduates to date	10,000	9,434	8,898
	Medical missions conducted to date	1,847	1,535	1,516
	Number of rehabilitated public health and medical facilities to date	317	305	277
	Group-wide COVID response for the year	N/A	PHP21.6bn	PHP30.4bn
	Payments to government for year	PHP22.7bn	PHP15.9bn ³	PHP15.8bn ³
	Loans disbursed by BDO to date for national projects, airports and road networks	PHP56.7bn	PHP39.5bn ³	PHP32.9bn ³
	Budget allocated for public and private partnerships of SM Prime (SM Cares, ARISE and NRC only)	PHP33.8mn	PHP49.6mn	PHP45.5mn

¹ 2022 Includes SM Retail HQ, SM Prime, BDO, Tagaytay Highlands, Atlas Mining, NEO Group, Goldilocks

² 2020 and 2021 data updated to reflect updated recycled water from SM Prime; also includes data from Atlas Mining and BDO

³ 2020 and 2021 data updated

MATERIALITY

What Matters to Us and Our Stakeholders

Our Approach

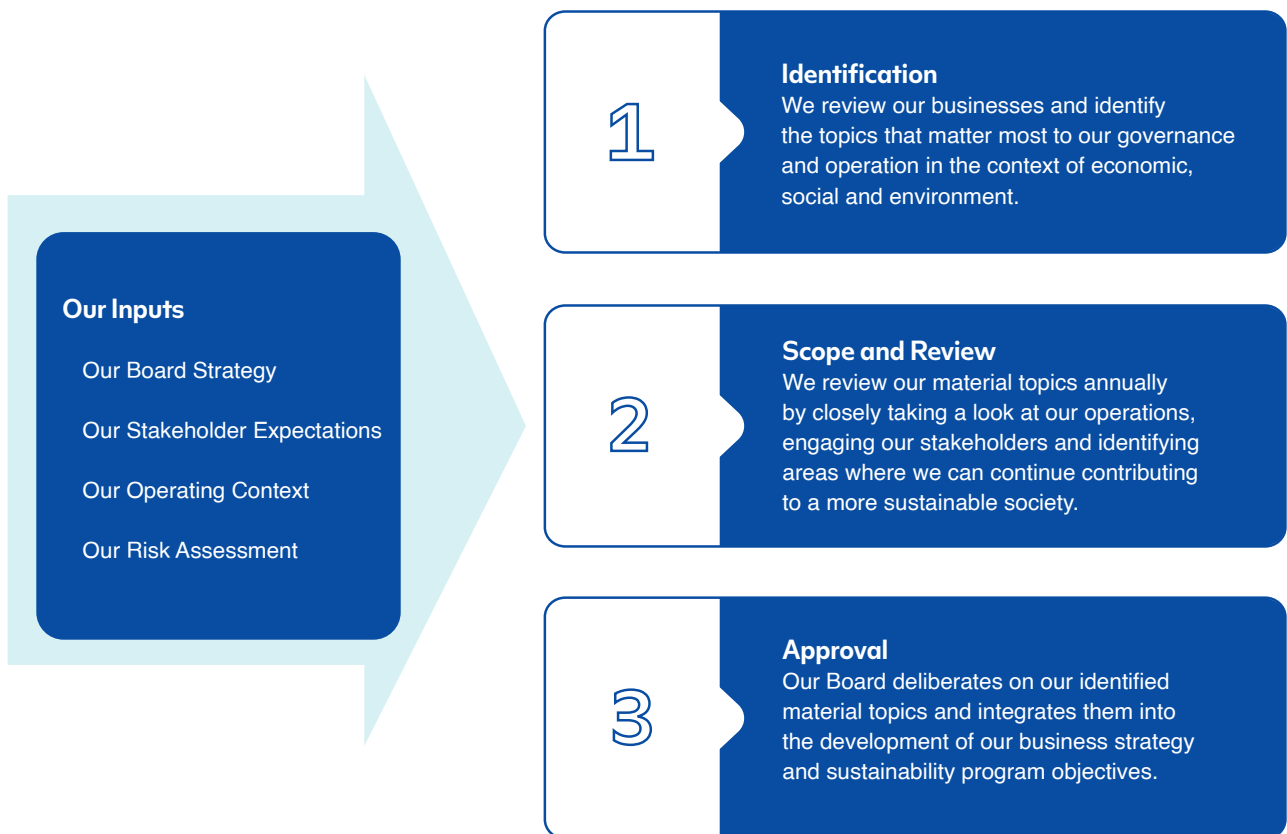
We have outlined below the most material topics that drive our long-term value creation. These span economic, environmental and social topics, and are key drivers for our long-term business performance. We regularly undertake a materiality analysis of these topics which we think are the most important issues that drive long-term value creation and assess how these contribute to our overall corporate standing.



Our Process

We came up with an effective materiality matrix by collaborating with our key stakeholders. We conducted materiality assessment surveys and discussions to identify the latest issues that are most important to our stakeholders and those that impact our business. These discussions considered and explored both internal and external factors, such as the United Nations Sustainable Development Goals (SDGs) that affect the material topics.

We reassessed our material topics for 2022 and to ensure that our materiality matrix is balanced, we ensured that there is sufficient representation of our different stakeholders in our materiality assessment process. We involved employees from across ranks and different business units and we invited external stakeholders to participate. The result is a better determination of our company's issues and areas of concern that affect our operations and our stakeholders. The Executive Committee and the Board concurred and confirmed the materiality of the identified topics.



Our Stakeholders

We engage our stakeholders as they are our partners in value creation.

Our Co-workers

We are a team of diverse, creative and dedicated employees

Our Customers

We interface with individual customers as well as MSMEs and B2B customers

Our Supply Chain Partners

We serve as the community, partner and marketplace of diverse local and international partners

Our Community Partners

We operate in various locations nationwide where we deal with communities that include LGUs, educational institutions and local residents

Our Investors, Shareholders and Providers of Capital

Some of our business units are listed in the PSE making us a company that has a big shareholder base

Our Sustainable Development and NGO Partners

We drive community development where we engage partnerships with NGOs and other civil society

Our Regulators

Our businesses require partnerships and compliance with various agencies from local to national which include close coordination with the SEC and other external regulatory bodies

Our Media Partners

We deal with the media that include journalists, publishers in print and TV, and other online social media to communicate our business goals and aspirations

What Matters to Our Stakeholders and How We Impact the Environment and Society

These are the most material issues that have the greatest impact on our business and the generation of long-term value: Employee Development; Employee Well-being, Health & Safety; Customer Welfare; Ethical Practices and Anti-Corruption; Human and Labor Rights; Climate Change; Protection of Biodiversity and Natural Resources; and Environmental Resources Management.



Caring for People

1. Employee Development
2. Employee Well-being, Health and Safety
3. Customer Welfare
4. Human and Labor Rights
5. Diversity, Equality and Inclusion
6. Inclusive Supply Chain Practices

Thriving with Our Communities

7. Economic Value Generated and Shared
8. Economic Opportunities for MSMEs
9. Disaster Risk Reduction (DRR) and Resilience
10. Financial Inclusion
11. Community Development
12. Public Sector Engagement

Living within Our Planetary Boundaries

13. Climate Change
14. Emissions Management
15. Protection of Biodiversity and Natural Resources
16. Environmental Resources Management

Governing for Good Corporate Governance

17. Board Leadership in Integrated Thinking
18. Risk Management with ESG lens
19. Ethical Practices and Anti-Corruption

The pandemic crisis has led to a permanent change in priorities and in the way we operate—focus on the well-being of our customers and employees in particular. In response, we improved on customer touchpoints by making available various innovative customer channels. This strong focus on customer experience helps ensure loyalty and market growth. Our employees continue to be critical stakeholders in our business. Their development and well-being are highly material in providing service to our customers and to making our products and services accessible.

What's Important for Us to Create Shared Value

The purpose of our businesses is to serve as catalyst for development in the communities we serve through the synergy generated by our unique ecosystem of sustainable businesses. We identified what are critical for us in order to create consistent value that can be shared by our stakeholders, aligned to what matters to them. We work on these issues at all levels of leadership from our strategy to day-to-day delivery of our products and services—exhibiting the values that the SM brand represents.

		Our Commitment	Our Progress
Promoting Equal Opportunity through Diversity and Inclusion	Labor Rights of Our People	As signatory of the UNGC, we adhere to all human and labor rights	<ul style="list-style-type: none"> • Policy Issued Specific to Human Rights
	Diversity, Inclusiveness, Equity and Belonging	As signatory of the UN WEPs and advocate of inclusive workplace, we will launch a group-wide approach to DEIB	<ul style="list-style-type: none"> • Appointment of Group Diversity Officer (DEIB)
	Women Empowerment and Leadership Development	To be exemplary in women leadership empowerment in the workplace at all leadership levels	<ul style="list-style-type: none"> • Signatory of UN Women Empowerment Program
Driving Innovation to Meet the Ever-Evolving Needs of Our customers	Customer Rights & Data Privacy	Conduct Surveys on Customer Feedback	<ul style="list-style-type: none"> • SMAC Data Privacy
	Engagement of Our Customer in Social Development and Environmental Sustainability Programs	We develop programs that encourage our customers to do their share for communities and the planet	<ul style="list-style-type: none"> • SM Cares people programs • Trash to Cash
	Visibility, Accessibility and Reliability of the SM Brand	SM provides timely news, creates events to engage our customers nationwide	<ul style="list-style-type: none"> • Incorporated brand refresh through digital platforms to evolve with the trends of new generations
	Access to Sustainable Products and Services	SM supports customers in their shift to greener lifestyle choices	<ul style="list-style-type: none"> • Launched SM Green Finds
Accelerating Inclusive Economic Activities and Partnerships	Building Business Resiliency	We build SM's business resiliency to serve as platform for our supply chain network's resiliency	<ul style="list-style-type: none"> • MSME Resiliency Center • BCP Systems in SM Malls
	Business and Financing Opportunities for MSMEs	We provide growth opportunities for our MSME partners alongside our banks and malls	<ul style="list-style-type: none"> • PHP62.72bn SME/MSME loans by BDO and China Bank
	Training and Development Opportunities for MSMEs	We build the capacity of our MSME partners to mainstream retailing	<ul style="list-style-type: none"> • SM for MSME program and workshops • SM Green Finds Opportunities
	Creating Private and Public Sector Partnerships for Growth	We provide access to basic services for the communities we serve	<ul style="list-style-type: none"> • PHP682mn Community Investments in 2022

		Our Commitment	Our Progress
Managing Environmental Impacts and Finding Practical Solutions	Waste Management	All SM companies will focus on recycling and reducing waste sent to landfill	<ul style="list-style-type: none"> Obligated Entities working on the EPR compliance
	Water Recycling and Management	All SM companies will implement water efficiency programs – reduction, recycling and treatment	<ul style="list-style-type: none"> 42.5mn m3 total water recycled
	Shift to Renewable Energy Sources	Whenever possible, SM will promote the use of RE	<ul style="list-style-type: none"> At least 50% of SMPH Energy Use from RE Sources PHP88.82bn loans disbursed through BDO SEF Funding
	Shift to Electric Vehicles & Green Mobility	Whenever possible, SM will promote the use of EV	<ul style="list-style-type: none"> 16 malls have EV chargers 2GO uses Electric Forklifts
	Climate Risk Management and Accounting of GHGs	SM is committed to manage, measure and reduce its GHGs	<ul style="list-style-type: none"> TCFD signatory WWF partnership for decarbonization

Identifying Businesses to Enhance our Unique Ecosystem Value	Business Mix that Delivers Sustained Results and Serves as a Catalyst for Development	We aim to maintain leadership position in all the businesses that we are invested in and create synergy among our businesses to propel responsible development in communities we serve	<ul style="list-style-type: none"> We have leadership position in our core businesses: retail, property and banking We achieved PHP61.7bn net income
	Operational Efficiency, Cost Avoidance and Savings	We align with global industry specific standards on operational efficiencies and ESG practices	<ul style="list-style-type: none"> Awarded Industry Top Rated and Regional Top Rated by Sustainalytics SM businesses received awards in ASEAN good governance
	Align with Global Social Development and Environmental Responsibility Standards and Initiatives as Seal of Sustainable Business Practices	Follow Global ESG, Sustainability Reporting Standards + Climate Related Frameworks	<ul style="list-style-type: none"> Signatory of TCFD, Phase 1 Completed, Initiated Phase 2 Created a Group-Wide Climate Task Force Hosted WWF x SM Climate Summit, setting up Climate Alliance All listed companies issue Reports aligned to SEC requirements

Task Force on Climate-Related Financial Disclosures

As a group, we touch the lives of millions of Filipinos every day. We are a leader in providing modern retailing, residential developments, community mall spaces and social amenities, as well as their banking needs and many other services.

We exist in and for the Philippines, earning 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.

Our country has been identified as one of the top 3 most vulnerable countries to the impact of climate change and we are committed to do our share in helping build resilience as a community and as a business by taking the lead in incorporating disaster resiliency and sustainability in the way we work. Moreover, we have taken further steps to further understand how climate change will potentially affect our communities and are always seeking ways to mitigate those risks.

A realistic and adaptive climate action

With climate change comes a wide range of challenges that adversely affect the way we do business and our bottom line. It comes with the territory, being in a part of the world where our exposure to extreme weather conditions amplifies our risks due to the changing climate. And as such, the need to take the first great step in acknowledging our risks and studying their impact becomes even more apparent. This way, we can chart our way forward to find ways to protect our assets.

Our commitment to TFCF remains and is demonstrated in our official climate statement (see page 95) describing a position that is both local and realistic for the SM group. A reduction in emissions and an emphasis on adaptation and resilience toward physical and transitional risks are key policies that must be incorporated into our business strategy and weaved into the SM business ecosystem.

We also rally other corporates to take the same stand by supporting WWF-Philippines with the formation of an alliance among the business sector (see related story, page 98).

How do we do this?

Mobilizing all our subsidiaries to follow the lead of our group climate position is a priority. We expect all subsidiaries to actively create their own climate solutions with the group climate stand as guide, integrating their respective industry regulatory inputs as well as the assessment of their own climate risks opportunities. In doing so, they mobilize their own commitment.

As every business unit is unique, so will their respective climate action be diverse, according to their respective levels of risks and exposure to the adverse effects of climate change.



Our Climate Position

At SM we support the TCFD approach to climate change, which is an urgent global priority. We appreciate the non-prescriptive nature of the TCFD framework that allows us to design our climate action plan according to our material business needs and our Philippine context.

We will do our best part towards decarbonization, measuring and reporting our carbon footprint and mitigating it as technology and practical opportunities allow. We will use a science-based approach to understanding and addressing our unique physical and transition risks. We will also look for opportunities created by local climate change needs, for example in renewable energy and energy efficiency.

Of critical importance to us is the need to prioritize climate resilience. The Philippines is one of the smallest contributors to global carbon emissions but one of the most impacted by the effects of climate change. These include worsening typhoons, higher temperatures and rising sea levels that impact our communities and business continuity. Adaptation strategies by our businesses for all our stakeholder groups are of primary importance in our climate change action plan.



What actions are we taking?

In 2022 key actions taken by the SM group of companies included the following:

	Initiatives	Details
Resource Efficiency	Compliance to RA 11285	<p>Energy efficiency improvement targets in key areas.</p> <p>Various energy-efficiency measures across business units.</p> <p>Preference for affordable equipment that have low emission scores. These are deployed in various energy conservation measures that focus on cooling equipment and efficient lighting in each of our subsidiaries.</p>
	Compliance to RA 11697	<p>Green vehicle pilots in 2GO, AirSpeed and Goldilocks as an initiative to lower their emissions and to comply with the new law that requires logistics companies to have 5% of their fleet be electric vehicles within the timeframe provided in the comprehensive roadmap.</p>
	Tech Innovations	<p>2GO's implementation of Fareye, a platform that optimizes logistics operations and makes seamless and better deliveries, thereby saving fuel and reducing carbon emission and use of route optimization software for better vehicle traffic planning and efficient deliveries.</p>
Resilience	Disaster-resilient Designs	<p>We actively discuss sustainability and climate considerations to ensure resiliency of designs and the communities surrounding our facilities. We also subscribe to WELL Building Standards for our newest SM Retail Headquarters ensuring both physical and mental resiliency of building occupants.</p>
	Capacity Building through UN-ARISE	<p>We support programs that support adaptation (“managing the unavoidable”) which improve the resilience of our operations, supply chains, and communities in the face of climate-related changes.</p>
	Building Resilience Index	<p>NEO has received an A+ rating for one of its buildings from the Building Resilience Index (BRI), a web-based hazard mapping and resilience assessment framework developed by the International Finance Corporation. NEO as well as SMPH will be using BRI to assess wind, fire, water, geological and other climate-related risks for their future developments.</p>
Renewables	Green Energy Shift	<p>Our real estate business, SM Prime, increased the share of renewable energy in electricity consumption to at least 50% across its various business segments by end 2022. Other businesses are considering RCOA and GEOP for alternative energy sourcing for power requirements.</p>
	Solar Rooftops	<p>Atlas is optimizing its operations through a green energy shift starting with solar rooftops implementation in its subsidiary Carmen Copper Corporation (CCC). CCC recently committed to the TSM (Towards Sustainable Mining) Standards being championed by the Philippine Chamber of Mines and mandated by the Mines and Geoscience Bureau. This brings forth the creation of an operational checklist that tackles environment, social, governance and positive legacies indicators which include the company response to climate change and GHG management.</p>
	RE Business Acquisition	<p>Acquired geothermal energy development pioneer in South East Asia Philippine Geothermal Production Company (PGPC) in 2022 as part of our portfolio investments. PGPC's product is the fuel that runs the only baseload form of renewable energy thus directly contributing to the country's climate change initiatives. SMIC will continue to support PGPC in its efforts to explore and develop greenfield concession areas in order to provide additional capacity for clean, renewable and reliable energy.</p>

Our Climate Roadmap

A year after we formalized our commitment to the Task Force for Climate-related Financial Disclosures (TCFD), which developed voluntary financial disclosures for companies to measure climate risks and opportunities, SM has made considerable progress against the commitments we made:

	What We Committed in the Short-Term (1-2 years)	Our Practical Actions Taken Last Year
Governance		
<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>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>Formed a Climate Change Steering Committee (CCSC), which serves as a corporate umbrella for the advocacy and support initiatives on climate resilience of the whole SM group.</p> <p>CCSC provided the leadership, strategic direction, and guidance on the implementation, monitoring and evaluation of each SMIC subsidiary's climate initiatives.</p> <p>CCSC is comprised of SMIC leaders coming from Risk, Finance, Audit, Sustainability and business unit representatives of all companies.</p>
Strategy		
<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 2C or lower scenario</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>Engaged WWF-Philippines, through their Corporates for a Better Planet Initiative (CBPI), to help assess our climate-related vulnerabilities and opportunities and recommend ways on how to consider these in our overall strategic planning.</p> <p>Partnership provided an actionable framework for organizations to operate sustainably within the paradigm of the climate crisis.</p> <p>Work entailed measuring where each SMIC subsidiary is situated in terms of climate action and helping them set a science-based targets (SBTi) in line with global climate goals.</p>
Risk Management		
<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 interdisciplinary approach to Enterprise Risk Management (ERM) with climate issues as part of the ERM agenda.</p>	<p>Implemented a Business Continuity System to improve organizational resilience through the protection of critical business functions.</p> <p>Long-term strategies allowed us to look at the potential business impact of climate risks/opportunities and create the mitigating actions and/or act on opportunities as required.</p> <p>Considered new regulatory policies to guide our energy-related GHG emission reduction in our long-term outlook for energy. This served as our foundation in determining our business environment, strategies and investments.</p>
Metrics and Targets		
<p>Metrics used to assess climate-related risk 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), and the related risks</p> <p>Targets to manage climate-related risks and opportunities and performance against targets</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>Reviewed baselines as target-setting requires efficiency and securing the integrity of our GHG data management.</p> <p>Upgraded our in-house Sustainability Data Tool that gathers information from the various business units.</p> <p>Initiated internal SBTi per business unit and, while not yet externally verified, we are actively considering options within the medium term.</p> <p>Conducted trainings for GHG calculation and undertook BU roadshows for climate change issues awareness among executives and operations staff group-wide to further understand GHG Protocols, SBTs, TCFD and other climate-related guidance documents.</p>

SUSTAINABILITY FORUM PH



WWF Philippines with the SM Group launched the Philippine Alliance for Climate Action (Phil ACA) for Philippine corporations in the annual SM-sponsored SustainabilityPH Forum held in November 2022.



This year's theme is United for Climate. The call is for businesses and non-state actors to rally together and deliver the country's climate goals and also take ambitious actions on mitigation, adaptation and disaster risk reduction.

The alliance mirrors SM's stand to take urgent action that delivers both climate mitigation and adaptation. The Philippine ACA will register to be part of the global Alliances for Climate Action and represent Philippine concerns at the global climate conferences as a non-delegation member.





“I urge those present here today to not only look to energy efficiency—the shifts to renewable energy and resource efficiency, and establishing your process and product contributions to the circular economy—but to internalize the role of nature in adapting to climate change and its critical importance to disaster risk reduction.

I believe it is high time for the private sector to come together as an alliance to ensure that the ecological and economic gains as individual companies and organizations are leveraged and magnified for the good of our people, our country, and our planet.”

- **Hon. Antonia Yulo-Loyza**, Secretary
Department of Environment and Natural Resources



“As we build the resilience of our cities, we do not leave behind the resilience of the most vulnerable members of our communities. We equip senior citizens, persons with disabilities, women, and children, with disaster preparedness, making them ADAPT BETTER TO CLIMATE CHANGE. These include the construction of climate-resilient school buildings and health centers; as well as training communities with farming techniques for food security.”

- **Hans Sy, Jr.**, President
SM Engineering Design and Development



“Amidst these challenges, the Philippines rallies behind the Paris Agreement with an ambitious commitment to reduce the country’s GHG emission by 70%. In support of this commitment, SM devised a climate mitigating roadmap by signing up to the Task Force on Climate-Related Financial Disclosures or TCFD, assessing our risks and taking practical steps to reduce our impact by shifting to renewable energy sources to power our operations among other actions.”

- **Frederic C. DyBuncio**
President and CEO
SM Investments



“Everything is connected to everything else. We remembered it together when we consciously took a breath. We have to be all in this realignment together or none of it would really matter. Thank you so much to the leaders of the SM Group for carving this space for us and this chance for the great shift for corporates.”

- **Maria Isabel Garcia**
Chairperson
WWF-Philippines



“Our commitment as WWF would be to help Philippine companies set science-based targets through our Corporates for a Better Planet initiative and we’re privileged already to have NEO and SM Prime work with us on this.”

- **Trin Custodio**
Executive Director
WWF-Philippines

Our 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 is the Chairman of the Board of SMIC. He is also a Director of China Banking 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. Belle Corp. 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. In 2022, he received the Parangal San Mateo Award from the Philippine Institute of Certified Public Accountants (PICPA) Foundation, Inc.

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. and Synergy Grid & Development Phils., Inc. He is also the Chairman and Chief Executive Officer (CEO) 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.



Harley T. Sy

Frederic C. DyBuncio

Tomasa H. Lipana

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.

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.

Tomasa H. Lipana is the Lead 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

Robert G. Vergara is an Independent Director of SMIC. He also sits as an Independent Director of Metro Pacific Health, Inc and STI Education Systems Holdings, Inc. He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. 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.



Ramon M. Lopez

Ramon M. Lopez is an Independent Director of SMIC. He currently serves as Independent Director of AIC Group of Companies Holding Corporation. He is also a Trustee and Vice-Chairman of the Valenzuela City Polytechnic College. He was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. He chaired during his term the DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, Philippine International Trading Corp., CITEM, and the Halal Board. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others.

He also received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. In June 2022, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. He also recently received The Asia CEO Awards 2022 "Lifetime Contributor of the Year Award".

Mr. Lopez has a Master's Degree in Development Economics class at Williams College, Massachusetts USA and an AB Degree in Economics from the University of the Philippines School of Economics.

Advisers to the Board



Corporate Governance

SM Investments Corporation (SMIC) practices good corporate governance in all its dealings with all stakeholders investors, business partners, creditors, customers and employees because SMIC believes that good corporate governance will provide the long-term growth, sustainability and success to the Company. SMIC's good corporate governance practices is part of the company's core values that anchored on the principles of fairness, accountability and transparency.

Our Company is recognized for practicing good corporate governance through the ASEAN Corporate Governance Scorecard and was recently cited as a Hall of Famer in the Corporate Governance category of the Asia Responsible Enterprise Awards (AREA) in 2022. We aim to create value in all our businesses we operated in, not just with our customers but as well as communities and the environment to ensure sustainable growth and development.

THE BOARD OF DIRECTORS

SMIC's Board of Directors is at the helm of our governance structure. 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.

Our 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.

SM Investments Corporation's Board of Directors

Director	Designation	Directorship	Age	Year first Elected	No. of Years served as director
Jose T. Sio	Chairman of the Board	Non-Executive Director	83	May 2005	18
Teresita T. Sy	Vice Chairperson	Non-Executive Director	72	May 1979	44
Henry T. Sy Jr.	Vice Chairman	Non-Executive Director	69	May 1979	44
Frederic C. DyBuncio	President/CEO	Executive Director	63	April 2017	6
Harley T. Sy	Executive Director	Executive Director	63	May 1993	30
Tomasa H. Lipana	Lead Independent Director	Independent Director	74	April 2016	7
Ramon M. Lopez	Independent Director	Independent Director	63	August 2022	1
Robert G. Vergara	Independent Director	Independent Director	62	April 2019	4

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

Per our Manual on Corporate Governance, the Board should meet at least six (6) times annually. For the year 2022, there were eight (8) meetings conducted of which 100% attendance was achieved. The 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.

2022 Meetings & Attendance									
Director	Special (1)	Regular (2)	Special (3)	Organizational /Regular (4)	Special (5)	Regular (6)	Regular (7)	Special (8)	%
	1/19	2/28	4/1	4/27	5/11	8/3	8/24	11/9	
Jose T. Sio	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	100
Tomasa H. Lipana	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual*	√	√	√	√	√	-	-	-	100
Robert G. Vergara	√	√	√	√	√	√	√	√	100
Ramon M. Lopez*	-	-	-	-	-	√	√	√	100

* Mr. Pascual has resigned as Independent Director effective June 30, 2022 and Mr. Ramon M. Lopez was elected as Independent Director on August 3, 2022 to serve the unexpired term of Mr. Pascual.

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 on 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)	Jose 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	2022 Meetings and Attendance				
		2/24	4/25	5/11	8/1	11/4
Chairperson (ID)	Tomasa H. Lipana	●	●	●	●	●
Member (ID)	Alfredo E. Pascual*	●	●	●	—	—
Member (ID)	Ramon M. Lopez*	—	—	—	—	●
Member (NED)	Jose T. Sio	●	●	●	●	●

*Mr. Pascual has resigned as Independent Director effective June 30, 2022 and Mr. Ramon M. Lopez was elected as Independent Director and member of the Audit Committee on August 3, 2022.

The Related Party Transactions Committee

The Related Party Transactions Committee reviews all material related party transactions of the Company and ensures that said transactions are conducted reasonably and at arms' length. The Committee is composed of three (3) non-executive directors, including the Chairman wherein two (2) are independent directors.

Office	Name	2022 Meetings and Attendance	
		3/31	11/4
Chairperson (ID)	Alfredo E. Pascual*	●	—
Chairperson (ID)	Ramon M. Lopez*	—	●
Member (ID)	Robert G. Vergara	●	●
Member (NED)	Jose T. Sio	●	●

*Mr. Pascual has resigned effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and Chairman of the Related Party Transactions Committee on August 03, 2022.

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	2022 Meetings and Attendance	
		4/27	11/4
Chairperson (NED)	Teresita T. Sy-Coson	●	●
Member (ID)	Alfredo E. Pascual*	●	—
Member (ID)	Ramon M. Lopez*	—	●
Member (NED)	Jose T. Sio	●	●

*Mr. Pascual has resigned effective June 30, 2022 and Mr. Ramon M. Lopez was elected as Independent Director and member of the Compensation Committee on August 3, 2022.

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 annually except for the outgoing and newly elected Director whose remuneration is prorated.

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	2022 Meetings and Attendance	
		8/1	11/4
Chairperson (ID)	Robert G. Vergara	●	●
Member (ID)	Ramon M. Lopez*	—	●
Member (NED)	Jose T. Sio	●	●

* Mr. Ramon M. Lopez was elected as Independent Director and member of the Risk Management Committee on August 03, 2022

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 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 is 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	2022 Meetings and Attendance	
		3/14	8/01
Chairperson (ID)	Alfredo E. Pascual*	●	—
Chairperson (ID)	Ramon M. Lopez*	—	—
Member (ID)	Tomasa H. Lipana	●	●
Member (ID)	Robert G. Vergara	●	●

*Mr. Pascual has resigned effective June 30, 2022 and Mr. Ramon M. Lopez was elected as Independent Director and Chairperson of Corporate Governance Committee on August 3, 2022

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 2022, the Company joined and partnered an in-house corporate governance training with BDO Universal Bank Inc. with all members of the board and key officers. The training provided by BDO Universal Bank Inc. was duly approved by the SEC.

Notable Continuing Education/Training of the Board of Directors

Director	Date of Training	Program	Training Partner
Jose T. Sio	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Teresita T. Sy	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Henry T. Sy, Jr.	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Frederic C. DyBuncio	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Harley T. Sy	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Ramon M. Lopez	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Tomasa H. Lipana	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.
Robert G. Vergara	7/20/2022	Annual Corporate Governance Seminar	BDO Unibank, Inc.

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	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/President/CEO
	Atlas Consolidated Mining and Development Corp.	Vice Chairman of the Board
Harley T. Sy	China Banking Corporation	Non-Executive Director
Roberto G. Vergara	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. SMIC engaged the services of Institute of Corporate Directors (ICD), an accredited provider, to facilitate our board evaluation in 2021.

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.

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.

The Sustainability Policy

SMIC is committed and complies with all applicable laws and regulations in all aspects of its operations pertaining to human and labor rights and environmental responsibility. It also aims to minimize the Company's risks and impacts through the development of a robust and documented system of implementation, measurement, monitoring, dissemination and evaluation of globally accepted standards of social development and environmental sustainability performance both within its scope of operations and to the broader community.

Other CG Related Policies	Brief Description
 <p>Insider Trading Policy</p>	<p>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.</p>
 <p>Related Party Transactions Policy</p>	<p>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.</p>
 <p>Conflict of Interest Policy</p>	<p>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.</p>
 <p>Guidelines on Gifts/Hospitality and Entertainment</p>	<p>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.</p>
 <p>Guidelines on Placement of Advertisements</p>	<p>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 overall marketing strategy, but only after the release of the results of the awarding process and where it will not create reasonable doubt that such ad placement influenced in any way an award given to an SM company or director, officer or employee.</p>



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.



Alternative Dispute Resolution System

Ensures that the Company maintains an alternative dispute resolution system to settle conflicts between the Company and its stockholders or other third parties, including regulatory authorities.



Human Rights Policy

SMIC respects and promotes human rights in accordance with the International Bill of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. We are committed to the principles that all persons should be treated with respect.



Anti-Bribery and Anti-Corruption Policy

SMIC is committed to conducting business in an ethical and honest manner. We are committed to acting professionally, fairly, and with integrity in all our business dealings and relationships.



Anti-Discrimination and Anti-Harassment Policy

SMIC is committed to providing a working environment that is safe and free from harassment (including sexual harassment) for all its employees and will not tolerate any form of behavior that is based upon an individual’s sex, sexual orientation, race, ethnicity, national origin, age and religion.



Operational Health and Safety Policy

SMIC is committed to the protection of health, safety and wellbeing of all members of the organization including its subsidiaries. The Company strives to promote a strong and sustainable culture that will facilitate the awareness of risk and the prevention of injury and illness.



Privacy Policy

Our Company collects, uses, protects or otherwise handles our data subjects’ personal data in accordance with Republic Act No. 10173, or the Data Privacy Act of 2012, and its Implementing Rules and Regulations and other issuances (collectively known as “Data Privacy Act”).

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, participates in investor conferences and conducts annual roadshows with stops in various locations throughout the world. Due to pandemic, such roadshows were replaced with extensive videoconferencing activity in 2020 up to 2021. In 2022 the IR Department and Senior management returned to roadshow activity globally. 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, OneE-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. The pandemic from 2020 to 2021 has brought the temporary suspension of these activities but has recently resumed

Work from home arrangement is being implemented for the health and safety of the employees. SMIC provides a fully functioning clinic and employs the services of a 24-hour roving ambulance service in case of an emergency.

The Company continues to conduct seminars and various learning sessions via online platform, such as training on Integration of New Employees in SM, the use of Microsoft word, Excel and PowerPoint and various technological applications, 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.

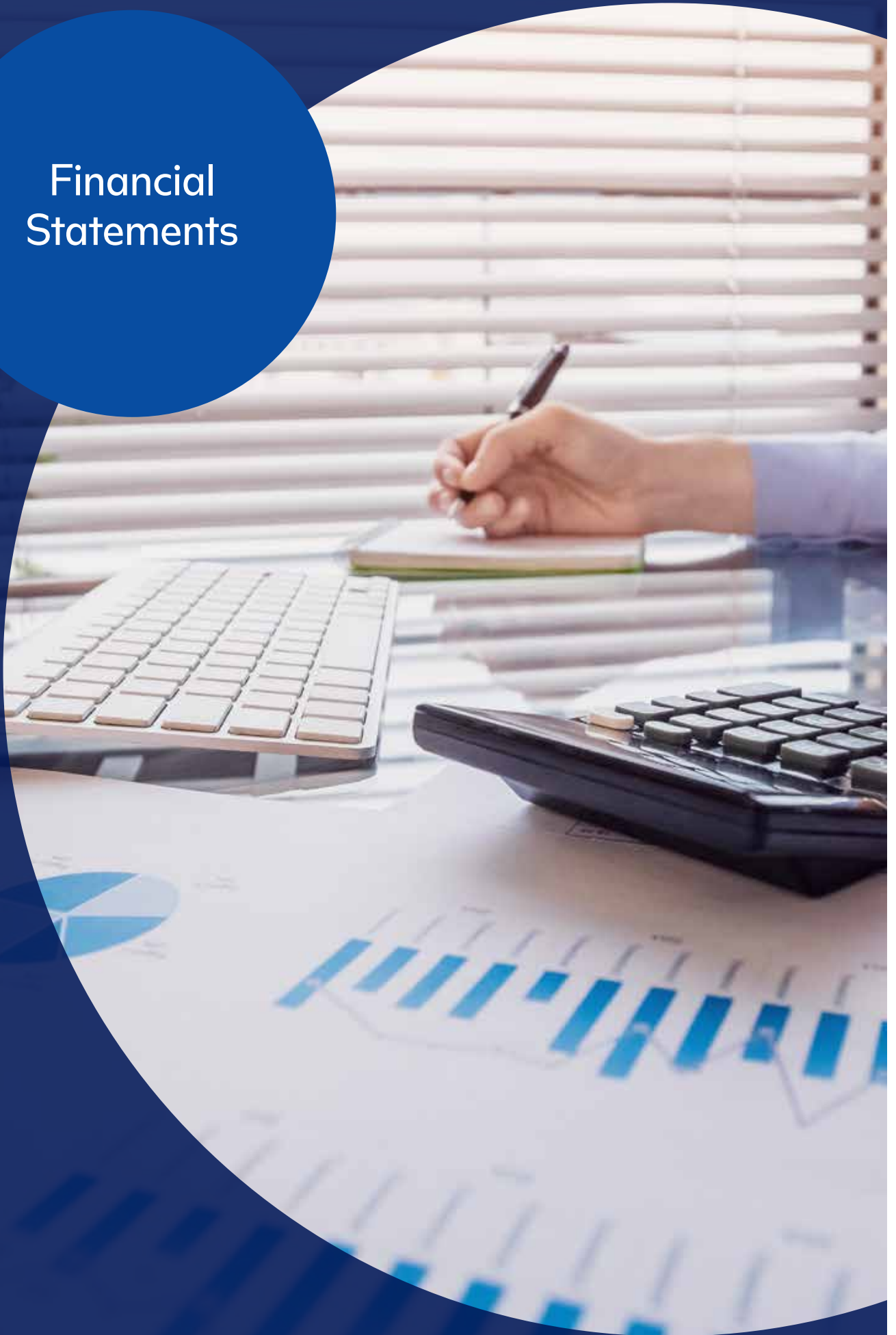
The company has also developed Business Continuity Planning that will be activated in case of an emergency in order that business operations can be carried out as usual. Critical functions of each departments are identified to prevent business disruption. Regular table top exercises are conducted to 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. Noel T. Ang
SAVP- Governance, Risk & Compliance
10/F, OneE-Com Center
Ocean Drive, Mall of Asia Complex
Pasay City, 1300 Philippines
+63 2 8570100 local 0296

Financial Statements





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, 2022 and 2021, 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 2023

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.

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 2022, they attended an annual corporate governance training program approved by the Securities and Exchange Commission (SEC). 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 a Lead 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 5 years. She is a Fellow and Trustee of the Institute of Corporate Directors, and 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.
- **Ramon M. Lopez** is an Independent Director of SMIC. He currently serves as Independent Director of AIC Group of Companies Holding Corporation. He is also a Trustee and Vice-Chairman of the Valenzuela City Polytechnic College. He was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. He chaired during his term the DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, Philippine International Trading Corp., CITEM, and the Halal Board. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others.

He also received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. In June 2022, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. He also recently received The Asia CEO Awards 2022 "Lifetime Contributor of the Year Award".

Mr. Lopez has a Master's Degree in Development Economics class at Williams College, Massachusetts USA and an AB Degree in Economics from the University of the Philippines School of Economics.

- **Jose T. Sio** is the Chairman of the Board of SMIC. He is also a Director of China Banking 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. Belle Corp. 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. In 2022, he received the Parangal San Mateo Award from the Philippine Institute of Certified Public Accountants (PICPA) Foundation, Inc.

Presented below are the dates of Committee meetings and the attendance of each member.

Audit Committee						
Office	Name	2022 Meetings and Attendance				
		2/24	4/25	5/11	8/1	11/4
Chairperson (ID)	Tomasa H. Lipana	√	√	√	√	√
Member (ID)	Alfredo E. Pascual*	√	√	√	-	-
Member (ID)	Ramon M. Lopez*	-	-	-	-	√
Member (NED)	Jose T. Sio	√	√	√	√	√

*Mr. Pascual has resigned as Independent Director effective June 30, 2022 and Mr. Ramon M. Lopez was elected as Independent Director and member of the Audit Committee on August 3, 2022.

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.

The CAE has direct and free access to communicate with the Management and Audit Committee. The entire Internal Audit Team has full and unrestricted access to all records, documents, systems, and information required for the effective and efficient audit process.

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 2022, 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, 2022, second quarter ended June 30, 2022, and third quarter ended September 30, 2022.
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, 2022.
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 2023.

28 February 2023


Tomasa H. Lipana
Chairperson


Ramon M. Lopez
Member


Jose T. Sio
Member


Atty. Elmer B. Serrano
Corporate Secretary

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31		January 1
	2022	2021 (As Restated - Note 5)	2021 (As Restated - Note 5)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 7, 21 and 28)	P106,561,072	P89,352,634	P78,660,566
Time deposits (Notes 8, 21 and 28)	8,788,848	311,233	31,012
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	534,865	547,041	568,146
Receivables and contract assets (Notes 10, 21 and 28)	84,497,395	76,535,392	62,279,160
Inventories (Note 11)	106,368,038	86,767,188	72,056,045
Other current assets (Notes 12, 21 and 28)	54,799,192	52,854,042	43,721,691
Total Current Assets	361,549,410	306,367,530	257,316,620
Noncurrent Assets			
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	25,369,850	27,129,956	26,616,338
Investments in associate companies and joint ventures (Note 13)	328,271,536	305,072,026	297,433,006
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	24,130,581	3,905,618	1,356,442
Property and equipment (Note 14)	47,881,014	45,411,523	30,256,611
Investment properties (Note 15)	485,982,301	463,765,374	435,466,724
Right-of-use assets (Note 27)	44,138,808	44,839,678	42,082,575
Intangibles (Note 16)	40,277,349	40,759,877	33,732,613
Other noncurrent assets (Notes 16, 21 and 28)	124,283,717	125,555,398	118,638,088
Total Noncurrent Assets	1,120,335,156	1,056,439,450	985,582,397
	P1,481,884,566	P1,362,806,980	P1,242,899,017
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans (Notes 17, 21, 28 and 31)	P20,811,524	P27,167,173	P24,126,000
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	181,961,708	168,444,060	154,638,968
Income tax payable	3,204,714	2,310,912	2,649,041
Current portion of long-term debt (Notes 19, 21, 28 and 31)	87,047,213	63,706,559	60,121,438
Total Current Liabilities	293,025,159	261,628,704	241,535,447
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	397,849,704	381,618,880	338,194,798
Lease liabilities - net of current portion (Notes 27 and 31)	32,236,621	31,101,003	28,944,979
Deferred tax liabilities (Note 26)	16,797,862	15,675,739	12,518,760
Tenants' deposits and others (Notes 25, 27, 28 and 29)	49,785,209	49,174,469	48,357,079
Total Noncurrent Liabilities	496,669,396	477,570,091	428,015,616
Total Liabilities	789,694,555	739,198,795	669,551,063

(Forward)

	December 31	January 1	
	2022	2021 (As Restated - Note 5)	2021 (As Restated - Note 5)
Equity Attributable to Owners of the Parent			
Capital stock (Note 20)	₱12,261,146	₱12,045,829	₱12,045,829
Additional paid-in capital	75,839,217	75,827,181	75,823,506
Treasury stock	(40,912)	–	–
Equity adjustments from common control transactions (Note 20)	(6,660,472)	(6,298,551)	(6,299,797)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)	(25,386)
Cumulative translation adjustment	2,102,782	2,253,475	876,050
Fair value changes on cash flow hedges	1,610,364	(1,201,352)	(2,623,849)
Unrealized gain on financial assets at FVOCI (Note 9)	11,823,413	14,289,319	13,627,808
Remeasurement loss on defined benefit asset/obligation (Note 25)	(1,721,868)	(1,026,650)	(1,639,759)
Share in other comprehensive loss of associates – net	(10,763,209)	(6,597,174)	(2,629,722)
Retained earnings (Note 20):			
Appropriated	37,000,000	37,000,000	37,000,000
Unappropriated	375,463,837	321,337,891	286,298,019
Total Equity Attributable to Owners of the Parent	496,888,912	447,604,582	412,452,699
Non-controlling Interests	195,301,099	176,003,603	160,895,255
Total Equity	692,190,011	623,608,185	573,347,954
	₱1,481,884,566	₱1,362,806,980	₱1,242,899,017

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		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
REVENUES			
Sales:			
Merchandise	₱367,318,577	₱294,694,316	₱289,726,442
Real estate	39,046,514	45,116,570	47,023,795
Rent (Notes 15, 21 and 27)	49,167,565	29,642,244	26,904,979
Equity in net earnings of associate companies and joint ventures (Note 13)	35,825,734	26,768,811	16,972,269
Others (Note 22)	62,412,725	36,137,527	16,458,704
	553,771,115	432,359,468	397,086,189
COST AND EXPENSES			
Cost of sales and services (Note 11)	315,651,763	255,252,148	242,471,141
Selling, general and administrative expenses (Note 23)	120,551,701	98,186,733	95,721,492
	436,203,464	353,438,881	338,192,633
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 24)	(21,547,070)	(19,138,771)	(18,415,355)
Interest income (Notes 21 and 24)	3,042,370	2,203,351	2,452,647
Impairment loss on investment (Note 13)	(787,166)	-	(1,000,000)
Gain (loss) from fair value changes on derivatives - net	866,500	317,743	(6,503)
Foreign exchange gain (loss) - net and others (Note 28)	(2,092)	1,347,350	102,067
	(18,427,458)	(15,270,327)	(16,867,144)
INCOME BEFORE INCOME TAX	99,140,193	63,650,260	42,026,412
PROVISION FOR INCOME TAX (Note 26)			
Current	14,248,182	7,224,482	6,516,103
Deferred	546,638	1,782,037	685,206
	14,794,820	9,006,519	7,201,309
NET INCOME	₱84,345,373	₱54,643,741	₱34,825,103
Attributable to			
Owners of the Parent (Note 30)	₱61,653,665	₱40,411,896	₱23,889,971
Non-controlling interests	22,691,708	14,231,845	10,935,132
	₱84,345,373	₱54,643,741	₱34,825,103
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent (Note 30)	₱50.88	₱33.55	₱19.83

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
NET INCOME	₱84,345,373	₱54,643,741	₱34,825,103
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	27,928	2,166,840	(147,778)
Fair value changes on cash flow hedges	4,608,383	2,014,960	(1,439,396)
	4,636,311	4,181,800	(1,587,174)
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	(1,274,242)	593,126	2,418,842
Net unrealized gain (loss) on financial assets at FVOCI (Notes 9)	(2,478,988)	391,870	64,917
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(269,602)	(178,295)	(529,945)
	(4,022,832)	806,701	1,953,814
Share in other comprehensive gain (loss) of associates - net (Note 13)	(4,336,268)	(4,184,715)	3,262,825
TOTAL COMPREHENSIVE INCOME	₱80,622,584	₱55,447,527	₱38,454,568
Attributable to			
Owners of the Parent	₱56,987,529	₱40,265,811	₱26,342,948
Non-controlling interests	23,635,055	15,181,716	12,111,620
	₱80,622,584	₱55,447,527	₱38,454,568

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Thousands Except Per Share Data)

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2022 (As Reported)	₱12,045,829	₱75,827,181	₱-	(₱5,424,455)	(₱25,386)	₱1,512,570
Effect of merger (Note 5)	-	-	-	(874,096)	-	740,905
As restated	12,045,829	75,827,181	-	(6,298,551)	(25,386)	2,253,475
Net income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(150,693)
Total comprehensive income	-	-	-	-	-	(150,693)
Effect of business combination (Note 5)	215,317	-	(40,912)	(361,921)	-	-
Transactions with non-controlling interests	-	12,036	-	-	-	-
Cash dividends - ₱6.25 per share (Note 20)	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-
As at December 31, 2022	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,660,472)	(₱25,386)	₱2,102,782
As at January 1, 2021 (As Reported)	₱12,045,829	₱75,823,506	₱-	(₱5,424,455)	(₱25,386)	₱628,023
Effect of merger (Note 5)	-	-	-	(875,342)	-	248,027
As restated	12,045,829	75,823,506	-	(6,299,797)	(25,386)	876,050
Net income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	1,377,425
Total comprehensive income	-	-	-	-	-	1,377,425
Effect of business combination (Note 5)	-	-	-	1,246	-	-
Realized loss on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-
Transactions with non-controlling interests	-	3,675	-	-	-	-
Cash dividends - ₱4.25 per share (Note 20)	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-
As at December 31, 2021 (As Restated - Note 5)	₱12,045,829	₱75,827,181	₱-	(₱6,298,551)	(₱25,386)	₱2,253,475

Equity Attributable to Owners of the Parent

Fair Value Changes on Cash Flow Hedges	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
(P1,201,352)	P15,129,991	(P775,994)	(P6,598,065)	P37,000,000	P308,946,422	P436,436,741	P176,003,184	P612,439,925
-	(840,672)	(250,656)	891	-	12,391,469	11,167,841	419	11,168,260
(1,201,352)	14,289,319	(1,026,650)	(6,597,174)	37,000,000	321,337,891	447,604,582	176,003,603	623,608,185
-	-	-	-	-	61,653,665	61,653,665	22,691,708	84,345,373
2,811,716	(2,465,906)	(695,218)	(4,166,035)	-	-	(4,666,136)	943,347	(3,722,789)
2,811,716	(2,465,906)	(695,218)	(4,166,035)	-	61,653,665	56,987,529	23,635,055	80,622,584
-	-	-	-	-	-	(187,516)	239,695	52,179
-	-	-	-	-	-	12,036	21,245	33,281
-	-	-	-	-	(7,527,719)	(7,527,719)	-	(7,527,719)
-	-	-	-	-	-	-	(5,273,377)	(5,273,377)
-	-	-	-	-	-	-	674,878	674,878
P1,610,364	P11,823,413	(P1,721,868)	(P10,763,209)	P37,000,000	P375,463,837	P496,888,912	P195,301,099	P692,190,011
(P2,623,849)	P14,336,615	(P1,116,328)	(P2,629,566)	P37,000,000	P275,818,556	P403,832,945	P160,894,953	P564,727,898
-	(708,807)	(523,431)	(156)	-	10,479,463	8,619,754	302	8,620,056
(2,623,849)	13,627,808	(1,639,759)	(2,629,722)	37,000,000	286,298,019	412,452,699	160,895,255	573,347,954
-	-	-	-	-	40,411,896	40,411,896	14,231,845	54,643,741
1,422,497	408,336	613,109	(3,967,452)	-	-	(146,085)	949,871	803,786
1,422,497	408,336	613,109	(3,967,452)	-	40,411,896	40,265,811	15,181,716	55,447,527
-	-	-	-	-	-	1,246	3,073,712	3,074,958
-	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)
-	-	-	-	-	-	-	643,699	643,699
(P1,201,352)	P14,289,319	(P1,026,650)	(P6,597,174)	P37,000,000	P321,337,891	P447,604,582	P176,003,603	P623,608,185

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2020 (As Reported)	₱12,045,829	₱75,815,923	₱-	(₱5,424,455)	(₱25,386)	₱640,051
Effect of merger (Note 5)	-	-	-	(875,342)	-	473,461
As restated	12,045,829	75,815,923	-	(6,299,797)	(25,386)	1,113,512
Net income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(237,462)
Total comprehensive income	-	-	-	-	-	(237,462)
Effect of business combination (Note 5)	-	-	-	-	-	-
Realized gain on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-
Transactions with non-controlling interests	-	7,583	-	-	-	-
Cash dividends - ₱4.25 per share	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-
As at December 31, 2020 (As Restated - Note 5)	₱12,045,829	₱75,823,506	₱-	(₱6,299,797)	(₱25,386)	₱876,050

See accompanying Notes to Consolidated Financial Statements.

Equity Attributable to Owners of the Parent

Fair Value Changes on Cash Flow Hedges	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
(P1,406,026)	P14,430,346	(P2,234,321)	(P5,761,477)	P37,000,000	P257,546,591	P382,627,075	P153,524,403	P536,151,478
-	(629,291)	(354,328)	-	-	9,979,442	8,593,942	154	8,594,096
(1,406,026)	13,801,055	(2,588,649)	(5,761,477)	37,000,000	267,526,033	391,221,017	153,524,557	544,745,574
-	-	-	-	-	23,889,971	23,889,971	10,935,132	34,825,103
(1,217,823)	(172,383)	948,890	3,131,755	-	-	2,452,977	1,176,488	3,629,465
(1,217,823)	(172,383)	948,890	3,131,755	-	23,889,971	26,342,948	12,111,620	38,454,568
-	-	-	-	-	-	-	-	-
-	(864)	-	-	-	864	-	-	-
-	-	-	-	-	-	7,583	(7,583)	-
-	-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)
-	-	-	-	-	-	-	(4,664,320)	(4,664,320)
-	-	-	-	-	-	-	(69,019)	(69,019)
(P2,623,849)	P13,627,808	(P1,639,759)	(P2,629,722)	P37,000,000	P286,298,019	P412,452,699	P160,895,255	P573,347,954

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱99,140,193	₱63,650,260	₱42,026,412
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	(35,825,734)	(26,768,811)	(16,972,269)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	23,653,863	20,936,405	18,994,822
Interest expense (Note 24)	21,547,070	19,138,771	18,415,355
Provisions (reversal of provisions) - net (Notes 10 and 23)	5,099,217	(3,982,227)	1,620,430
Interest income (Note 24)	(3,042,370)	(2,203,351)	(2,452,647)
Loss (gain) on disposal of investments and properties - net	(209,206)	(579,680)	19,373
Dividend income (Note 21)	(1,177,340)	(586,703)	(430,697)
Unrealized foreign exchange loss (gain) - net	1,132,078	(484,756)	(130,347)
Loss (gain) on fair value changes on derivatives - net	(866,500)	(317,743)	6,503
Impairment loss on investment (Note 13)	787,166	-	1,000,000
Income before working capital changes	110,238,437	68,802,165	62,096,935
Increase in:			
Receivables and contract assets	(7,825,374)	(2,971,376)	(6,223,970)
Inventories	(40,685,904)	(37,303,043)	(16,077,988)
Other current assets	(901,855)	(8,023,091)	(2,573,504)
Increase (decrease) in:			
Accounts payable and other current liabilities	34,081,718	36,569,883	10,116,698
Tenants' deposits and others	2,678,385	1,162,254	(303,716)
Net cash generated from operations	97,585,407	58,236,792	47,034,455
Income tax paid	(13,356,765)	(7,583,481)	(7,156,462)
Net cash provided by operating activities	84,228,642	50,653,311	39,877,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	241,913	365,861	58,896
Investment properties	84,863	914,962	3,197
Investment in associate companies and joint ventures	50,000	-	-
Additions to:			
Investment properties (Note 15)	(33,990,435)	(42,155,574)	(38,415,299)
Property and equipment (Note 14)	(9,678,003)	(13,286,055)	(7,587,735)
Investments in associate companies and joint ventures (Note 13)	(73,500)	(358,120)	(390,350)
Financial assets at FVOCI	-	(1,427)	(3,124,660)
Decrease (increase) in:			
Time deposits	(27,518,818)	(2,829,397)	1,056,006
Other noncurrent assets	9,250,669	12,020,789	(11,420,880)
Dividends received	8,136,996	5,180,690	4,751,956
Interest received	2,846,341	2,021,177	2,456,376
Purchase consideration, net of cash from acquisition of subsidiaries (Note 5)	(88,608)	(5,684,648)	-
Net cash used in investing activities	(50,738,582)	(43,811,742)	(52,612,493)

(Forward)

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Bank loans	₱66,878,421	₱53,296,257	₱82,880,520
Long-term debt	100,256,801	129,529,420	75,253,912
Payments of:			
Bank loans	(73,264,105)	(53,509,929)	(77,464,985)
Long-term debt	(72,630,533)	(92,624,775)	(36,158,696)
Interest	(19,909,588)	(18,412,696)	(17,539,474)
Dividends	(12,714,420)	(9,653,454)	(10,158,925)
Lease liabilities	(4,853,925)	(4,692,207)	(3,884,069)
Net cash provided by (used in) financing activities	(16,237,349)	3,932,616	12,928,283
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,252,711	10,774,185	193,783
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(44,273)	(82,117)	205,634
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	89,352,634	78,660,566	78,261,149
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱106,561,072	₱89,352,634	₱78,660,566

See accompanying Notes to Consolidated Financial Statements.



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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		2-27 Compliance with laws and regulations	There were no material instances of non-compliance with laws and regulators in this context during the year
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4G Outlook			
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		2-3 Reporting period, frequency and contact point	January 1 - December 31, 2022 Annual ir@sminvestments.com or sustainability@sminvestments.com
		2-4 Restatements of information	83, Consolidated Balance Sheets, 135
		2-5 External assurance	No external assurance

Restatement of Our Sustainability Performance

In Pursuit of Excellence and Transparency

Every year, we improve our standard level of excellence in data management, collection and validation. 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	2021 Data Disclosed in 2021 Report	2021 Restatement
2-7 Employees	Total Headcount 126,872	Total Headcount 126,837
	By Age Group Above 50-years old: 5%	By Age Group Above 50-years old: 4%
2-30 Collective Bargaining Agreements	Employees Covered by Collective Bargaining Agreement 27,494	Employees Covered by Collective Bargaining Agreement 27,324
401-3 Parental leave	Availment of Parental Leaves 5,227	Availment of Parental Leaves 5,224
302-1 Energy consumption within the organization	Fuel Consumption (in million liters) 98	Fuel Consumption (in million liters) 110
	Electricity Consumption (in million kWh) 1,837	Electricity Consumption (in million kWh) 1,838
302-2 Energy consumption outside of the organization	Fuel Consumption (in million liters) 22	Fuel Consumption (in million liters) 21
	Electricity Consumption (in million kWh) 538	Electricity Consumption (in million kWh) 682
303-3 Water withdrawal	Water Withdrawal (in million cubic meters) 40.3	Water Withdrawal (in million cubic meters) 33.1
	By Source Type Third-party providers: 57% Surface water: 40% Groundwater: 4% Water hauling: <1%	By Source Type Third-party providers: 47% Surface water: 48% Groundwater: 3% Rainwater harvesting: <1% Deep well: 1% Seawater: <1%
	Water Recycled (in million cubic meters) 32.6	Water Recycled (in million cubic meters) 28.2
305-1 Direct (Scope 1) GHG emissions	GHG Emissions (in '000 MT CO ₂) 2,089	GHG Emissions (in '000 MT CO ₂ e) 2,340
305-2 Energy indirect (Scope 2) GHG emissions	Direct (Scope 1) GHG emissions: 14%	Direct (Scope 1) GHG emissions: 19%
	Energy indirect (Scope 2) GHG emissions: 65%	Energy indirect (Scope 2) GHG emissions: 58%
305-3 Other indirect (Scope 3) GHG emissions	Other indirect (Scope 3) GHG emissions: 21%	Other indirect (Scope 3) GHG emissions: 23%
306-3 Waste generated	Waste Generated (in tonnes) 186,252	Waste Generated (in tonnes) 186,161

Our Report Framework

This 2022 report has been prepared under the Integrated Reporting <IR> Framework originally developed by the International Integrated Reporting Council (IIRC) which merged with the Sustainability Accounting Standards Board (SASB) to form the Value reporting Foundation (VRF). We have also adopted 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, 2022. 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.

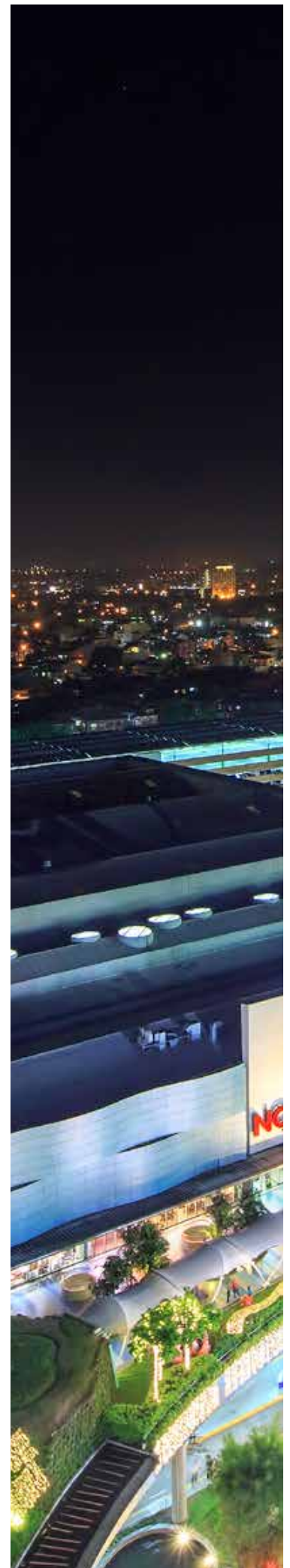
On behalf of the Board, the Executive Committee approved and authorized the issuance of this report on 3 April 2023.



Jose T. Sio
Chairman



Frederic C. DyBuncio
President and CEO





List of Member Associations

Asia Business Council
Asia Society Philippine Foundation, Inc.
Association of Certified Public Accountants in Commerce and Industry
Financial Executives Institute of the Philippines
Good Governance Advocates and Practitioners of the Philippines
Information Systems Audit and Control Association
Institute of Corporate Directors
International Information Systems
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
Philippine Institute of Certified Public Accountants
Public Relations Society of the Philippines
Tax Management Association of the Philippines
United Nations Global Compact Network Philippines
US Philippine Society, Inc.
World Economic Forum

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 certificate and other pertinent matters may be addressed to the company's transfer agent:

BDO Unibank, Inc.**Trust and Investments Group – Securities Services (Stock Transfer)**

46th Floor BDO Corporate Center Ortigas, East Tower
12 ADB Avenue, Mandaluyong City
Trunk Line: 8840-7000 local 57050
Direct Line: 8878-4961
E-mail: 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 or sustainability@sminvestments.com



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