



INVESTMENTS
CORPORATION

2019
ANNUAL
REPORT



VISION

To build world class businesses that are catalysts for development in the communities we serve

MISSION

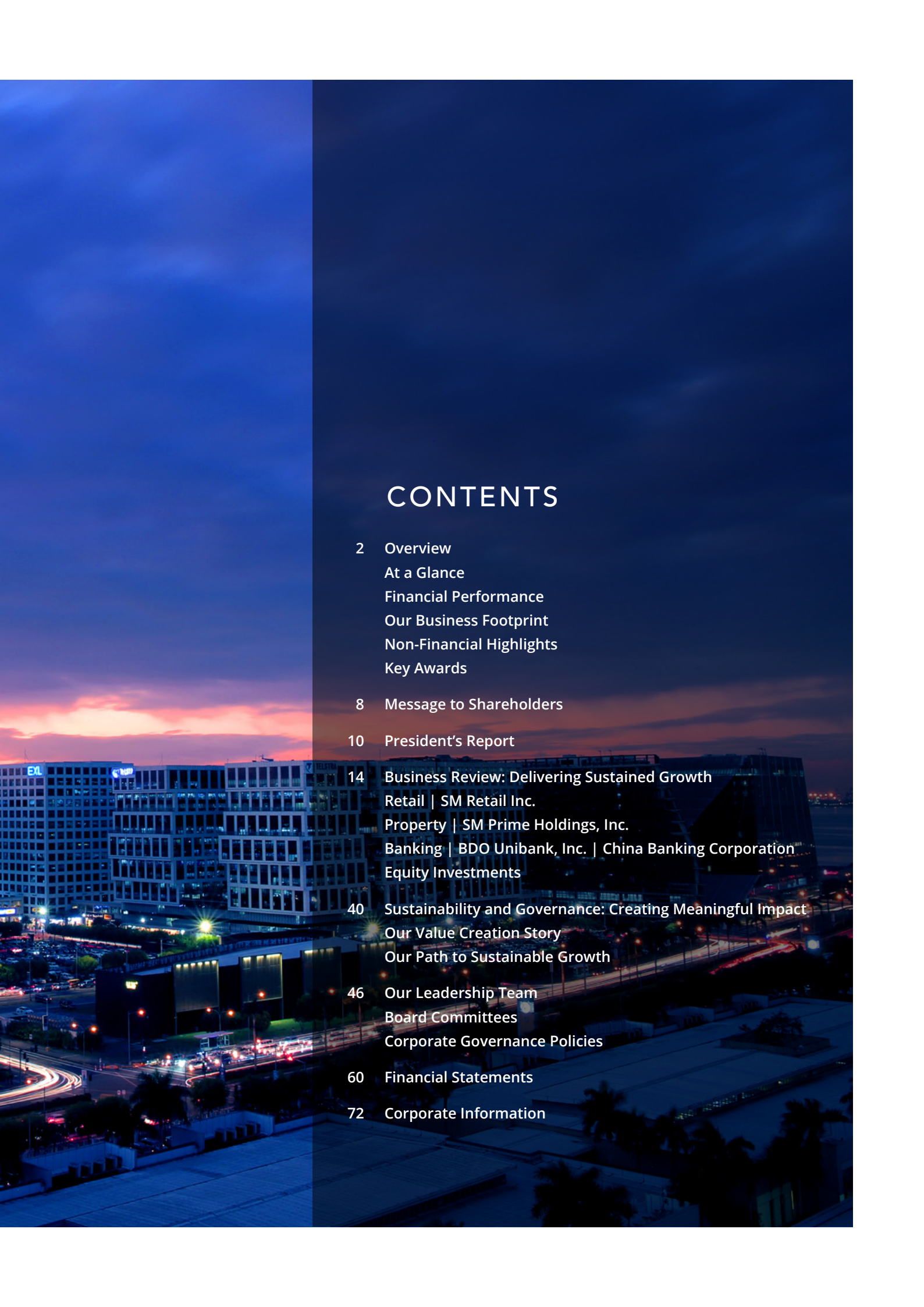
We will partner with our host communities to provide a consistently high standard of service to our customers, look after the welfare of our employees and deliver sustainable returns to our shareholders, at all times upholding the highest standards of corporate governance in all our businesses.

VALUES

Leadership
Sustainability
Innovation
Accountability
Integrity
Hard Work

Cover and this image:
SM Mall of Asia Complex
Pasay City





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At a Glance

Corporate Profile

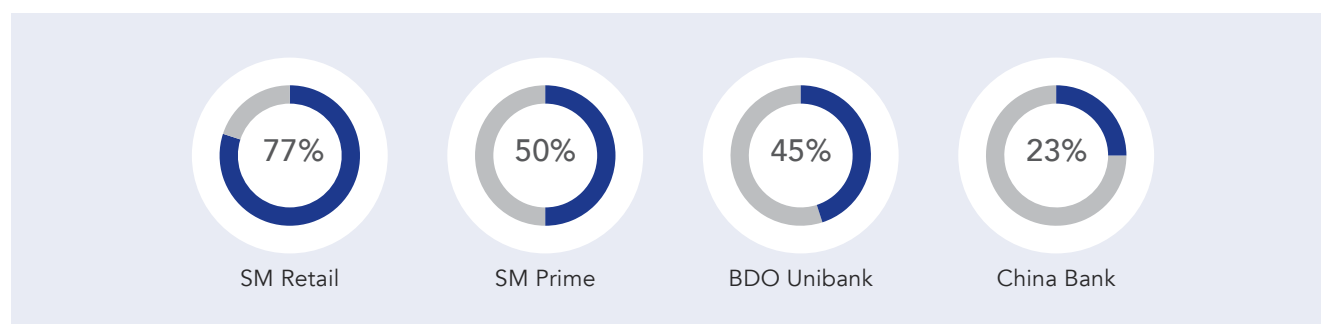
SM Investments Corporation (SMIC) is a leading Philippine company with interests in market leading businesses in retail, banking and property. It also invests in ventures that can capture high growth opportunities in the emerging Philippine economy.

SMIC's retail operations under SM Retail, Inc. are the country's largest and most diversified with its food (SM Markets, WalterMart, Alfamart) and non-food (THE SM STORE and specialty retail stores) portfolio.

SMIC's property arm, SM Prime Holdings, Inc., is one of the largest integrated property developers in Southeast Asia with interests in malls, residences, offices, hotels and convention centers as well as tourism-related property developments.

SMIC has the largest banking footprint in the Philippines through BDO Unibank, Inc. and China Banking Corporation, the country's largest bank and 6th largest bank in terms of assets, loans and deposits, respectively.

Core Investments



Equity Investments



Effective Ownership

FY2019 Financial Performance at a Glance

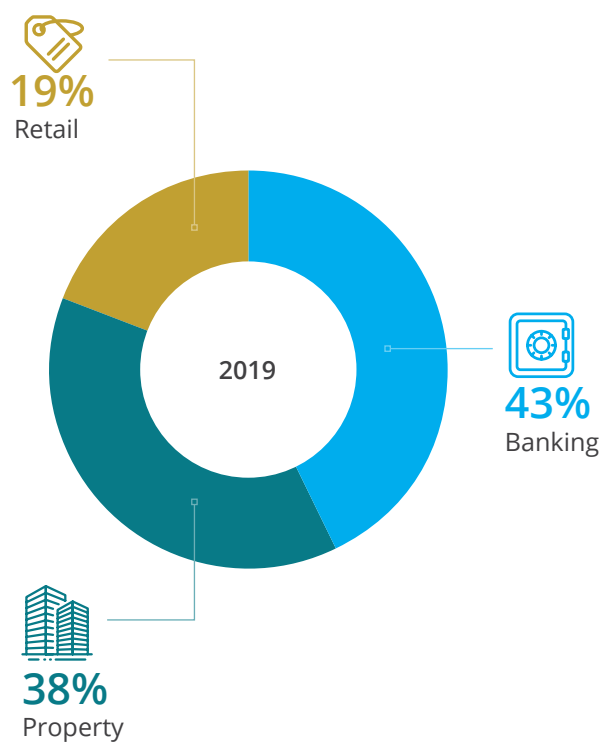
Net Income
PHP44.6bn
↑20%

Revenues
PHP501.7bn
↑12%

Assets
PHP1.1tn
↑8%

EBITDA
PHP124.5bn
↑22%

Net Income Mix



Core Business FY2019 Performance

	SM Prime	SM Retail
Revenues	PHP118.3bn ↑14%	PH366.8bn ↑9%
Net Income	PHP38.1bn ↑18%	PHP12.5bn ↑10%
	BDO Unibank	China Bank
Net Interest Income	PHP119.9bn ↑22%	PH26.1bn ↑14%
Net Income	PHP44.2bn ↑35%	PHP10.1bn ↑24%

Share Performance

As of December 31, 2019

PHP1,256bn
Market Capitalization

30%
Dividend Payout Ratio

Share Price

2019	PHP1,043.00
2018	PHP917.50
2017	PHP990.00

Earnings Per Share

2019	PHP37.00
2018	PHP30.78
2017	PHP27.33

Price/Earnings Ratio

2019	28.2x
2018	29.8x
2017	36.2x

Dividend Per Share

2019	PHP9.12
2018	PHP8.20
2017	PHP7.77

Performance Overview

Assets
↑9.9%
CAGR

2019	1,144.2
2018	1,060.6
2017	960.1

Revenue
↑11.2%
CAGR

2019	501.6
2018	449.8
2017	397.9

Earnings
↑12.6%
CAGR

2019	44.6
2018	37.1
2017	32.9

PHP billion

Consolidated Financial Highlights

Full Year Results

	2019	2018	2017
Balance Sheet (PHP billion)			
Total Assets	1,144.16	1,060.64	960.08
Current Assets	248.36	241.73	212.51
Noncurrent Assets	895.81	818.92	747.57
Current Liabilities	196.72	212.69	175.86
Noncurrent Liabilities	411.29	355.66	330.41
Total Liabilities	608.01	568.35	506.27
Stockholders' Equity	536.15	492.29	453.81
Book Value per Share (PHP)	317.64	293.37	272.40
Income Statement (PHP billion)			
Revenues	501.65	449.79	397.95
Income from Operations	105.15	86.61	75.85
Other Income (Charges)	(18.54)	(12.48)	(10.56)
Income before Income Tax	86.61	74.13	65.29
Net Income	44.57	37.08	32.92
Basic Earnings Per Share (PHP)	37.00	30.78	27.33
Financial Ratios			
Current Ratio (X)	1.3	1.1	1.2
Return on Equity	11.9%	10.9%	10.4%
Debt-equity Ratio (Net)	36:64	36:64	35:65
Revenue Growth (%)	11.5%	13.0%	9.0%
Net Income Growth (%)	20.2%	12.6%	5.5%
EBITDA (PHP billion)	124.52	101.78	89.87
EBITDA Margin (%)	24.8%	22.6%	22.6%
Net Income Margin (%)	13.8%	13.0%	12.9%
Revenue Profile			
Retail	74%	75%	75%
Property	21%	21%	21%
Banking*	5%	4%	4%
Net Income Profile			
Retail	19%	21%	22%
Property	38%	41%	40%
Banking*	43%	38%	38%

*Banks are not consolidated with SMIC

Our Business Footprint



The country's leading retailer with a nationwide portfolio of department stores, supermarkets and specialty stores

STORE NETWORK

65 THE SM STORE	201 Savemore	60 WalterMart
52 SM Hypermarket	754 Alfamart	1,609 Specialty Stores
58 SM Supermarket		



One of the largest integrated property developers in Southeast Asia that develops innovative and sustainable lifestyle cities comprising malls, residences, offices, hotels and convention centers

NUMBER OF DEVELOPMENTS

74 Malls in the Philippines	7 Malls in China	12 Office Buildings	4 Convention Centers
70 Residential Projects		8 Hotels	3 Trade Halls



The largest bank in the Philippines in terms of market capitalization, consolidated resources, assets under management and capital

BRANCHES & ATMs

1,434 Philippines	2 Foreign
4,466 ATMs	



Incorporated in 1920 as the first privately owned local commercial bank in the Philippines

BRANCHES & ATMs

631 Philippines
1,002 ATMs

Our Sustainable Growth Pillars



We provide **inclusive economic opportunities** that help generate jobs



We **facilitate development** through public infrastructure building and rehabilitation



We promote **environmental responsibility**



We create **positive social impact**



We drive **sustainable growth**

Supporting Global Goals

SMIC is a signatory to the United Nations Global Compact and is proud of its ongoing efforts to create inclusive economic opportunities and positive social impact that contribute to the achievement of the United Nations Sustainable Development Goals.



We support the Sustainable Development Goals

Inclusion in ESG Indexes and Key Awards

SMIC is included in the FTSE4Good and FTSE4Good Emerging Indexes for its strong environment, social and governance (ESG) performance. For its commitment to gender equality and inclusive work environment, SMIC is included in the 2020 Bloomberg Gender-Equality Index (GEI). The company was also recognized as a leader in corporate sustainability with a Platinum Award in the 2019 The Asset ESG Corporate Awards.

In 2019, Forbes cited SMIC among the World's Best Employers for third straight year and as one of the top regarded companies in the annual list of the World's Best Regarded Companies, based on trustworthiness and company's performance. SMIC ranked No. 183 among the Top 500-ranked companies in the World's Best Employers 2019 and No. 172 among Forbes 2019 Global 2000-Best Regarded Companies.



1st ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Award

SMIC, Top Performing publicly-listed company in the Philippines

14th Corporate Governance Asia (CG Asia) Recognition Awards

Asia's Icon on Corporate Governance
Asia Corporate Director Award

Mr. Jose T. Sio, Chairman of the Board, SMIC
Ms. Teresita T. Sy, Vice Chairperson, SMIC

9th Asian Excellence Awards, Corporate Governance Asia

Asia's Best CEO
Mr. Frederic C. DyBuncio, President and CEO
Best Investor Relations Company, SMIC

9th Annual Institutional Investor Corporate Awards

Alpha Southeast Asia Annual Poll
SMIC was cited among the Top 3 Philippine corporates:
Most Organized Investor Relations
Strongest Adherence to Corporate Governance
Most Consistent Dividend Policy
Best Annual Report, 2018 SMIC Annual Report

The Asset ESG Corporate Awards

Platinum Award, SMIC
Best Investor Relations Team Award

Asia Sustainability Reporting Rating Awards 2019

Gold Award, 2018 Sustainability Report



MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders,

SM Investments Corporation (SMIC) had a good year in 2019. Our core businesses continued to grow and establish nationwide footprints even as the group maintained its leadership position in its core markets. We benefitted from economic factors that favored our consumer-led economy and delivered good financial performance. The PHP44.6 billion consolidated net income we earned

on the back of PHP501.7 billion in consolidated revenues was 20% higher than in 2018. Meanwhile we continued to invest, particularly in new digital capabilities and preparedness.

Our strong performance this year is also aligned with our objective of creating shared value. We created employment opportunities, supported thousands of micro,

small and medium enterprises (MSMEs) and provided investments into communities that contribute to national development priorities.

This year, our core businesses performed remarkably, generating strong revenue and profit growth. We expanded our presence in Metro Manila and widened our extensive network of retail and banking businesses while also

Our strong performance this year is aligned with our objective of creating shared value.

launching more integrated property developments across the country.

Our retail portfolio, especially food and specialty stores, delivered good growth and profitability. We paid attention to changing consumption patterns and refined our services and offerings to suit customer needs and adopted innovation and technology to bring more value to our customers.

The property group delivered sustainable growth brought about by the outstanding performance of malls and strong take up of residential products. Focus was given to improving the top line through strategic expansion and integrating developments while ensuring efficient cost management. The group continued to innovate to provide products and services that give the best value and convenience to the communities we serve.

Through our banks, we supported private investment and government projects by helping fund infrastructure as well as improve financial inclusion through our MSME initiatives. We likewise continued

to invest in our market coverage by deploying more branches and enhancing our digital infrastructure. We balanced these initiatives with prudent risk management and environmental sustainability.

We continue to place significant attention on responsible growth by enhancing our environmental, social and governance (ESG) culture across the group. Our core activities help drive economic development and are complemented by targeted social investments in education and health and wellness. Good corporate governance practices further drive our holistic approach to business and ensure that we protect our minority shareholder and other stakeholder interests.

Our progress this year is also the result of the continuing collaboration of our dedicated employees, management team, business partners and customers that helps sustain our success. We are pleased with the continued recognition of SMIC as being at the forefront of sustainability and good governance. The numerous awards received reflect the trust

and credibility of the businesses we operate. The various units of the company are working together to drive sustainability further in our operations to ensure our long-term success.

We remain committed to being a catalyst for development in the communities we serve and to creating sustainable value for our shareholders. On behalf of the Board of Directors, we thank you for your continued support and confidence.



JOSE T. SIO
Chairman



TERESITA T. SY
Vice-Chairperson



HENRY SY, JR.
Vice-Chairman



PRESIDENT'S REPORT

Dear Fellow Shareholders,

This has been another strong year for SM Investments Corporation (SMIC). We delivered solid revenue and profit growth across our core businesses. This resulted in record high consolidated net income of PHP44.6 billion in 2019, up 20% from PHP37.1 billion in 2018. Consolidated revenues rose 12% to PHP501.7 billion from PHP449.8 billion in 2018.

Our results were driven by sustained growth momentum in our property group, led by residential and commercial developments, as well as our domestic expansion in retail and improved net income in our banking businesses. We generated solid cash flows and grew our total assets to PHP1.1 trillion, up 8%.

Strong revenue and profit growth

All our core businesses performed well in 2019.

In retail, we posted 9% increase in total revenues to PHP366.8 billion while total net income stood at PHP12.5 billion, up 10%. We grew our retail portfolio by 412 new outlets this year.

As we sharpen our focus on creating inclusive economic opportunities, we remain committed in strengthening our ability to create meaningful impact to society and deliver greater shareholder value.

THE SM STORE opened two new stores in Ortigas, Pasig City and Olongapo, Zambales. These contributed an additional 8,575 square meters, bringing the gross selling areas of all the department stores to 807,854 square meters. Our specialty retail portfolio, led by appliances, sports apparel and health and beauty, continued to exhibit strong sales and superior margins. Meanwhile in food retailing, SM Markets opened 248 stores in 2019, strengthening its domestic presence and tapping new market opportunities outside Metro Manila.

Alfamart, which is expanding in underserved residential communities, opened an additional 228 new stores in 2019. It surpassed its 700-store target across the country to cap the year with a total of 754 stores.

SM Prime Holdings, Inc. (SM Prime), our property group, had a very good year in 2019. The sustained growth trajectory of SM Prime was attributed to strong sales take-up and reservation sales

of its residential projects and improved same-mall-sales growth across all mature malls. SM Prime delivered consolidated net income of PHP38.1 billion, up 18% from PHP32.2 billion in 2018.

Philippine mall revenues posted an 8% increase to PHP57.8 billion while revenues from the residential group, led by SM Development Corporation (SMDC), increased 24% to PHP45.2 billion. Meanwhile SM Prime's other business segments, comprised of office buildings, hotels and convention centers, contributed combined revenue growth of 14% to PHP9.6 billion.

In banking, BDO Unibank, Inc. (BDO) and China Banking Corporation (China Bank) both posted record high net income due to robust performance of core recurring earnings, network expansion and improved loan mix on broad-based growth across market segments.

BDO recorded a net income of PHP44.2 billion in 2019, up 35% from PHP32.7 billion in 2018.

This translated to a Return on Common Equity (ROCE) of 12.8% from 10.7% in 2018. Net interest income grew by 22% to PHP119.9 billion on improved Net Interest Margin (NIM). Customer loans rose by 9% to PHP2.2 trillion across market segments while total deposits increased by 3% to PHP2.5 trillion. BDO had a strong balance sheet with total resources of PHP3.2 trillion as at end 2019.

China Bank also achieved 24% growth in net profits to an all-time high of PHP10.1 billion. This translated to an improved ROCE of 11%. Earnings were driven by the sustained growth of its core businesses — gross loans expanded 13% to PHP577.8 billion and total deposits jumped 7% to PHP775.4 billion. The bank posted net interest income growth of 14% to PHP26.1 billion supported by non-interest income which surged 49% to PHP8.4 billion. China Bank capped off the year with total resources of PHP962.2 billion, up 11% in 2019.

Amid our robust financial performance, we made significant progress in our sustainability journey which strengthened our role as an active partner for sustainable development.

Embracing technology and innovation

Recognizing the pervasiveness of digital technology, we continue to embed this in our operations, especially in retail to enhance customer experience and in digital banking to improve our service and to stay competitive. Our banks have strengthened their digital capabilities including mobile and online banking services, enhanced their cyber resiliency and invested in digital infrastructure to ensure consistent delivery of quality products and services.

As we expand our footprint, we continue to work hard to make our shopping malls and retail outlets relevant to evolving customers' needs. We are mindful of the rapidly changing trends and we are committed to applying digital innovations in our businesses.

We continue to build on our capabilities with best-in-class partners to enhance our online and offline presence. We invested in new technologies by partnering with end-to-end customer solutions that allow digital payments and cashless transactions in our retail outlets. To complement our physical retail stores we launched ShopSM, the company's online shopping platform and enhanced the Click & Collect concept, an in-store pick-up option for online shoppers.

In 2019, SMIC participated in the joint venture with GrabPay mobile wallet in the Philippines, enabling us to drive more financial inclusion for unbanked Filipinos. This strategic partnership combines our expansive network of establishments and merchant partners nationwide with the strength of Grab's fintech platform to expand cashless opportunities to more Filipinos.

Deepening our Commitment to Sustainability

Amid our robust financial performance, we made significant progress in our sustainability journey which strengthened our role as an active partner for sustainable development. We leverage the synergies of our businesses which drive us to serve communities better and stimulate economic activities where we are present. In particular, we capitalize on our expansive footprint to create economic opportunities and activity in terms of job creation, access to financing through our banks and formal retailing, especially for thousands of micro, small and medium enterprises (MSMEs) in our inclusive supply chain. We are partners for growth for MSMEs as we help them increase their exposure through our retail

businesses and gain access to capital through our banks. Likewise, our banks are strongly positioned to help the underserved and unserved markets segments in the country.

Our strategy of building property developments and integrated lifestyle cities supports national goals by developing city centers nationwide that spur economic growth while we ensure that these developments are sustainable in terms of operation and design.

Meanwhile, our social investments are targeted towards the basic needs of the communities we serve such as in education through our scholarship and school building programs, healthcare through our medical and wellness programs and sustainable agriculture and food security through farmers' trainings.

We anchor all our businesses on good corporate governance and sustainability is integral to the way we do business at SM. We look at balancing our long-term success with the best interest of our various stakeholders and this drives us to create long-term shareholder value.

One of the highlights of the year are the numerous accolades for SMIC which recognized the company's outstanding environmental, social and governance (ESG) performance. In 2019, we remained the only Philippine corporate named as

one of the Top 250 Best Regarded Companies globally by Forbes. We also ranked for the third consecutive year on Forbes Global 2000 – World's Best Employers 2019. We are also a constituent in the recognized sustainability index, FTSE4Good Index Series. This Index recognizes companies worldwide that demonstrate strong ESG practices against globally recognized standards. Moreover, SMIC is also included in the FTSE4Good Emerging Index Series, whose constituents come from over 20 countries worldwide.

This year, SMIC was among the top ranked in governance in the region based on the ASEAN Corporate Governance Scorecard and has been consistently honored as a Platinum Awardee for leadership in sustainability and governance by The Asset. We were also included in the 2020 Bloomberg Gender-Equality Index (GEI) which reflects our commitment to gender equality and inclusive work environment through measurement and data transparency.

As we aspire to be the employer of choice, we are dedicated to attracting talent and developing our employees to be a globally competitive workforce. We continue to align with the global human and labor principles of the United Nations Global Compact (UNGC). As a signatory to the UNGC, we

support its 10 Principles relating to human rights, labor, environment and anti-corruption.

We enjoin you to read more on our commitment to sustainability and the progress we are making in our full 2019 Sustainability Report.

Towards a more Sustainable Future

As we sharpen our focus on creating inclusive economic opportunities, we remain committed in strengthening our ability to create meaningful impact to society and deliver greater shareholder value.

We look forward to your continued support as well as the support of our Board of Directors, management team, business partners, customers and colleagues as we continue to grow our portfolio.

We are confident about the long-term growth potential of the country and we remain committed to maintain a strong balance sheet that gives us financial flexibility to remain resilient and enables us to capture growth opportunities.



FREDERIC C. DYBUNCIO
President and CEO

BUSINESS REVIEW

Delivering Sustained Growth







SM RETAIL, INC.

Forging Ahead to New Markets

SM Retail forged ahead with its expansion across the country, capping off the year with a total of 400 new stores in 2019. The majority of the new stores opened were in Pampanga and Nueva Ecija but the concentration continues to be in South Luzon.

Amid a 5.8% increase in consumer spending in 2019, SM Retail reported total revenue growth of 9% to PHP366.8 billion. Net income increased 10% to PHP12.5 billion.

SM Retail is comprised of THE SM STORE, specialty retail and food retail led by SM Markets including Waltermart and Alfamart.

As at year end, SM Retail has a total of 2,799 outlets, comprising 65 THE SM STORES, 1,609 specialty retail outlets, 58 SM Supermarkets, 52 SM Hypermarkets, 201 Savemore, 60 Waltermart and 754 Alfamart stores.

THE SM STORE

THE SM STORE opened two new stores in strategic and high traffic areas in Ortigas, Pasig City and Olongapo in Zambales.

Its 65th branch, located at the East Wing of Estancia Mall in Ortigas, is a three-level store that spans a total of 12,700 square meters and

features elegant design elements – black fixtures, natural stones such as marble and some custom-made metal finishes and theatrical lighting to accent merchandise and displays. The SM STORE also opened its new branch in SM City Olongapo Central, its second branch in the vibrant and bustling Olongapo City. With the additional stores, total gross selling areas in 2019 stood at 793,796 square meters.

Brands were also added in 2019 to its growing portfolio which include Starter, Fila Active Men's wear, Netflix Teens Wear and Kendall & Kylie Wears.

Opening of the 65th THE SM STORE. (from l-r) SM Retail Director Jorge T. Mendiola, Pasig City Administrator Jeron Manzanero, THE SM STORE President Consuelo C. Monasterio joined by celebrity Heart Evangelista-Escudero, Ms. Felicidad T. Sy, SM Prime Chairman of the Executive Committee Hans T. Sy and Ortigas Land President and Chief Executive Jaime Ysmael.



To cater to the fast-changing tastes of shoppers and the influx of online shopping, THE SM STORE went live with ShopSM, which aims to be the online platform of convenience for the Filipino consumer to be able to shop for SM brands anytime through mobile/web channels.

ShopSM carries staples from every department – home basics, kids and baby essentials, beauty products, shoes, bags and a

variety of clothing for men, women and children.

To promote a culture of giving and purposeful sharing, THE SM STORE's initiative, the SM Share Movement serves as a vehicle for shoppers to share their blessings through regular donation drives and distribution activations.

The project has already gathered more than 1.3 million items to

date including clothes, books, toys, footwear and disaster kits which have been distributed to various communities across the country.

Through the years, the Share Shoes Campaign has collected over 40,000 pairs of shoes to reach disadvantaged children and inspire them to take those important steps toward achieving their goals.



SPECIALTY RETAIL

In 2019, the vibrant performance of specialty retail stores was attributed to higher consumer spending. Specialty stores provide SM Retail with a diverse array of leading brands to capture growth in various categories of discretionary spending. This year, significant revenue growth was seen in pharmaceuticals (Watsons), appliances (SM Appliance) and sports gear and apparel (Sports Central) due largely to shifting lifestyles. The year also saw the addition of international shoe brand Ecco in the roster of specialty brands.

By end 2019, SM Retail operated 1,609 specialty retail outlets. Currently, specialty brands include ACE Hardware, SM Appliances, Homeworld, Our Home, Toy Kingdom, Watsons, Kultura, Baby Company, Sports Central and Pet Express among others. These formats are located in SM malls with several also growing as standalone stores.



SM MARKETS

SM Markets remains among the top performing food retailers with its continued expansion, innovation and up-to-date assortment.

In a conscious effort to bring the SM shopping experience closer to shoppers, SM Markets (SM Supermarket, SM Hypermarket and Savemore), Alfamart and

Walmart opened 248 new stores across the Philippines in 2019. The food group's expansion allowed SM to tap new market opportunities outside Metro Manila

while strengthening its presence in existing territories.

SM Markets' strategy of keeping up with consumer preferences through relevant assortment boosted by shopper-oriented promotions continues to please consumers in both primary and secondary areas, increasing both transactions and basket sizes. The group also expanded its offerings to include wider arrays of both local and imported favorites like the privately distributed British brand Tesco. The year also saw an influx of Asian household products through Watts Japan and Watts Up. Its reliability and consistency have established SM Markets as the go-to store for shoppers, as evident in SM receiving the Top Consumer's Choice Award from the Department of Trade and Industry.

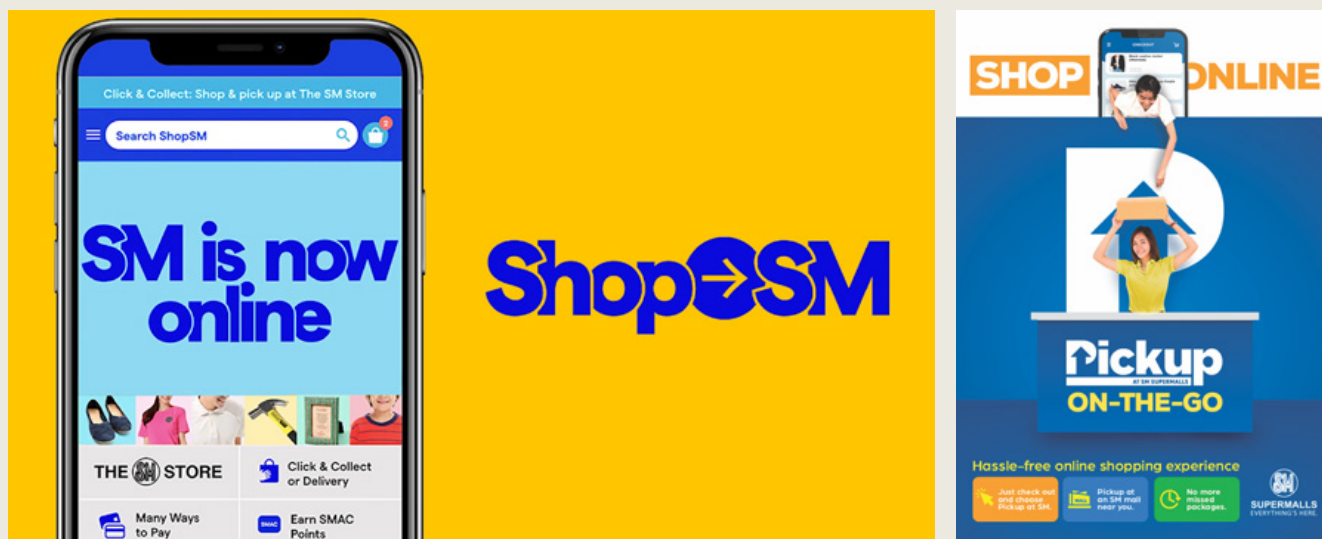
Meanwhile, SM Markets' venture into e-commerce in 2018 through Click and Collect, garnered initial positive appreciation in test areas leading to its expansion in 2019. The group is currently gearing up to expand the service to also include deliveries in 2020.

SM Markets also continues to go beyond food retailing through its growing ready-to-eat offerings. The group's successful affordable premium steak hub, United Steak, opened in four more stores last year, namely Podium, Megamall, Light Mall and MAAX, while its coffee and milk tea brand, Five Star, added 10 more branches.

The group's pioneering immersion program for Persons with Autism, AutiSM at Work, received the Philippine Quill Award for Corporate Social Responsibility Programs from the International Association of Business Communicators during the 17th Philippine Quill Awards.



FEATURE



Leading Philippine Modern Retailing Through Technology

SM Retail recognizes that today's consumers have immersed themselves in technology and have started to utilize the advantages of online shopping.

To serve customers in just a few clicks and scrolls, SM Retail launched its online shopping platform, ShopSM, that showcases a variety of items found in every SM department store: from menswear to womenswear, shoes to bags and baby essentials to kids' wear. It also offers popular toys, select cosmetics and beauty products, kitchen appliances, home accessories and even hardware equipment.

ShopSM also makes sure to catch the latest trend in the fashion scene, including products from popular international brands, giving fantastic deals to customers and

allowing them to earn points using SM Advantage Card, SM Prestige or BDO Rewards cards.

Aside from providing a wide array of products, ShopSM also gives an accessible, diverse and convenient shopping experience through different payment options, including cash on delivery, credit payments and debit payments. It also introduced the "Click & Collect" concept – a free in-store pickup option enabling shoppers to buy online and select a branch where they can pick up their items.

Alternatively, customers can have their order delivered to their nominated address with cash on delivery as a further payment option. Shipping fees are charged depending on location as well as the dimensions and weight of the items.

Shifting to cashless

As the company with the most diversified retail portfolio in the country, SM Retail serves all customer segments by continuously investing in new technologies to further improve its services.

Through partnerships with several mobile wallet applications and financial services companies, SM facilitates the preference of Filipinos to be more cashless, allowing the use of tap-and-go and prepaid digital methods.

Cashless transactions offer greater efficiencies. It cuts down long queues, promotes convenience for both physical and online transactions and saves time waiting for change.



Currently, SM partners with end-to-end customer solutions like GrabPay, AliPay, GCash, PayMaya, WeChat Pay, VISA and Mastercard to promote secure and efficient digital transactions.

Enhancing mall experience

SM also strives for innovation to provide better customer service to all. As part of its mission to maintain high standards of customer service, SM Supermalls introduced SAM, the country's first-ever in-mall smart robot.

First launched in SM Megamall, SAM, an Artificial Intelligent (AI) equipped humanoid robot, was made to help customers with mall directions, give product information, mention promos and events, answer mall-related queries and even provide 24/7 access via chatbot.

The modern companion for SM mall-goers was programmed to deliver a smoother, efficient and

more fun mall experience, staying true to its core value of continuously bringing customer innovations.

SAM has been introduced at SM Megamall and SM Aura Premier but will be able to greet customers in other SM malls soon. The robot concierge was created in partnership with Cal-Comp Technology (Philippines), a leading provider of electronic and original design manufacturing services.

SM Supermalls partnered with logistics provider Airspeed to launch a new fulfillment service option called "Pickup at SM Supermalls" that allows shoppers to conveniently pick up their ecommerce orders at selected SM malls. Online merchants that partner with Airspeed and SM for this service will be able to offer their customers a reliable and convenient delivery hub to pick up their purchased items at their own leisure.

With its constant focus on quality products, service excellence and retail innovation, SM continues to provide shopping convenience and elevate its customers' mall experience.



SAM

FEATURE



ALFAMART

Serving the Community Just Around the Corner

Alfamart's performance in 2019 was bolstered by its store expansion as it continued to bring convenient small-format modern food retailing into underserved residential areas.

It opened 228 new stores in 2019, ending the year with 754 stores, of which the highest concentration is in South Luzon. New branches were also opened in Pampanga and Nueva Ecija, contributing to Alfamart's revenue growth.

With a growing number of stores in North Luzon, Alfamart opened its third distribution center in Pampanga to better serve this region.

Dubbed as a Super Minimart, Alfamart brings the convenience of a supermarket in a small-format store just around the corner,

offering everything one needs for the home – a mix of fresh items, such as meats, vegetables and others such as canned goods, imported snacks, cleaning supplies, select healthcare items and more at prices comparable to those found in the supermarket.

Through monthly product reviews, Alfamart ensures that its stores have the most complete and efficient assortment possible within a compact retail space.

Aside from selling basic groceries and ready-to-eat food, Alfamart offers value-added services such as prepaid cellular service loading station and bills payment options in its bid to be a one-stop shop for Filipino customers. 24-hour ATMs are also installed in selected stores.

The Super Minimart chain also leverages synergies with the SM Group in offering SM Bills Payment and use of the SM Advantage Card as well as access to BDO and China Bank ATMs.

Aiming to improve the lives of consumers and the communities they operate in, Alfamart stepped up its efforts on waste management, conducting an "Alfa Linis" clean-up drive in Baseco Beach, Manila.

For its efforts, the five-year-old Super Minimart chain was recognized for its commendable retail operations, bagging the 2019 Golden Globe Annual Awards for Business Excellence and is recognized by the City of Imus as one of its Top Business Taxpayers of 2019.





SM City Olongapo Central



SM City Olongapo Central

SM PRIME HOLDINGS, INC.

Strong Domestic Presence

SM Prime Holdings, Inc. (SM Prime) performed well in 2019, posting growth across its core businesses of mall operations, residential projects, office leasing, hotels and convention centers. SM Prime delivered record growth of 18% in its consolidated net income to PHP38.1 billion from PHP32.2 billion in 2018 while consolidated revenues grew 14% to PHP118.3 billion in 2019 from PHP104.1 billion the previous year. Operating income increased by 17% to PHP56.7 billion from PHP48.3 billion.

SM Prime's strategic expansion and strong domestic presence in the country, especially in developing cities, drove the company's growth in 2019. It continues to build sustainable integrated property developments that have great potential in the country's overall economy.

During the year, SM Prime opened two shopping malls: SM Center Dagupan in Pangasinan and SM City Olongapo Central in Zambales, both in Luzon.

Mall operations contributed a 7% increase in revenues to PHP63.6 billion from PHP59.3 billion in 2018. This was mainly driven by the 7% same-mall-sales growth across all mature malls. Sales from cinema and event tickets contributed 6% growth to PHP5.5 billion in 2019 from PHP5.2 billion in 2018, while revenues from amusement, merchandise sales and others grew by 14% to PHP4.1 billion in 2019 from PHP3.6 billion in 2018.



SM Center Dagupan

As at year-end 2019, SM Prime had 74 malls in the Philippines offering 8.5 million square meters (sqm.) of gross floor area (GFA) and seven malls in China with 1.3 million sqm. of GFA.

SM Prime's primary residential business led by SM Development Corporation (SMDC) delivered a

24% increase in revenue to PHP45.2 billion in 2019 from PHP36.5 billion in 2018. The main drivers of growth were higher construction accomplishments of projects such as Cheerful Residences, Green 2 Residences, Trees Residences, Hope Residences, Charm Residences and Bloom Residences and fast take-up of various ready-for-occupancy

(RFO) projects located in the Mall of Asia Complex in Pasay City and Makati City.

During the year, SMDC's reservation sales increased by 24% to PHP90.0 billion in 2019 from PHP72.3 billion in 2018. Unit sales increased by 11% to 23,424 from 21,157 residential units. This was largely



Glam Residences Lobby



Style Residences

contributed by strong sales take-up of residential projects such as Glam Residences, Sail Residences, Lane Residences, Style Residences and Light 2 Residences.

Meanwhile, SM Prime's other business segments grew by 14%, delivering a combined revenue of PHP9.6 billion in 2019 from PHP8.4 billion in 2018. This growth was attributed to gains recorded in the Commercial Properties and Hotel and Convention Centers portfolio. Contributions came from the start of operations at ThreeE-Com Center and the opening of NU Mall of Asia and Park Inn by Radisson Hotels in Iloilo and North EDSA, Quezon City.



Style Residences

By year end, SM Prime had a total of 12 office buildings with a combined GFA of 695,000 sqm., eight hotels with over 1,900 rooms, four convention centers and three trade halls.



Sail Residences

FEATURE

*Park Inn by Radisson Iloilo*

SM HOTELS AND CONVENTIONS CORPORATION

Promoting the Philippine Hospitality Industry

In 2019, SM Hotels and Conventions Corporation (SMHCC) added new hotels to its growing portfolio, complementing the growth of the Philippine hospitality industry and responding to the rising demand in the Meetings, Incentives, Conventions and Exhibitions (MICE) market.

SMHCC launched Park Inn by Radisson Iloilo, boosting Iloilo's tourism landscape and MICE opportunities. The 199-room hotel connects to the Southpoint section

of SM City Iloilo's mall complex and is close to the Iloilo Convention Center.

Park Inn by Radisson North EDSA, a 238-room hotel, sits strategically within the SM North EDSA mall complex and well within Quezon City's central business and entertainment districts.

These hotels expanded SMHCC's portfolio to eight hotel properties and 37,357 sqm. of convention space. Other properties in the

portfolio are Taal Vista Hotel, Pico Sands Hotel, Conrad Manila, Radisson Blu Cebu, Park Inn by Radisson Clark, Park Inn by Radisson Davao and the SMX Convention Centers and Trade Halls.

SMHCC also announced an agreement with Hong Kong's Lanson Place Hospitality Management Limited for the introduction of the Lanson Place brand in the Philippines. The first Lanson Place in the country, Lanson Place Hotel and Serviced Suites Mall of Asia,



Lanson Place Hotel and Serviced Suites Mall of Asia



Park Inn by Radisson North Edsa

is set to feature 250 hotel rooms and 150-room serviced suites. It is poised to cater to business travelers and MICE delegates as it is near flagship SMX Convention Center Manila and the iconic eCom office buildings.

SMHCC remains committed to grow its footprint across the country and more importantly, to pursue its vision of building and operating hotels and convention centers that take pride in Filipino warmth and hospitality.



Park Inn by Radisson North Edsa



BDO UNIBANK, INC.

Sustaining the Growth Momentum



BDO Unibank, Inc. (BDO) posted a net income of PHP44.2 billion in 2019 from PHP32.7 billion in 2018, representing a 35% year-on-year increase attributable to the strong performance of its core banking activities. The results exceeded the Bank's PHP38.5 billion full-year guidance and translate to a Return on Common Equity (ROCE) of 12.8% from 10.7% the year before.

Net interest income grew by 22% to PHP119.9 billion. The Bank's Net Interest Margin (NIM) improved on continued Current Account/ Savings Account (CASA) growth and improving loan mix in favor of consumer and middle market customers. Customer loans rose by 9% to PHP2.2 trillion, while total deposits grew by 3% to PHP2.5 trillion bolstered by the 8% increase in low-cost CASA deposits. CASA ratio was 73%,

among the highest in the industry and generating the lowest funding cost among its peers.

Non-interest income expanded by 22% to PHP60.6 billion, led by fee-based income with PHP35.3 billion and insurance premiums with PHP14.8 billion. Trading and forex gains settled at PHP5.7 billion. Overall, gross operating income increased by 22% to PHP180.5 billion.

Operating expenses amounted to PHP115.2 billion, up 17%, in line with the Bank's continuing business and network expansion, as well as higher volume-related expenses (specifically, taxes and licenses and policy reserves at BDO Life).

The Bank maintained its conservative credit and provisioning policies, setting aside PHP6.2 billion

in provisions, even as its gross non-performing loan (NPL) ratio was steady at 1.2% and NPL cover remained high at 164.7%.

Total capital base increased to PHP370.6 billion, with Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) ratio at 14.2% and 12.7%, respectively, both comfortably above regulatory levels.

With its strong business franchise and solid balance sheet, backed by a robust IT platform and sturdy Business Continuity Plan (BCP), BDO believes it will be resilient to domestic and external challenges while being well-positioned to capitalize on long-term growth opportunities.



CHINA BANKING CORPORATION

Celebrating the Past, Embracing the Future

The year 2019 was successful and transformational for China Bank. Gearing up for its centennial in 2020, the Bank continued to uphold sound business management and governance practices to build trust and enduring customer relationships, while enhancing competitiveness to reinforce its foundation for future growth.

Operating results in 2019 exceeded projections. China Bank achieved 24% growth in net profits to an

all-time high of PHP10.1 billion, which translated to an improved return on equity of 11.0% and return on assets of 1.1%. Earnings were driven by the sustained growth of its core businesses—gross loans expanded 13% to PHP577.8 billion and total deposits jumped 7% to PHP775.4 billion. Net interest income rose 14% to PHP26.1 billion, supported by non-interest income which surged 49% to PHP8.4 billion. Total resources grew 11% to PHP962.2 billion, very close to

its 2020 asset goal of PHP1 trillion. The Bank continued to be more than adequately capitalized, with PHP96.2 billion in total capital, up 9.5%, common equity tier (CET) 1 ratio at 12.8% and total capital adequacy ratio (CAR) at 13.7%.

Total deposits grew 7% to PHP775.4 billion, underpinned by PHP411.8 billion in checking and savings account (CASA) deposits. The Bank's PHP30 billion Peso retail bonds offer and US\$150 million



green bonds issue also helped improve funding flexibility. Six times oversubscribed, it was the second largest issuance for the year in terms of volume.

Recognizing the importance of technology in modern life, the Bank continued to build its digital capabilities. In 2019, it engaged Microsoft for digital advisory service to develop China Bank's digital transformation strategy and roadmap.

Founded on principled banking and anchored on sustainable operations, China Bank focused not only on achieving business objectives, but also on preserving its history and creating shared value. The Bank embarked on a restoration project to restore its original head office in Binondo, built in 1924, to its original architecture and make it more resilient for future generations. The Bank also continued to build a diverse and highly capable workforce to



promote a strong governance and compliance culture, to advance consumer protection as an integral part of delivering excellent customer service, and to proactively participate in social contribution and environmental protection activities to help make the earth a better place to live in.

This 2020, China Bank celebrates its 100th year of responsible banking. Throughout its history, the Bank stayed true to its values that have enabled it to achieve this milestone, while changing with the times to remain a catalyst of wealth and value creation from generation to generation.

EQUITY INVESTMENTS



PHILIPPINES URBAN LIVING SOLUTIONS

MyTown, a young professional rental housing brand owned, developed and managed by Philippines Urban Living Solutions (PULS), completed seven new buildings in 2019. PULS grew its portfolio from nine to 16 buildings. Bed capacity grew to 3,341 beds, remaining by far the leading co-living provider in the Philippines.

To maintain its position as the largest co living provider in the country, MyTown started two new projects in 2019 along the Bonifacio Global City perimeter, which together are expected to add around 1,200 additional beds to its total portfolio. The larger building, MyTown Los Angeles, will be adjacent to the new BGC



Ortigas bridge, offering a well located second home for young professionals working in both the BGC and Ortigas city districts. It will feature impressive amenities for all tenants to enjoy and will include co-working facilities that will allow for a true "zero commute" lifestyle.

In 2019, MyTown was recognized with two gold awards at the Asia-Pacific Grand Stevie Awards for 'Best "Service & Solution" Innovation' at the International Innovation Awards and 'Best Co-living Space in the Philippines' by Lamudi at The Outlook.

BELLE CORPORATION

Belle Corporation posted consolidated revenues of PHP7.5 billion in 2019, down 12% compared to 2018 revenues of PHP8.5 billion. This resulted in a 9% decrease in Belle's consolidated net income to PHP2.9 billion versus the previous year.

The company's overall operating performance was impacted by weaker results from Pacific Online Systems Corporation, which posted a 49% decrease in revenues to PHP990 million in 2019 from PHP1.9 billion in 2018.

For its real estate operations, Belle realized revenues of PHP3.5 billion in 2019, a 5% increase over the PHP3.4 billion recorded in 2018. The slight increase in revenues was primarily due to the lease of the land and buildings comprising City of Dreams Manila to Melco Resorts and Entertainment (Philippines) with some contribution from real estate sales and property management activities at its Tagaytay Highlands complex.

Gaming revenues at City of Dreams Manila, the main growth driver, remained resilient registering PHP2.98 billion in 2019 versus PHP3.2 billion in 2018. To mitigate the operating challenges it faced, Belle reduced its costs and expenses by 9%, to PHP3.7 billion in 2019 from PHP4.1 billion in 2018.



Sycamore Heights at Tagaytay Highlands

2GO GROUP, INC.

In 2019, 2GO Group, Inc. increased its focus on core services and profitability. This resulted in focused revenue generation, enhanced product management and improved operational efficiency.

This year saw 2GO's divestment of freighters and non-core fast craft while focusing on the faster and more reliable Roll-on/Roll-off Passenger (ROPAX) vessels, creating unique offerings to the market. The Logistics group optimized its operations by prioritizing high quality accounts and providing the corresponding capacity to support them. It developed sturdy transportation products complemented by warehousing services that enable stronger delivery commitment to its customers.

Business from its profitable Special Containers and Express groups



continued to grow as both offered superior logistics solutions while being operationally efficient. Consolidated revenues grew 9% to PHP21.4 billion driven largely by Scan Asia which continued to win new clients.

The 2GO Group's investment in new technology was an important factor

in the company's improvement in its operations, supporting its shipping, warehousing and transportation services. These combined efforts narrowed losses to PHP850 million in 2019 compared to PHP1.5 billion in 2018.

GRABPAY

SM Investments Corporation (SMIC) entered into a joint venture with Grab Philippines in 2019, a strategic partnership combining the strength of Grab's local user base and tech platform with SMIC's nationwide retail and banking portfolio.

The strategic partnership involves collaboration towards the universal acceptance of the GrabPay wallet as a payment option in the Philippines,



offering greater convenience in paying for shopping items, grocery supplies, cinema tickets and other goods and services in THE SM STORE, SM Supermarket, SM Cinema, other SM subsidiaries and partners as well as BDO's extensive merchant and banking network.

The joint venture expands cashless opportunities for its customers and provides an avenue to drive financial inclusion for millions of unbanked Filipinos.

SMIC has a 34.5% share in the joint venture. The company's investment

in GrabPay is part of SM's moves towards end-to-end solutions and digital innovation in its businesses, developing enhanced user experiences and convenience.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

Atlas Consolidated Mining and Development Corporation (Atlas Mining) reported consolidated gross revenues of PHP17.1 billion, an increase of 21% in 2019 from PHP14.2 billion in 2018. Atlas Mining posted a significantly lower net loss of PHP565 million in 2019, a 67% improvement from the PHP1.7 billion net loss in 2018. This was driven by sustained and stable production and increased shipment volumes of copper concentrate, as well as improvements in operating efficiencies that increased throughput in its wholly-owned subsidiary, Carmen Copper Corporation.

Earnings before interest, tax, depreciation and amortization (EBITDA) was PHP6.1 billion, 59% higher compared to PHP3.8 billion in 2018 as the gains from higher revenues offset the increase in cash costs.

As well as taking a strategic approach to improved productivity, effective and optimized operations and decreased production costs,



Atlas Mining continued to focus on creating value for all its stakeholders by being a responsible steward of the environment and improving the welfare of its host communities. Its approach to implementing its Social Development and Management Program is aligned with the United

Nations Sustainable Development Goals. Since its operation in 2008, Atlas Mining has invested over PHP900 million in the development of community facilities, healthcare, sustainable livelihood and scholarships which have helped over 1.2 million beneficiaries.



Protecting mangroves
in Hamilo Coast is part
of SM's efforts in nurturing
the environment

SUSTAINABILITY AND GOVERNANCE

Creating Meaningful Impact



The 2019 SMIC Sustainability Report has been prepared in accordance with the GRI Standards: Core Option and has successfully completed the GRI Materiality Disclosures Service.



Explore our full Sustainability Report via
<https://www.sminvestments.com/sustainability/sustainability-reports>

or scan this QR Code



Our Value Creation Story

Our Valued Resources



Our Brand



Our Relationship with Our Customers



Our People



Our Developments



Our Connection to Our Communities



Our Natural Resources



Our Supply Chain Network



Our Financial Resources

How We Create Shared Value



CUSTOMER-FOCUSED, BRAND ENHANCING INNOVATIONS

Our passion to anticipate the evolving needs of our customers is our driver in pursuing innovative solutions, providing products and services that cater to our diverse customers across all our businesses.



OUR BUSINESS ECOSYSTEM

We optimize the value of our businesses by harnessing the synergy of our business ecosystem, providing access to both financial and non-financial resources that amplify business growth and collective positive impact.



DYNAMIC WORLD OF OUR PEOPLE

Our diverse, agile and innovative network of teams enables us to capture opportunities and drive our growth.



RESPONSIBLE BUSINESS PRACTICES

Our holistic approach to corporate responsibility allows us to create impact in environmental sustainability and social development at scale.



GOOD CORPORATE GOVERNANCE

Our commitment to practice prudent judgment in the management of our financial and non-financial capitals provides a stable resource and capital base.

We harness the synergies of our businesses to create shared value for all our stakeholders.

How We Distribute The Value We Generate

We generate value for all our stakeholders manifesting in both financial and non-tangible benefits.



Product Delivery to Our Customers

We deliver quality, affordable and suitable products to our customers in a responsible way.



Purposeful Work for Our People

We provide a conducive environment for our people to harness their talents, develop their skills and find a meaningful career path. These skills allow our people to thrive amidst rapidly changing markets.



Social and Financial Inclusion for Our Communities

We find innovative ways to promote social and financial inclusion, providing opportunities for entrepreneurship and access to basic social services.



Environmental Responsibility for Our Natural Habitats

We find innovative ways to minimize our operational impact to the environment and help protect and conserve our natural resources and habitats.

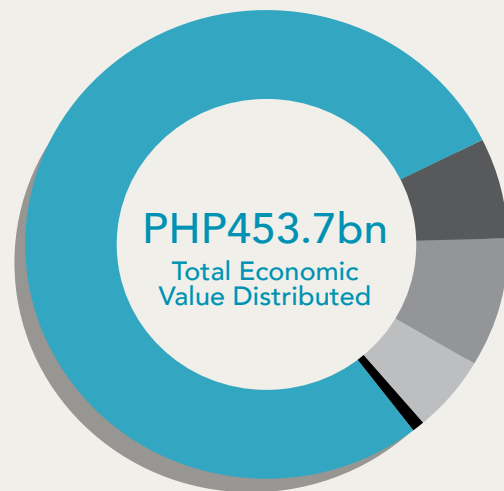


Active Engagement with the Global Sustainable Development Agenda

We mobilize our resources in upholding regulatory standards and in pursuing sustainable development goals.



PHP506bn
Total Economic Value Generated



78.3% Total operating costs

6.8% Total employee wages and benefits

9.0% Total payments to providers of capital

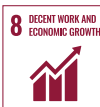
5.7% Total payments to government

0.2% Total community investments



PHP52.3bn
Total Economic Value Retained

SM's PATH TO SUSTAINABLE GROWTH



Job Creation

#183
Forbes
Global 2000
World's Best
Employers
2019

#172
Forbes
Global 2000
World's Best
Regarded
Companies 2019

157,288
employed in 2019

We Provide Inclusive Economic Opportunities

Disaster Risk Reduction and Management

1,627

SMEs availed of free data storage service of the SM Resilience Center

10%

of CapEx allocated to incorporate disaster resilient features

37

SM malls are Business Continuity Management System (BCMS) certified

12,659

SHDC* socialized housing units made available to the market

1,000

houses turned over by SM Cares for Yolanda Housing Project

Integrated Lifestyle Cities

5

integrated lifestyle cities built

74

malls in the Philippines

70

residential projects

8

hotels

4

convention centers

Green Finance

PHP43.4bn

total BDO funding for renewable energy projects with

2,168 MW
total installed capacity

Contribution to Global Sustainability Goals

Co-host

UNGC-GRI Regional Sustainability Summit

Signatory

UN Global Compact

Signatory

UN ARISE Philippines

Contribution to National Development Goals

PHP62.1bn

loans disbursed by BDO in the past 5 years for national projects, airports and road networks

PHP25.9bn

SMIC taxes paid in 2019

17 PARTNERSHIPS FOR THE GOALS



Promoting Social Inclusion

36,393

participants for the Happy Walk for Down Syndrome and the Angel's Walk for Autism in 2019

We Drive Sustainable Growth

Inclusive Supply Chains

10,000

registered
SM Retail
suppliers

19,153

current tenants of
SM Supermalls

1,500

MSMEs engaged by
THE SM STORE

Innovative Banking Products and Services

21.9M+

transactions made
through BDO's
CASH AGAD

2M

new BDO
checking and
savings account
holders in 2019

PHP51.5bn

outstanding
BDO SME loans

85

community health
centers renovated
with PhilHealth
TB-DOTS*
accreditation

258

health
centers
renovatedInfrastructure Building
and Rehabilitation

156

public school
buildings with

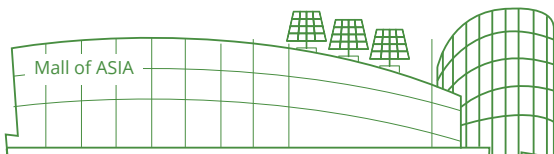
635

classrooms
constructed

We Facilitate Development

Responsible
Operations

9.2 MW

capacity of solar panels
installed in SM Supermalls

33.6%

of SM Prime's total
water consumption
in 2019 was recycled
equivalent to

2,031

Olympic-size
swimming pools

55%

of Atlas Mining's total
water consumption
in 2019 was recycled
equivalent to

3,376

Olympic-size
swimming poolsConservation and Preservation of
Natural Environments and BiodiversityMore than
3.4M
tree saplings
planted

122

bird species protected in
Hamilo Coast estate and
Carmen Copper Mine Site

3

marine
protected
areas
monitored

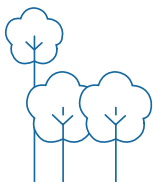
10

hectares of
mangroves
preserved

We Promote Environmental Responsibility

Holistic Community
Development

26,903

farmers trained
to date

8.8M

patients served through
rehabilitated health centers to date

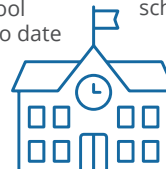
1.2M

patients served through

255

medical missions
conducted to date

64,076

students
benefitted from
public school
buildings to date

9,430

college and
technical-vocational
scholars supported with5,448
graduates

We Create Positive Community Impact

*Tuberculosis - Directly Observed Treatment, Short Course

BOARD OF DIRECTORS

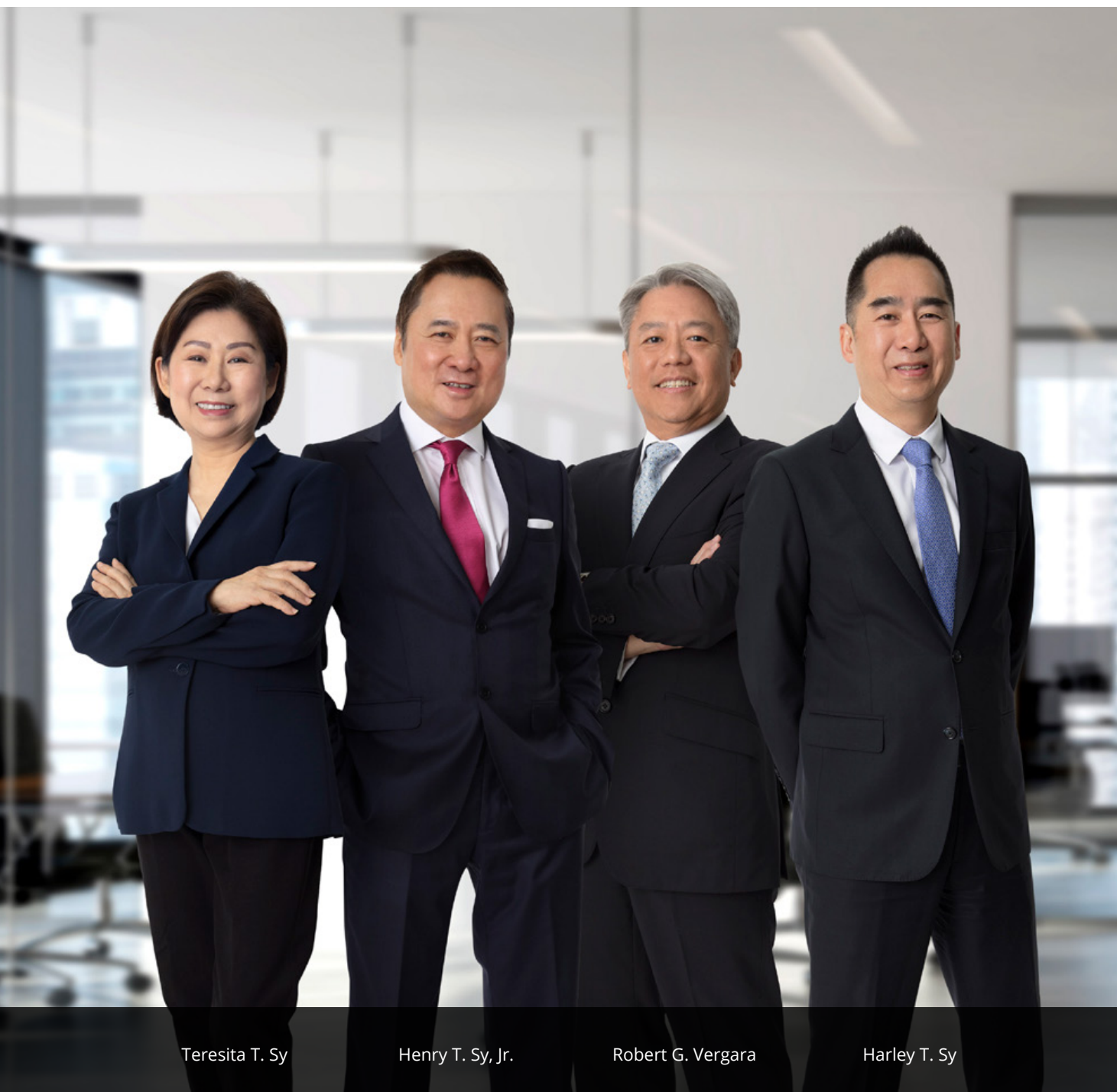


Tomasa H. Lipana

Alfredo E. Pascual

Frederic C. DyBuncio

Jose T. Sio



Teresita T. Sy

Henry T. Sy, Jr.

Robert G. Vergara

Harley T. Sy

Jose T. Sio is the Chairman of the Board of SM Investments Corporation (SMIC). He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, Far Eastern University, NLEX Corporation and Ortigas Land Corporation, 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 is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail, Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. (BDO) and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc., BDO Capital & Investment Corporation, BDO Foundation, Inc., and BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company, Inc.). She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

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

Frederic C. DyBuncio is the President and Chief Executive Officer of SMIC and 2Go Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation and Director of Phoenix Petroleum Philippines, Inc. 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 Asian Institute of Management.

Harley T. Sy is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group and Adviser to the Board of Directors

of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail, Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

Alfredo E. Pascual is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in such positions as Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia as well as board directorships in ADB's investee companies in China, India, and the Philippines. Earlier on, Mr. Pascual held executive positions in investment banking companies, e.g., First Metro Investment Corporation and was a finance professor at the Asian Institute of Management (AIM). Currently, he is an independent director at other publicly-listed companies and a trustee at nonprofits and foundations. He finished MBA and BS Chemistry (cum laude) at UP.

Tomasa H. Lipana is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, 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 is an Independent Director of SM Investments Corporation. 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

Elizabeth T. Sy

Gregory L. Domingo

Serafin U. Salvador

Hans T. Sy

Herbert T. Sy

Roberto G. Manabat



Corporate Governance

SM Investments Corporation (SMIC) remains 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 that there is always a diverse composition of directors on the Board which assists in advancing SMIC's strategic objectives. Per the said policy, the Company commits to having a diverse collection of directors, in terms of age, ethnicity, culture, skill, competence, knowledge, gender, among other qualifications. To monitor progress in achieving the Board's diversity goals, the relevant board committee utilizes a board matrix, which provides for the mix of attributes, skills, competencies, experience and affiliations, the Board currently possesses and 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, whether it be business or otherwise, which could be perceived to impede the performance of independent judgment. Independent directors are tasked to encourage impartial discussions at board meetings, monitor and provide feedback on Management's performance, and safeguard the interests of the Company's various stakeholders.

SM Investments Corporation's Board of Directors

Director	Designation	Directorship	Age	Year First Elected	No. of years served as director
Jose T. Sio	Chairman of the Board	Non-Executive Director	80	May 2005	15
Teresita T. Sy	Vice Chairperson	Non-Executive Director	69	May 1979	41
Henry T. Sy, Jr.	Vice Chairman	Non-Executive Director	66	May 1979	41
Frederic C. DyBuncio	President/CEO	Executive Director	60	April 2017	3
Harley T. Sy	Executive Director	Executive Director	60	May 1993	27
Tomas H. Lipana	Lead Independent Director	Independent Director	71	April 2016	4
Alfredo E. Pascual	Independent Director	Independent Director	71	April 2017	3
Robert G. Vergara	Independent Director	Independent Director	59	April 2019	1

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, regulations and codes of best business 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, and setting the retirement age for directors and key officers at eighty (80) years of age.
- Ensure that each elected director, shall, before assumption of office, be required to attend a seminar on corporate governance conducted by a duly recognized private or governance institution.
- Ensure that each director shall annually attend relevant continuing education programs conducted by a regulatory body accredited training provider.
- Ensure that directors with material interest in any transaction affecting the Company should abstain from taking part in the deliberations for the same.
- Formulate and implement group-wide policies to ensure the integrity of related party transactions, particularly 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 used during Board meetings are distributed to the relevant parties at least five (5) business days before the actual meeting.

Director	Regular (1)	Regular (2)	ASM	Organizational	Special (3)	Special (4)	Regular (5)	Regular (6)	%
	2/28/19	4/24/19	4/24/19	4/24/19	5/8/19	6/14/19	8/7/19	11/6/19	
Jose T. Sio	✓	✓	✓	✓	✓	✓	✓	✓	100
Teresita T. Sy	✓	✓	✓	✓	✓	✓	✓	✓	100
Henry T. Sy, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	100
Frederic C. DyBuncio	✓	✓	✓	✓	✓	✓	✓	✓	100
Harley T. Sy	✓	✓	✓	✓	✓	✓	✓	✓	100
Joseph R. Higdon*	✓	✓	✓	✓	n/a	n/a	n/a	n/a	100
Tomas H. Lipana	✓	✓	✓	✓	✓	✓	✓	✓	100
Alfredo E. Pascual	✓	✓	✓	✓	✓	✓	✓	✓	100
Robert G. Vergara*	n/a	✓	✓	✓	✓	✓	✓	✓	100

*Mr. Robert G. Vergara replaced Mr. Joseph R. Higdon as independent director.

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 is tasked 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.

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, majority of whom, including the Chairperson, are independent directors. 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. Tomas 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.)

The Related Party Transactions Committee

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

Related Party Transactions Committee

Office	Director	10/24/19
Chairman (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.

Compensation Committee			
Office	Director	4/24/19	11/6/19
Chairperson (NED)	Teresita T. Sy	✓	✓
Member (ID)	Joseph R. Higdon*	✓	n/a
Member (ID)	Alfredo E. Pascual*	n/a	✓
Member (NED)	Jose T. Sio	✓	✓

*Mr. Alfredo E. Pascual replaced Mr. Joseph R. Higdon as member on this committee.

Board Remuneration

Members of the Board of Directors receive a per diem of P100,000 for each regular or special Board meeting attended and P20,000 per diem per Board Committee meeting attended. The amount of the per diem is proposed at the Annual Stockholders' Meeting and approved by SMIC shareholders. Total compensation paid to directors is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting.

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.

Risk Management Committee			
Office	Director	8/7/19	11/6/19
Chairman (ID)	Robert G. Vergara	✓	✓
Member (ID)	Alfredo E. Pascual	✓	✓
Member (NED)	Jose T. Sio	✓	✓

Enterprise Risk Management (ERM)

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

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

Actions adopted to mitigate the Company's risks include investment 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 are regularly conducted to proactively detect and address threats.

The Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in its corporate governance related responsibilities, while also performing 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.

Corporate Governance Committee			
Office	Director	2/28/19	4/24/19
Chairman (ID)	Joseph R. Higdon*	✓	✓
Current Chairman (ID)	Alfredo E. Pascual*	✓	✓
Member (ID)	Tomas H. Lipana	✓	✓
Member (ID)	Robert G. Vergara**	n/a	n/a

*Mr. Alfredo E. Pascual replaced Mr. Joseph R. Higdon as Chairman of this committee on April 24, 2019.

**Mr. Robert G. Vergara became a member of this committee after the meeting held on April 24, 2019.

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. A shareholder of record, including a minority shareholder, entitled to notice of and to vote at the Annual Stockholders' Meeting for the election of directors shall be qualified to be nominated as a director. When searching for candidates to 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 pre-screen and check the qualifications of all persons nominated to be elected to the Board from the pool of candidates submitted by the nominating shareholders. The Manual on Corporate Governance prescribes the following qualifications to be a director of the Company:

- Holder of at least one (1) share of stock of the Corporation;
- Shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- Shall be at least twenty-one (21) years old;
- Shall be proven to possess integrity and probity;
- Shall be diligent, hardworking and reputable;
- Shall be proven to possess the appropriate level of skill and experience in line with the strategic plans and goals of the Company; and
- In addition to the qualifications for membership in the Board required in relevant laws, the Board may provide for additional qualifications, which may include practical understanding of the Company's business, membership in good standing in relevant industry, business or professional organizations, and previous business experience.

In addition to the aforementioned qualifications, the Corporate Governance Committee also identifies qualities of directors that are aligned with the Company's strategic direction. Likewise, the Committee ensures that those nominated to the Board possess none of the disqualifications enumerated in the Manual on Corporate Governance. Further to this, the Committee ensures that nominees have attended an orientation or training related to corporate governance before taking office.

Notable Continuing Education/Training of the Board of Directors

Director	Date of Training	Program	Name of Training Institution
Jose T. Sio	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Teresita T. Sy	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Henry T. Sy, Jr.	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Frederic C. DyBuncio	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Harley T. Sy	8/7/19	Annual Corporate Governance Training Program (CBC)	Institute of Corporate Directors (ICD)
Tomas H. Lipana	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Alfredo E. Pascual	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)
	10/16/19	7th Annual Forum on Good Governance, Ethics & Compliance	Good Governance Advocates and Practitioners of the Philippines (GGAPP)
Robert G. Vergara	8/15/19	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)

The Committee also facilitates regular training for Board members and key officers provided by training providers duly accredited by the Securities and Exchange Commission (SEC).

Directorships in Other Reporting Companies		
Director	Name of Reporting Company	Nature of Directorship
Jose T. Sio	Belle Corp.	Non-Executive Director
	China Banking Corp.	Non-Executive Director
	Atlas Consolidated Mining and Development Corp.	Non-Executive Director
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.	President/CEO/Director
	Phoenix Petroleum Philippines, Inc.	Director
	Atlas Consolidated Mining and Development Corp.	Vice Chairman
Harley T. Sy	China Banking Corp.	Non-Executive Director
Alfredo E. Pascual	Megawide Construction Corp.	Independent Director
	Asiabest Group International Inc.	Independent Director
	Concepcion Industrial Corp.	Independent Director
Robert G. Vergara	Metro Pacific Hospital Holdings, Inc.	Independent Director

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

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 is 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.

Other CG Related Policies	Brief Description
 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 conducts an investigation 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 the utilization of its website and disclosures. SMIC's website has a separate corporate governance section that features subsections on its policies, programs and other relevant developments. The Company also ensures that shareholders are provided with periodic reports that include relevant information on its directors and officers and their shareholdings and dealings with the Company.

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

The Investor Relations Department

The Investor Relations (IR) Department of SMIC is the main avenue of communication between the Company

and its various stakeholders. The IR Department arranges regular teleconferences and site visits for investors, and conducts annual roadshows with stops in various locations throughout the world. 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
Harbor 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 apply 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 law. These resolutions, along with shareholder questions and the corresponding responses

are recorded in the minutes of the ASM, which are posted on the Company's website immediately following the ASM. To ensure that all shareholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairpersons and Members, Management, the Corporate Secretary, Compliance Officer, Internal Auditor and the External Auditors are always present during the ASM.

RIGHTS, ROLES AND PROTECTION OF STAKEHOLDERS

Based on its Manual on Corporate Governance, Code of Ethics and other relevant rules, laws and regulations, SMIC is required to recognize and protect the rights and interests of its key stakeholders, namely its shareholders, employees, customers, business partners, creditors, as well as the communities it operates in and the environment.

Rights of Shareholders

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

The exercise of a shareholder's voting right is encouraged by SMIC to ensure meaningful participation in all shareholders' meetings. Voting methods and vote counting systems employed by the Company are clearly explained to ensure the effective exercise of shareholders' right to vote. SMIC follows the system of cumulative voting for the election of directors to allow shareholders an opportunity to elect each member

of the Board of Directors individually. Shareholders maintain the right to receive dividends subject to the discretion of the Board. They may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares in accordance with the Corporate Code.

Minority shareholders are given the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items are for legitimate business purposes and in accordance with 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. Since its listing in 2005 the Company has been able to declare annual cash dividends equivalent to 30% of prior year earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within thirty (30) days from the date of declaration.

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. Employees may use the courts and fitness facilities in the workplace and are encouraged to participate in HRD supported aerobic and dance activities. The Company also conducts orientations and learning sessions on health related matters, such as breast and cervical cancer awareness and detection; influenza and hepatitis B prevention and drug abuse

awareness, to name a few. Furthermore, SMIC facilitates the distribution and administration of essential vaccines, has a fully functioning clinic and employs the services of a 24-hour roving ambulance service.

Emergency Preparedness Program

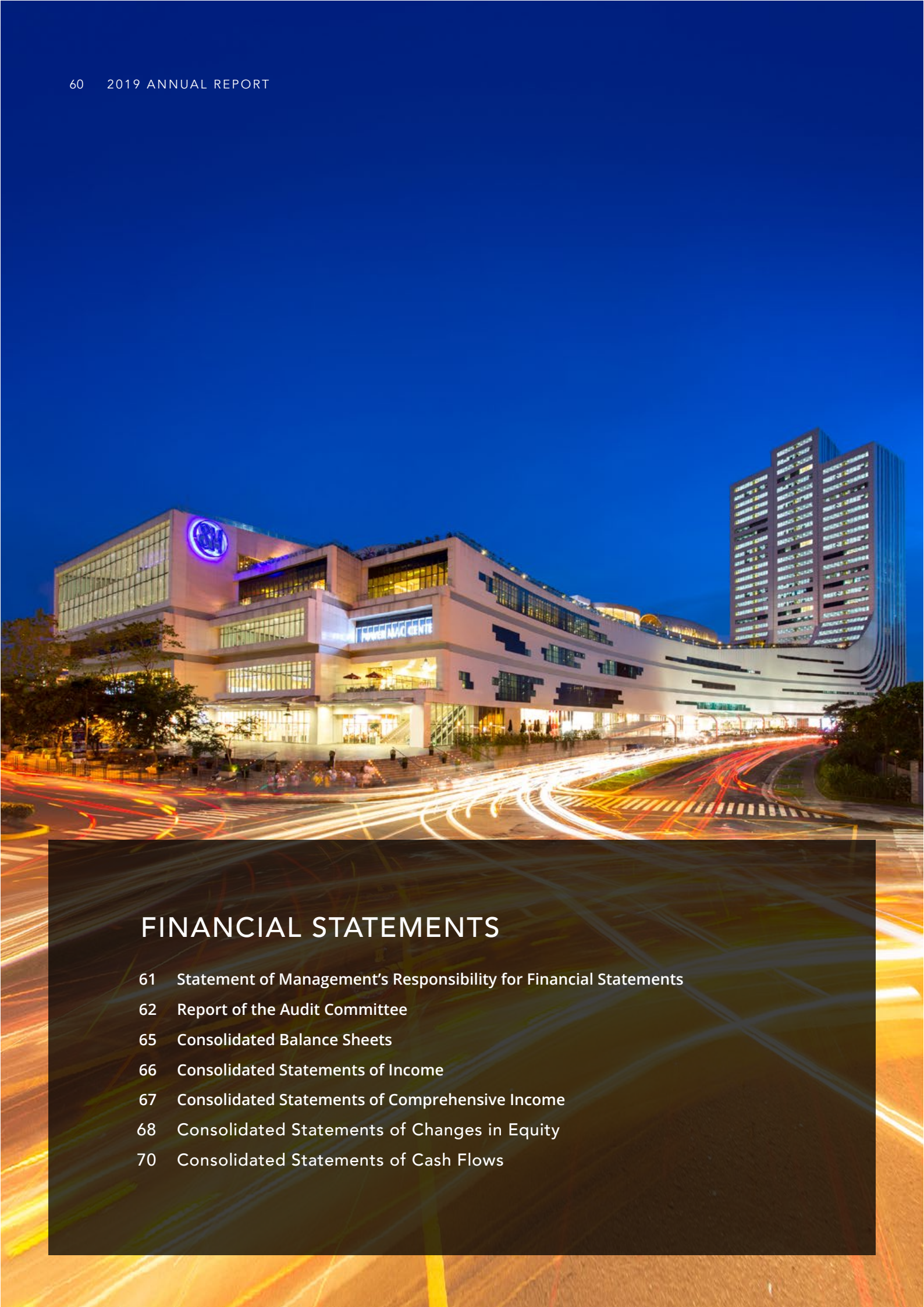
As part of its Enterprise Risk Management, SMIC implements an emergency preparedness program that aims to safeguard its workforce, operations, and customers against emergencies, and natural and manmade disasters. Led by its Emergency Preparedness Committee, and in coordination with fire and security 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.

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 Seven Habits of Effective People, Coaching for Performance and Work Attitude and Values Enhancement.

For issues or concerns, all stakeholders may refer to:

Mr. Reginald H. Tiu
Vice President for Governance, Risk & Compliance
10/F OneE-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City, 1300 Philippines
+63 2 8570100 local 0323
reginald.tiu@sminvestments.com



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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, 2019 and 2018, 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



MARCELO C. FERNANDO, JR.
Treasurer

Signed this 28th day of February 2020

Report of the Audit Committee

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

The Committee is composed of three (3) non-executive directors, two (2) of whom are independent directors including the Committee Chairperson. The Committee members have relevant background, knowledge, skill and/or experience in the areas of finance and accounting, audit, risk management, and corporate governance. 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 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 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before his stint in UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in such positions as Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia as well as board directorships in ADB's investee companies in China, India, and the Philippines. Earlier on, Mr. Pascual held executive positions in investment banking companies, e.g., First Metro Investment Corporation and was a finance professor at the Asian Institute of Management (AIM). Currently also, he is an independent director at other publicly-listed companies and a trustee at nonprofits and foundations. He finished MBA and BS Chemistry (cum laude) at 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, Far Eastern University, NLEX Corporation and Ortigas Land Corporation, 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. He is a certified public accountant and 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.

Audit Committee							
Committee Designation	Name	Regular	Regular	Special	Special	Regular	Regular
		2/28/19	4/24/19	5/8/19	6/14/19	8/7/19	11/6/19
Chairperson (ID)	Tomasa H. Lipana	√	√	√	√	√	√
Member (ID)	Alfredo E. Pascual	√	√	√	√	√	√
Member (NED)	Jose T. Sio	√	√	√	√	√	√

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

Internal Audit

1. The Committee provided oversight of the Internal Audit.

Under SMIC's Internal Audit Charter, the primary purpose of Internal Audit is to provide an independent, objective, and reasonable assurance and value-adding services through systematic and disciplined evaluation of the Company's governance system, risk management, and internal control environment of the Company (SMIC) 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 that are 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.

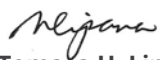
The External Auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements. As required by SMIC's Manual on Corporate Governance, the External Auditor or the handling partner should be rotated every five (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 2019, 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 audit fees.

Financial Statements

8. The Committee assessed the internal control system of the Company based upon the review and evaluation done and reported by the internal and external auditors and noted that the system is generally adequate to generate reliable financial statements.
9. The Committee reviewed and endorsed to the Board for approval the unaudited consolidated financial statements of SM Investments Corporation and its subsidiaries for the first quarter ended March 31, 2019, six-month period ended June 30, 2019, and third quarter ended September 30, 2019.
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 consolidated audited financial statements of SM Investments Corporation and its subsidiaries for the year ended December 31, 2019.
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 External Auditors for 2020.

28 February 2020



Tomasa H. Lipana
Chairperson



Alfredo E. Pascual
Member



Jose T. Sio
Member



Atty. Elmer B. Serrano
Corporate Secretary

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	₱76,213,774	₱79,313,215
Time deposits	30,488	25,842,829
Financial assets	659,077	639,316
Receivables and contract assets	53,617,200	33,755,192
Merchandise inventories - at cost	33,157,622	31,836,333
Other current assets	84,678,819	70,338,577
Total Current Assets	248,356,980	241,725,462
Noncurrent Assets		
Financial assets - net of current portion	24,229,560	26,702,764
Investments in associate companies and joint ventures	280,971,638	259,795,077
Time deposits - net of current portion	2,412,972	2,392,622
Property and equipment	24,720,873	23,201,667
Investment properties	338,075,303	309,264,274
Right-of-use assets	37,664,176	-
Land and development - net of current portion	74,946,694	53,928,447
Intangibles	25,289,609	25,470,696
Deferred tax assets	3,121,117	2,726,155
Other noncurrent assets	84,375,645	115,435,107
Total Noncurrent Assets	895,807,587	818,916,809
	₱1,144,164,567	₱1,060,642,271
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	₱18,710,465	₱18,885,465
Accounts payable and other current liabilities	141,451,764	124,777,719
Income tax payable	3,273,872	3,641,379
Current portion of long-term debt	29,077,719	61,480,887
Dividends payable	4,204,962	3,906,476
Total Current Liabilities	196,718,782	212,691,926
Noncurrent Liabilities		
Long-term debt - net of current portion	327,358,208	305,555,356
Lease liabilities - net of current portion	27,600,392	-
Deferred tax liabilities	9,604,043	8,810,862
Tenants' deposits and others	46,731,664	41,294,115
Total Noncurrent Liabilities	411,294,307	355,660,333
Total Liabilities	608,013,089	568,352,259
Equity Attributable to Owners of the Parent		
Capital stock	12,045,829	12,045,829
Additional paid-in capital	75,815,923	75,815,520
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	1,308,228	2,014,573
Net fair value changes on cash flow hedges	(1,406,026)	62,444
Net unrealized gain on financial assets	14,399,640	11,748,980
Re-measurement loss on defined benefit asset/obligation	(8,633,269)	(2,063,358)
Retained earnings:		
Appropriated	37,000,000	37,000,000
Unappropriated	257,546,591	222,213,054
Total Equity Attributable to Owners of the Parent	382,627,075	353,387,201
Non-controlling Interests	153,524,403	138,902,811
Total Equity	536,151,478	492,290,012
	₱1,144,164,567	₱1,060,642,271

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Sales:			
Merchandise	P354,088,848	P323,740,170	P288,532,163
Real estate	44,499,529	35,967,663	29,567,021
Rent	51,573,157	47,555,061	42,067,892
Equity in net earnings of associate companies and joint ventures	26,038,426	19,164,345	16,640,597
Cinema ticket sales, amusement and others	7,739,761	7,286,654	6,578,362
Management and service fees	7,348,479	6,379,831	5,820,571
Dividend income	480,513	421,914	495,582
Gain on sale of financial assets - net	27,812	1,337	110,234
Others	9,855,370	9,271,192	8,135,798
	501,651,895	449,788,167	397,948,220
COST AND EXPENSES			
Cost of sales:			
Merchandise	262,434,661	238,902,107	214,494,703
Real estate	20,806,612	17,852,270	15,260,313
Selling, general and administrative expenses	113,257,931	106,419,699	92,342,430
	396,499,204	363,174,076	322,097,446
OTHER INCOME (CHARGES)			
Interest expense	(19,194,311)	(16,574,388)	(15,580,819)
Interest income	3,881,156	3,754,141	4,003,501
Gain on disposal of investments and properties - net	193,878	64,034	22,702
Gain on fair value changes on derivatives - net	6,379	454,941	296,334
Impairment loss on investment	(3,987,000)	-	-
Foreign exchange gain (loss) - net	561,705	(182,483)	698,742
	(18,538,193)	(12,483,755)	(10,559,540)
INCOME BEFORE INCOME TAX	86,614,498	74,130,336	65,291,234
PROVISION FOR INCOME TAX			
Current	16,218,229	15,115,326	13,616,519
Deferred	951,955	460,442	156,198
	17,170,184	15,575,768	13,772,717
NET INCOME	P69,444,314	P58,554,568	P51,518,517
Attributable to			
Owners of the Parent	P44,568,244	P37,078,325	P32,923,455
Non-controlling interests	24,876,070	21,476,243	18,595,062
	P69,444,314	P58,554,568	P51,518,517
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent	P37.00	P30.78	P27.33

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
NET INCOME	P69,444,314	P58,554,568	P51,518,517
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Net unrealized gain on financial assets	-	-	4,973,426
Share in unrealized gain (loss) on financial assets of associates	4,505,589	(3,502,992)	354,028
Cumulative translation adjustment	(1,011,736)	326,536	1,243,928
Net fair value changes on cash flow hedges	(1,712,763)	2,589	(1,266,333)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	-	-	(147,803)
	1,781,090	(3,173,867)	5,157,246
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement loss on defined benefit obligation	(8,209,190)	(2,080,805)	(416,283)
Net unrealized loss on financial assets	(176,975)	(520,230)	-
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	553,736	(84,499)	124,884
	(7,832,429)	(2,685,534)	(291,399)
TOTAL COMPREHENSIVE INCOME	P63,392,975	P52,695,167	P56,384,364
Attributable to			
Owners of the Parent	P40,223,919	P31,112,015	P36,916,903
Non-controlling interests	23,169,056	21,583,152	19,467,461
	P63,392,975	P52,695,167	P56,384,364

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes In Equity

For The Years Ended December 31, 2019, 2018 And 2017
(Amounts In Thousands Except Per Share Data)

	Equity Attributable				
	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, 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, as previously reported	P12,045,829	P76,439,288	(P5,424,455)	(P25,386)	P1,609,600
Effect of adoption of new accounting standards	-	-	-	-	-
As adjusted	12,045,829	76,439,288	(5,424,455)	(25,386)	1,609,600
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
As at January 1, 2017	P12,045,829	P76,347,229	(P5,424,455)	(P25,386)	P721,994
Net income	-	-	-	-	-
Other comprehensive income	-	-	-	-	887,606
Total comprehensive income	-	-	-	-	887,606
Reversal of appropriation	-	-	-	-	-
Appropriation	-	-	-	-	-
Sale of treasury shares held by a subsidiary	-	78,810	-	-	-
Acquisition of non-controlling interests	-	13,249	-	-	-
Cash dividends - P7.77 per share	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-
Decrease in previous year's non-controlling interests	-	-	-	-	-
As at December 31, 2017	P12,045,829	P76,439,288	(P5,424,455)	(P25,386)	P1,609,600

to Owners of the Parent

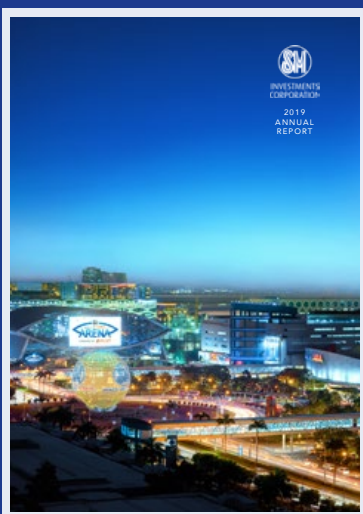
Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets	Re-measurement Gain (Loss) on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
P62,444	P11,748,980	(P2,063,358)	P37,000,000	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)	P15,324,123	(P701,255)	P37,000,000	P192,071,968	P328,132,735	P125,679,489	P453,812,224
-	1,703,458	-	-	2,940,327	4,643,785	-	4,643,785
(206,977)	17,027,581	(701,255)	37,000,000	195,012,295	332,776,520	125,679,489	463,099,794
-	-	-	-	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
P494,724	P10,780,430	P34,895	P36,000,000	P169,508,122	P300,483,382	P114,263,880	P414,747,262
-	-	-	-	32,923,455	32,923,455	18,595,062	51,518,517
(701,701)	4,543,693	(736,150)	-	-	3,993,448	872,399	4,865,847
(701,701)	4,543,693	(736,150)	-	32,923,455	36,916,903	19,467,461	56,384,364
-	-	-	(27,800,000)	27,800,000	-	-	-
-	-	-	28,800,000	(28,800,000)	-	-	-
-	-	-	-	-	78,810	79,506	158,316
-	-	-	-	-	13,249	(247,159)	(233,910)
-	-	-	-	(9,359,609)	(9,359,609)	-	(9,359,609)
-	-	-	-	-	-	(6,709,448)	(6,709,448)
-	-	-	-	-	-	(1,174,751)	(1,174,751)
(P206,977)	P15,324,123	(P701,255)	P37,000,000	P192,071,968	P328,132,735	P125,679,489	P453,812,224

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱86,614,498	₱74,130,336	₱65,291,234
Adjustments for:			
Equity in net earnings of associate companies and joint ventures	(26,038,426)	(19,164,345)	(16,640,597)
Depreciation and amortization	19,370,843	15,161,207	14,020,884
Interest expense	19,194,311	16,574,388	15,580,819
Interest income	(3,881,156)	(3,754,141)	(4,003,501)
Impairment loss on investment	3,987,000	–	–
Provisions - net	2,609,386	2,207,458	1,488,855
Dividend income	(480,513)	(421,914)	(495,582)
Unrealized foreign exchange loss - net	220,432	1,002,006	275,731
Gain on disposal of investments and properties - net	(193,878)	(64,034)	(22,702)
Gain on sale of financial assets - net	(27,812)	(1,337)	(110,234)
Gain on fair value changes on derivatives - net	(6,379)	(454,941)	(296,334)
Income before working capital changes	101,368,306	85,214,683	75,088,573
Decrease (increase) in:			
Receivables and contract assets	(2,848,713)	(1,437,678)	(616,938)
Merchandise inventories	(1,321,289)	(4,057,592)	(1,953,451)
Other current assets	(6,103,198)	5,535,204	1,996,544
Land and development	(27,669,751)	(37,802,279)	(29,891,127)
Increase (decrease) in:			
Accounts payable and other current liabilities	21,611,185	15,835,135	18,509,650
Tenants' deposits and others	(2,498,565)	10,571,079	4,354,177
Net cash generated from operations	82,537,975	73,858,552	67,487,428
Income tax paid	(16,576,112)	(13,356,939)	(14,425,107)
Net cash provided by operating activities	65,961,863	60,501,613	53,062,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Financial assets	3,814,634	771,361	1,983,045
Property and equipment	343,228	203,564	182,366
Investment properties	117,429	105,524	70,301
Additions to:			
Investment properties	(36,902,404)	(27,554,245)	(25,806,496)
Property and equipment	(7,446,414)	(6,452,489)	(5,067,991)
Investments in associate companies and joint ventures	(5,330,780)	(3,849,756)	(47,832,363)
Financial assets	(3,261,682)	(2,463,985)	(3,272,984)
Decrease (increase) in:			
Time deposits	25,111,241	12,913,443	26,473,746
Other noncurrent assets	(1,543,199)	(28,224,945)	(11,201,733)
Dividends received	5,558,665	4,945,350	4,175,190
Cash from acquisition of subsidiaries, net of purchase consideration	327,140	–	–
Interest received	4,048,370	3,827,116	4,182,186
Net cash used in investing activities	(15,163,772)	(45,779,062)	(56,114,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	52,895,468	70,787,135	55,866,308
Bank loans	25,266,865	32,199,317	59,419,602
Payments of:			
Long-term debt	(64,799,259)	(40,292,241)	(31,640,120)
Interest	(22,289,039)	(18,043,821)	(16,510,177)
Bank loans	(21,376,865)	(37,256,817)	(49,234,402)
Lease liabilities	(2,854,295)	–	–
Dividends	(20,510,816)	(17,674,115)	(16,432,295)
Proceeds from maturity of derivatives	395,722	–	–
Reissuance by a subsidiary of treasury shares	–	585,207	158,316
Net cash provided by (used in) financing activities	(53,272,219)	(9,695,335)	1,627,232
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,474,128)	5,027,216	(1,425,180)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(625,313)	(32,191)	795,639
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	79,313,215	74,318,190	74,947,731
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱76,213,774	₱79,313,215	₱74,318,190



SMIC's 2019 Annual Report with the complete Audited Financial Statements may be downloaded or viewed online at <https://www.sminvestments.com/investor-relations/financial-reports>

or Scan the QR Code



CORPORATE INFORMATION

COMPANY HEADQUARTERS

SM INVESTMENTS CORPORATION
10th Floor, OneE-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City 1300, Philippines

EXTERNAL AUDITOR

SyCip Gorres Velayo & Co.

STOCKHOLDER INQUIRIES

SM Investments Corporation's common stock is listed and traded in the Philippine Stock Exchange under the symbol "SM".

For inquiries regarding dividend payments, account status, address changes, stock certificates, and other pertinent matters, please contact the company's transfer agent:

BDO Unibank, Inc. – Trust and Investments Group
15th Floor, South Tower, BDO Corporate Center
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Telephone Nos. (632) 8878-4963; 8878-4053

INVESTOR INQUIRIES

SMIC welcomes inquiries from investors, analysts and the financial community. For more information about SMIC, please visit www.sminvestments.com/investor-relations or contact Investor Relations Office at tel. no. (632) 8857-0100 or email: ir@sminvestments.com

SUSTAINABILITY INQUIRIES

For inquiries regarding SMIC's initiatives, please contact sustainability@sminvestments.com

CORPORATE WEBSITE

Latest news, presentations, publications and information about SMIC are available at www.sminvestments.com







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