



Rising to the Challenge

Integrated Report 2020

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We are SM

Our Story

In the late 1950's, our founder Henry Sy started his first company, ShoeMart, a small shoe store in Carriedo, Manila. Today, we have become the country's largest conglomerate, touching the lives of millions of Filipinos.

Fueled by our passion to serve our customers better, we have grown to be a network of sustainable businesses that specialize in retail, property and banking. We also take pride in discovering potential market leaders.

We provide excellent service to our customers, look after our employees, deliver sustained returns to our shareholders, with good governance at our core.

With our sights on becoming a global leader in sustainable business practices, our impact on the planet is paramount and we strive for transparency and accountability across all areas of our business.

But it's not just about big business. Through generations, we anchored on values of integrity, teamwork, hard work and innovation. We enjoy working together with a shared sense of purpose, committed to improving the quality of life for our communities, constantly finding ways to provide opportunities for growth, helping address the needs of millions of Filipinos, and driving national development and creating shared value.

Looking to the future, we aim to build an ecosystem of sustainable businesses that are catalysts for responsible development in the communities we serve.

We are committed to partner with our host communities to provide a consistently high standard of service to our customers, look after the welfare of our employees and deliver sustainable returns to our shareholders, at all times upholding the highest standards of corporate governance and environmental stewardship in all our businesses.

What we
Stand For

Leadership
Sustainability
Innovation
Accountability
Integrity
Hard Work

Our Report

This year, for the first time, we adopted the Integrated Reporting <IR> Framework developed by the International Integrated Reporting Council (IIRC) and have taken initial steps towards the adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) framework as we address the impacts of climate change. Covering the period of January 1 through December 31, 2020, we ensure that our report 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.

The Board, through the Executive Committee, approved and authorized the issuance of this report on February 26, 2021.



Jose T. Sio
Chairman



Frederic C. DyBuncio
President and CEO





SMIC Board Members (L-R): Teresita T. Sy
(Vice-Chairperson), Jose T. Sio (Chairman),
Henry T. Sy, Jr. (Vice-Chairman)

Our Board's Vision

For over 60 years now, SM has dealt with many different challenges and changes as it has grown. We have done so by living up to the values established by our Founder, Henry Sy Sr., including taking leadership, working hard and acting responsibly towards all those we touch. Through the decades we have always put our customers first and constantly asked ourselves how we can make a difference. These same values have helped us navigate the difficult environment created by the COVID-19 pandemic. Throughout 2020 we tried to stay close to our different stakeholders and to respond to their urgent and changing needs wherever we could. Safety, convenience and using our extensive resources to address wide societal needs were SM's priorities.

While the group was able to deliver broad community support it was also able to adapt to new, often unprecedented, business needs last year. We will continue to evolve and improve our businesses in 2021 and beyond.

Three areas in particular are our priorities:

First, the pandemic has acted as an accelerator to innovation. Plans that we have previously been nurturing to create greater digital capabilities and an omnichannel presence across our businesses have been accelerated. We will continue to evolve these quickly to meet new customer expectations.

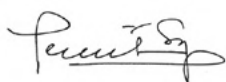
Second, we will continue to support the thousands of partners in our supply chain, especially the many SMEs we work with, to help them adapt their businesses to serve the changed environment as well. Their success is our success.

Third, it is imperative that we establish strong systems that embed the resilience of our whole ecosystem of businesses and stakeholders. We need to ensure collective survival in the face of crises such as the pandemic and also the major ongoing risks we still face from climate change. This is necessary to safeguard our long-term growth and to ensure we can continue to promote responsible development nationwide.

We complement this with our ongoing financial prudence. In 2020 we benefitted from many years of disciplined financial management and resulting balance sheet strength. Continuing this approach ensures that all our businesses will weather the current environment and, we believe, emerge stronger, more resilient and even more relevant afterwards.

Going forward, our long-term priorities remain the same: we will continue to strengthen our businesses, and we will do so by continuing to address the needs of millions of Filipinos, improving their quality of life, helping drive national development and creating shared value for all.

This year we have learned where to adapt to deliver our objectives in the new environment of COVID-19. Together we will continue to rise above it. We are truly grateful for your support in these difficult times.



Teresita T. Sy
Vice-Chairperson



Jose T. Sio
Chairman



Henry Sy, Jr.
Vice-Chairman



Our President's Report

“2020 was an unprecedented year. Our sustainability thinking, which has been long embedded in our businesses and articulated in our previous reports, enabled us to quickly make focused stakeholder decisions on how to respond to the events that accompanied the evolution of the pandemic. As a result, we were able to launch an immediate and comprehensive COVID-19 response.”

We placed the health and safety of all the stakeholders in our ecosystem top priority. This was reflected in our multi-level approach: we made our employees secure by establishing alternative work arrangements, providing mass testing and reconfiguring their workplaces; we implemented extensive safety protocols for all our tenants and customers; and we assisted with nationwide distribution of health and medical equipment, built quarantine facilities and converted the Mall of Asia Arena into a mass testing facility.

We then focused on the business survival and support of our stakeholders over our own immediate profitability. This considerable and deliberate choice took the form of rental support and waivers in our property business,

supplier marketing support and assistance to optimize new distribution channels for our retail partners, loan extensions and added money transfer services by our banks, and group-wide donations and on the ground relief efforts for our host communities.

We firmly believe that our own survival and long-term business growth is anchored on the shared value we create with these, our stakeholder groups. In a year like 2020, it has been incumbent on us to help protect and sustain all the parts of our SM ecosystem.

Despite the many challenges, we were still able to report a profitable business year that included numerous innovations and business enhancements.



Building on Years of Financial Prudence

Our many years of financial prudence and careful balance sheet management placed us in a position of strength, which enabled us to offer the support we did. Across our major businesses, we opted to use a portion of the prior year 2019 profits to ensure our and our stakeholders' financial stability, reducing our dividend payout to half of previous years' levels accordingly. This was combined with stringent cost focus during the lengthy mid-year period of low revenues, which was particularly felt in our mall and non-food retail businesses. As a result, none of our businesses have had to access financial markets and, as a parent and group, we have maintained our overall balance sheet strength.

Continuing Expansion despite Constraints

Despite severe business and movement restrictions, we continued to expand where conditions allowed. This was particularly the case for Alfamart, which added 258 minimart outlets, surpassing 1,000 stores. Meanwhile, our Property arm also opened two new malls in Mindanao.

Adapting to New Customer Needs and Developing Integrated Channels

We quickly adapted to our customers' urgently evolving needs. We developed new retail delivery channels online and by phone, supported by social media campaigns and aligned with a range of practical delivery options that were supported by our malls. In banking, we ramped up our electronic channels.

While we believe in-person and in-store based shopping experiences will still be preferred by our customers for the foreseeable future, we continue to work hard to develop innovative online and offline delivery channels that are integrated into our business and enhance our customer service.

Maintaining a Long-Term View on Risk Management and Resiliency

While 2020 has been a year focused especially on addressing social needs, we maintained an overall view of our long-term risk management and resiliency. Our disaster resilience framework was utilized effectively during the eruption of the Taal Volcano in January, just weeks prior to the pandemic. Our response was to provide full rehabilitation for our properties and their local environments.

We also faced a series of severe typhoons during the year. As a testament to our ongoing investment in disaster resiliency, one of our most impacted malls, SM City Marikina, remained largely unaffected by Typhoon Ulysses (Vamco) and was able to support relief efforts for its local community despite severe flooding and rising water levels in the area.

Cementing the Stability brought about by Good Governance

We remain committed to good corporate governance and are grateful to be recognized as a leader in this area. This year, among many citations, we were again recognized highly by the ASEAN Corporate Governance Scorecard Initiative. We were also recognized by MORS group as one of the best Community Care Companies in Asia. In Singapore we were rewarded for our excellence in sustainability reporting by The Asset Magazine, along with our bank, BDO.

We are also pleased that Sustainalytics rating agency recognized SMIC as a top global sustainability leader in our industry.

In adopting Integrated Reporting standards this year, we hope to provide a single holistic discussion of our businesses, the value they create, how they have performed and how that value is shared. In all this, we remain committed to our advocacies, to advancing the principles of the UN Global Compact and to contributing material actions towards the 17 UN Sustainable Development Goals.

Moving forward, we continue to focus on improving the lives of our millions of Filipino customers, creating growth and enabling responsible development nationwide. We are committed to environmental responsibility and to our efforts to tackle climate change. We believe in delivering shared value, providing good governance and to acting on our responsibility as one of the leading groups of companies in the Philippines.

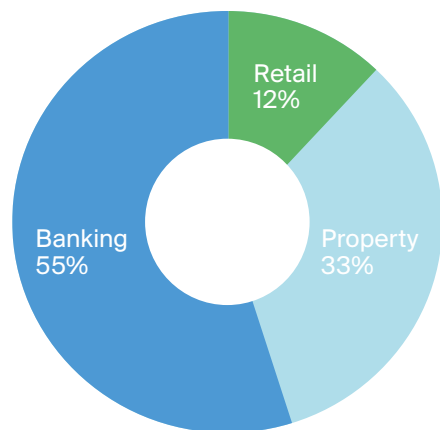
In all these efforts, especially during this challenging year, my sincere gratitude goes to our many thousands of people and partners for their considerable efforts, and especially to you, our shareholders, for your unwavering support.



Frederic C. DyBuncio
President and CEO

Our Financial Highlights

Net Income Mix



Financial Performance at a Glance

PHP23.4bn

Net Income

PHP394.2bn

Revenues

Performance Overview

(in PHP billion)

	Assets	Revenue	Earnings
2020	1,224.52	394.19	23.39
2019	1,144.16	501.97	44.57
2018	1,060.64	449.79	37.08
3-Year CAGR	8.45%	-0.32%	-10.77%

Core Business

FY2020 Performance

	Revenues	%Chg	Net Income	%Chg
SM Retail	PH296.8bn	-19%	PHP4.1bn	-67%
SM Prime	PHP81.9bn	-31%	PHP18.0bn	-53%
BDO	*PHP133.7bn	+12%	PH28.2bn	-36%
China Bank	*PHP33.8bn	+30%	PHP12.1bn	+20%

*Net Interest Income

PHP1.2tn

Assets

PHP76.6bn

EBITDA

PHP1.3tn

Market Capitalization

Share Performance

As of December 31, 2020

	Share Price	Earnings Per Share
2020	PHP1,049.00	PHP19.42
2019	PHP1,043.00	PHP37.00
2018	PHP917.50	PHP30.78

Financial Position (PHP Billion)	2020	2019	2018
Revenues	394.19	501.97	449.79
Consolidated Income	23.39	44.57	37.08
Total Assets	1,224.52	1,144.16	1,060.64
Total Liabilities	659.80	608.01	568.35
Stockholders' Equity	564.73	536.15	492.29

Financial Ratios

Current Ratio	1.1x	1.3x	1.1x
Return on Equity	6.0%	11.9%	10.9%
Debt-Equity Ratio (Net)	37:63	36:64	36:64
Dividend Payout Ratio (based on SMIC Parent's net income)	85%	100%	100%

Per Share Data (PHP)

Earnings per Share	19.42	37.00	30.78
Book Value per Share	335.25	317.64	293.37
Price Earnings Ratio	54.0x	28.2x	29.8x

External Recognition



Bloomberg Gender Equality Index 2021

SM Investments Corporation is ranked among one of the 380 companies across a variety of industries in 44 countries and regions in the 2021 Bloomberg Gender-Equality Index (GEI). This is the 2nd consecutive year that SM Investments was named in the Bloomberg GEI Index.

FTSE4Good

We are a Constituent in the FTSE4Good Index Series and FTSE4Good Emerging Index and have been independently assessed according to the FTSE4Good criteria. Companies in the FTSE4Good Index Series have demonstrated strong Environmental, Social and Governance (ESG) practices.

Golden Arrow Awards

Eight of our companies received the Golden Arrow Awards from the Institute of Corporate Directors (ICD) for performing well in the ASEAN Corporate Governance Scorecard (ACGS), an assessment benchmarked against international best practices on corporate governance standards across the region. Apart from SM Investments Corporation, SM Prime Holdings, Inc., China Banking Corporation, Belle Corporation, BDO Unibank, Inc., Premium Leisure Corp., 2GO Group, Inc. and Atlas Consolidated Mining and Development Corporation also received Golden Arrow Awards for best practices in corporate governance.

ASEAN Asset Class Award

SM Investments and its subsidiaries clinched 10 awards for scoring high in the 2019 ASEAN Corporate Governance Scorecard (ACGS) assessments.

Sustainalytics ESG Industry Top Rated

Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research and analysis, has awarded SM Investments as a Sustainalytics ESG Top Rated Company in its industry in 2021.

Asia Corporate Excellence & Sustainability (ACES) Awards

SM Investments received an award for Top Community Care Companies in Asia in 2020, accorded by MORS Group, for enriching communities and demonstrating exemplary active citizenship in promoting the well-being of society through programs being implemented by its foundation, SM Foundation, Inc.

The Asset ESG Corporate Awards

SM Investments and BDO Unibank were recognized as leaders in corporate sustainability with a Platinum Award in the 2020 The Asset ESG Corporate Awards.

Gold Rank, Asia Sustainability Reporting (ASRRAT) Award

The 2019 SM Investments Sustainability Report attained a Gold Rank for the 3rd straight year in the Asian Sustainability Reporting Awards organized by the National Center for Sustainability Reporting (NCSR) in Indonesia.

Best Managed Companies, Philippines

SM Investments was cited among the Best Managed Companies in the Philippines by Alpha Southeast Asia magazine based on its 10th Annual Corporate-Institutional Poll for 2020. Other Awards received were: Best Senior Management Investor Relations Support (6th year), Best Strategic Corporate Social Responsibility category (6th year), Most Organized Investor Relations (9th year), Most Consistent Dividend Policy (4th year), Best Annual Report (2nd year).

10th Asian Excellence Award, Corporate Governance Asia

SM Investments and its subsidiaries, BDO Unibank and SM Prime, won 15 awards in the 10th Asian Excellence Awards 2020 accorded by Corporate Governance Asia. SM Investments, BDO and SM Prime were awarded Asia's Best Corporate Social Responsibility (CSR) and Best Investor Relations (IR) Company.

Asia's Best Chief Executive Officers

SM Investments, BDO and SM Prime executives were named as Asia's Best Chief Executive Officers by Corporate Governance Asia: BDO Chairperson Teresita T. Sy; SMIC President and CEO Frederic C. DyBuncio; BDO President and CEO Nestor V. Tan and SM Prime President Jeffrey C. Lim. Awarded Asia's Best Chief Financial Officer is Dalmacio D. Martin, BDO Executive Vice President & Treasurer. Best Investor Relations (IR) Professionals were Tim Daniels, IR Consultant for SMIC and Luis S. Reyes, Jr., Vice President of IR & Corporate Planning at BDO. SM Investments and SM Prime were cited for Best Corporate Communications.



Creating
Meaningful
Value



Our Resources

Input

Our businesses are rooted in an ecosystem of strong relationships and assets.

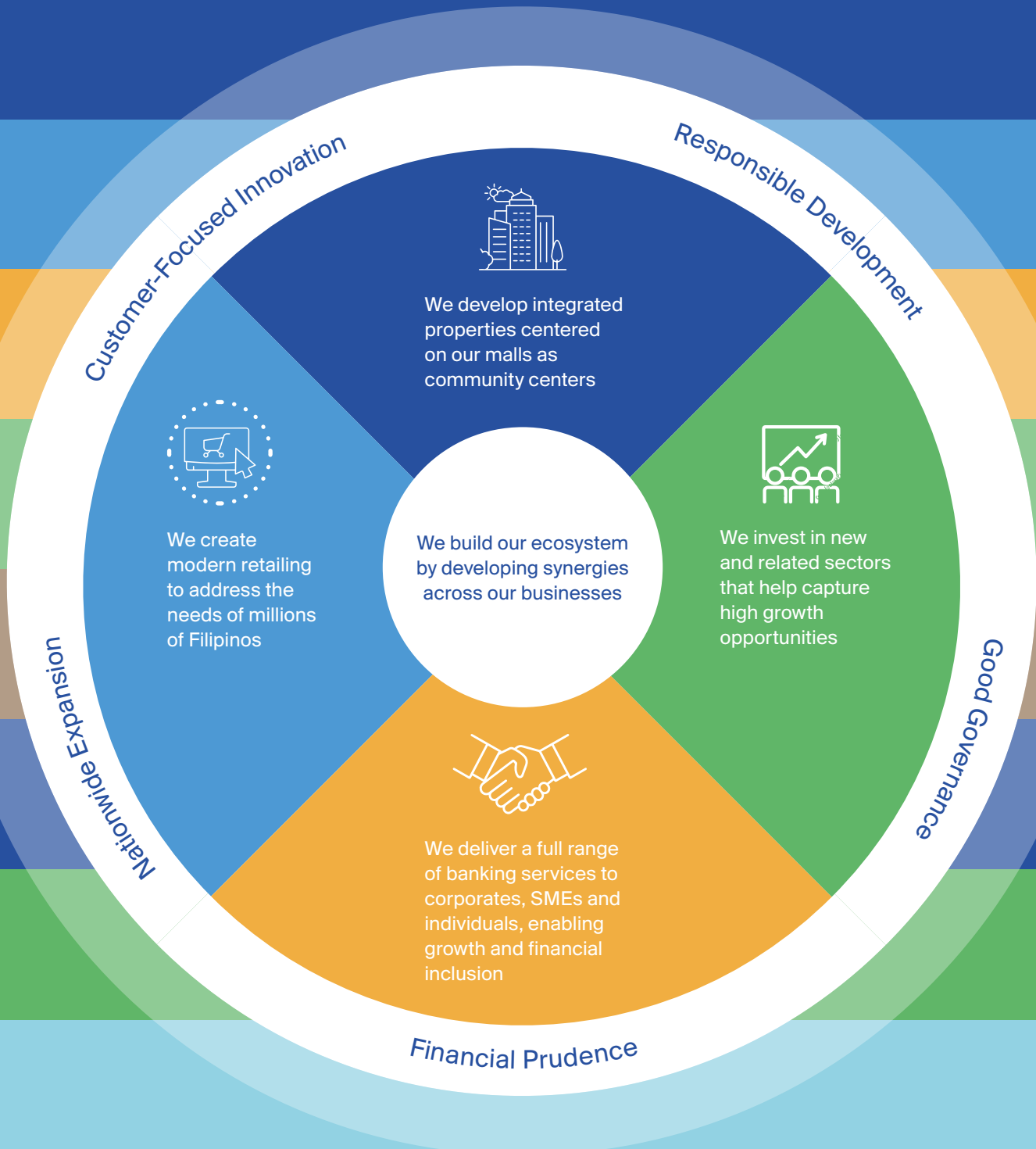
	Our Brand	One of the most recognized brands in the Philippines	More than 60 years of SM brand More than 30 retail brands carried			
	Our Relationship with Our Customers	We serve Filipinos of all generations and economic classes		4.56mn SMAC holders	1.8mn Daily Average Foot Traffic	20.9mn Bank customers
	Our People	A team of diverse, creative and dedicated employees	130,421 Co-workers		1:1.86 Male-to-Female Ratio	
	Our Developments	Well located lifestyle cities with a strategic mix of retail, commercial, residential and social amenities	3,019 Retail Stores	2,106 Bank Branches	21 Integrated Lifestyle Cities in the Philippines	
	Our Connection to our Communities	Deep relationships with our host communities enhanced by our social programs				Disaster Relief Program
	Our Supply Chain Partners	An extensive network of diverse local and international partners	Over 80,000 MSMEs	17,937 Mall tenants in the Philippines	10,000 Retail Suppliers	
	Our Natural Resources	A nationwide footprint of urban and untouched natural environments		1,533mn kWh Electricity Consumption	9.2MW Capacity of Solar Panels installed in SM Supermalls	31mn m³ Water Withdrawn 2,310 hectares of Landbank in the Philippines
	Our Financial Resources	A strong, conservative balance sheet and access to financial capital	PHP1,224.5bn Assets	PHP1,263.6bn Market Capitalization	37:63 Net Debt : Total Equity	

Our Vision

To build an ecosystem of sustainable businesses that are catalysts for responsible development in the communities we serve.

What we do

We are clear and focused about how our businesses work together and create value.



Our Mission

We will 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.

Output

In 2020 we created broad value for all our stakeholders and helped them respond to COVID-19.

Sustainalytics ESG Industry Top Rated Award Bloomberg Gender-Equality Index Constituent FTSE4Good Index Series Constituent ACES Top Community Care Companies in Asia 2020 Award			SM Prime - 'Organization of the Year' 2020 Grand Stevie Award SMDC - 'Best Developer' in 8th Property Guru Awards BDO - 'Best Bank in the Philippines' The Asset Triple A Country Awards 2020		
PHP394.2bn Revenues	7% of non-grocery sales in new digital formats		1.3mn New checking and savings account holders	41.4mn Transactions using BDO Cash Agad to date	
1.6mn Training hours	93% of Eligible employees were appraised		PHP26.2bn Employee wages and benefits		
2 New Malls	351 New Retail Stores	39 New Bank Branches	1 New Residential project	155,524 SMDC residential units launched to date	2 Cities supported through Adopt-a-City Program
90,579 PPE 65 Ventilators	Donated to 230 Hospitals and Institutions	8,279 Patients served through medical missions	22 Schools built & refurbished	1,214 Current college Scholars	 1,274 Farmers trained
PHP300bn Payment to Suppliers			PHP19bn Waived rental fees and other charges*	Kasama ng SM marketing campaign	
 3 Marine Protected Areas	 10 hectares of Mangroves Protected		 28.9mn m ³ Water Recycled	 50 Renewable energy projects funded by BDO with 2,184MW capacity to date	
PHP30.4bn COVID-19 Response*	PHP23.4bn Net Income	PHP15.7bn Payments to government	PHP5.1bn Dividends Paid	12.74% Share price increase (5-year CAGR)	

*excluding waived rental fees and charges for SM affiliates

Impact

Our national contributions are an outcome of our value creation process and we lead in advocating private sector participation in global agendas like the UN Global Compact and UN Office for Disaster Risk Reduction.



We provide trusted means to enhance quality of life, while providing a platform to develop other Filipino brands.



We make it convenient and enjoyable for tens of millions of Filipinos to access an extensive range of quality, modern and affordable products and services and we enable their financial inclusion.



As one of the country's largest employers we help the growing population enter the workforce. Through inclusive work practices we develop their well-being, skills and leadership capabilities.



We address the need for sustainable cities and physical infrastructure development, promoting livable spaces, greener and more active lifestyles and disaster preparedness.



We help close the gap for the disadvantaged in our society by providing schools, healthcare centers, social facilities, training and employment opportunities. We provide emergency response in times of need.



We serve as a community, marketplace and partner for MSMEs, working with government to promote opportunities and fair trade practices. We support and promote our partners during periods of crisis.



We protect and rehabilitate land, water and biodiversity as part of the long term development of our assets and we help reduce carbon emissions by funding the national shift to sustainable energy.



We generate value through salaries, taxes, payments to suppliers and partners and by providing sustainable returns to the investment community.





Building a Network of Sustainable Businesses



SM Investments Corporation is the parent company of one of the most recognizable brands in the Philippines, SM. We are committed to deliver continued growth through the unique synergy of our businesses in retail, property and banking, that together generate long-term and more meaningful value for all our stakeholders. By year-end 2020, our total market capitalization has grown to **PHP1,263.6bn**, resulting in total assets of **PHP1,224.5bn**.

Our Business Footprint

SM Retail, Inc.



Our group was born out of retailing. With more than 30 brands, both food and non-food, we serve as a platform for local and international brands to be more accessible to the Filipino market.

77.3%

Effective Interest

PHP296.8bn

Revenues

Store Network

66	The SM Store
1,550	Brand Affiliates
52	SM Hypermarket
59	SM Supermarket
209	Savemore
71	WalterMart
1,012	Alfamart



BDO Unibank, Inc.



We are invested in the banking business with BDO leading as one of the innovators in banking products and service, making financial services more accessible to Filipinos.

45.3%

Effective Interest

PHP133.7bn

Net Interest Income

PHP468.2bn

Market Capitalization

Total Number of Branches

1,470	Branches in the Philippines
2	Foreign branches
4,439	ATMs

China Banking Corporation



China Bank has a hundred years of banking heritage anchored on good governance. The bank has been instrumental in building generations of enterprises in the country.

22.6%

Effective Interest

PHP33.8bn

Net Interest Income

PHP67.0bn

Market Capitalization

Total Number of Branches

634	Branches
1,022	ATMs





SM Prime Holdings



We build integrated lifestyle cities with malls that serve as meeting centers, residential developments, hotels, convention centers and office spaces, helping facilitate the rapid urbanization of local communities.

49.7%	Number of Developments	
Effective Interest	21	Integrated Lifestyle Cities
	76	Malls in the Philippines
PHP81.9bn	7	Malls in China
Consolidated Revenues	71	Residential Projects
	12	Office Buildings
PHP1,112bn	8	Hotels
Market Capitalization	5	Convention Centers
	3	Trade Halls

Equity Investments



In addition to our core businesses, we also have ownership in Belle Corporation, a leisure property development company, 2GO Group, Inc., an end-to-end logistics company, Atlas Consolidated Mining Corporation (Atlas Mining), the country's leading copper producer, NEO Subsidiaries and NEO Associates, premium commercial building developments, Philippines Urban Living Solutions, Inc. (PULS-MyTown), leading co-living space provider, Citymall, community shopping malls, Goldilocks, heritage bakery chain, AIC Group of Companies Holding Corp. (Airspeed), integrated logistics company and GrabPay electronic wallet.



Effective Interest

26.4%	34.0%
Belle Corporation	NEO Associates
30.5%	34.0%
2GO Group	CityMall
34.1%	34.1%
Atlas Mining	Goldilocks
63.3%	34.5%
PULS	GrabPay
95.0%	35.0%
NEO Subsidiaries	Airspeed



Retail Businesses



We stand by our tagline, “We’ve got it all for you”. Our customers can find their most well-loved homegrown and international brands under the SM Retail umbrella. Our brand affiliates provide a wide selection for every member of the family - from groceries to cosmetics, from athleisure to sleepwear, from sofas to plush toys, from refrigerators to power tools, and are easily accessible by all our customers nationwide.



Alfamart



ACE
Hardware

ECCO

FOREVER 21

SPORTS
CENTRAL

crocs

Crate&Barrel

SM HOME



innisfree



One company, many brands to love



KULTURA
UNIQUELY FILIPINO



LifeWear

OUR
HOME



LANEIGE

dyson

Bata

supplies
station^{inc.}



 UNDER ARMOUR



Call to Deliver Serving Our Customers' Needs

At the height of community lockdowns our brick and mortar stores were difficult for customers to access. The growth of online retail suddenly became more in demand with most people confined to their homes and looking for a safe way to shop. Developing our digital capabilities was already underway in earlier years, but we accelerated the pace in 2020 to complement the physical stores of our brands and brand affiliates and to offer more choices to our customers.

Shop anytime, anywhere via Call to Deliver

When community quarantines took effect, we initially reached out to our customers to provide them with essential items including face masks, alcohol and disinfectants. We also improved how we communicated with them through social commerce and community groups.

Mixing digital convenience and personalized service, we next launched Call to Deliver (CTD) in April of 2020, which quickly grew to contribute 10% of our non-food retail revenues. This service was initially available in just a few pilot stores in Visayas and Mindanao to assist locked-down customers to order using their phones. It proved successful and soon was expanded across our stores nationwide. Our retail brands including The SM Store, Pet Express, Watsons, Toy Kingdom and selected supermarkets quickly adopted the Call to Deliver service, allowing them to bridge the convenience of online shopping with the experience of premium in-store assistance by providing dedicated personnel to assist with CTD transactions.

10%

Call to Deliver contribution
to non-food retail revenues

April-December 2020



In September, we launched Call to Deliver's new hotline #143SM (#14376), which allows customers to order items by telephone through a personal shopper. Working with our malls and third-party delivery companies like Grab and Airspeed, items purchased continue to be delivered directly to shoppers' homes, set aside for in-store collection or brought outside for curbside pick-up.

These new ways of shopping allow us to find more ways to deliver SM's service levels to customers through personalized marketing. This include offering personal in-store shoppers, video call services and instant messaging apps for a more personalized approach. As these proved popular, Call to Deliver sales continued to grow steadily even when our stores re-opened.

The convenience of delivery and store pick-up has propelled the success of the Call to Deliver service. We believe that one of the reasons for its success is our premium customer assistance, conveniently bringing the in-store experience to our customers wherever they are. There is now no turning back - we will continue to evolve and enhance our Call to Deliver program.



ShopSM

Everyday Shopping with ShopSM

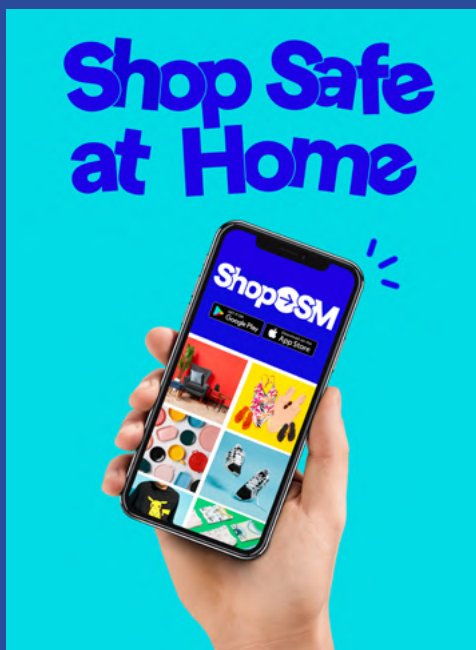
In mid-2019 we already launched our pilot online shopping platform, ShopSM.com, aiming to deliver the best shopping experience for customers. During the pandemic months of 2020 we scaled up, improved ease of use, added a wide array of products, and provided a secure range of payment options for our customers' convenience. Our customers responded and online sales grew by 600% in 2020.

With ShopSM, we are bringing our stores to our customers. We provide them with essentials and favorite items from every department of The SM Store, such as fashion, home basics, baby essentials, accessories, beauty products, shoes, bags and toys made available anytime, anywhere.

In 2020, we saw a big demand for home items, beauty products and fashion in ShopSM. These hot categories grew seven-fold compared to pre-pandemic online transactions. Home category products were particularly in demand and contributed 60% growth of our online transactions. Our continuous efforts to keep the pulse of the changing habits of our users has sustained the growth of our online platform. We use deep analysis of our extensive customer data to ensure a personalized online service and relevant, targeted offers to every one of our customers. This translates to increased usage and basket sizes. Notably, ShopSM is also helping to attract a younger consumer base.

600%

Online sales growth



With our ongoing efforts to provide smooth online transactions and a friendly experience for our customers, we have a dedicated customer support team available to assist them. We offer a free Click and Collect service for customers to pick up their online purchases from either their preferred The SM Store branch in Metro Manila or to receive home delivery through our third party logistics providers, including 2GO. We work hard to keep raising the bar on our online shopping experience and delivery options and, despite challenges in transportation and movement during the year, 90% of our online purchases are shipped within 24 hours.

Moving forward, we will continue to grow our customer base, enhance our usability and features, and expand next day pickup to key cities outside Metro Manila. Further, we will build on our comprehensive shopping experience by incorporating fresh and other items from our SM Supermarkets. Our goal is to make shopping online with SM easy, convenient and widely available, and to integrate it with our stores and superior logistics capabilities to be truly integrated and omnichannel for everyone.



Caring for Our Loyal Companions

With pets increasingly seen as an extension of family and many pet parents taking their love for their pets to a new level, we are evolving our cat and dog shop, Pet Express, to adapt to these opportunities.

We saw increased volumes and online sales as pet owners stocked up on pet essentials to prepare for extended lockdown. With many stores taking a hit during the pandemic, our pet retail store, deemed as an essential business, continued to serve pet essentials through both physical and online stores.

To complement our 17 stores nationwide, we launched Click and Collect at SM City North EDSA, SM Megamall and SM City Dasmariñas to provide shopping convenience for customers who were staying at home.

We are tapping into trends that are shaping the pet retail industry. These include bringing in more customer touchpoints through digital platforms and strengthening our relationships with them. In addition, we are stepping up our efforts in online communities and messaging apps and boosting our online presence with our very own online store, petexpress.com.ph, and online flagship stores in e-commerce sites. As a result, our store sales grew by 98% vs 2019 for online sales alone.

While many companies are forced to preserve capital, we have re-evaluated our strategy and are looking at expanding our pet retailing footprint as one of our priorities moving forward. With high demand and increasing opportunities in pet categories, we are opening new stores in 2021. Aside from footprint expansion, we are also looking at store re-layout and increasing the area of our existing stores to a minimum of 350 sqm. In addition, we will continue to offer Pet Express services such as grooming and veterinary services to give customers an exceptional experience.

98%

Online sales growth

17

Pet Express stores nationwide





The Amazing Toy Store

Since the outbreak of the pandemic, we worked closely with our teams and suppliers to ensure that our toys and high-quality merchandise were kept widely available through our very own online store, toykingdom.com.ph, as well as other e-commerce sites such as ShopSM.com.

New Reality, Better Connection with Customers

Having so many people working, learning and socializing at home triggered high demand for home-toy entertainment items last year. As a result, we experienced a massive surge for in-demand toys and commodities in 2020. Sales of inflatable pools, consoles, console games and other home-toy entertainment items were particularly strong.

The increased online demand for our products prompted us to also increase our inventories and expand our digital platforms to connect better with our customers. We reinforced our digital selling websites, provided digital catalogues and partnered with other digital platforms and apps such as SM Malls Online.

With strong focus on providing more customer touchpoints, we worked closely with The SM Store Online team, employing personal shoppers and dedicated Call to Deliver personnel for faster fulfilment and delivery services. This resulted in about 30% of total store sales. We also did outbound calls servicing loyal patrons, resellers and wholesalers.

As we emerge from an unprecedented year stronger, we will continue to connect even better with our customers through omnichannel solutions, offering a high quality and fun range of products, improved fulfilment services and high service levels.

30%

Store Sales growth





Serving Communities Better

Our Luzon-based supermarket and mall brand, WalterMart, performed strongly in 2020 despite the challenges of the pandemic. With employees' health and well-being as our priority, we provided vitamins, safety kits, daily meals and transportation assistance during the lockdown. To ensure the safety of our customers, we strictly implemented safety protocols and regular disinfection of our stores.

Despite the pandemic, we increased our footprint with four new stores and opened our distribution center in Mexico, Pampanga to service our North Luzon stores.

During the pandemic, we worked directly with farmers for a steady supply of fresh produce and paid our vendors on time for an efficient supply chain. We used technology as an enabler and grew our online grocery format, www.waltermartdelivery.com.ph. This contributed to online grocery sales growth by 10-fold in 2020. We also adopted The SM Store's strategy of Call/Text and Pickup service making our business more agile.

For 2021, we will continue our 'Palengke Fresh', sourcing fresh produce directly with farmers and rolling out weekend farmers' markets in more stores. With the increasing demand for ready to cook and frozen categories in our stores, we are working with restaurant brands to carry restaurant-quality items in our supermarkets. We also invested in technology to make checkout faster, service and delivery more efficient. We continue to capture opportunities in Luzon and Metro Manila with online capabilities, footprint expansion and renovation of top stores in our aim to welcome back our customers safely in our physical stores.

10x

Online sales growth

4

New stores
opened in 2020





Stay Strong, Stay Beautiful

Amid the pandemic, taking care of one's health and well-being is a primary concern. As a health and beauty retailer and community pharmacy our Watsons stores remained open throughout the year to serve our customers. We adapted to meet their new needs, focusing on ensuring our stores were safe and accessible, making the essential products widely available and affordable, and introducing convenient digital marketing and delivery channels.

Thanks to our business continuity plan and readiness, we made sure our stores were adapting to what customers wanted and that the right products were readily available to them. We provided employees with the tools to work from home where possible and equipped our very own frontliners, our store personnel, with personal protective equipment (PPE) and shuttle services to work. We strictly adhered to health protocols and put in place in-store safety procedures to protect both our employees and customers.

65

New stores
opened in 2020



More Accessible, More Affordable

To meet the soaring demand for personal hygiene products at the height of community quarantines we increased our inventory for items that protect customers and their families against the virus, such as vitamins, PPE, masks and sanitation products. When department stores reopened, we upgraded our merchandise mix in them to carry over-the-counter medicines and other relevant products.

Tactical marketing campaigns supported by price-drop promotions also helped drive customer traffic, including our Switch and Save campaign, offering more affordable but quality Watsons own brands.

We also focused on improving our digital and delivery capabilities to provide greater convenience, particularly through our Call and Deliver service and online Click and Collect option for customers to collect their purchases at the store of their choice. This required us to establish new logistics operations, using a wide range of delivery options, employing dedicated riders for home deliveries and establishing key stores as hubs to serve different areas and localities.

Despite limitations, we continued our store expansion in 2020, opening 65 stores, including LOOK, our new high-end concept store in SM Aura Premier, which carries luxury and hard to find beauty products.

With the ever-increasing focus on health, we have launched conversations on healthy lifestyles and mental health and made our brand more relevant through dialogues with health experts and celebrities that center on our message of hope, 'Stay Strong, Stay Beautiful' across our communications.

We know our role in helping meet the health and well-being lifestyle needs of Filipinos is an essential one. As we move into the next phase of the pandemic, the roll out of vaccines and beyond, we will remain committed to meeting our customers' changing needs to look good and feel great. We will expand our e-commerce solutions and strengthen delivery services to make sure our products are always fully available and conveniently accessible. The safety of our employees and customers will remain paramount. In addition, we will continue our holistic approach to social responsibility and further support products that are environment friendly.





LifeWear

Sustainability The Fast Retailing Way

Japanese global apparel retailer, UNIQLO, opened its first Philippine store at SM Mall of Asia in June 2012 under Fast Retailing Philippines, a joint venture of Japan's Fast Retailing Co., Ltd and SM Retail, Inc. Since then, Filipinos have embraced LifeWear - beautifully designed high-quality and ever-evolving clothing to give people a better life. UNIQLO now has 65 stores nationwide.

Unlocking the Power of Clothing as a Source of Positive Force

Recognizing the devastating impact brought about by COVID-19, UNIQLO Philippines has continued to adapt and provide support to communities in need through their initiatives.

Together with SM Foundation, the brand donated a total of 800,000 AIRism masks, which went to health care professionals, public transport frontliners, and vulnerable communities. The company also provided 350,800 medical masks, 200,000 isolation gowns, and 64,000 DRY T-shirts to hospitals. UNIQLO also donated USD197,000 to SM Foundation to provide for food assistance to families in need and the purchase of other personal protective equipment (PPE) for health workers.

USD197,000

Donated to SM Foundation for
food assistance and purchase of PPE

800,000

AIRism masks donated

64,000

DRY T-shirts donated to
health care professionals





UNIQLO Helps Safeguard Everyone's Health

For UNIQLO, safety begins by providing a healthy, secure, and comfortable working environment for UNIQLO employees and co-workers. UNIQLO engaged with Better Work, a campaign in partnership with the International Labor Organization and other advocates, where strict safety standards were practiced not only for frontline store workers but also for employees in UNIQLO factories. All employees undergo temperature checks, are required to wash and sanitize their hands regularly, wear masks, and face shields.

At UNIQLO Philippines' stores, to further help protect employees and customers, shoppers are subject to contact tracing, temperature checks, and wearing of masks and face shields at all times. All surfaces in-store are frequently sanitized and markers are also placed for social distancing when shopping and queuing in fitting rooms or at the cashier.

Providing LifeWear to More Filipinos

UNIQLO Philippines continues to deliver LifeWear and serve the needs of Filipinos during the pandemic by opening new stores following government safety guidelines. The new stores include UNIQLO Blue Bay Walk Roadside Store, UNIQLO SM City Sucat, and two provincial stores in the Mindanao region at SM City Mindpro and SM City Butuan.

As an additional way to support the new lifestyles of their customers, and to make sure to continuously provide LifeWear items to all Filipinos, UNIQLO launched its very own online store in the Philippines, UNIQLO.com. The online store, which can be accessed through the website and mobile app, allows customers to avail special offers and sizes, pick-up purchases in preferred branches, delivery services nationwide, and pay via different channels.

UNIQLO navigates this unprecedented crisis through its initiatives to help communities and bring LifeWear products and services to more Filipinos.



Happy to Serve Amid Uncertain Times

Consumer expenditure on groceries and basic necessities during the COVID-19 pandemic has increased dramatically. Despite the many challenges, our agile food retail team and all our employees and partners kept the business going, remaining open throughout all the stages of quarantine.

Our grocery brands, SM Hypermarket, SM Supermarket, Savemore, WalterMart and Alfamart all created safe working environments for our co-workers and customers by strictly adhering to health and safety protocols. Mindful of our co-workers safety, we provided shuttling services for our store frontliners to safely report to work in times when there were none available. We worked with our supply chain partners to keep SM Markets' shelves stocked and enhanced our product range to provide essential and newly demanded items for our customers. We worked closely with our small and medium suppliers in particular, helping them stay operating during lockdown, and we adjusted store hours and ways to shop with us when most of our customers were confined in their homes.

With the help of SM Foundation, SM Markets was also able to distribute over 190,000 Kalinga food packs to communities whose livelihoods were affected by the lockdowns as well as to those hit by typhoons Rolly and Ulysses. Lastly, SM Markets donated over PHP290,000 worth of cleaning materials to schools gravely affected by the typhoon.





smmarkets.ph
available in

26

SM Markets stores

8%

Sales growth

10%

Net Income growth

Holistic Shopping with smmarkets.ph

In an effort to provide convenient ways of shopping for groceries and complement our stores, we launched our online store, smmarkets.ph in October 2020. This e-commerce site offers options for pick-up and delivery and cash or card payment, making it a one-stop platform for those who prefer to do their grocery shopping from home. Our online offerings include our house brand, SM Bonus, personal care items, pet food, household products and Tesco favorites. We also made personal shoppers available as an alternative way to shop in our stores, together with Click and Collect and delivery services through our partnership with third party logistics, Grab and Airspeed.

We started offering these services in 26 of our major stores initially last year, and we will expand them nationwide, improving our service levels and working to provide utmost convenience for all our customers.



Creating Shared Value at the Community Level

Alfamart, our minimart format grocery business, focused on providing essential goods for the neighborhoods it serves while helping to create local jobs last year. It also had a banner year with revenues increasing by 24% and EBITDA by 39% and it opened its 1,000th store in General Trias, Cavite – a milestone achievement, despite a challenging environment.

Apart from periods of total lockdown, our stores stayed open throughout the pandemic, ensuring that customers had ongoing access to essential groceries, made available close to where they live. In some areas, our stores even served as alternative suppliers for local sari-sari stores, market stalls and businesses, helping them replenish their own stocks when travel and product availability were otherwise restricted. Alfamart's local availability and regular grocery store pricing allowed them to keep their microbusinesses open and viable.

Our typical 120 sqm stores carry an average of 3,000 SKUs. These comprise the most frequently needed household grocery items and, uniquely, our wide range of frozen produce which differentiates us from other similar sized convenience store formats.

We try mainly to serve suburban communities, going into areas where modern grocery retailing is not yet easily available. Our broadening logistics network increasingly allows us to serve harder to reach communities. Each of our stores and distribution centers then work with local suppliers for fresh items like eggs, vegetables, fruits and ice tubes, while we also benefit from being part of the wider SM Retail group in our sourcing with larger national suppliers. Due to our large-scale sourcing and focus on costs we are able to offer our product range to customers at competitive prices.

Our community focus means we also support local microbusinesses like food kiosks and laundry shops, providing them spaces in our stores to sell their goods. We hire locally wherever possible and make sure that our people have a safe, fun and fulfilling work environment.

258

New stores opened in 2020

1,012

Stores by year-end

39%

EBITDA growth



Expanding with Our Stakeholders' Needs in Mind

Our team felt a great responsibility to continue expanding into new communities last year, despite the challenges of the pandemic. Indeed, the needs of many neighborhoods for safe and convenient grocery shopping was far greater under quarantine. Accordingly, we opened 258 stores, reaching 1,012 stores by year end.

Our store expansion enables us to contribute to local economies by creating new jobs as well as generating income for our building contractors, logistics providers, landlords and the small businesses who sublease within our stores.

During 2020 we also made sure that our customers and employees were kept safe in our stores at all times. Our employees were all provided with protective gear and given COVID-19 testing. Operationally, we limited the number of people in our stores at any given time and we implemented temperature checks, contact tracing and regular disinfection schedules.

Looking forward, we will continue to expand and, indeed, see enormous potential for our business across the many underserved communities and suburban neighborhoods of the Philippines. As we do so, we will stay focused on our customers' most essential shopping needs, bringing them convenience and enabling shared value in multiple ways in the communities we join.



Property Businesses



Our integrated lifestyle cities connect communities. From our malls to residential projects, office buildings, hotels and convention centers, we innovate and adopt sustainable designs. Through our developments we inspire greener lifestyles and we create spaces that enrich lives.



Responding to Our Partners and Communities During COVID-19

The COVID-19 pandemic forced us to reorganize our lifestyles and reassess our priorities. For Filipinos, our love for connecting with family and friends remained unhindered. So when restrictions limited our face-to-face interactions, we found new ways to bring the same fun 'mall' experience close to our customers and partners.

Same Fun 'Mall' Experience Online

Through the years, we have designed our malls to serve as the modern day 'community plazas' for Filipino communities. It is where they can enjoy quality time with loved ones, cultivate their hobbies, go shopping, pay their bills and even attend a church service. The COVID-19 pandemic halted these activities and brought about a different set of challenges and opportunities.

Launched in December 2020, SMMallsOnline.com, the SM Malls Online Beta app, available for download via the App Store or Google Play, making online shopping hassle-free for customers. With the pandemic, we worked hard to accelerate an omnichannel experience for our customers. Our goal was to bring the SM 'mall' experience to our customers, enjoying their favorite brands in the comfort of their homes.

>65%

of mall tenants are MSMEs

PHP23bn

Waived rental fees and other charges, including charges for SM affiliates

Supporting the Resilience of Our Partners and Communities

SM Malls don't only bring people together for fun and enjoyment. We have become the community and market place for our MSME partners. With MSMEs making up over 65 percent of our mall tenants including our retail suppliers, we supported their resilience through the pandemic by immediately responding to their needs. We waived rental fees and other charges equivalent to around PHP23 billion in 2020. We took active roles in campaigns such as 'Buyanihan' and 'Go Lokal' to encourage our customers to support local products.





Safety of Everyone During Re-Opening

As community quarantines relaxed, we opened our doors once again to serve our customers and communities with safety as top of mind. We worked double time to make our own co-workers feel safe as we all went back to work. We implemented the 'SM Life' tracking app for employees and 'Trace Together' app for customers, provided testing for all, implemented temperature checks and expanded our health benefits to cover COVID-19 related conditions. We also retrofitted office spaces to ensure social distancing and conducted regular disinfection in all our facilities. In all our developments, we placed social distancing markers, provided alcohol and hand sanitizers, regulated the number of people in close contact with each other and provided continuous reminders on safety protocols to all our shoppers. We also retrofitted our dining areas to ensure safety.

Beyond our tenant-partners, we helped small-scale farmers in our communities by bringing regular Fresh Food Markets into several of our residential developments, through SM Development Corporation (SMDC), also benefitting our residents and customers.

Due to the decline in tourism and corporate engagements, we refunded all event payments to MSME organizers, waived all cancellation fees, refunded room deposits and waived rental charges to tenants in SMX MOA Convention Center. We also extended financial assistance to third-party service providers. In our hotels, we streamlined our menus to prioritize local farmers and suppliers.

We also engaged our community partners who had lost their livelihood by training them as personal shoppers and delivery partners through our various programs like "Wheels on the Go."

We continued to advance our efforts in Disaster Resilience through UN ARISE, the private sector alliance for disaster resilience, but this time adapting to socio-economic considerations on the topic of resilience. We reviewed our business continuity strategy and extended webinars to our partners.



Our Integrated Lifestyle Cities for the Future

As we constantly monitor the evolution of the COVID-19 pandemic, we continue to review the designs of our integrated lifestyle cities to ensure that our customers, communities and partners are resilient. While we responded to aid the immediate needs of our stakeholders in 2020, we look into 2021 to provide sustainable solutions and innovative business approaches for our partners, new experiences for our customers and empowering programs for our communities through SM Cares.



Reimagining Mallng in the New Era

SM: What is your general outlook for the business in 2021?

ST: Our outlook is pragmatic yet hopeful. We recognize the challenges posed by ongoing quarantine regulations and the reality that consumer confidence is not yet fully back to normal. Despite this, we are encouraged by the steady week on week improvement we saw for all our key metrics as 2020 progressed, particularly in Q4. February 2021 was also encouraging for us, particularly Valentine's week where we saw double-digit increases in sales and foot traffic across our malls.

While foot traffic and sales are still not yet at pre-COVID-19 levels, we are hopeful that they will continue to steadily recover as restrictions loosen and vaccine roll out continues.

We expected our tenant occupancy to take a hit in 2020 as the majority of our tenant-partners are MSMEs. Through rental assistance and working closely together with them, we were able to ensure the survival and sustainability of the vast majority of our tenants. Though there is also continued interest from new brands, particularly global brands, to open and expand in SM malls in 2021.

SM: Despite the pandemic, SM continued to expand in Mindanao last year. For 2021, how are you proceeding with expansion plans now?

ST: We will be opening three malls this year. Daet and Roxas are unserved areas for SM malls which is why they are being prioritized for opening. Like these, the malls we opened in 2020 in Butuan and Zamboanga were in locations previously unserved by SM malls. Sales in both of these significantly exceeded their targets, showing us that customer demand for SM malls remains strong despite the ongoing pandemic.

Grand Central in Caloocan is a prime strategic location, and one we are very bullish about. The tenant demand for spaces in this mall validates our optimism that it will be a strong mall.

SM: How is expansion and the business in China? Have you seen substantial recovery?

ST: Our China business has recovered faster and is almost at pre-pandemic levels. The strong efforts of the government against the pandemic have played a key part in this. The China mall market remains bullish. Data from Winshang indicates that from the second half of 2020 until the end of 2021, around 2,000 malls will open across the country. 1,000 of these malls will open in 2021. SM China remains confident in the China market and is continuously expanding.

SM Supermalls President Steven Tan gives a quick overview on our malls' pandemic innovation, how they are positioning for business recovery and the future of malling in the Philippines.



SM: How is SM Supermalls positioning for overall business recovery?

ST: We are using the ongoing pandemic as an opportunity to strengthen our foundations so that we are ready to fully take advantage of growth when things normalize. Internally, we have taken the opportunity to upskill and reconfigure our organization, in consideration of the new reality. We are also putting a lot of focus and energy on accelerating our digital transformation and piloting innovations for our mall customers and our tenant-partners.

SM: How is SM Supermalls reimagining spaces to serve its customers and communities? From co-working spaces, paw parks and greenways to dining pods, what other innovations are in store for 2021?

ST: We have always looked at our malls as community centers. So when we look at the mall, we are always thinking about how it can best serve its surrounding community.

Expect to see more innovative uses of space that serve the new and emerging needs of the communities surrounding our malls. These include:

- Gaming lounges for gamers
- Drive-thru and drive-in experiences of all kinds
- Bike trails and trail parks
- Fitness venues in our open spaces and roof-decks
- Livestreaming spaces
- Community libraries like Book Nook
- Sunset/sundown-based experiences

“The mall’s tenancy mix will evolve, in line with how customer tastes and needs have evolved to prioritize new essentials. These new essentials include health and well-being, domestic hobbies, functional fashion, take home experiences, productivity and comfort food. Expect to see more of these kinds of concepts in our malls.”

SM: What are the significant milestones on sustainability even as you were also focused on adapting to the new normal?

ST: Here are some of our significant sustainability milestones in the malls:

Water recycling: We recycle our water across all SM Supermalls nationwide, and the recycled water is reused for non-potable needs such as cooling towers, water for flushing in toilets, on groundskeeping, etc.

Trash to Cash recycling market: Started in 2007, this program is one of SM Supermalls’ pioneering initiative for the community and tenants in promoting responsible solid waste management. We recently added the collection of used lead acid batteries on certain dates.

Plastic Waste Collection Program: Held in partnership with the Plastic Credit Exchange. We have started to become a plastic aggregator by being a venue to collect empty, clean and dried plastic waste from customers, and the surrounding community. The program was launched in SM Megamall and in SM Mall of Asia.

Electronic Waste Collection Program: Just recently launched, all SM Supermalls nationwide have started collecting electronic waste from customers and the community. Collected e-waste will be processed and recyclable parts separated from those that are non-recyclable.

Paper Recycling Initiative: SM Prime, in partnership with Trust International Paper Corporation (TIPCO), recycled 40,820 kilograms of wastepaper documents that satisfied legal, fiscal, compliance, operational and administrative use in accordance with its Records Retention Schedule.

Bay Clean-up drives and International Coastal clean-up: SM Mall of Asia, SM By the Bay and SM Cares regularly conduct bay clean-up drives as active members of the community, and part of SM’s commitment to help keep our bay areas clean. Quarterly clean-up drives are held, and SM Mall of Asia usually becomes the venue of the annual International Coastal Clean-up event.

Going Bike Friendly: With many turning to cycling as a major mode of transportation during the Modified Enhanced Community Quarantine (MECQ), we created bike friendly infrastructure and facilities to give the growing number of bike commuters and enthusiasts a safe, convenient, and enjoyable experience.

In September 2020, the SM Mall of Asia led the way with bicycle lanes in the MOA Complex and bike-friendly street signs. The aim is to build a connected network of bike lanes on all roads in the MOA Complex stretching up to 18 kilometers, including a dedicated bike lane along J.W. Diokno Boulevard.

SM: Will you also be expanding the Bike Friendly Initiative outside of MOA? In which malls?

ST: Yes, we will. Our malls in the eastern part of Manila like Marikina and Masinag are already part of the Bike Friendly initiative. This is the same for our malls in North Luzon like Pampanga, Telabastagan and Clark. SM Seaside City Cebu has also recently rolled out bike-friendly facilities. We will continue expanding this to more malls across the country.

SM: How are you positioning the malls for a possible “return to normal?” How do you foresee the future of malling shaping up?

ST: We continue to be bullish and optimistic about the future of the mall. First, because of the unique role that malls play in the Philippines as a venue for communities to converge and socialize. These are experiences not easily replicable online which means the mall will continue to be relevant in the years ahead.

We also saw a continued preference for shopping in physical stores, even amidst the growth of online shopping during the pandemic, suggesting that the future will be a hybrid of online and offline. Malls will continue to play a key role in that future. Second, because of what we are seeing in China – despite being the world’s most advanced e-commerce market, the mall industry in China continues to thrive because there is still no substitute for physical social experiences.

The mall’s tenancy mix will evolve, in line with how customer tastes and needs have evolved to prioritize new essentials. These new essentials include health and well-being, domestic hobbies, functional fashion, take home experiences, productivity and comfort food. Expect to see more of these kinds of concepts in our malls. Omnichannel features and amenities will also be part of the mall’s evolution as every retailer is expected to be shoppable and shippable. Malls will need to be able to easily facilitate all kinds of customer transaction options from delivery to drive-thru services to pick-up points.

Greenery, lighting and ventilation will be more prominent features of future malls. Tenant store sizes and configurations will evolve. Some will upsize, others will right size. The future will see an evolved mall offering.

“Malls are venues for communities to converge and socialize, offering unique experiences that are not replicable online - this means malls will continue to be relevant in the years ahead.”



48,000 m²

SM City Butuan's
gross floor area

37,000 m²

SM City Mindpro's
gross floor area



Opening Gateways in Mindanao *Madyaw nga Pagkani Butuan!* *Bienvenidos Mindpro!*

SM City Butuan is our first mall in the CARAGA region, which is the gateway to the northeastern part of Mindanao. It is a strategic trading hub that connects to other key cities like Davao, Malaybalay, Surigao and Cagayan de Oro.

Spanning 48,000 square meters, SM City Butuan, brings new city living experience to Butuanos with a variety of international stores and dining choices, along with a complete array of well-loved SM store brands. In addition, we opened our 76th mall in the historic city of Zamboanga, one of the largest cities in the country. With 37,000 square meters of shops covering four levels, SM City Mindpro can be the Zambanguenos' new favorite place to shop, dine, and simply enjoy quality time.

Designing with Sustainability at the Core

Like our other malls, both SM City Butuan and SM City Mindpro are designed with sustainability at their hearts – from the drawing board to daily operations. SM City Mindpro is built with 6" concrete hollow block walls with an Exterior Insulating Finish System and Variable Frequency Drive (VFD) making it a cost-efficient and energy-saving mall. It is also equipped with an underground rainwater tank that will help minimize flooding within the mall and the neighboring communities.

All our malls become the stage for local brands to be showcased. This is precisely the case for Zamboanga - based brands like Turkish Grille Plus, Casa Velyn, South Avenue and Bay Tal Mal, among others. For SM City Butuan, local entrepreneurs launched local brands like Bella Mecanica Nail and Waxing Salon, Alot Barbero Lokal, Verity and Fulcrum Café. Throughout the country, SM malls have become the home of thousands of MSMEs and have been instrumental in building Filipino brands.





Beyond Homes, We Build Thriving Communities

We are all social beings, with a need to balance private and common spaces. Our residential developments are designed to have ample personal spaces that provide a blank canvas for personalized designs, while also maintaining generous common spaces like gyms, swimming pools, karaoke rooms and dining spaces to promote a sense of community. But beyond this, we deepened our community movement, The Good Guys Movement, building a sense of community among our residents by involving them in health care, social, entrepreneurial and environmental initiatives and providing a platform for serving and mutual support.

Even before the pandemic struck, we promoted programs for the physical and mental well-being of everyone especially our more vulnerable groups. This was heightened during the pandemic with the youth, elderly and persons with special needs left vulnerable and, in some cases, isolated. Our Care Team, composed of employee and resident-volunteers, came up with programs to help our senior residents like personal shopping, health webinars and “how are you?” chats. We also tapped health professionals among our residents who generously extended online consultation and even essential medical services. In partnership with SM Foundation, we provided free medical check-ups with essential laboratory services to our residents.





Bringing Communities together with The Good Guys program

Through the year-long pandemic, many residents lost their livelihood and started their own businesses. Our Good Guys Market program provided a safe and convenient way for our resident-entrepreneurs to sell their products. Moreover, in partnership with SM Foundation, we tapped small-scale farmers in our neighboring communities to sell their product to SMDC resident directly via markets held in common areas.

Social needs and economic challenges were top of mind in 2020. We remain mindful of the long-term disruption we continue to face from climate change. Our residential developments were designed with environmental responsibility in mind. We have water catchment systems, promote energy efficiency and practice responsible waste management. We will ramp up these and other programs to engage our residents further in green living in 2021.

The Good Guys Movement is about caring for our neighbors and encouraging volunteerism and the spirit of community in all our developments. Beyond building homes, we are committed to promote a vibrant and lively community that make everyday interactions more meaningful.



Banking Businesses



Through our banking businesses we include and empower customers from all sections of the population. We fuel business growth, national development and energize greener technologies. We find ways to make our customers' aspirations happen.



Our Commitment to Sustainable Finance

BDO found ways to innovate banking services to help its customers and communities in the face of the substantial economic impact brought about by the COVID-19 pandemic. Across the country, our customers needed help as their livelihoods were affected, and many businesses, especially micro, small and medium enterprises struggled to survive.

Innovating Financial Services during the Pandemic

We remained sensitive and proactive to the urgent needs of our customers faced with lockdowns and quarantines, immediately extending grace periods for loan payments for thousands of SME clients and customers under the Kabuhayan Loan Program of BDO Network Bank, as well as those covered by the government's Bayanihan to Heal as One Act and Bayanihan to Recover as One Act.

We ramped up our digital banking services to ensure the safety of our people and our customers, and extend the reach of our banking services. While we maintained a skeletal work force at our branches and offices, we prioritized the safety of our people and our customers by implementing social distancing and health and safety protocols, limiting the number of customers serviced at a time, and providing all government-mandated safety equipment. We also implemented ATM on Wheels near select Savemore and SM Supermarket branches to bring our services closer to where our customers are.

The Bank extended services to far-flung communities through our Cash Agad program, allowing families to withdraw cash through the Point-of-Sale terminals of our partners. We expanded our Cash Agad Agents program and rolled out 8,872 Point-of-Sale terminals nationwide, partnering with stores and micro-businesses in communities which also helped to help augment their income.

Supporting Pooled Testing Program

Through our BDO Foundation, we helped in the implementation of the pooled Reverse Transcription Polymerase Chain Reaction (RT-PCR) testing for 18,000 market vendors, public utility vehicle drivers and medical frontliners in large cities. We also donated 10,000 RT-PCR test kits to ten hospitals and 200,000 doses of vaccines which the government will make available to frontliners. We launched a matching grant program, encouraging our employees and customers to donate to communities affected by the pandemic, which raised a total of PHP9.3 million.



8,872

point-of-sale terminals under
Cash Agad Agents Program

PHP400.9bn

Total Sustainable Finance
projects funded

as of December 31, 2020

200,000

doses of vaccines donated



Celebrating over a Decade of Sustainable Finance

With PHP400.9 billion in total sustainable finance projects funded in 2020, we continued to accelerate our efforts in sustainable finance that we first launched in 2010. Our Sustainable Finance Framework was endorsed in a Second Party Opinion by Sustainalytics which makes BDO well positioned to issue sustainable finance instruments. We also continue to embed sustainability in our business strategies, operations, policies, processes and systems, aligned to the Sustainable Finance Framework of the Bangko Sentral ng Pilipinas.

Delivering a Strong and Resilient Business

Notwithstanding the challenges of the year, we delivered good business performance, with a net interest income growth of 12% to PHP133.7 billion. We decided to get ahead of any potential impact of the pandemic on our clients by undertaking a thorough review of potential losses in the mid year, resulting in heavy and prudent provisioning of PHP30.2 billion. We also worked with our business clients to restructure their loans where needed, to give them time to work through the difficulties their businesses face. As a result, we are in a strong and very well capitalized position going into 2021.





A Heritage of Commitment and Resilience

The COVID-19 pandemic is an unprecedented health and economic crisis that continues to ravage the world. In a year that would have otherwise seen us grandly celebrating China Banking Corporation's (China Bank) 100th anniversary, we stood on the front lines to fulfill our public purpose. We resolutely provided essential services and support to help households and businesses stay afloat and to drive economic activity and recovery, while ensuring the safety and well-being of our employees and customers.

China Bank concluded a challenging year with 9,825 employees, 2.2 million customers, and a network of 634 branches and 1,022 ATMs. We sustained our growth momentum despite the quarantine measures and higher loan loss provisions, posting 20% higher net profits in 2020 to PHP12.1 billion. Total assets reached PHP1.04 trillion, up 8%. Deposits increased by 8% to PHP835 billion. Our successful fund raising via the issuance of PHP15 billion fixed-rate bonds in October 2020 also helped improve funding flexibility. This was followed by another oversubscribed bond offering worth PHP20 billion in February 2021. Even with the sharp downturn in economic activity, we continued to support our customers, with gross loans steady at PHP572 billion. In addition to loans, we also helped our corporate borrowers raise funds via the bond markets, in which China Bank Capital continued to play a leading role. Capitalization rose by 9% to PHP105 billion.

Mobilizing Funds

In challenging times, people need debt relief and fresh credit. We continued to provide credit while managing increased credit risks, and made credit available quickly while still performing all the necessary checks. We released PHP390 billion in new loans, provided payment extensions that benefited over 173,000 customers for Bayanihan Act 1 and over 125,000 customers for Bayanihan Act 2, and proactively communicated with the public through various channels on the relief measures and to promote responsible credit practices.

Driving Digital Adoption

More than ensuring the availability of our digital banking facilities, we focused on building our customers' confidence in transacting cashless or online. We provided remote support options like online and call-based tutorials on how to enroll in and use our mobile app, launched new mobile app features, waived fund transfer fees, increased ATM withdrawal limits, and strengthened cybersecurity to encourage customers to safely bank from home and to create positive experiences that could shift behavior for the longer term.

8%

Deposit growth

20%

Profit growth

PHP1.04tn

Total Assets

Exemplifying Good Governance

China Bank has consistently advocated and practiced good governance beyond compliance to earn our stakeholders' trust and to remain strongly positioned for value creation. Our adherence to high governance standards was again recognized by the ASEAN Capital Markets Forum (ACMF) and the Institute of Corporate Directors (ICD) - China Bank won ACMF's Top 3 Philippine Publicly Listed Company (PLC) Award, Top 20 ASEAN PLC Award, and the ASEAN Asset Class Award; and also the 4-Golden Arrow Award from the ICD.

Celebrating the Past, Embracing the Future

With the world changing rapidly, preserving China Bank's culture and heritage is as important to us as evolving with the times. Restoring the Bank's original head office built in 1924 to its original architecture and making it more resilient for future generations is our contribution to the revitalization of Binondo heritage neighborhood. And as we navigate the challenges towards the post-pandemic era, we are continuously improving and innovating, embracing broader sustainability goals, accelerating our digital transformation, and reframing the future today.





Equity Investments



We support rising market leaders by bringing them into our SM ecosystem. We invest in innovative companies that bring Filipinos together and serve them in new and exciting ways.



Building our Resilience Through Crises

We had two back-to-back challenges in 2020, starting the year with the eruption of Taal Volcano which hampered our operations in Tagaytay Highlands resort and followed by the pandemic. The Taal incident had a catastrophic impact on the environment and highlighted how interdependent we were with the natural habitats that surrounded us.

Belle Corporation, Tagaytay Highlands Clubs and Homeowners' Associations spent close to PHP40 million in the rehabilitation of our local landscape and ecosystem. We also helped our co-workers living in the area as well our communities whose livelihoods were affected by the eruption. Soon after, we were able to resume operations and in just a few weeks, the COVID-19 pandemic struck.

Building the Resilience of Our Stakeholders

The pandemic additionally made us focus on the health, safety and livelihoods of our co-workers and our communities. We had to make sure that we helped create means of sustainable livelihoods in the Tagaytay region. We also made sure that our customers and residents felt safe by implementing strict and comprehensive health and safety guidelines.

Building the Resilience of Our Businesses

The pandemic drastically curtailed tourism which was compounded by the suspension of gaming operations at City of Dreams Manila. With this we experienced a decline in overall revenues from PHP7.5 billion to PHP4.2 billion this year. Nevertheless, we anchored on our practices in good governance to help us restructure.

Throughout both crises, our people and leadership were at the forefront of the clean-up and relief efforts. More than ever, it is important that we deepen the integration of sustainability into our day-to-day operations, mindful of the risks that climate change will continue to bring to our business.





Taking Responsibility and Pursuing Excellence

While most industries experienced a slow down as an effect of the pandemic, 2020 was a year of breakthrough for us. Despite the COVID-19 pandemic, EBITDA was at PHP8.9 billion and we delivered PHP118 million in profits, a strong income growth which is attributed to our innovations in operations, increased shipment of copper concentrates, cost efficient operations and the increase in metal market prices. These have been the product of several years effort as a result of which we were able to pay back USD80 million in debt during the year.

However, the year closed with a profound tragedy due to a mine slippage that sadly claimed the lives of several of our co-workers and contractors. It is with deep regret that we report this. We will continue to investigate, work with our regulators and support the affected members of our community.

Responsible Practices

Atlas Mining has long been held up as an example in responsible mining. We will continue to hold ourselves to this highest standard. During the COVID-19 pandemic, we prioritized the health and safety of our co-workers while opening our hospital to assist our local communities. We continued to look after the welfare of our host communities

under our Social Development and Management Program (SDMP) and regularly engaged our stakeholders to understand their rapidly evolving needs as an effect of the pandemic. We also gave equal attention to the protection and rehabilitation of our natural habitats – carried on our reforestation programs, monitored air and water quality, and controlled our emissions.

Pursuing Excellence

Looking forward, we continue to focus on integrating sustainability in all that we do, pursuing the highest standards in health, safety and environment responsibility.





Ready for our Stakeholders and the Future

The COVID-19 pandemic in 2020 created serious disruptions in cargo flow and passenger mobility. The 2GO Group responded immediately to the serious threats to nationwide supply chains by implementing the necessary operational adjustments that addressed the safety of our employees while creating conditions to enable the unhampered flow of goods.

Significant efforts were rendered to optimize sea, air and land transport to ensure products are delivered in full and on time despite the unprecedented challenges. Facilities, warehouses and hubs were kept running by ensuring security protocols were rigidly implemented while facilitating employee movement.



Ready for Our Communities and the Environment

2GO played a critical role during the pandemic, ensuring that essential goods were available in all communities by providing reliable sea, air and land transport.

We augmented the government's response efforts by providing two of our ships to be used as quarantine facilities for 1,300 Returning Overseas Filipinos (ROFs) and substantially aided the transport of 7,800 overseas workers' return to their families in their respective provinces.

Despite the pandemic however, 2GO never lost sight of its environmental responsibilities. It actively implemented ways to protect the environment by monitoring and reducing our carbon footprint. Some of the efforts included adjusting our routes, adopting slow steaming initiatives that reduced fuel consumption and thus diminishing emissions. We optimized our land side transport routes by consolidating the transport requirements of all business units thereby reducing overall truck moves, reducing inefficiency and waste. Also, we initiated regular train-like transport schedules which maximized capacity utilization and increased reliability of our operations.

Assisted
7,800
overseas workers'
return to their families

2 ships
as quarantine facilities for
1,300
Returning Overseas Filipinos



Ready for the Future

Our goal is to transform 2GO into a modern and efficient organization that will be highly competitive and responsive to the rapidly evolving business demands. Our multi-year effort which started in late 2019 is ongoing. In 2020, we streamlined and optimized our operations and services and augmented it with relevant skills sets that will allow us to compete in the 'new normal'. With an eye for the requirements of future, we have invested significantly in newer technology including upgrades to our shipping fleet, advanced warehouse and transportation operating systems and data analytics, that will not only create service differentiation in the marketplace but improve customer experience.

Ready 2GO

We are on track to achieve our consolidation and specialization plans. We are excited for what lies ahead for the group. Going forward, we expect to return to unconstrained movement once restrictions are eased. We expect our new, focused and efficient business operations will enable us to deliver high standards of service and deliver profitable results to our shareholders. Meanwhile our commitments to our people, our communities and the environment remain unchanged.



Our Valued Resources

The pandemic resulted in unprecedented disruption to our businesses and the country. We at SM responded to support businesses, livelihoods, social safety and to help the communities we serve.

Looking to the future, we continue to evolve and adapt for our customers, our people, our partners and for the protection of our planet.

Our Brand

We've Got It All for You



SM's distinctive blue circle logo and popular consumer brand are a fixture in the Philippines, recognized by millions. Everybody knows SM. Originating from the name 'Shoe Mart' and simplified to its initials, over the last 60-plus years our brand has come to exemplify trustworthiness, a rich range of products and high levels of service to Filipino consumers.

Our brand's presence is highly visible on the sides of our SM Malls, in the names of The SM Store department store, SM Supermarkets and SM Hypermarkets grocers, and in the packaging of our SM Bonus own brand goods. It is also used widely in our advertising and communications both online and offline with consumers.

Consumer studies show that the SM brand has very high top of mind recall and, when prompted for how they feel, shoppers report that SM Malls in particular give them memorable and positive experiences and provide everything they need.

In our retail business, our SM branding is especially recognized as standing for completeness, providing an extensive range of products that meet all our customers' shopping needs.

Our brand's values and affinity with customers are reinforced through the communications and offers made available through our SM Advantage loyalty card, which has 4.56 million users.

Our host communities are further engaged through the programs of our SM Foundation and SM Cares, the social outreach arm of our malls.

In 2020, our SM Supermalls brand was given a Platinum Award among the Philippines' most trusted brands in popular voting by readers of Readers Digest Asia. For two years running, SM has also been named by Forbes Magazine as one of the top regarded companies in their annual list of the World's Best Regarded Companies, ranked based on trustworthiness and company performance.

Looking to the future, we will continue to keep our relevance, our trustedness and our high recognition to the Filipino public as we extend our brand into new forms of media and digital shopping platforms.



Our Customers

TraceTogether paves the way for best practices in Contact Tracing Solutions

TraceTogether, a contact tracing initiative by the SM group of companies, was created with the customer's convenience in mind as well as to support a nationwide drive to use technology for safe solutions in countering the COVID-19 pandemic.

TraceTogether allows affiliated establishments to comply with government requirements through a unified, convenient, and safe contact tracing solution that avoids the use of paper-based forms or multiple sign-ins during one's shopping journey.

The concept of TraceTogether is to appeal to our clients' and customers' sense of civic duty to voluntarily declare the correct information. For adhering to the Data Privacy Act, TraceTogether was cited by the National Privacy Commission for best practice in handling contact tracing data.

TraceTogether is unique in its approach and method in how relevant data are gathered. The web-based system collects only information volunteered by the user and nothing more. This is in contrast to app-based systems that are complex to set up or those that are capable of tracking users via GPS at any time beyond the confines of a commercial establishment.

Initially rolled out by SM Hotels and Conventions Corporation across its properties, the technology is now used across SM malls, department stores and retail affiliates regardless of their location.

Designed with a convenient, user-friendly interface, it works on any platform, browser, or any type of mobile phone. As an integral part of the SM ecosystem, the experience is the same whether the customer is in an SM mall, department store, hotel or any of SM's brand affiliates nationwide.

Through TraceTogether, we hope to contribute meaningfully to the Filipino community by helping control the spread of COVID-19 and, at the same time, supporting the re-opening of the Philippine economy through safe visits to all of our establishments.



SM x GrabPay Partnership: Bringing More Convenience and Safety to Filipino Consumers

E-payments have seen wider acceptance in the recent year with the pandemic further compelling people to adopt a more digital way of life.

This provided added impetus to our partnership with Grab, launched in 2018 via the mobile wallet GrabPay, to flourish especially through our wide network of retail outlets, offering consumers a safer and more convenient way to pay for their needs.

GrabPay has gained wide acceptance in the majority of our retail businesses such as The SM Store, SM Markets, Watsons, Ace Hardware, Kultura, Toy Kingdom, Miniso, The Body Shop, and other brand affiliates and is also available for use in SM Cinema and SM Parking. Online, GrabPay is also offered as a payment option at ShopSM, The SM Store's flagship e-commerce site, and on the SM Cinema website.

Transferring money into the GrabPay wallet has also been made easier. GrabPay users can directly link their BDO account from the Grab app and seamlessly cash-in at no additional cost. Additionally, BDO customers can send money to GrabPay e-wallets directly from BDO's mobile app or Personal Banking website.

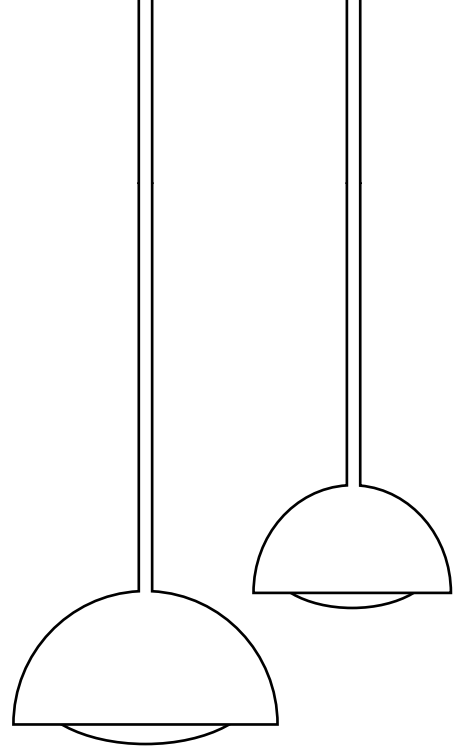
In practice, topping up or cashing-in is also made easy for GrabPay wallets through SM Business Centers and 2GO outlets.

Moving forward, we want to continue to expand access to GrabPay across all our retail network and continue to provide safe payment and convenient alternatives to our customers.



Our People

Embracing Purpose in the Future of Work



At the onset of the pandemic, we ensured the livelihood of our people and provided proper tools necessary for them to carry on with their work. We expanded our health coverage and extended assistance for special health emergencies. As some of our stores remained open to provide essential services, we recognize the commitment of our co-workers in continuing to deliver the SM experience. We made sure that our co-workers on the front line were equipped with personal protective gear and were safe through the strict implementation of health protocols. As community quarantines relaxed, we prepared our co-workers in returning to work by providing mass testing, face masks and shields, reconfigured office spaces, implemented temperature checks, required the use of the 'Be Safe' app for contact tracing and conducted regular disinfection.

We also launched webinars to address mental health and well-being, acknowledging the impact the pandemic and rapid changes may have brought to the personal lives of our co-workers.

We value the ingenuity that our co-workers demonstrated throughout the pandemic. We benefitted from the diversity they bring, helping us understand our equally diverse customers. We also recognize the impact that women bring at work - having a unique balance of decisive and

empathetic leadership, women have shaped the people-focused culture we have today. As we stand behind the value of gender equality in the workplace, we were again recognized by Bloomberg Gender-Equality Index for upholding balanced gender practices at work.

A Learning Culture

We cannot over-emphasize our need to have the proper skills that will help our co-workers thrive and adapt to changing times. We launched the SM Sustainability School to train our co-workers with the skills needed to deepen the integration of sustainability across our businesses.

Clearer Purpose

Our resilience as a team goes back to the values that built our company – leadership, sustainability, innovation, hard work, accountability and integrity. We now look at our work as a space where our co-workers can learn, develop, express their creativity and find their sense of purpose.

Who is a Typical SM Employee?

65%

are Women

58%

of Senior Leaders
are Women

60%

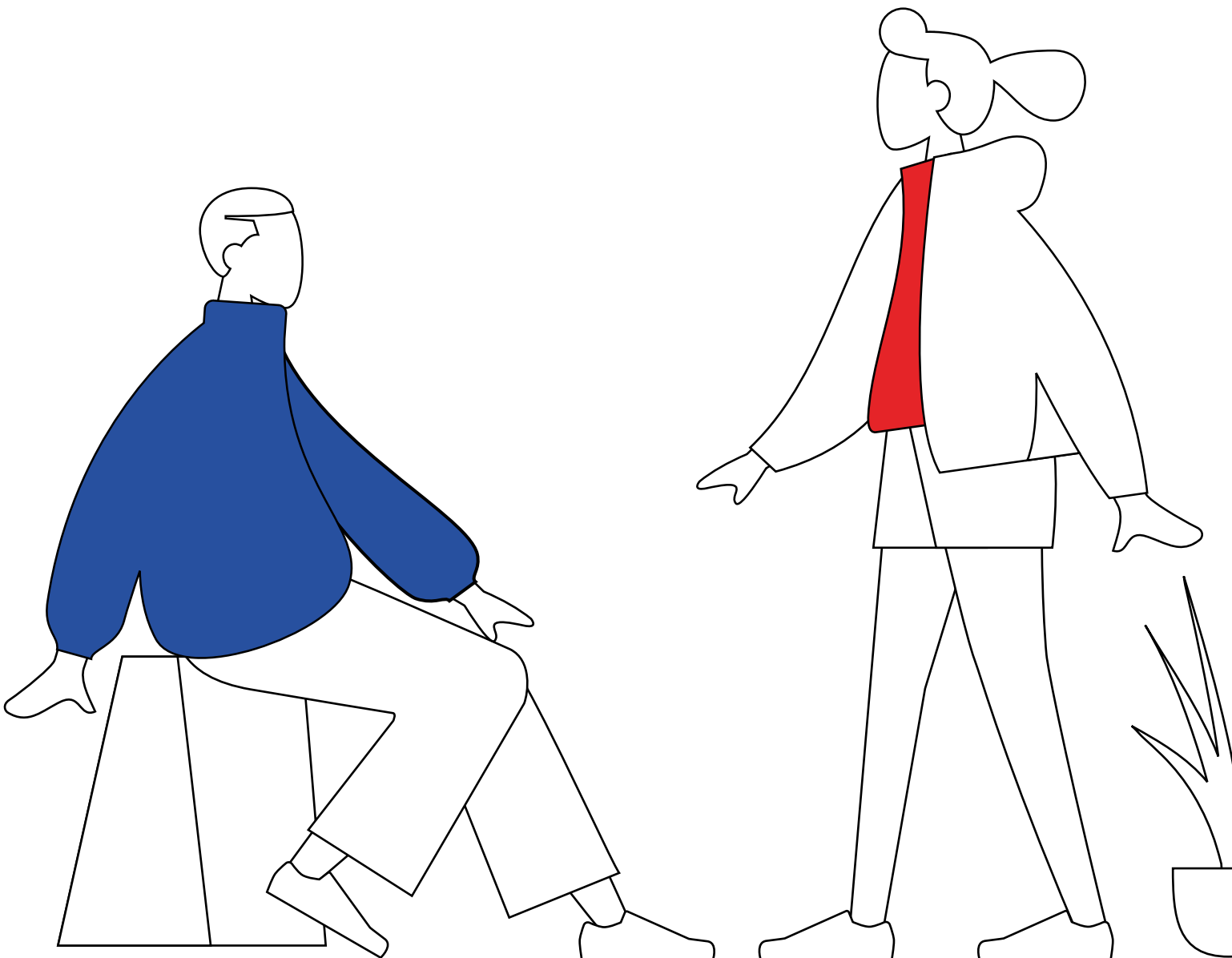
of Middle Managers
are Women

53%

are below 30 years old

93%

of Eligible Employees
were appraised



Our Developments

Rising Above Crises

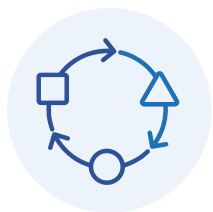
Lessons on Disaster Resilience

As one of the top countries in the world vulnerable to the effects of climate change, the Philippines has been battling the chronic impact of the biggest disruptor of this age - climate change. With an average of 20 typhoons a year that are only getting stronger, we need to be prepared.



Lesson on Protection

Before the threat of climate change became widely recognized, we started investing in the integration of disaster resilient features in our projects to protect our developments and our stakeholders. Through our Engineering Design and Development (EDD) team, we incorporated innovative features in our designs such as building SM Mall of Asia higher than national building elevation requirements due to anticipated rise in sea levels, and building SM City Marikina on stilts which enables it to withstand abrupt floodwater level rise. In addition, we help protect our rivers and water ways from pollution that can clog and disrupt the natural flow of water to the seas.

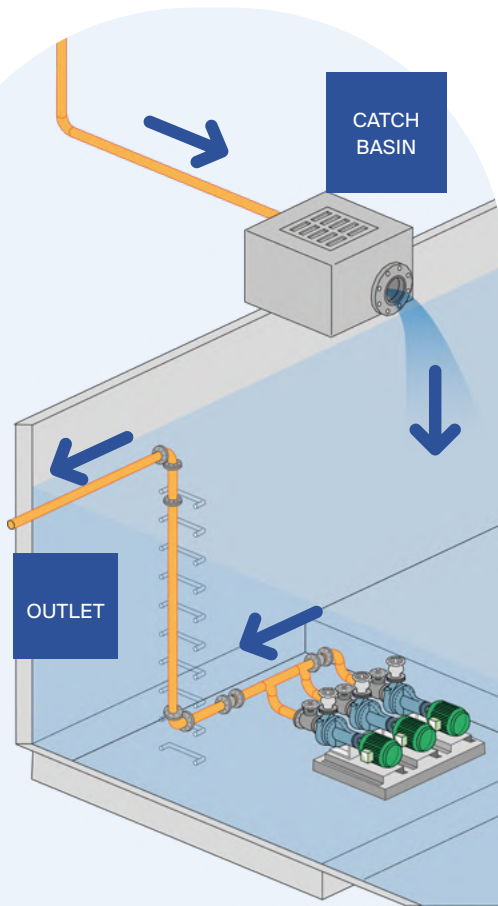
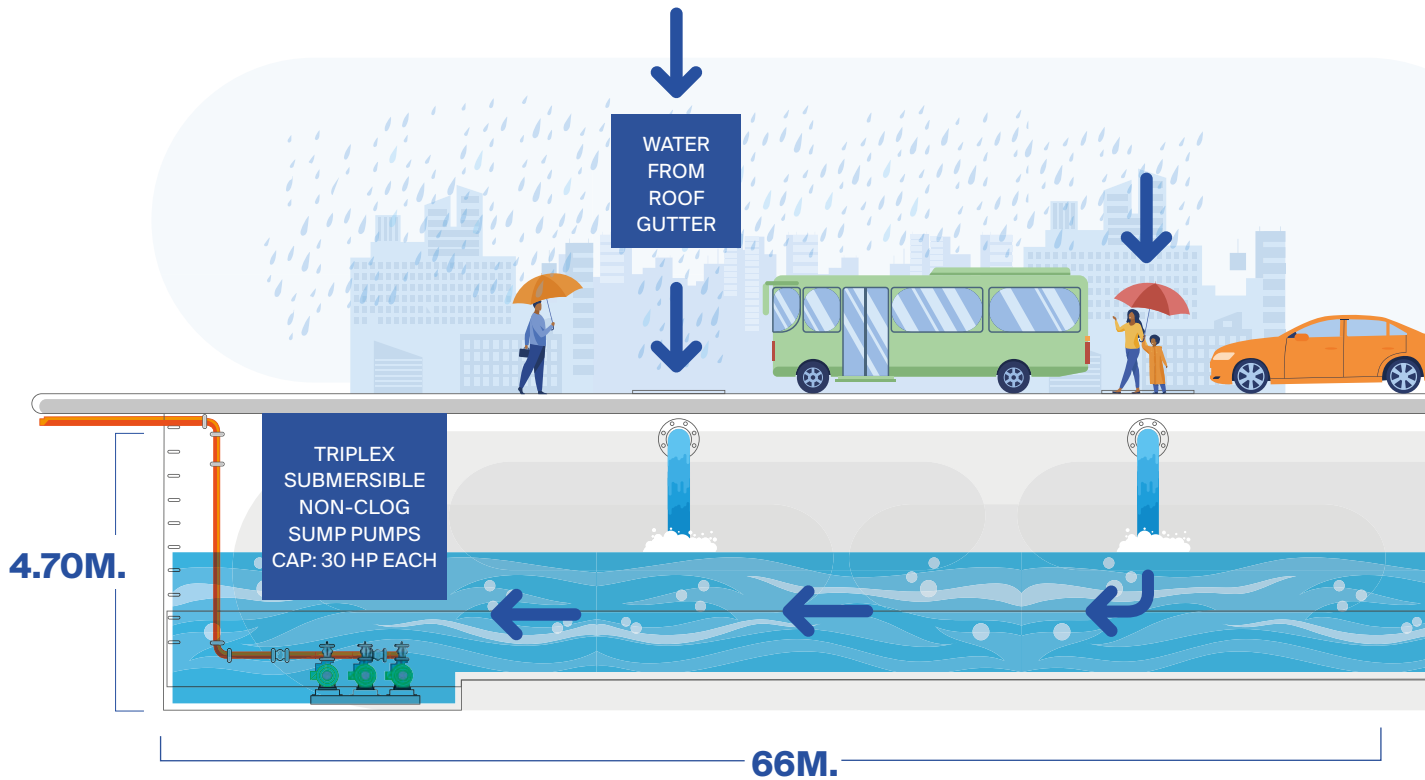


Lesson on Adaptation

As the average rainfall continues to rise, we are regularly faced with flash floods. In just minutes, years of investments, memories, hopes and dreams can be washed away. It leaves millions of Filipinos victim to its rage. Realizing that this is an increasing part of the chronic effects of stronger typhoons in the country, we installed water catchment basins in numerous SM malls throughout the country. They have proved to be effective in enabling our malls to continuously serve our customers and has prevented flooding in neighboring communities where we are present.

Case Study:

SM Masinag's Water Catchment



Designing our investments for sustainability and resilience, our malls are equipped with rainwater catchment mechanisms that keep the area flood free. One example is SM City Masinag. When Typhoon Ulysses (Vamco) recently hit the country in 2020 and caused massive flooding, the mall area remained flood free. Moreover, its features prevented waist deep flooding and spared our neighboring communities such as Vermont Park Phase 1, a village of more than 200 homeowners.

Situated along Marcos Highway in Antipolo City and close to highly flood prone areas, SM City Masinag's design incorporated a water holding tank with a total volume of 17,681 m³ equivalent to about 7 Olympic-sized swimming pools.



17,681 m³

total volume equivalent to

7 Olympic-sized swimming pools

The water holding tank located in the lower ground floor of the mall building collects rainwater not only from the mall's roof deck and perimeter, but also from nearby subdivisions by allowing their drainage systems to connect to the mall's. The rainwater is collected and stored until the weather clears, after which it is slowly released to the Muntingdilaw Creek or utilized for non-potable uses.

Building Greener Workspaces

The new SM Retail Headquarters, comprising of two towers within the SM Mall of Asia Complex, is designed with the well-being of employees and the future of work in mind. Home to The SM Store, SM Markets and most of SM Retail's brand affiliates, the headquarters will foster collaboration, productivity and new ideas.

- Silver LEED Certified
- Designed by M Moser Associates
- Energy efficient
- Workspaces with natural light
- Greenery with sky garden and terraces
- Central stairs
- 200+ bicycle parking spaces
- Ample carpool slots
- All gender toilets
- Meditation room
- Gym and group exercise spaces
- Dedicated quiet areas
- Fun collaboration spaces
- Collaborative digital work tools
- Soft-seating lounges on office floors



RECEPTION LOBBY



THE CAFETERIA



TYPICAL PANTRY



Making Biking Easy and Convenient for All

With the public transportation system at a halt last year, people were left with no means to go to work or make a living. To make city movement possible within restrictions, we created bike lanes and improved our facilities to make sure that we are able to meet the needs of cyclists and workers. It was the perfect time to help transform Metro Manila to be a bike-friendly city.

Moving forward, we are working with local government to produce bike safety manuals, road safety videos for bikers and basics of biking for new cyclists.

522

New bike racks

18km

of Bike lanes at the SM MOA Complex

83

Bike repair stations

10,000

Average monthly bike rack usage*

*October-December 2020



Our Connection to Our Communities

PHP30.4bn

Total COVID-19
Group-wide Response

We mobilized our resources to launch a comprehensive rapid response to support and save lives



PHP19bn

Waived rental fees
and other charges

We waived rental and other charges for our tenant partners*

* Excluding waived rental fees and charges for SM affiliates



PHP11bn

Donations and support to employees
and third-party service providers

We assured the livelihood of our people and extended support to the employees of our service providers and our communities



230

Hospitals and
Institutions

We worked with frontliners nationwide in their race against time

Finding Strength through a Sense of Community



PHP105mn

Medical Equipment Donation

With hospitals overwhelmed and needing additional resources, we provided 65 ventilators, 8 ultrasound units, 5 X-ray machines and 1 extraction machine

85,448

Family packs

Deeply affecting the livelihood of Filipino families, we extended a helping hand through our Kalinga Packs



90,579

PPE and safety gear

We sourced PPE and donated to hospitals all over the country during a time when essential medical equipment was scarce

6

Emergency quarantine facilities built

The insulated quarantine facilities provided care to COVID-19 patients



Racing Against Time

“It is not only the magnitude of SM’s generosity that created an impact, but the timeliness and the appropriateness of the assistance!”

Dr. Gerardo “Gap” Legaspi, MD Neurosurgeon, Director of UP-Philippine General Hospital, was leading at the frontline of one of the country’s foremost hospitals to face an unrelenting virus not yet fully understood, COVID-19. Racing against time to provide adequate medical care to those in need, Dr. Gap was overflowing with gratitude to SM when it delivered critical personal protective gear and medical equipment to the hospital.

Through our international supply chain network, SM was able to source medical supplies and equipment to be distributed to major hospitals all over the country.



Dr. Gerardo Legaspi

Defying the Odds

With an urgent need to move goods throughout the country, SM reached out to Airspeed Philippines who was able to deliver essential medical supplies to various provinces in the country. Through SM's ecosystem of suppliers, access to critical medical equipment and personal protective gear was possible during a time when availability in the Philippines was scarce. Defying all odds, they were able to charter planes from China to Manila to meet the urgent demands of personal protective gears and medical equipment during the most crucial time, with hospitals overloaded as demand for medical attention continued to rise.

During unprecedented times, Rosemarie P. Rafael, Chairman and President of Airspeed Group of Companies, is determined to be ready to shift and adapt in order to meet the fast-evolving needs of the Filipino communities.

“It was a health issue and it was scary in the beginning, but our people were encouraged to do what we needed to do. I am proud to say that we did not stop and we continued to serve.”



Protecting the Health of Our Communities

Our close connection to our communities is one of our strongest values. Our various communities across the country have become our homes, with whom we share every day. Through the COVID-19 pandemic, our communities relied on our long-term relationship as a caring neighbor to them.

As we extended our assistance in helping flatten the curve, we focused our attention on protecting the health and safety of our communities. Adding on the standard features of our health centers to meet PhilHealth accreditation, we are incorporating infection control capabilities as a direct response to the medical requirements needed to address COVID-19.

277

Health Centers and medical facilities renovated to date



Tondo Foreshore Super Health Center

Capabilities

- Medical consultations
- Dental services
- Pediatric, adolescent, elderly and PWD care
- Diabetes and hypertension clinic
- Immunization
- Prenatal and post-partum care
- 24/7 lying-in clinic
- DOTS Clinic (attending to drug-susceptible TB)
- Laboratory services (including Rapid TB diagnostic laboratories and TB screening)
- HIV Testing and Counselling

Facilities and Features

- Adolescent counselling area
- Elderly lounge
- Mobile play area for children
- Breastfeeding station
- Mother-baby friendly ward and lounge
- Specialty clinic, triage area
- Reception and waiting area
- Frontliners lounge, nurses and midwives' quarters and pantry
- Comfort stations
- Conference and training room
- Cold-chain storage
- Consultation and treatment rooms
- Labor and delivery room
- Vaccination room, newborn screening area
- TB-DOTS, sputum collection area
- Fever and cough station

Safety Features

- Color-coded zoning
- Acrylic barriers, glass enclosures
- Hands-free digital thermometer and automatic alcohol dispensers
- Ventilation system for improved interior environment
- HEPA air purifier

Leveling the Playing Field through Education

Believing that education is a solid foundation for personal and community development, we carried on with our commitment to our scholars and continued to build public school buildings nationwide. By harnessing technology, we were able to stay very close to our scholars through virtual awarding of 200 scholarships nationwide, virtual home visits and virtual recollections during the Christmas season with over 700 attendees.

Standing by our commitment, by the end of 2021, we will have additional scholars and build more schools for our communities.

1,494

Current College, High School and Technical-Vocational Scholars

10,392

College, High School and Technical-Vocational Scholars supported to date

272

School buildings built and refurbished to date



Our Supply Chain Partners

SM for MSMEs

Through the years, we have become a market place, a partner and a community for more than 80,000 MSMEs that have grown alongside us. With more than 90% of businesses in the Philippines being MSMEs, they contribute to more than half of the country's job creation. As they face challenges in the lingering impact of the evolving COVID-19 pandemic, loss of home-based businesses and local livelihood are quickly felt nationwide.

As an immediate response, we waived rental fees to support the business continuity of our MSME partners. We also accelerated our digital services to help make their products and services easily accessible for our customers. Further down the supply chain, we helped micro-businesses in far flung areas by expanding BDO's Cash-Agad Partner Agents program.

Kasama ng SM

We encouraged our customers to support local businesses through our campaign, 'Kasama ng SM.' Connecting deeply to our customers' values, we shared stories of ingenuity, courage, creativity and perseverance of our MSME partners.

Sharing the Value of Coconut to Farmers

Coconut is all over the Philippines yet not everyone benefits from its bounty. Cocobody founder, Reynaldo Pacheco, Jr., wanted to change this through his product, Cocobody, a complete line of head-to-toe coconut-based wellness products. With a mission to make sure that the business of coconut benefits the farmers from Maguindanao and Lanao del Norte, he provides them with farming opportunities, teaches them basic computer skills and values formation. For the past 15 years, Rey and his team were able to provide jobs to about 100 farming families.



Reynaldo Pacheco, Jr.



“Through our partnership with Kultura, we have matured and improved without compromising affordability and high quality; and now are more accessible to customers nationwide.”

Transforming the Classic Taho to a Yummy Food Brand

Right when you think that the heritage Filipino snack ‘taho’ cannot be reinvented, Soy Yummy transformed it to a fast selling Yummy Brand franchise. In partnership with SM, Henry Gomez, Soy Yummy’s general manager opened their first branch at SM City North Edsa and it was a massive hit. But success does not come without obstacles. During the pandemic, Henry prioritized the safety of his people and extended lodgings for commissary employees due to transportation lockdown. Through the challenges, the partnership with SM helped in the survival of their business. Through new digital platforms, customers can now enjoy Soy Yummy in the comfort of their homes.



“On the sustainability part, SM is really wanting to save as much as possible the MSMEs that were hit by the pandemic.”

While we responded in aid of our MSME partners’ survival in 2020, we will focus on finding innovative business solutions and building their capabilities to adapt and thrive to our new reality in 2021. In partnership with global subject matter experts, we will tackle practical issues faced by women entrepreneurs, retrofitting business models, making businesses resilient and sustainable, and providing access to capital to rebuild.

Our Natural Resources



Making the Green Move

In 2020, we launched The SM Green Movement, a group-wide program intended to work with our people, partners and facilities to drive lasting improvement across our businesses. We aim to enable Filipinos to live sustainably in the easiest possible way.

Our program is three-fold: we focus on programs that promote green products and services, we identify improved ways of adopting green business practices in our operations, and we promote green living for our customers and employees. Our intention, temporarily curtailed by COVID-19, is for ongoing impact in the following areas: water, waste, energy efficiency and lowered emissions.

Making Every Drop Count!

We continued with our water efficiency programs including water recycling and the adoption of technologies that promote smart water use. Through the SM Green Movement, we are strengthening our campaign on water efficiency by launching SM Green Movement signages throughout our offices and developments.

28.9mn

Cubic meters of water recycled

Our Pillars



Green Living for Employees



Green Products and Services

Making Waste not go to Waste

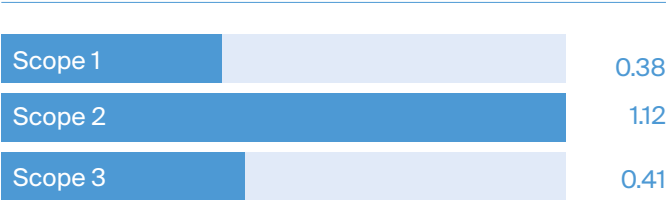
As part of the SM Green Movement, we took the opportunity to characterize our waste and identify programs that we can implement on a group-wide scale such as standard waste segregation bins, paper recycling and E-waste donations and repurposing.

Optimizing Short-Term Gain

While we experienced a significant positive impact in our energy use and drop in greenhouse gas emissions, we are mindful that greater efforts must still be made to reduce our emissions within optimum business operations in future. We are working towards ensuring the specific case studies of the environmental and social impact of our investments in greener technologies.

GHG Emissions
in million MT CO₂

2020



Green Living for Customers



Green Practices

In Focus Report:

Being Climate Ready

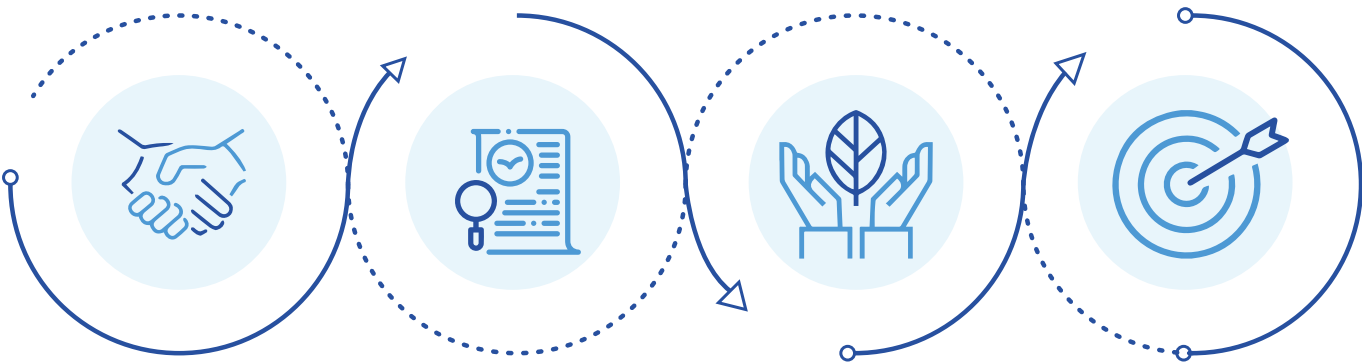
The COVID-19 pandemic served as a preview of the kind of impact a global disruption can create. Even before this crisis, the world has been talking about a lingering crisis that will affect all life on our planet, the climate crisis.

The Vulnerability of the Philippines and Our Role

While the Philippines only contributes 0.3% of global greenhouse gas emissions, we are one of the top 3 most vulnerable countries to the impact of climate change, due to our location. Given our national presence and our vision to be a catalyst for responsible development, at SM, we hold ourselves responsible for helping protect the interests of our stakeholders – business continuity for our capital providers and employees, consistency of service amidst calamities for our customers, and disaster preparedness for our communities to the effects of climate change.

In addition to our active participation at the United Nations ARISE, a private sector alliance for disaster resilience, we are adapting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Following their guidelines, we are establishing our approach on climate related risks on governance, strategy, risk management and establishing metrics and targets.

Our Approach to adopting TCFD Recommendations



Our Governance	Our Strategy	Our Risk Management Approach	Our Metrics and Targets
Our Board takes the lead in navigating and doing our share in managing climate-related risks through the Executive Committee for strategy development and Risk Management Committee for risk management.	As the parent company, our way forward is to create a climate action road map that defines the role of each business in pursuing our climate priorities. Our property group invests 10% of CAPEX to integrate disaster resilient features in our developments.	We continually integrate environmental and climate related risks as part of our group’s enterprise risk management system.	We are working towards defining group-wide targets to align with the Paris Agreement and in building the resilience of our businesses and stakeholders. We regularly monitor and report our greenhouse gas emissions annually through our annual and sustainability reports.

See Performance on pages: 105



Doing Our Share as SM

As a group, our companies are signatories to the UN ARISE, a commitment to integrate disaster resilience in our business models and stakeholder engagement. Looking forward, we are working on a climate action road map aligned with global standards and nationally determined contributions. We are integrating climate-related risks in our enterprise risk management system, campaigning for greener practices through the SM Green Movement and advocating for stronger public private partnerships.

Retail		Capacity building for suppliers on environmental sustainability		Direct engagement with local and community suppliers in the food and non-food sectors		Customer initiatives to promote pro-environmental behavior
Property		Investment in disaster-resilient infrastructure with sustainability features		Land, water and biodiversity conservation in developments		Business Continuity Program for MSMEs
Banking		Sustainable Finance Loans		Issuance of Green Bonds		

SM City Marikina: A Science-Based Approach to Building Resilience

Sitting on top of 246 concrete stilts, SM City Marikina has withstood numerous typhoons since its construction in 2008. Most recently, in late 2020, Typhoon Ulysses (Vamco) caused the Marikina River's water level to rise by 22 meters, flooding the city. Thousands of residents sheltered in the mall's complex, which provided safety and continuous access to supplies. Our mall employees are trained in disaster preparedness and are ready to serve communities in times of calamity. SM City Marikina has been recognized by the Alliance for Disaster Resilient Societies (ARISE) of The United Nations Office for Disaster Risk Reduction (UNDRR) for being a model for disaster resilience.

SM City Marikina has served as a safe haven and first responder in aid to our stakeholders in the local community through numerous previous calamities. This has been the case ever since Typhoon Ondoy (Ketsana) hit the country in 2009, forcing 3,000 individuals to find refuge in the mall's complex due to water levels that rose by 23 meters, flooding 85% of the city.

20.5 meters
higher than Natural
Ground Level

Water naturally flows freely
through the lower area of
the structure during floods

Extensive piling and
foundation works
implemented to
address seismic events

SM Marikina - Structural Building Section





SM City Marikina was built an additional 20 meters further from the Marikina River centerline than the standard regulation of 90 meters distance



The upper ground floor level is raised 20.5 meters above natural ground level, higher than the maximum flood level recorded



The mall is equipped with a water catchment facility that reduces flooding in the surrounding local communities



The cylinder stilts serve as the lower parking level, which was built without any wall enclosure. These allow water to flow through the mall structure without causing damage to the development



Our Financial Resources

Focusing on Synergy and Accountability

We will continue to invest in new and related businesses with the intention of building further synergies, enhancing our ecosystem and increasing our ability to create long term value.

At SM, our various businesses each require unique financial strategies. The retail group, for example, employs a capital light model that helps them keep costs flexible and allows them to be competitive in their low margin sector. Our property and banking businesses, meanwhile, need to reinvest earnings and raise capital to pursue their growth plans.

We assess each business individually. Their performance is measured using sector-specific metrics to check whether their future plans are matched with the proper financial arrangements. Most of our subsidiaries are listed which gives them individual access to capital markets and ensures they are held up to the standards of direct external accountability.

All of our businesses must be able to focus on their own core customers and operate efficiently as standalone enterprises. However, we also ensure that their efforts are coordinated as they have many related activities. We encourage them to capture their many synergies and in the future our businesses will likely become even more intertwined. At the parent company we will also continue to invest in new and related businesses with the intention of building further synergies, enhancing our ecosystem and increasing our ability to create long term value.

Each of our businesses are leaders in their industries. However, they will continue to grow their markets as the opportunities to do so are abundant. Modern retailing, banking, and property remain highly underdeveloped across the country, especially outside Metro Manila. Ensuring strong balance sheets and flexible funding are key to them building and leading expansion into new markets.

Having strong and conservative balance sheets provides our subsidiaries with both financial flexibility in general and critical stability during times of crisis. This approach has kept them in secure standing during recent times, with the COVID-19 pandemic highlighting the benefits of our long-term financial prudence.

In this most challenging of years our revenues and earnings were lower than in 2019, by 21% and 48% respectively. This was the unavoidable result of extended lockdowns and prevailing economic conditions, as well as the Group's extensive support to our communities and stakeholders. Nonetheless, all our businesses remained stable and financially resilient.

In order to manage financial risks last year our companies paid out lower dividends than usual on their 2019 earnings. As a result, at the end of 2020 the Group's Net Debt to Total Equity ratio remained close to 2019 at 37:63. This ratio reflects our practice of maintaining the assets on our books at their historical costs in our balance sheet. At fair market value our leverage would be considerably lower. In 2020 we also managed to grow our assets by 7%. Additionally, the Group's debt profile is skewed towards longer term fixed rates to reduce volatility amidst uncertainty.

Our prudent approach results in strong economic results over time and the ability to create value across our stakeholder groups, as shown in our Economic Value table below.

Looking forward, and despite the pandemic, we will continue to maintain financial strength in each of our businesses as well as at the consolidated SM Group level. This will provide us with both resilience in the short term and efficient funding to continue our unchanged strategy of long-term growth.

2018-2020 Direct Economic Value Generated and Distributed

SMIC and Subsidiaries (PHP millions)	2018	2019	2020
Direct Economic Value Generated	453,900	506,011	397,005
Economic Value Distributed	412,832	453,706	371,283
Operating Costs	328,108	355,292	300,232
Employee Wages and Benefits	24,911	31,070	26,153
Payments to Providers of Capital	34,249	40,705	28,183
Payments to Government	24,899	25,933	15,682
Community Investments	665	706	1,033
Economic Value Retained	41,068	52,305	25,722

Our Reporting Process

We listen. We respond.

We are committed to be a catalyst for responsible development in the communities we serve. To make this possible, we make every effort to advance our sustainability journey in every facet of how we work.



Report Preparation, Scope and Boundaries

This is SM Investments' first Integrated Report covering the period of January through December 31, 2020. It focuses on the performance and the value creation of our core businesses and key equities in our ecosystem: SM Retail, Inc. (SM Retail), SM Prime Holdings, Inc. (SM Prime), BDO Unibank, Inc. (BDO), China Banking Corporation (China Bank), Belle Corporation (Belle), 2GO Group, Inc. (2GO) and Atlas Consolidated Mining and Development Corporation (Atlas Mining). We adopted the Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC) to better reflect how we create shared value for all our stakeholders. We also adopted relevant disclosure frameworks including the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals (UN SDGs), the United Nations Global Compact (UNGC) and the Task Force on Climate-Related Financial Disclosures (TCFD).

Our Sustainability Leadership

Our corporate sustainability strategy is led by the Board through the Executive Committee. In 2015, we established a group-wide Sustainability Steering Committee, chaired by our President and CEO, Frederic C. DyBuncio, with the Presidents of the companies within our ecosystem as members. Taking the tone from the Board, the Sustainability Steering Committee drives the sustainability strategy across our businesses.

Reporting to the Committee is a Technical Working Group (TWG), consisting of the Sustainability Team Leads from each business with our Vice President for Sustainability, Koleen D. Palaganas, serving as secretariat.



Becoming a Catalyst for Responsible Development in the Communities We Serve

In 2020, we continued to put into practice the Ten Principles of the UN Global Compact. In addition to our ongoing priorities under the Compact, health benefits and safe work environment became areas of focus for us. We also made good progress for which we were recognized in the area of gender equality. And we made additional early steps in response to the pressing issue of climate change by adopting the TCFD framework.



10 UNGC Principles

Our Progress

Topics on Human Rights

- Prioritized the safety of our co-workers during the pandemic and provided adequate health benefits covering the COVID-19

Topics on Labor Rights

- Secured jobs and provided safe work environments
- Inclusion in the Bloomberg Gender Equality Index for promoting Women's Rights at Work

Topics on the Environment

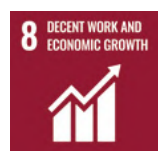
- Adoption of the TCFD Framework on addressing Climate-Related Risks
- Launched the SM Green Movement

Topics on Anti-Corruption

- Recognition at the ASEAN Corporate Governance Scorecard

Our SDG Focus

Our Progress



PHP26.2bn	Employee wages and benefits
	Bloomberg Gender-Equality Index Constituent
PHP80.4bn	BDO and China Bank Outstanding SME Loans
>65%	of Mall tenants are MSMEs
8,872	Partner agents under BDO's Cash Agad



10%	of Capex allocated to incorporate disaster-resilient features
12,693	Socialized housing units under Summer Hills Development Corporation
53	SM Malls are Business Continuity Management System certified (ISO 223001 compliant) to date
3	Gold-Certified LEED properties: Conrad Hotel, SM Aura Premier, ThreeE-com Center, while FourE-com is a pre-certified LEED Gold Building



50	Renewable energy projects funded by BDO with 2,184MW capacity to date
28.9mn m ³	of water recycled in SM Prime and Atlas Mining operations
22 Malls	with water catchment facilities to date
10	Hectares of Mangroves protected
3	Marine protected areas
9.2MW	Capacity of solar panels installed in SM Supermalls



10,392	College, High School and Technical-Vocational scholars supported to date
272	Schools built and refurbished to date
28mn	Beneficiaries of BDO's Financial Literacy Programs to date

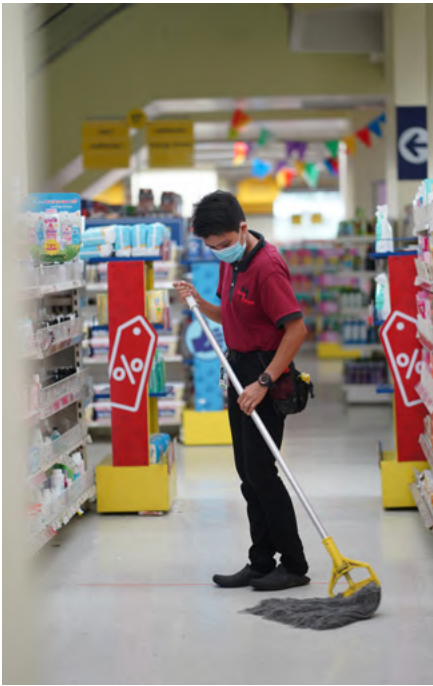


1,516	Medical missions serving 1.2 million patients to date
277	Rehabilitated health centers and medical facilities to date
PHP30.4bn	Group-wide COVID-19 response



PHP15.7bn	Payments to government
PHP63.7bn	Loans disbursed by BDO in the past 5 years for national projects, airports and road networks
PHP45.5mn	SM Prime budget for Private and Public Partnerships

The importance of advancing the 17 UN Sustainable Development Goals and reducing inequalities remains critical. As a signatory of the UN Global Compact, we remain dedicated to doing our share, especially by focusing on the 6 SDGs that are most material to us and where we can have the greatest impact.



Materiality

Our material topics define the areas we focus on so that our ecosystem of businesses can continue to create positive impact on the communities we serve.

We review our material topics annually, looking at our businesses and identifying areas that can help drive a more sustainable society. We also listen to what our stakeholders expect from us and how SM can contribute to their aspirations. In our 2020 assessment, COVID-19 cut across most issues and the feedback we received. It acted as our accelerator to the critical factors that drive the value we create. We have clustered these topics into five areas: caring for the people, thriving with our communities, living within our planetary boundaries, pursuing profits with purpose, and governing for good corporate citizenship.

Our Materiality Process



1. Review

- We review our business model and conduct an internal review to identify areas for value creation
- We keep ourselves updated on megatrends, as well as priorities to pursue the sustainable development agenda
- We engage our stakeholders to understand how SM can really bring value to them



2. Prioritize

- We identify the topics that matter most for us to continue delivering value, whether financial or intangible benefits to society
- These topics are then reviewed by senior management



3. Strategize

- We integrate these topics into the development of our business strategy and sustainability program objectives

Things that Matter for Our Value Creation

Material Topics

Our Progress Report

Caring For People

Employee Development
Employee Well-being, Health and Safety
Customer Welfare
Human and Labor Rights
Diversity, Equality and Inclusion
Inclusive Supply Chain Practices

Building a Network of Sustainable Businesses (p. 22)
Our Customers (p. 70)
Our People (p. 72)
Our Supply Chain Partners (p. 84)
Sustainability Performance (p. 105)

Thriving with our Communities

Economic Value Generated and Shared
Economic Opportunities for MSMEs
Disaster Risk Reduction (DRR) and Resilience
Financial Inclusion
Community Development
Public Sector Engagement

Building a Network of Sustainable Businesses (p. 22)
Our Financial Resources (p. 92)
Becoming a Catalyst for Responsible Development in the Communities we Serve (p. 97)
Sustainability Performance (p. 105)

Living within our Planetary Boundaries

Emissions Management
Protection of Biodiversity and Natural Resources
Environmental Resources Management

Our Natural Resources (p. 86)
Sustainability Performance (p. 105)

Pursuing Profits with Purpose

Economic Strategy & Performance
Financial Impact of Climate Change and Social Disruptors

Our Financial Highlights (p. 12)
In Focus: Being Climate Ready (p. 88)

Governing for Good Corporate Citizenship

Board Leadership in Integrated Thinking
Risk Management with ESG lens
Ethical Practices and Anti-Corruption

Building a Network of Sustainable Businesses (p. 22)
Governing for Good Corporate Citizenship (p. 110)

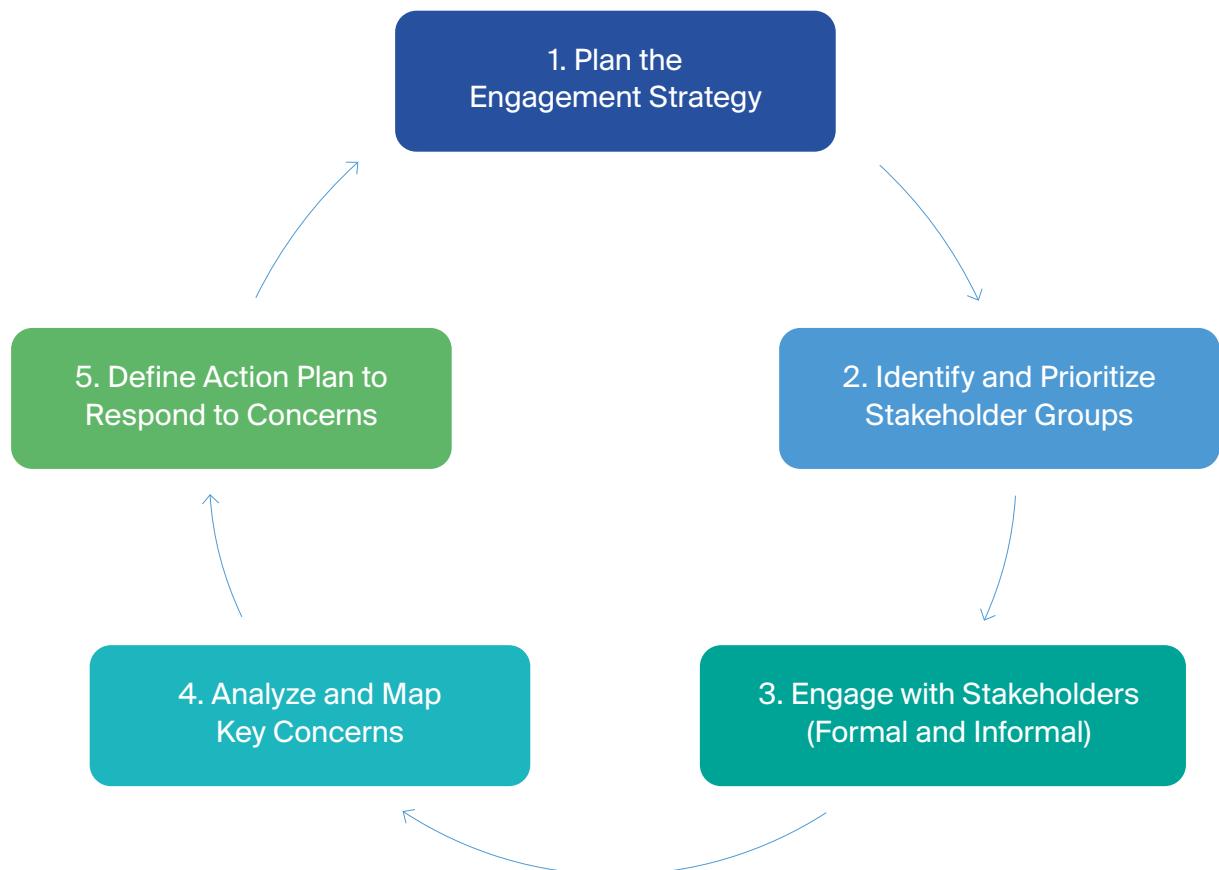
Stakeholder Engagement

Listening to the voice of our stakeholders helps us to respond better to their evolving expectations and concerns.

As part of the first step in our materiality process, we make it a point to reach out to our stakeholders to ask their concerns and aspirations for their communities and their lives. Ultimately, they are our partners in creating value.

While we have formal ways such as our annual stakeholder survey and customer feedback surveys, we also connect with them throughout the year through informal dialogues with investor relations and sustainability teams, foundations, and business leaders.

Overview of Stakeholder Engagement Process



2020 Stakeholder Survey

In 2020, stakeholders from various groups including investors, customers, employees, non-government organizations, our regulators, and the media responded to our formal stakeholder survey. We asked their views and expectations of SM and their most pressing needs and interests.

The results showed overwhelmingly that our stakeholders' top concerns were about how our businesses responded to COVID-19. The year has been a difficult time for our businesses and stakeholders, and we remain one with the Filipino community, supporting in ways that we can to help lead the country towards full recovery and resilience.

Key Concerns	Our COVID-19 initiatives for a safe shopping experience	Our COVID-19 response for our employees' well-being	Our COVID-19 relief efforts for our communities
Our Response	<ul style="list-style-type: none"> • Social Distancing markers • Touchless payments, menus and service • Regular disinfection • Temperature checks • Omnichannel service • Online shopping • Trace Together App for Contact Tracing 	<ul style="list-style-type: none"> • Regular testing • Retrofitting work stations • PPEs • Flexible work arrangements • Health benefits • Be Safe App • Regular temperature checks 	<ul style="list-style-type: none"> • PHP30.4bn Group-wide COVID-19 response to various stakeholders • 85,448 Family packs donated • 230 Hospitals and institutions supported • Livelihood services through Wheels on the Go, personal community shoppers • Farmers Markets to malls and SMDC

For our MSME community:

- Waived rents
- Marketing support
- Digital shopping platforms
- Kasama ng SM marketing campaign to support local



Our Stakeholders' View

Stakeholder	Communication Channels	Relevant Matters	Our Progress
Our People	One-on-one "How are you?" sessions Employee gatherings Town Hall meetings Performance assessment	Employee well-being and safety Employee development Human and labor rights Diversity, equality and inclusion Employment benefits	Flexible work COVID-19 related inclusion in benefits Health & Well-being programs
Our Customers	Customer touchpoints per business unit Customer feedback surveys Social media channels	Product affordability and access Safe shopping experience COVID-19 response to employees and communities Environmental responsibility	Safety in our developments Online shopping and services
Our Supply Chain Partners	Vendor selection and accreditation process Capacity building programs	COVID-19 initiatives for MSME recovery Fair and transparent dealings Safe shopping experience Customer welfare SM's environmental responsibility	Waived fees and rent Deferred loan payments Campaigns Banking Products for MSMEs
Our Community Partners	Formal and informal dialogues Needs assessment surveys	Safe shopping experience Philanthropic activities for communities COVID-19 relief for communities	Comprehensive COVID-19 response and relief
Our Investors, Shareholders and Providers of Capital	Annual Stockholders' Meeting Investor discussions Analyst briefings ESG rating correspondence	Safe shopping experience Financial performance Transparency on SM's ESG risks and opportunities Corporate governance	Regular briefing Annual Report TCFD Disclosure
Our Sustainable Development and NGO Partners	Program partnerships Online surveys	SM's efforts to protect the environment COVID-19 initiatives for our stakeholders Community Development	COVID-19 relief partnership TCFD Disclosure & IIRC Reporting Framework UNGC, UN SDGs
Our Regulators	Stakeholder consultations Public-private sector dialogues	Corporate governance Human and labor rights Diversity, equality and inclusion Environmental compliance	Timely and accurate reporting aligned to accredited Frameworks Compliance 7 SM companies listed in ACGS initiative
Our Media Partners	Press briefings Media events	Economic performance Transparency and accuracy of information	Timely and accurate reporting

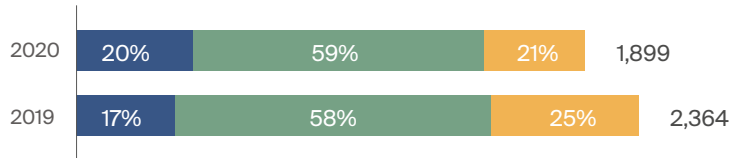
Sustainability Performance

Environment

Emissions

Greenhouse Gas (GHG)

in '000 MT CO₂



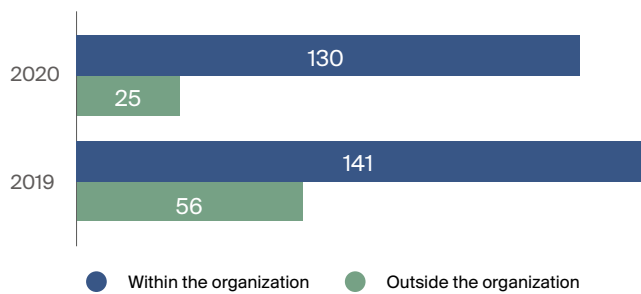
- Scope 1 - Emissions arising from the use of diesel, gasoline, liquefied petroleum and compressed natural gas in facilities fully owned and controlled by the company including generator sets and company-owned vehicles
- Scope 2 - Emissions arising from our use of purchased electricity in facilities that are fully controlled and operated by the company
- Scope 3 - Emissions arising from sources that are neither owned nor controlled by the company such as third-party transportation and use of sold or leased products, services and property

Calculated following the operational approach of the Greenhouse Gas Protocol. Moreover, Scope 2 emissions were computed using the 2015-2017 National Grid Emission Factors provided by the Department of Energy

Energy

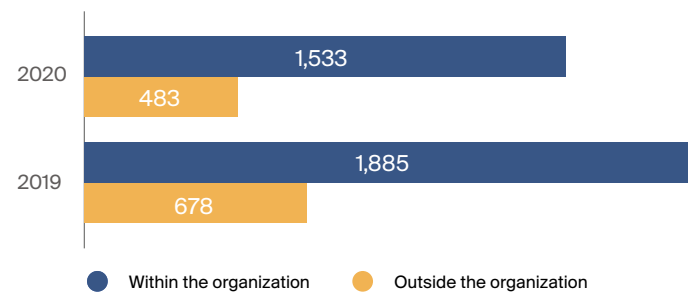
Fuel Consumption

in million liters



Electricity Consumption

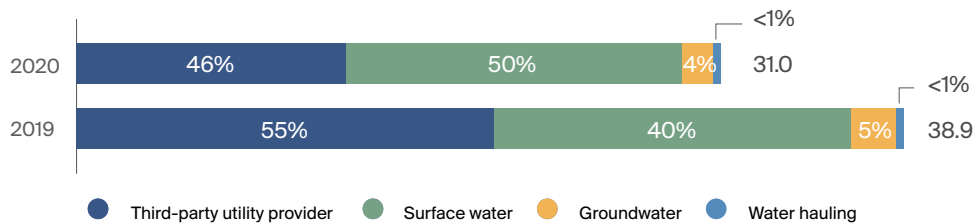
in million kWh



Water

Water Withdrawal

in million cubic meters



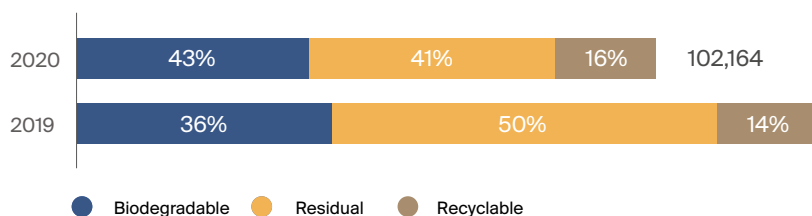
28.9

million cubic meters of water recycled in 2020

Waste

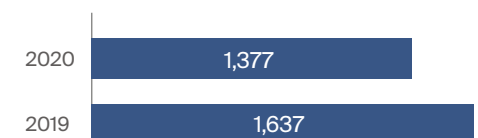
Solid Waste Generated

in tonnes



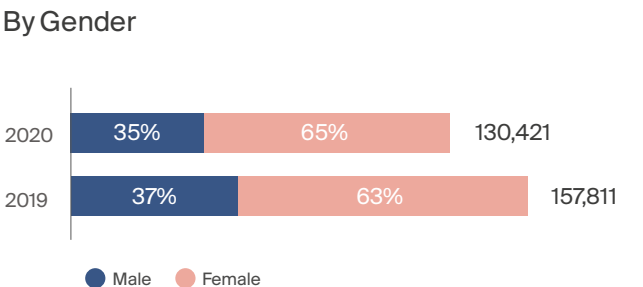
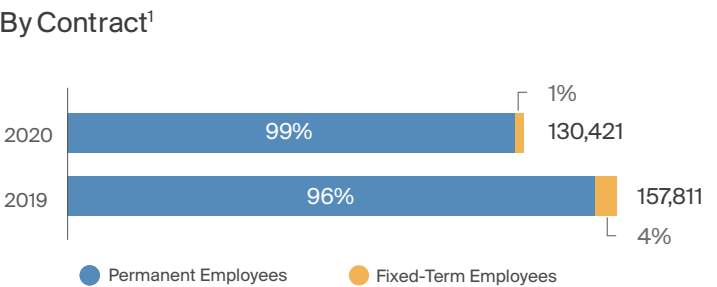
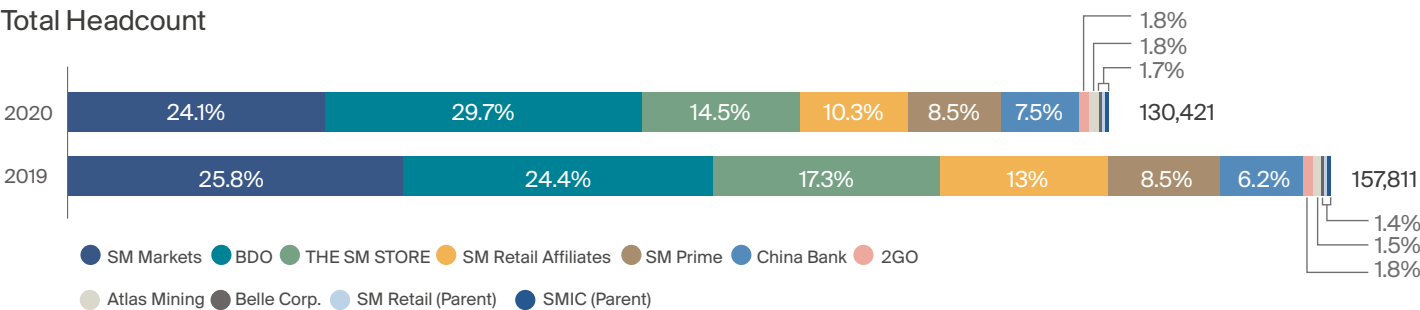
Hazardous Waste

in tonnes

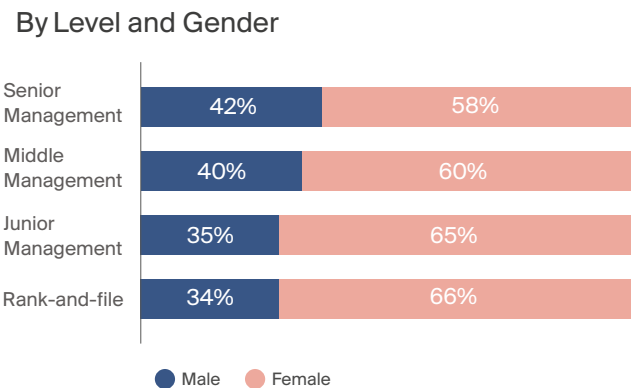
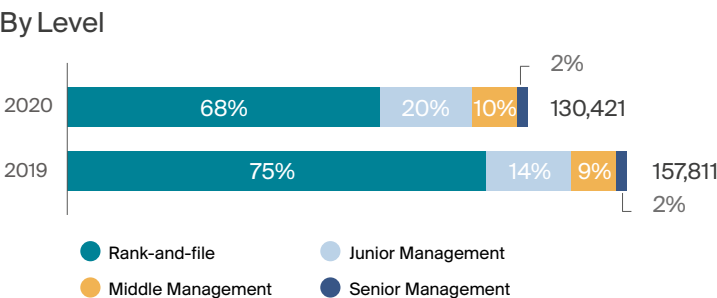
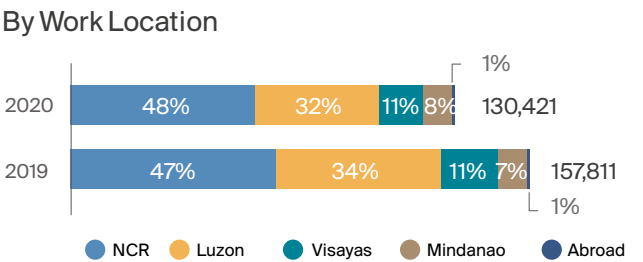
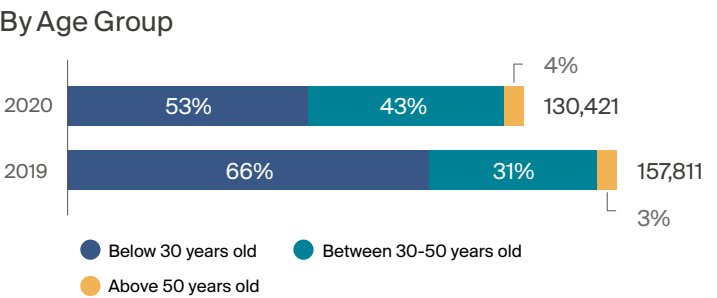


People

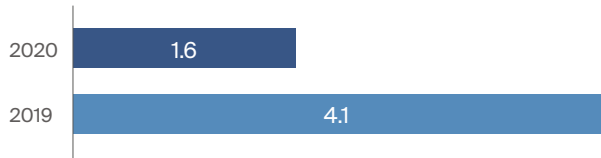
Our Co-workers



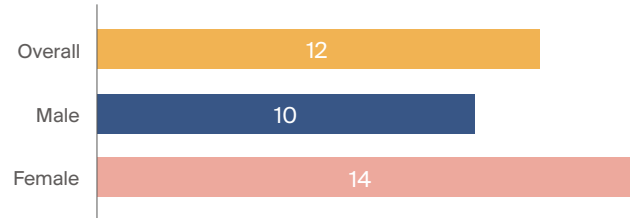
¹Permanent employees include regular and probationary status
Fixed-Term employees include seasonal and project-based contract status



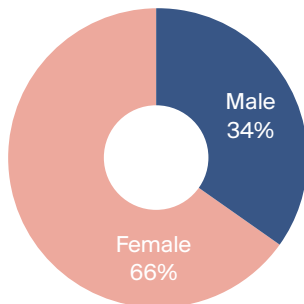
Training Hours in million hours



Average Training Hours in 2020 in hours

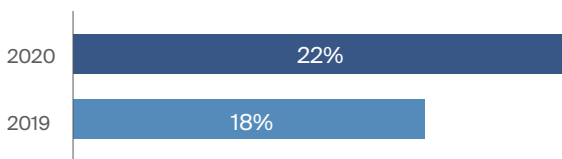


Employees Promoted in 2020 by Gender



93%
of Eligible Employees
were Appraised in 2020

Employees Covered by Collective Bargaining Agreement



People

Our Communities

Education



Output to Date

272

School buildings
built and refurbished

2020 Accomplishment

22

School buildings
built and refurbished



915

Classrooms built
and refurbished

58

Classrooms built
and refurbished



10,392

Scholars supported, of which
4,720 are College scholars*
4,805 are Technical-Vocational scholars
867 are High School scholars

1,494

Scholars supported, of which
1,214 are College scholars
139 are Technical-Vocational scholars
141 are High School scholars

Healthcare



Output to Date

277

Health centers and
medical facilities renovated

2020 Accomplishment

21

Health centers and
medical facilities renovated



1,516

Medical missions*
conducted serving

23

Medical missions
conducted serving



1.2M

Patients

8,279

Patients

Food Security through Farmers' Training



Output to Date

28,102

Farmers trained

2020 Accomplishment

1,274

Farmers trained



249

Farmers training
sessions conducted

32

Farmers training
sessions conducted

*Recalculated college scholars supported to date and total medical missions to date; As reported in SMIC Sustainability Report 2019 (p. 30-31), college scholars supported and medical missions conducted as of 2019 were 4,764 and 255 respectively.

Disaster Response

Output to Date

2020 Accomplishment

**639,559**

Kalinga packs distributed

379,326

Kalinga packs distributed

**376**Operation Tulong Express
conducted**291**Operation Tulong Express
conducted

Table of Restatements

As we expand the scope of our sustainability performance, we continue to fine-tune our levels of precision in pursuit of creating measurable positive impact on society, the economy and the environment.

GRI Disclosure	Disclosure Title	2019 Data Disclosed in 2019 Report	2019 Restatement in 2020 Report
102-8	Information on employees and other workers	Total Headcount 157,288	Total Headcount 157,811
302-1	Energy consumption within the organization	Fuel consumption within the organization 139 million liters Electricity consumption within the organization 1,878 million kWh	Fuel consumption within the organization 141 million liters Electricity consumption within the organization 1,885 million kWh
303-3	Water withdrawal	38.6 million cubic meters	38.9 million cubic meters
305	Emissions	Total GHG Emissions 2,357,088 MT CO ₂	Total GHG Emissions 2,363,808 MT CO ₂
305-1	Direct (Scope 1) GHG Emissions	Scope 1: 16.5%	Scope 1: 17.1%
305-2	Energy indirect (Scope 2) GHG Emissions	Scope 2: 57.8%	Scope 2: 57.9%
305-3	Other indirect Energy (Scope 3) GHG Emissions	Scope 3: 25.7%	Scope 3: 25.0%
306-3	Waste generated	Solid Waste Generated, in kg Residual: 2,781,965 Recyclable: 7,001,559 Compostable: 1,816,261	Solid Waste Generated, in kg Residual: 66,574,776 Recyclable: 18,154,036 Biodegradable: 48,251,438
404-1	Average hours of training per year per employee	Average Training Hours per employee 26.9 hrs Total Training Hours 4,234,110 hrs	Average Training Hours per employee 26.1 hrs Total Training Hours 4,122,513 hrs

Governing for Good Corporate Citizenship

We are a purpose driven company with the fundamental belief that business growth and social development go together. To make this happen, we have established strong governance principles that ensure fairness and transparency in our dealings with third parties and protect the rights of our minority partners.



Jose T. Sio



Teresita T. Sy



Henry T. Sy, Jr.

Our Leadership Team

Board of Directors

Jose T. Sio

CHAIRMAN OF THE BOARD OF SMIC

He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Independent Trustee of Far Eastern University, Incorporated, and Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a Master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.

Teresita T. Sy

VICE CHAIRPERSON OF SMIC AND ADVISER TO THE BOARD OF SM PRIME HOLDINGS, INC.

She also sits as Chairperson of SM Retail Inc. and holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank,

Inc. 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 serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the Board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

Henry T. Sy, Jr.

VICE CHAIRMAN OF SMIC AND CHAIRMAN OF SM PRIME HOLDINGS, INC.

He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation, and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.



Frederic C. DyBuncio



Harley T. Sy



Alfredo E. Pascual

Frederic C. DyBuncio

PRESIDENT AND CHIEF EXECUTIVE OFFICER
OF SMIC AND 2GO GROUP, INC.

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

Harley T. Sy

EXECUTIVE DIRECTOR OF SMIC

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

Alfredo E. Pascual

LEAD INDEPENDENT DIRECTOR OF SMIC

He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 and 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President, CEO and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership. He was based mainly in ADB's Manila headquarters but had postings in India and Indonesia. He also served on the board of ADB's investee companies in China, India and the Philippines. Earlier on, he took an educator role for a decade as a finance professor at the Asian Institute of Management (AIM). Currently, Mr. Pascual is an Independent Director at other publicly-listed companies (Megawide Construction Corporation, Asiabest Group International Inc., and Concepcion Industrial Corporation). He holds board seats at several non-profit organizations (Management Association of the Philippines, FINEX Academy, SharePHIL, ICD, Institute for Solidarity in Asia, UP Foundation, US-Philippines Society). He is the President of the global Association of Former Employees of ADB, a Board Adviser at the Philippine Institute for Development Studies, and a Special Adviser at UP. He finished his MBA and BS in Chemistry (cum laude) from UP.



Tomasa H. Lipana

Tomasa H. Lipana

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, and Trade and Investment Development Corporation of the Philippines (Philippine Guarantee Corporation, formerly Philippine Export Import Credit Agency), a government-owned and controlled corporation. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She 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

INDEPENDENT DIRECTOR OF SMIC

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

Advisers to the Board



Corporate Governance

SM Investments Corporation (SMIC) is committed to the values and principles of good corporate governance. Through its Board of Directors and Management, the Company has established corporate governance practices that deliver financial sustainability in a manner

that upholds the governance principles of fairness, accountability and transparency. These practices permeate throughout the organization and ensure that the long-term success of the Company remains balanced with the long-term best interests of its various stakeholders.

Board of Directors

SMIC's Board of Directors set the "tone from the top" and uphold the highest standard of excellence and integrity. The Board is composed of eight (8) highly-qualified directors, majority of whom are non-executive directors. The Company's directors possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The Board ensures that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, which enables it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. In line with this, 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.

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 as Director
Jose T. Sio	Chairman of the Board	Non-Executive Director	81	May 2005	16
Teresita T. Sy	Vice Chairperson	Non-Executive Director	70	May 1979	42
Henry T. Sy, Jr.	Vice Chairman	Non-Executive Director	67	May 1979	42
Frederic C. DyBuncio	President/CEO	Executive Director	61	April 2017	4
Harley T. Sy	Executive Director	Executive Director	61	May 1993	28
Alfredo E. Pascual	Lead Independent Director	Independent Director	72	April 2017	4
Tomasa H. Lipana	Independent Director	Independent Director	72	April 2016	5
Robert G. Vergara	Independent Director	Independent Director	60	April 2019	2

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
- Ensure that each director annually attend continuing education programs conducted by an accredited training provider of relevant government agencies.
- Ensure that directors with material interest in any transaction affecting the Company abstain from taking part in the deliberations for the same.
- Formulate and implement group-wide policies to ensure the integrity of related party transactions, especially those which pass certain thresholds of materiality, between and among the Company and its related companies, business associates, major shareholders, officers, directors and their spouses, children, dependent siblings and parents, and of interlocking director relationships.
- Ensure that the Company's Code of Ethics, which provides the standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings, is properly disseminated to the Board, Management and employees, and is available to the public via the Company's website.
- Establish and maintain an alternative dispute resolution system to settle conflicts between the Company and its shareholders or other third parties, including regulatory authorities.

Board Performance and Attendance

The Board meets at least six (6) times annually. Board meetings are scheduled a year in advance to encourage higher participation. Special board meetings may be called by the Chairman, the President or Corporate Secretary at the request of any two (2) directors. A director's absence or non-participation for whatever reason in more than 50% of all meetings, both regular and special, in a year may be

a ground for temporary disqualification in the succeeding election. Furthermore, non-executive directors meet at least once annually, without any executive directors or representatives of Management present. Board papers and other materials to be used during Board meetings are distributed to the relevant parties at least five (5) business days before the actual meeting.

2020 Meetings & Attendance

[illegible]

Board Committees

To address specific tasks and responsibilities, the Board adopted six (6) board committees, namely the Executive Committee, the Audit Committee, the Related Party Transactions Committee, the Compensation Committee, the Risk Management Committee, and the Corporate Governance Committee.

Each committee has a Charter which defines its composition, roles and responsibilities in line with the provisions found in the Manual on Corporate Governance. The Charters include administrative provisions on the conduct of meetings and proceedings, reportorial responsibilities and provide the standards for evaluation of the respective committee performance. The Charters are disclosed in the Company's website.

The Executive Committee

The Executive Committee is composed of both executive and non-executive directors and acts on behalf of the Board during the interim periods between Board meetings. The Committee meets at least on a monthly basis to assist the Board in overseeing the implementation of strategies, set and monitor the Company's performance goals and foster the sharing and dissemination of best practices in all areas of the business group. The Executive Committee also defines the group-wide policies and action, relating to sustainable development, including environment, health and safety, internal communications, innovation and research and technology and purchasing.

Office	Name
Chairperson (NED)	Teresita T. Sy
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	2020 Meetings & Attendance					
		2/28	5/21	6/26	8/5	11/4	12/17
Chairperson (ID)	Tomasa H. Lipana	●	●	●	●	●	●
Member (ID)	Alfredo E. Pascual	●	●	●	●	●	●
Member (NED)	Jose T. Sio	●	●	●	●	●	●

The Related Party Transactions Committee

The Related Party Transaction Committee reviews all the material related party transactions of the Company and ensures that said transactions are conducted at arms' length. The Committee is composed of three (3) non-executive directors, including the Chairman wherein two (2) are independent directors.

Office	Name	11/4/20
Chairperson (ID)	Alfredo E. Pascual	●
Member (ID)	Robert G. Vergara	●
Member (NED)	Jose T. Sio	●

The Compensation Committee

The Compensation Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee is composed of three (3) directors, one (1) of whom is an independent director.

Office	Name	Meetings & Attendance	
		8/5/20	11/4/20
Chairperson (NED)	Teresita T. Sy	●	●
Member (ID)	Alfredo E. Pascual	●	●
Member (NED)	Jose T. Sio	●	●

Board Remuneration

The annual compensation paid to each director is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting. For compensation as Director, each member of the Board received Php5,000,000 for the year 2020.

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	Meetings & Attendance	
		8/5/20	11/4/20
Chairperson (ID)	Robert G. Vergara	●	●
Member (ID)	Alfredo E. Pascual	●	●
Member (NED)	Jose T. Sio	●	●

Enterprise Risk Management (ERM)

SMIC's ERM approach begins with the identification and prioritization of risks, followed by the assessment of risk interrelationships and analysis of risk sources. This is followed by the development of risk management strategies and action plans and, ultimately, the monitoring and continuous improvement of the risk management process.

SMIC's business unit heads are responsible for the management of operational risks by implementing internal controls within their respective units. The Risk Management Committee is regularly updated on the Company's risk management systems, as well as on improvement plans of SMIC, while the Executive Committee provides oversight on the assessment of the impact of risks on the strategic and long-term goals of the Company.

Actions adopted to mitigate the Company's risks include investments in technology, the provision of continuous training to personnel, the performance of regular audits, the establishment and implementation of policies for strong information technology (IT) governance, and continued partnerships with the Company's various stakeholders. Technological risks are addressed via continuous risk assessments, wherein potential threats to assets, vulnerabilities and likelihood of occurrence are evaluated and possible impacts are estimated in the areas of networks, operating systems, applications and

databases in production. Specifically, system vulnerability assessments and penetration testing are regularly conducted to proactively detect and address threats.

The Company's approach to other risks, like environmental risk starts with an assessment of the potential impact it has to the community where it operates. There is a regular reporting of the group's sustainability road map and progress. The Company is committed to protect the environment by implementing effective and efficient resource utilization measures in its daily operations.

The 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, 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	2020 Meetings & Attendance		
		2/28	3/16	8/5
Chairperson (ID)	Alfredo E. Pascual	●	●	●
Member (ID)	Tomas H. Lipana	●	●	●
Member (ID)	Robert G. Vergara	●	●	●

Nomination and Election of Directors

SMIC sets a reasonable period of time for the submission of nominations of candidates for election to its Board of Directors. All nominations for directors submitted in writing to the Corporate Secretary within the said nomination period are considered valid. Any shareholder of record may be nominated as a board of director. All shareholders are, including a minority shareholder, entitled to be notified of the schedule and other details of the Annual Stockholders' Meeting for the election of board of directors and is entitled to vote as such. When searching for candidates for the Board of Directors, the Company engages the services of professional search firms and/or other external sources, such as director databases set up by director or shareholder bodies.

The Corporate Governance Committee meets to screen and check the qualifications of all persons nominated to be a board of director from the pool of candidates submitted by the nominating shareholders. The Manual on Corporate Governance prescribes the following qualifications to be a director of the Company:

- Holder of at least one (1) share of stock of the SM 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 mentioned 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).

Notable Continuing Education/Training of the Board of Directors

Director	Date of Training	Program	Name of Training Institution
Jose T. Sio	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Teresita T. Sy	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Henry T. Sy, Jr.	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Frederic C. DyBuncio	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Harley T. Sy	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Alfredo E. Pascual	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Tomasa H. Lipana	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Robert G. Vergara	10/23/2020	Advance Corporate Governance Training Program	Institute of Corporate Directors (ICD)

The Corporate Governance Committee also determines the number of directorships which a member of the Board may hold simultaneously to their SMIC board seats.

Directorship in Other Reporting Companies

Director	Name of Reporting Company	Nature of Directorship
Jose T. Sio	Belle Corporation China Banking Corporation Atlas Consolidated Mining and Development Corp. Far Eastern University Incorporated	Non-Executive Director Non-Executive Director Non-Executive Director Independent Trustee
Teresita T. Sy	BDO Unibank, Inc.	Chairperson of the Board
Henry T. Sy, Jr.	SM Prime Holdings, Inc.	Chairman of the Board
Frederic C. DyBuncio	2Go Group, Inc. Atlas Consolidated Mining and Development Corp	President/CEO/Director Vice Chairman of the Board
Harley T. Sy	China Banking Corporation	Non-Executive Director
Alfredo E. Pascual	Megawide Construction Corporation Asiabest Group International Inc. Concepcion Industrial Corporation	Independent Director Independent Director Independent Director
Roberto G. Vergara	Metro Pacific Hospital 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. The board evaluation conducted for the prior year was facilitated by the Good Governance Advocates and Practitioners of the Philippines (GGAPP), a third-party, non-stock, non-profit association of good governance practitioners in the Philippines.

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.

Other CG Related Policies

Brief Description



Insider Trading Policy

Directors, officers and employees are prohibited from trading in the Company's shares, five (5) trading days before and two (2) trading days after the disclosure of any material, stock price-sensitive information. SMIC issues reminders of the "trading ban", before the release of financial reports or the disclosure of other material information to ensure compliance with the policy. All directors, officers and employees are required to report their dealings in company shares within three (3) business days of the transaction. Reports indicate the date of the trade/s and number of shares traded, at least, and should be submitted to the Company's Compliance Officer.



Related Party Transactions Policy

SMIC discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports. The Company ensures that its related party transactions are conducted at fair market prices and at arms' length. The full policy may be found in SMIC's website and describes the process by which the Company handles its related party transactions, particularly those that cross the Company's materiality threshold.



Conflict of Interest Policy

SMIC's Conflict of Interest Policy defines a conflict of interest as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him/her from acting in the best interests of the Company. Any director, officer or employee involved in an actual or potential conflict of interest is required to immediately disclose said conflict to the Company.



Guidelines on Gifts/Hospitality/Entertainment/Anti-Corruption

Based on the provisions of the Code of Ethics, SMIC's directors, officers and employees are prohibited from soliciting or accepting gifts, hospitality, and/or entertainment in any form from any business partner. The term gift covers anything of value, such as but not limited to cash or cash equivalent. The guidelines provide exceptions such as corporate giveaways, tokens or promotional items of nominal value. In the same manner, accepting travel sponsored by any current or prospective business partner is prohibited.



Guidelines on Placement of Advertisements

SMIC issued a policy to prohibit the placement of advertisements in publications that solicit for such ad placement prior to the release of the official results of an awarding process conducted by the publication and where an SM company or director, officer or employee is one of the nominees vying for the award. SMIC may consider placing advertisements in such publications as part of its over-all marketing strategy, but only after the release of the results of the awarding process and where it will not create reasonable doubt that such ad placement influenced in any way an award given to an SM company or director, officer or employee.



Policy on Accountability, Integrity and Vigilance (Whistleblowing Policy)

SMIC's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any SMIC director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management investigates on its merit, subject to due process and applicable penalties and sanctions thereafter. Furthermore, the policy invokes a "No Retaliation" section for those that have reported in good faith.



Policy for Vendor Selection and Purchase of Goods and Services

Existing and potential vendors and suppliers are required to conform to the Company's Code of Ethics as a pre-requisite for the accreditation process.

Disclosure and Transparency

SMIC ensures that its stakeholders receive timely and accurate information on all facets of its business through its website and disclosures. SMIC's website has a separate corporate governance section that has subsections where its policies, programs and other relevant developments may be found. The Company also ensures that shareholders are provided with periodic reports that include relevant information on its directors and officers and their shareholdings and dealings with the Company.

SMIC regularly discloses its top shareholders and its beneficial owners who own more than 5% of its shares. Shareholdings of directors and senior management are disclosed in the Definitive Information Statement sent to shareholders prior to the Annual Stockholders' Meeting.

The Investor Relations Department

The Investor Relations (IR) Department of SMIC is the main avenue of communication between the Company and its various stakeholders. The IR Department arranges regular teleconferences and site visits for investors, and typically conducts annual roadshows with stops in various locations throughout the world. Due to the pandemic, such roadshows were replaced with extensive videoconferencing activity in 2020. They also coordinate with the 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 and creditors, as well as the communities it operates in and the environment.

Rights of Shareholders

The Manual on Corporate Governance protects the shareholders' appraisal right as well as their rights to vote, inspect corporate books and records, gain access to material information and receive an equitable share of the Company's profits.

The exercise of a shareholder's voting right is encouraged by SMIC to ensure meaningful participation in all shareholders' meetings. Voting methods and vote counting systems employed by the Company are clearly explained to ensure the effective exercise of shareholders' right to vote. SMIC follows the system of cumulative voting for the election of directors to allow shareholders an opportunity to elect each member of the Board of Directors individually. Shareholders maintain the right to receive dividends subject to the discretion of the Board. They may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares in accordance with the Corporate Code.

Minority shareholders are given the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items are for legitimate business purposes and in accordance with the law, jurisprudence and best practice. Minority shareholders are also given access to information relating to matters for which Management is accountable.

Dividend Policy

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. Dividends shall be paid within thirty (30) days from the date of declaration.

Employee Welfare

SMIC strives to be an employer of choice and provides for the health, safety and welfare of its employees. Through the efforts of its Human Resources Department (HRD), the Company has established policies and programs that promote a safe and healthy work environment that caters to all cultures and creeds and encourages employee development and growth.

SMIC encourages good health and wellness through its various sports and fitness programs. There are courts and fitness facilities in the workplace where the employees can use and participate in HRD supported aerobic and dance activities, however, due to the pandemic, the use of these facilities and conduct of said activities were temporarily prohibited. Instead, all employees are subjected to regular COVID-19 tests to ensure that nobody is infected with the virus. Personal protective gear are regularly provided to every employee like face shields, masks and alcohol. Prior to any entry to the office, all employees are required to accomplish an online health declaration form/checklist which are reviewed and monitored by the Company medical team. Furthermore, SMIC has a fully functioning clinic and employs the services of a 24-hour roving ambulance service.

Despite the pandemic, the Company continues to conduct seminars and various learning sessions via online, such as training on Data Privacy Act, information security guidelines, mental health seminar, and business email etiquette, 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.

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, policies and its various components. A substantial portion of the orientation is devoted to the discussion of SM's core values and the Code of Ethics, and highlights the roles that each individual can play in the overall development of the corporate governance culture. Skills and Leadership development courses are also conducted regularly, covering topics such as Basics of Customer Service, Effective Listening, Guidelines for Writing Effective Business Emails and Value Formations.

For issues or concerns, all stakeholders may refer to:

Mr. Wellington Palmero

SVP-Governance, Risk and Compliance

Mr. Noel T. Ang

SAVP- Governance, Risk & Compliance

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Financial Statements



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Statement of Management's Responsibility for Financial Statements

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards and for such internal controls 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 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 CEO



Marcelo C. Fernando, Jr.
Treasurer

Report of the Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's financial reporting, internal control system, internal and external audit processes, and compliance with relevant laws and regulations. Likewise, the Committee oversees special investigations as may be necessary. It reviews its Charter annually.

The Committee is composed of three (3) non-executive directors, two (2) of whom are independent directors including the Committee Chairperson. The Committee members have relevant background, knowledge, skill and/or experience in finance and accounting, audit, risk management, and corporate governance. In 2020, they attended the annual corporate governance training conducted by an SEC accredited training provider and other updates on new relevant laws, accounting standards, taxes, and other regulatory requirements. The Committee also performed the annual self-assessment/evaluation and reviewed its performance against its Charter and other regulatory mandates to ensure its satisfactory performance.

The profiles and qualifications of the Committee members are as follows:

- Tomasa H. Lipana** (Chair) is an Independent Director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an Independent Director and Audit Committee Chairperson of Flexo Manufacturing Corporation, and Trade and Investment Development Corporation of the Philippines (Philippine Guarantee Corporation, formerly Philippine Export Import Credit Agency), a government-owned and controlled corporation. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She is a Fellow and Trustee of the Institute of Corporate Directors. She is also a trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.
- Alfredo E. Pascual** is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 and 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President, CEO and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership. He was based mainly in ADB's Manila headquarters but had postings in India and Indonesia. He also served on the board of ADB's investee companies in China, India and the Philippines. Earlier on, he took an educator role for a decade as a finance professor at the Asian Institute of Management (AIM). Currently, Mr. Pascual is an Independent Director at other publicly-listed companies (Megawide Construction Corporation, Asiabest Group International Inc., and Concepcion Industrial Corporation). He holds board seats at several non-profit organizations

(Management Association of the Philippines, FINEX Academy, SharePHIL, ICD, Institute for Solidarity in Asia, UP Foundation, US-Philippines Society). He is the President of the global Association of Former Employees of ADB, a Board Adviser at the Philippine Institute for Development Studies, and a Special Adviser at UP. He finished his MBA and BS in Chemistry (cum laude) from UP.

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

Presented below are the dates of Committee meetings and the attendance of each member.

Office	Name	2020 Meetings & Attendance					
		2/28	5/21	6/26	8/5	11/4	12/17
Chairperson (ID)	Tomas H. Lipana	●	●	●	●	●	●
Member (ID)	Alfredo E. Pascual	●	●	●	●	●	●
Member (NED)	Jose T. Sio	●	●	●	●	●	●

In compliance with the Audit Committee Charter, the Manual of Corporate Governance, and relevant laws and regulations, the Audit Committee performed the following activities relating to the three (3) major areas of concern:

Internal Audit

1. The Committee provided oversight of the Internal Audit.

Under SMIC's Internal Audit Charter, the primary purpose of Internal Audit is to provide an independent, objective, and reasonable assurance and value-adding services through systematic and disciplined evaluation of the Company's governance system, risk management, and internal control environment of the Company as well as any entity within the Group, which Management or the Audit Committee deems necessary to include.

The Charter also requires the Internal Audit to perform the following:

- Develop a flexible annual audit plan using an appropriate risk-based methodology to determine the priorities of internal audit activities, consistent with the Company's goals, and submit such plan as well as periodic updates to the Audit Committee for review and approval.
- Implement the approved annual audit plan, including special tasks or projects mandated by Management or Audit Committee.
- Maintain a team of professional audit staff with sufficient and relevant knowledge, skills, experience, and professional certifications to meet the requirements of the Charter.
- Issue periodic reports to the Audit Committee and Management, summarizing results of audit activities. Thereafter, conduct follow-up audit in a timely manner to ascertain the adequacy, effectiveness, and timeliness of management actions on the reported audit observations and agreed recommendations.
- Assist in the investigation of significant suspected fraudulent activities within the Company and notify Management and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Use of up-to-date tools and technology for audit analytics and keep current on accounting and financial principles, pronouncements, as well as technical issues and trends.
- Engage a qualified independent third party to perform External Quality Assurance Review at least every five years and communicate its results to the Management and Audit Committee.

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 CAE and his entire Internal Audit Team have 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 response and action plan.

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. As required by SMIC's Manual on Corporate Governance, the External Auditor or the handling partner should be rotated every five (5) years or earlier, and any non-audit work should not be in conflict with the functions of the External Auditor.

4. The Committee reviewed/discussed with the External Auditor, SGV & Co., the following:
 - The annual audit plan for 2020, 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.



Tomasa H. Lipana
Chairperson



Alfredo E. Pascual
Member



Jose T. Sio
Member



Atty. Elmer B. Serrano
Corporate Secretary

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, 2020, second quarter ended June 30, 2020, and third quarter ended September 30, 2020.
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, 2020.
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 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 2021.

SM Investments Corporation and Subsidiaries

Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	₱78,159,197	₱76,213,774
Time deposits	31,012	30,488
Financial assets at fair value through other comprehensive income (FVOCI)	568,146	659,077
Receivables and contract assets	60,526,230	53,617,200
Inventories	72,056,045	77,120,016
Other current assets	43,170,378	40,716,425
Total Current Assets	254,511,008	248,356,980
Noncurrent Assets		
Financial assets at FVOCI - net of current portion	27,278,240	24,229,560
Investments in associate companies and joint ventures	296,265,722	280,971,638
Time deposits - net of current portion	1,356,442	2,412,972
Property and equipment	26,087,448	24,720,873
Investment properties	359,844,525	338,075,303
Right-of-use assets	41,979,029	37,664,176
Land and development - net of current portion	75,622,199	74,946,694
Intangibles	24,588,503	25,289,609
Deferred tax assets	4,671,969	3,121,117
Other noncurrent assets	112,318,650	84,375,645
Total Noncurrent Assets	970,012,727	895,807,587
	₱1,224,523,735	₱1,144,164,567
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	₱24,126,000	₱18,710,465
Accounts payable and other current liabilities	149,231,108	141,451,764
Income tax payable	2,649,041	3,273,872
Current portion of long-term debt	60,121,438	29,077,719
Dividends payable	3,829,207	4,204,962
Total Current Liabilities	239,956,794	196,718,782
Noncurrent Liabilities		
Long-term debt - net of current portion	330,731,798	327,358,208
Lease liabilities - net of current portion	28,868,164	27,600,392
Deferred tax liabilities	12,614,979	9,604,043
Tenants' deposits and others	47,624,102	46,731,664
Total Noncurrent Liabilities	419,839,043	411,294,307
Total Liabilities	659,795,837	608,013,089

(Forward)

	December 31	
	2020	2019
Equity Attributable to Owners of the Parent		
Capital stock	₱12,045,829	₱12,045,829
Additional paid-in capital	75,823,506	75,815,923
Equity adjustments from common control transactions	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	895,922	1,308,228
Net fair value changes on cash flow hedges	(2,741,387)	(1,406,026)
Net unrealized gain on financial assets at FVOCI	16,506,435	14,399,640
Remeasurement loss on defined benefit asset/obligation	(6,066,075)	(8,633,269)
Retained earnings:		
Appropriated	37,000,000	37,000,000
Unappropriated	275,818,556	257,546,591
Total Equity Attributable to Owners of the Parent	403,832,945	382,627,075
Non-controlling Interests	160,894,953	153,524,403
Total Equity	564,727,898	536,151,478
	₱1,224,523,735	₱1,144,164,567

SM Investments Corporation and Subsidiaries

Consolidated Statements of Income

(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Sales:			
Merchandise	P289,726,442	P354,088,848	P323,740,170
Real estate	47,023,795	44,499,529	35,967,663
Rent	26,904,979	51,573,157	47,555,061
Equity in net earnings of associate companies and joint ventures	17,036,367	26,038,426	19,164,345
Royalty, management and service fees	3,936,537	7,348,479	6,379,831
Cinema ticket sales, amusement and others	1,095,445	7,739,761	7,286,654
Dividend income	430,696	480,513	421,914
Others	8,031,444	10,200,616	9,272,529
	394,185,705	501,969,329	449,788,167
COST AND EXPENSES			
Cost of sales:			
Merchandise	220,245,198	262,434,661	238,902,107
Real estate	20,583,982	20,806,612	17,852,270
Selling, general and administrative expenses	95,482,554	113,257,931	106,419,699
	336,311,734	396,499,204	363,174,076
OTHER INCOME (CHARGES)			
Interest expense	(18,023,610)	(19,511,745)	(16,574,388)
Interest income	2,436,015	3,881,156	3,754,141
Impairment loss on investment	(1,000,000)	(3,987,000)	—
Foreign exchange gain - net and others	129,286	761,962	336,492
	(16,458,309)	(18,855,627)	(12,483,755)
INCOME BEFORE INCOME TAX	41,415,662	86,614,498	74,130,336
PROVISION FOR INCOME TAX			
Current	6,407,055	16,218,229	15,115,326
Deferred	683,565	951,955	460,442
	7,090,620	17,170,184	15,575,768
NET INCOME	P34,325,042	P69,444,314	P58,554,568
Attributable to			
Owners of the Parent	P23,389,950	P44,568,244	P37,078,325
Non-controlling interests	10,935,092	24,876,070	21,476,243
	P34,325,042	P69,444,314	P58,554,568
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent	P19.42	P37.00	P30.78

SM Investments Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME	P34,325,042	P69,444,314	P58,554,568
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Share in unrealized gain (loss) on financial assets at fair value through other comprehensive income (FVOCI) of associates	2,280,460	4,505,589	(3,502,992)
Cumulative translation adjustment	(322,636)	(1,011,736)	326,536
Net fair value changes on cash flow hedges	(1,556,934)	(1,712,763)	2,589
	400,890	1,781,090	(3,173,867)
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation	4,108,271	(8,209,190)	(2,080,805)
Net unrealized loss on financial assets at FVOCI	(302,553)	(176,975)	(520,230)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(776,519)	553,736	(84,499)
	3,029,199	(7,832,429)	(2,685,534)
TOTAL COMPREHENSIVE INCOME	P37,755,131	P63,392,975	P52,695,167
Attributable to			
Owners of the Parent	P26,317,136	P40,223,919	P31,112,015
Non-controlling interests	11,437,995	23,169,056	21,583,152
	P37,755,131	P63,392,975	P52,695,167

SM Investments Corporation and Subsidiaries

Consolidated Statements of Changes in Equity for the Years ended December 31, 2020, 2019 and 2018

(Amounts in Thousands Except Per Share Data)

	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2020	P12,045,829	P75,815,923	(P5,424,455)	(P25,386)	P1,308,228
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	(412,306)
Total comprehensive income	-	-	-	-	(412,306)
Realized gain on sale of financial assets at FVOCI	-	-	-	-	-
Acquisition of non-controlling interests	-	7,583	-	-	-
Cash dividends - P4.25 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Increase in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2020	P12,045,829	P75,823,506	(P5,424,455)	(P25,386)	P895,922
As at January 1, 2019	P12,045,829	P75,815,520	(P5,424,455)	(P25,386)	P2,014,573
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	(706,345)
Total comprehensive income	-	-	-	-	(706,345)
Realized gain on sale of financial assets at FVOCI	-	-	-	-	-
Sale of non-controlling interests	-	403	-	-	-
Cash dividends - P9.12 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Effect of business combination	-	-	-	-	-
Increase in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2019	P12,045,829	P75,815,923	(P5,424,455)	(P25,386)	P1,308,228
As at January 1, 2018	P12,045,829	P76,439,288	(P5,424,455)	(P25,386)	P1,609,600
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	404,973
Total comprehensive income	-	-	-	-	404,973
Sale of treasury shares held by a subsidiary	-	291,088	-	-	-
Acquisition of non-controlling interests	-	(914,856)	-	-	-
Cash dividends - P8.20 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Increase in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2018	P12,045,829	P75,815,520	(P5,424,455)	(P25,386)	P2,014,573

Equity Attributable to Owners of the Parent

Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
(P1,406,026)	P14,399,640	(P8,633,269)	P37,000,000	P257,546,591	P382,627,075	P153,524,403	P536,151,478
-	-	-	-	23,389,950	23,389,950	10,935,092	34,325,042
(1,335,361)	2,107,659	2,567,194	-	-	2,927,186	502,903	3,430,089
(1,335,361)	2,107,659	2,567,194	-	23,389,950	26,317,136	11,437,995	37,755,131
-	(864)	-	-	864	-	-	-
-	-	-	-	-	7,583	(7,583)	-
-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)
-	-	-	-	-	-	(4,664,320)	(4,664,320)
-	-	-	-	-	-	604,458	604,458
(P2,741,387)	P16,506,435	(P6,066,075)	P37,000,000	P275,818,556	P403,832,945	P160,894,953	P564,727,898
P62,444	P11,748,980	(P2,063,358)	P37,000,000	P222,213,054	P353,387,201	P138,902,811	P492,290,012
-	-	-	-	44,568,244	44,568,244	24,876,070	69,444,314
(1,468,470)	4,400,401	(6,569,911)	-	-	(4,344,325)	(1,707,014)	(6,051,339)
(1,468,470)	4,400,401	(6,569,911)	-	44,568,244	40,223,919	23,169,056	63,392,975
-	(1,749,741)	-	-	1,749,741	-	-	-
-	-	-	-	-	403	(81,462)	(81,059)
-	-	-	-	(10,984,448)	(10,984,448)	-	(10,984,448)
-	-	-	-	-	-	(9,824,854)	(9,824,854)
-	-	-	-	-	-	1,358,352	1,358,352
-	-	-	-	-	-	500	500
(P1,406,026)	P14,399,640	(P8,633,269)	P37,000,000	P257,546,591	P382,627,075	P153,524,403	P536,151,478
(P206,977)	P17,027,581	(P701,255)	P37,000,000	P195,012,295	P332,776,520	P125,679,489	P458,456,009
-	-	-	-	37,078,325	37,078,325	21,476,243	58,554,568
269,421	(5,278,601)	(1,362,103)	-	-	(5,966,310)	106,909	(5,859,401)
269,421	(5,278,601)	(1,362,103)	-	37,078,325	31,112,015	21,583,152	52,695,167
-	-	-	-	-	291,088	294,120	585,208
-	-	-	-	-	(914,856)	(857,160)	(1,772,016)
-	-	-	-	(9,877,566)	(9,877,566)	-	(9,877,566)
-	-	-	-	-	-	(7,844,484)	(7,844,484)
-	-	-	-	-	-	47,694	47,694
P62,444	P11,748,980	(P2,063,358)	P37,000,000	P222,213,054	P353,387,201	P138,902,811	P492,290,012

SM Investments Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P41,415,662	P86,614,498	P74,130,336
Adjustments for:			
Depreciation and amortization	18,763,579	19,370,843	15,161,207
Interest expense	18,023,610	19,511,745	16,574,388
Equity in net earnings of associate companies and joint ventures	(17,036,367)	(26,038,426)	(19,164,345)
Interest income	(2,436,015)	(3,881,156)	(3,754,141)
Provisions - net	1,620,414	2,609,386	2,207,458
Impairment loss on investment	1,000,000	3,987,000	—
Dividend income	(430,696)	(480,513)	(421,914)
Gain on sale of financial assets at fair value through profit or loss (FVPL) - net	—	(27,812)	(1,337)
Unrealized foreign exchange (gain) loss - net and others	(99,106)	20,175	483,031
Income before working capital changes	60,821,081	101,685,740	85,214,683
Decrease (increase) in:			
Receivables and contract assets	(6,930,842)	(2,848,713)	(1,437,678)
Merchandise inventories and condominium and residential units for sale	6,710,642	4,852,187	414,383
Other current assets	(2,313,171)	(8,187,276)	1,063,229
Land and development	(24,758,582)	(27,669,751)	(37,802,279)
Increase (decrease) in:			
Accounts payable and other current liabilities	6,514,310	17,521,787	15,835,135
Tenants' deposits and others	(397,461)	(2,498,565)	10,571,079
Net cash generated from operations	39,645,977	82,855,409	73,858,552
Income tax paid	(7,035,228)	(16,576,112)	(13,356,939)
Net cash provided by operating activities	32,610,749	66,279,297	60,501,613



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/>

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	P58,896	P343,228	P203,564
Investment properties	3,197	117,429	105,524
Financial assets at fair value through other comprehensive income (FVOCI) and FVPL	–	3,814,634	771,361
Additions to:			
Investment properties	(31,796,149)	(36,902,404)	(27,554,245)
Property and equipment	(6,096,154)	(7,446,414)	(6,452,489)
Financial assets at FVOCI and FVPL	(3,124,660)	(3,261,682)	(2,463,985)
Investments in associate companies and joint ventures	(390,350)	(5,330,780)	(3,849,756)
Decrease (increase) in:			
Other noncurrent assets	(11,145,362)	(1,543,199)	(28,224,945)
Time deposits	1,056,006	25,111,241	12,913,443
Dividends received	4,751,956	5,558,665	4,945,350
Interest received	2,439,829	4,048,370	3,827,116
Cash from acquisition of subsidiaries, net of purchase consideration	–	327,140	–
Net cash used in investing activities	(44,242,791)	(15,163,772)	(45,779,062)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Bank loans	82,880,520	25,266,865	32,199,317
Long-term debt	75,253,912	52,895,468	70,787,135
Payments of:			
Bank loans	(77,464,985)	(21,376,865)	(37,256,817)
Long-term debt	(36,158,696)	(64,799,259)	(40,292,241)
Interest	(17,142,063)	(22,606,473)	(18,043,821)
Dividends	(10,158,925)	(20,510,816)	(17,674,115)
Lease liabilities	(3,838,044)	(2,854,295)	–
Proceeds from maturity of derivatives	–	395,722	–
Reissuance by a subsidiary of treasury shares	–	–	585,207
Net cash provided by (used in) financing activities	13,371,719	(53,589,653)	(9,695,335)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,739,677	(2,474,128)	5,027,216
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	205,746	(625,313)	(32,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	76,213,774	79,313,215	74,318,190
CASH AND CASH EQUIVALENTS AT END OF YEAR	P78,159,197	P76,213,774	P79,313,215

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List of Member Associations

ASEAN Business Advisory
Asia Business Council
Asia Society Philippine Foundation
Canadian Chamber of Commerce of the Philippines
East Asia Business Council
Financial Executives Institute of the Philippines
Good Governance Advocates and Practitioners
of the Philippines
Institute of Corporate Directors
Philippine Trade Foundation
Makati Business Club
Management Association of the Philippines
People Association of Management Accountants
Philippine Chamber of Commerce and Industry
Tax Management Association of the Philippines
United Nations Global Compact Network Philippines
World Economic Forum

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Stockholder Inquiries

SM Investments Corporation's common stock is listed and traded in the Philippine Stock Exchange under the symbol 'SM.' Inquiries regarding dividend payments, account status, address change, stock certificates and other pertinent matters may be addressed to the company's transfer agent:

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15th Floor South Tower, BDO Corporate Center
7899 Makati Ave., Makati City 0726
Trunk Line: 8840-7000
Direct Lines: 8878-4961, 8878-4963 to 4965
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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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