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This report is SM Investments Corporation’s 5th Sustainability Report outlining the company’s economic, environmental, social and governance performance from January-December 2018. It is a substantiation of SM’s commitment to the United Nations Sustainable Development Goals, the principles of the United Nations Global Compact, the Greenhouse Gas Protocol and the United Nations International Strategy for Disaster Reduction.

This report has been prepared in accordance with the GRI Standards: Core option. It has completed the GRI Materiality Disclosures Service which confirms that disclosures 102-40 to 102-49 of the GRI 102: General Disclosures 2016 were correctly located in both the GRI Content Index (pages 63 to 64) and in the pages of this report. The companies highlighted in this report include SM Retail Inc., SM Prime Holdings, Inc., BDO Unibank Inc., China Banking Corporation, Belle Corporation, 2GO Group Inc. and Atlas Consolidated Mining and Development Corporation focused on Carmen Copper Corporation.
Our Vision
We build world-class businesses that are catalysts for development in the communities we serve.

Our 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.

Our Core Values
ABOUT SM

SM Investments Corporation (SM) is the largest publicly listed company in the Philippines that is invested in market leading businesses in retail, property and banking. It also holds equity investments in Belle Corporation, Atlas Consolidated Mining and Development Corporation, 2GO Group, Philippines Urban Living Solutions, Net Buildings and CityMall Commercial Centers.

Aligned to the company’s vision to build world-class businesses that serve as catalysts for development in the communities we serve, SM’s Path to Sustainable Growth is focused on Energizing Local Economies by creating shared value and delivering sustained growth for its stakeholders, at all times upholding the highest standards of corporate governance.

Equity Investments

Belle Corporation
(Belle Corp.)
A developer of premium tourism and leisure destinations in the Philippines

Atlas Consolidated Mining and Development Corporation
(Atlas Mining)
One of the largest producers of copper concentrate in the Philippines

2GO Group Inc.
(2GO)
The largest end-to-end logistics solutions provider in the Philippines

Philippines Urban Living Solutions Inc.
A leading developer and operator of urban dormitory spaces under the MyTown brand

CityMall Commercial Centers
A developer of community mall projects in the country

Net Buildings
Seven commercial buildings located within the largest and only PEZA certified IT park in Bonifacio Global City, Metro Manila

Percentage Ownership

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>Belle Corp.</td>
</tr>
<tr>
<td>34%</td>
<td>Atlas Mining</td>
</tr>
<tr>
<td>30%</td>
<td>2GO</td>
</tr>
<tr>
<td>61%</td>
<td>Philippines Urban Living Solutions Inc.</td>
</tr>
<tr>
<td>34%</td>
<td>CityMall Commercial Centers</td>
</tr>
<tr>
<td>95%</td>
<td>Net Buildings</td>
</tr>
</tbody>
</table>
### Core Businesses

#### SM Retail Inc. (SM Retail)

- **Revenue:** PHP335.6bn
- **Market Capitalization:** PHP1.0tn
- **Contribution to SMIC’s Net Income:** 20.4%

SM Retail Inc. is the country’s leading retailer with a nationwide portfolio of department stores, supermarkets and specialty stores.

**Total Number of Stores**

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE SM STORE</td>
<td>63</td>
</tr>
<tr>
<td>SM Hypermarket</td>
<td>53</td>
</tr>
<tr>
<td>SM Supermarket</td>
<td>56</td>
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<tr>
<td>Savemore</td>
<td>195</td>
</tr>
<tr>
<td>WalterMart</td>
<td>52</td>
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<tr>
<td>Alfamart</td>
<td>526</td>
</tr>
<tr>
<td>Specialty stores</td>
<td>1,383</td>
</tr>
</tbody>
</table>

#### SM Prime Holdings (SM Prime)

- **Revenue:** PHP104.1bn
- **Market Capitalization:** PHP1.0tn
- **Contribution to SMIC’s Net Income:** 41.4%

SM Prime Holdings is one of the largest integrated property developers in Southeast Asia that develops innovative and sustainable lifestyle cities, comprising malls, residences, offices, hotels and convention centers.

**Total Number of Developments**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>Malls</td>
<td>79</td>
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<tr>
<td>Philippines</td>
<td>72</td>
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<tr>
<td>China</td>
<td>7</td>
</tr>
<tr>
<td>Residential Projects</td>
<td>63</td>
</tr>
<tr>
<td>Office Buildings</td>
<td>11</td>
</tr>
<tr>
<td>Hotels</td>
<td>6</td>
</tr>
<tr>
<td>Convention Centers</td>
<td>4</td>
</tr>
<tr>
<td>Trade Halls</td>
<td>3</td>
</tr>
</tbody>
</table>

#### BDO Unibank Inc. (BDO)

- **Revenue:** PHP148.0bn
- **Market Capitalization:** PHP572.1bn
- **Contribution to SMIC’s Net Income:** 38.2%

BDO Unibank Inc. is the largest bank in the Philippines in terms of market capitalization, consolidated resources, assets under management and capital.

**Total Number of Branches and Automated Teller Machines (ATMs)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td>1,309</td>
</tr>
<tr>
<td>ATMs</td>
<td>4,325</td>
</tr>
</tbody>
</table>

#### China Banking Corporation (China Bank)

- **Revenue:** PHP28.6bn
- **Market Capitalization:** PHP72.8bn
- **Contribution to SMIC’s Net Income:** 20%

China Banking Corporation is incorporated in 1920 as the first privately owned local commercial bank in the Philippines.

**Total Number of Branches and Automated Teller Machines (ATMs)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td>620</td>
</tr>
<tr>
<td>ATMs</td>
<td>966</td>
</tr>
</tbody>
</table>
To Our Valued Stakeholders,

This year, SM celebrated 60 years of serving the Filipino people. Reaching this milestone caused us to reflect on our journey and how we can continue to create shared value and deliver sustained growth for all.

Ours is a remarkable story that began when one man believed that every Filipino deserved to have a good pair of shoes. With unceasing commitment to his vision, SM patriarch and founder Henry Sy, Sr. built SM into one of the most recognized brands in the Philippines.

In everything we did to build SM, we focused on our customers, understanding their aspirations and serving as their partner. Over the decades, we met the evolving needs of our customers by anticipating market trends, opportunities and challenges and by having constant dialogues with our stakeholders. As we grew, we fostered long-term relationships with our business partners, sowing seeds together and reaping shared benefits. Lastly, we upheld the principle that social development goes hand in hand with business growth. Wherever SM opened a store, we extended a helping hand to the communities around us. This practice helped SM have a lasting impact on the Philippine retail landscape.

“After 60 years and with SM’s footprint today, we recognize our role and responsibilities in creating a more sustainable future.”
Today, SM has grown far beyond our founder’s initial dream. With a portfolio of market leading businesses in retail, property, banking and equity investments, SM has become one of the largest conglomerates in the country. The rapid pace of change in these markets challenges us to constantly sense-check our strategies and adapt them to maintain the value of our investments into the future.

First, we capitalize on the synergies within SM’s extensive network of businesses to steadily expand our core businesses and invest in other growth sectors of the emerging Philippine economy. In addition to leveraging our national footprint of malls, supermarkets, department stores and specialty stores, we seize opportunities by providing financial services through our banks, moving goods through our logistics partners and promoting local business growth through inclusive supply chains. These serve as foundations to jumpstart economic activity in local communities.

Second, we continue to build integrated lifestyle cities capitalizing on the synergies of our combined retail, tourism, residential and commercial property businesses under one development. This strategy supports national goals to develop city centers outside Metro Manila and Luzon, inviting the infrastructure development required for inclusive nationwide economic growth. To date, we have developed five such integrated lifestyle cities namely SM Mall of Asia Complex, SM Seaside City Cebu, SM Lanang Davao, SM City Clark Pampanga and SM City North EDSA Quezon City with a total land area of 77 hectares.

Third, we adhere to global standards of professionalism. The past 10 years has seen key senior management positions filled by individuals who have honed their expertise on the global stage. This trend of bringing in best-in-class talent across industries is seen throughout our organization as these revitalized teams have led our tremendous growth in recent years. In 2018, these efforts were recognized when we were cited by Forbes in their Global 2000 lists as one of the World’s Best Employers and Best Regarded Companies.

Fourth, we view all our opportunities and risks through the lens of our economic, social and environmental impact. While it is our large property development projects or new retail offerings that often get covered in the news, less visible is our consistent promotion of economic activity through job creation and our inclusive supply chain practices, our support for MSMEs (micro, small and medium enterprises) to be competitive in the formal retailing space and our prioritization of environmental sustainability at the core of our property developments and design.

To rise above the imminent effects of climate change, we allocate 10% of capital expenditure to incorporate disaster resilient features in the design and construction of our developments, employing Disaster Risk Management methods and business continuity management systems. Through our banks, we provided around PHP44 billion for green projects last year and PHP110 billion for national development projects.

In addition, we make targeted social investments in education, healthcare, food security through farmer’s training and shelter through the social development programs of SM Foundation and BDO Foundation.

Lastly, we anchor all our businesses on good corporate governance. This year, SMIC, SM Prime and China Bank were among the best companies in the region in corporate governance according to the ASEAN Corporate Governance Scorecard and ranked as the top 3 publicly listed companies in the country.

Leading on Sustainability

After 60 years and with SM’s footprint today, we recognize our role and responsibilities in creating a more sustainable future. We also recognize that to create effective change entails a concerted effort by the private sector working in tandem with the public sector. In partnership with the Global Reporting Initiative (GRI), we launched the first GRI Sustainability Summit in the country, bringing together the captains of Philippine business to support a common agenda – alignment to the UN Sustainable Development Goals (SDGs) using one framework to measure impact, the GRI Standards.

Following our commitment to sustainability, all publicly listed companies within the SM group publish annual sustainability reports while this SMIC Sustainability Report serves as a summation of the group’s sustainability performance. As we continue to seek alignment to the UN SDGs, we have identified specific SDG targets to focus on in subsequent years in this report.

If there is one thing we have learned from our founder, it is to think long term. As we plan for the next 60 years, we at the SM group are working to make the successful future we envision not only sustainable on many fronts but also inclusive. The steps we take today toward that future, and that we will continue to take in the decades to come will be, as it has always been, in the service of the Filipino people.

FEDERICO C. DYBUNCIO
President/CEO
SM’s Path to Sustainable Growth
SM’s Path to Sustainable Growth
## Job Creation
- **Inclusive Supply Chains:** 1,444 new SM, 18,567 new MSMEs
- **Innovative Banking Products and Services:** 2.4M active accounts
- **Public Infrastructure Building and Rehabilitations:** 135 buildings, 478 units

### Contribution to National Development Goals
- **MSMEs engaged through SM Markets, SM Men, SM Youth and SM Bags and Shoes:**
  - 1,444 total new BDO checking and savings account holders in 2018
  - 2.4M outstanding BDO & China Bank MSME loans in 2018
  - PHP79.6bn tenants in SM malls
- **Educational Initiatives:**
  - 478 health centers rehabilitated by SM Foundation and BDO Foundation
  - 34 of Capex allocated to incorporate disaster resilient features
- **Environmental Initiatives:**
  - 63,671 school buildings built by BDO Foundation in disaster stricken communities
  - 10% families supported by BDO Foundation
- **Healthcare Initiatives:**
  - 34 healthcare centers rehabilitated by BDO Foundation in disaster stricken communities

### Responsible Consumption and Conservation
- **SM’s PATH TO SUSTAINABLE GROWTH**
- **We Provide Inclusive Economic Opportunities**
- **We Drive Sustainable Growth**
- **We Facilitate Development**
- **We Promote Environmental Responsibility**
- **We Create Positive Community Impact**

### Other Key Metrics
- **10%** in Environmentally Responsible Practices
- **64** integrated lifestyle cities built to date
- **23,170** tree saplings planted
- **3.3M** hectares of mangroves preserved
- **10** bird species protected in Pico de Loro Village and Carmen Copper Mine Site
- **9,015** college and technical-vocational scholarship grants

### Additional Information
- **5%** engagement in environmental initiatives by the company
- **81** projects participated in awareness campaigns for persons with special needs to date
- **157,311** beneficiaries of various social development programs to date

### SM Investments Corporation
- **7** years in operation
- **10** years in reporting sustainability
- **60 Years** of operations
- **9,015** employees
- **50,275** employees of SM Investments Corporation
- **16.6M** community investors
- **23,170** community volunteers

### Key Metrics for 2018
- **Total Taxes Paid:** 16.6M
- **Total Funding by BDO for SEF projects to date:** PHP36.9bn
- **5.4M** public school students benefiting from 135 school buildings
- **10.1%** of Capex allocated to incorporate disaster resilient features
- **10.1%** of families supported by BDO Foundation
- **10.1%** of tenants in SM malls
- **10.1%** of health centers rehabilitated by SM Foundation and BDO Foundation

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### Further Reading
- **Forbes Global 2000 #158 World’s Best Employer**
- **SM investments in sustainable practices**
- **PhilHealth Accreditation**
- **10% of Capex allocated to incorporate disaster resilient features**
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We Provide Inclusive Economic Opportunities

- Job Creation: 350,000
- Inclusive Supply Chains: 1,444
- Innovative Banking Products and Services: 2.4M
- Public Infrastructure: 135
- Building and Rehabilitations: 478
- Integration of Disaster Risk Reduction: 118.1
- Contribution to National Development Goals: 10%

We Facilitate Development

- Total new BDO checking and savings account holders in 2018: 2.4M
- Outstanding BDO & China Bank MSME loans in 2018: PHP79.6bn
- Tenants in SM malls: 18,567
- Companies participating in UNISDR Private Sector Alliance for Disaster Resilience Societies (UN ARISE) Philippines: 64
- Relief packs distributed by SM Foundation and BDO Foundation: 64
- School buildings built by BDO Foundation in disaster stricken communities: 663,671
- Health centers rehabilitated by BDO Foundation in disaster stricken communities: 34
- Relocation units provided to affected families by BDO Foundation: 10%
- Families supported by BDO Foundation: 350,000
- Kilometers of road networks financed by BDO to date: 64

We Promote Environmental Responsibility

- SM’s total water consumption in 2018 was recycled equivalent to 35%
- Solar panels installed to date: 33,000
- Olympic-size swimming pools: 2,044
- Highway networks financed by BDO to date: 81

We Create Positive Community Impact

- College and technical-vocational scholarship grants: 120
- Public school buildings with 135 classrooms constructed by SM Foundation, BDO Foundation and Carmen Copper: 471,199
- Health centers rehabilitated by SM Foundation and BDO Foundation: 478
- Tree saplings planted: 3.3M
- Public school students benefiting from 135 school buildings: 16.6M
- Farmers trained through 187 training sessions: 50,275

We Drive Sustainable Growth

- 471,199 public school buildings with 135 classrooms constructed by SM Foundation, BDO Foundation and Carmen Copper: 471,199
- Health centers rehabilitated by SM Foundation and BDO Foundation: 478
- Tree saplings planted: 3.3M
- Public school students benefiting from 135 school buildings: 16.6M
- Farmers trained through 187 training sessions: 50,275

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- Job Creation: 350,000
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- Innovative Banking Products and Services: 2.4M
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- Health centers rehabilitated by SM Foundation and BDO Foundation: 478
- Tree saplings planted: 3.3M
- Public school students benefiting from 135 school buildings: 16.6M
- Farmers trained through 187 training sessions: 50,275
Job Creation: 350,000 new jobs
Inclusive Supply Chain: 1,444 SMEs
Innovative Banking Products and Services: 18,567 accounts
Public Infrastructure: 2.4M new road networks
Building and Rehabilitions: 2,044 projects
Integration of Disaster Risk Reduction: 3,3M mangroves
Contribution to National Development Goals: 10%

MSMEs engaged through SM Markets, SM Men, SM Youth and SM Bags

1,444 total new BDO checking and savings account holders in 2018
2.4M outstanding BDO & China Bank MSME loans in 2018
PHP79.6bn tenants in SM malls
64 relief packs distributed by SM Foundation and BDO Foundation
663,671 school buildings built by BDO Foundation in disaster stricken communities
34 health centers rehabilitated by BDO Foundation in disaster stricken communities
69 of Capex allocated to incorporate disaster resilient features
10% families supported by BDO Foundation
471,199 public school buildings with 135 classrooms constructed by SM Foundation, BDO Foundation and Carmen Copper
478 health centers rehabilitated by SM Foundation and BDO Foundation of which 224 received TB DOTS (Tuberculosis - Directly Observed Treatment Short course) PhilHealth Accreditation
81 kilometers of road networks financed by BDO to date
5.4M positive e-commerce transactions processed by 2GO in 2018

World’s Best Employer of SM Prime’s total water consumption in 2018 was recycled equivalent to 35%
Solar panels installed to date: 33,000 Olympic-size swimming pools

Participated in awareness campaigns for persons with special needs to date: 157,311

We Provide Inclusive Economic Opportunities
We Facilitate Development
We Promote Environmental Responsibility
We Create Positive Community Impact
We Drive Sustainable Growth
SM is committed to take on an active role in achieving the Sustainable Development Goals. From our initial alignment to the Sustainable Development Goals, we have taken deliberate steps in identifying specific targets to focus our strategic investments and initiatives on, allowing us to contribute substantially within our sphere of operations and influence.

**1 NO POVERTY**

**Target 1.1**: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US$1.25 a day

**PHP24.9bn**
taxes paid in 2018

**16.6M**
beneficiaries of social development programs to date

**Target 1.2**: By 2030, reduce at least by half the proportion of men, women, and children of all ages living in poverty in all its dimensions according to national definitions

**2 ZERO HUNGER**

**23,170**
farmers trained through

**187**
farmers training sessions conducted to date in

**2,925**
barangays in 772 municipalities and cities

**Target 2.1**: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

**3 GOOD HEALTH AND WELL-BEING**

**20**
birthing facilities in

**81**
public health centers renovated to date that received PhilHealth TB-DOTS* accreditation

**20**
public health centers renovated serving 96,000 women to date

**Target 3.2**: By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-five mortality to at least as low as 25 per 1,000 births

**Target 3.3**: By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical disease and combat hepatitis, water-borne diseases and other communicable diseases

*Tuberculosis Directly Observed Treatment Short course
4 QUALITY EDUCATION

Target 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant effective learning outcomes.

Don Bosco Technical-vocational education training school funded by BDO Foundation

Target 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

5 GENDER EQUALITY

Target 5.1: End all forms of discrimination against all women and girls everywhere.

Target 5.5: Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

66% of SM’s workforce are women

57% of new hires are women

22% of SMIC’s Board are women

50,275 students benefitting from 135 public school buildings built to date with 478 classrooms

9,015 technical-vocational and college scholars to date

57% of new hires are women

50,275 students benefitting from 135 public school buildings built to date with 478 classrooms

9,015 technical-vocational and college scholars to date
**6 CLEAN WATER AND SANITATION**

**33-35%**
SM Prime’s average annual water recycling equivalent to

**2,000+**
Olympic-size swimming pools

**Target 6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

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**7 AFFORDABLE AND CLEAN ENERGY**

**33,000**
solar panels installed to date producing 7 megawatts

**569**
MWh of renewable energy generated through project under the BDO SEF program to date

**Target 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix

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**8 DECENT WORK AND ECONOMIC GROWTH**

**91%**
of SM’s economic value generated in 2018 distributed to key stakeholders

**23,469**
employees part of collective bargaining agreements within the SM group

**# 158**
World’s Best Employer
Forbes Global 2000

**Around 232,000**
indirect jobs supported through SM’s supply chain

**Target 8.1:** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7% gross domestic product growth per annum in the least developed countries

**Target 8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities and equal pay for work of equal value

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**INDUSTRY INNOVATION AND INFRASTRUCTURE**

18,567 tenants in SM malls

10% of Capex in infrastructure costs is allocated to disaster resilience and sustainability

PHP44bn total clean energy projects funded by BDO and China Bank to date

**Target 9.3:** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

**Target 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

**REDUCED INEQUALITIES**

105,000 participated in Angels’ Walk to raise awareness for autism

52,311 participated in Happy Walk to raise awareness for Down syndrome

**Target 10.2:** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

**SUSTAINABLE CITIES AND COMMUNITIES**

1,000 disaster resilient homes

5 integrated lifestyle cities with disaster resilient features built

**Target 11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

**Target 11.3:** By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Publication of Sustainability Reports by all listed companies in the SM group

88%
of total waste generated equivalent to 15,384 m³ is recycled

Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources

Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

13 CLIMATE ACTION

64 private sector members of UNISDR Private Sector Alliance for Disaster Resilient Societies (UN ARISE) Philippines

USD$300mn
total green bond issuance by BDO and China Bank with IFC as sole investor

Target 13.2: Integrate climate change measures into national policies, strategies and planning

Target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

14 LIFE BELOW WATER

PHP20.2mn
funds raised for World Wide Fund for Nature (WWF) through BDO ATM donations

Target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

88% of total waste generated equivalent to 15,384 m³ is recycled

Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources

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64 private sector members of UNISDR Private Sector Alliance for Disaster Resilient Societies (UN ARISE) Philippines

USD$300mn total green bond issuance by BDO and China Bank with IFC as sole investor

Target 13.2: Integrate climate change measures into national policies, strategies and planning

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction and early warning

53 automated weather stations in SM malls

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction and early warning

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction and early warning

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction and early warning

Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources

Target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

53 automated weather stations in SM malls

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction and early warning

Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources

Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
15 LIFE ON LAND

- **10 hectares of mangroves preserved**
- **3.3M tree saplings planted to date**
- **120 bird species protected in Pico de Loro Village and Carmen Copper Mine Site**

**Target 15.2:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

---

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- **8 SM companies ranked among the Top 30 publicly listed companies with the highest corporate governance score based on the ASEAN Corporate Governance Scorecard**

**Target 16.6:** Develop effective, accountable and transparent institutions at all levels

---

17 PARTNERSHIP FOR THE GOALS

**GRI-SM Partnership for the first GRI Sustainability Summit in the country**

**GRI Sustainability Summit Philippines**

October 2018 Co-presenter

**UN ARISE Philippines**

Signatory

**United Nations Global Compact (UNGC)**

Signatory

**Target 17.14:** Enhance policy coherence or sustainable development

**Target 17.16:** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
SM was founded on the notion that social development goes hand in hand with business growth. Through the years, SM advanced its journey towards sustainability by integrating economic, environmental and social global best practices in the way we do business, anchored on good corporate governance.

1958
Founder Henry Sy Sr. opened his first shoe store in Rizal Avenue and a second in Carriedo, Manila

1999
SM Supermalls launched its energy efficiency programs

2000
SM Supermalls installed air handling units and chilled water pumps with variable speed drives

2001
SM Foundation conducted its first medical mission

2002
SM Foundation renovated the East Avenue Sentrong Musmos Medical Center Pediatric Department and constructed the first Felicidad Sy Wellness Center

2004
SM Cares, the corporate social responsibility arm of SM Supermalls, was launched to promote social inclusion making SM a “mall for all”

2006
SM Foundation launched the Kabalikat sa Kabuhayan Farmers Training Program

2000
SM Supermalls installed air handling units and chilled water pumps with variable speed drives

2002
SM Foundation renovated the East Avenue Sentrong Musmos Medical Center Pediatric Department and constructed the first Felicidad Sy Wellness Center

2004
SM Cares, the corporate social responsibility arm of SM Supermalls, was launched to promote social inclusion making SM a “mall for all”

2006
SM Foundation launched the Kabalikat sa Kabuhayan Farmers Training Program

2015
SM Foundation launched its Urban Farmers Training Program

2018
SM hosts the first GRI Sustainability Summit in the Philippines

SM celebrates 60 years anniversary

SM celebrates 60 years anniversary
1975
The SM brand was launched

1983
SM Foundation was established to promote social development

1985
SM City North EDSA, the first mall to offer a one-stop shopping experience to its customers, opened

1991
SM Megamall, the largest mall in Southeast Asia, opened and is widely known for contributing to the malling phenomenon in the Philippines

1993
SM Foundation welcomed its first batch of college scholars

1997
SM Supermalls launched its first mall waste management initiatives

1999
SM City Marikina, built on 246 stilts and 20 meters farther than the standard regulation of buildings or 90 meters away from the Marikina River centerline, opened

2008
SM City Rosales Pangasinan was flooded during Typhoon Pepeng which led to the integration of disaster risk reduction for business continuity

2009
SM City Xiamen installed solar panels on its rooftop

2011
SM Foundation conducted its first Operation Tulong Express response
BDO launched its Sustainable Energy Financing Program

2012
Hans Sy was inducted as a Board Member of the United Nations International Strategy for Disaster Reduction (UNISDR)

2013
SM Foundation launched the Grow A Million Trees Program
SM City Xiamen installed solar panels on its rooftop

2014
SM City North EDSA installed solar panels on its rooftop, making it the first solar-powered mall in the Philippines
SM launched a Yolanda disaster response and rehabilitation campaign

2015
SM Foundation conducted its second Operation Tulong Express response
Our Path to Sustainable Growth is outlined in the SM group’s Sustainability Framework, focusing on providing inclusive economic opportunities, creating positive social impact, practicing environmental responsibility and embracing good corporate governance with the objective of building a web of vibrant local economies.
Our Commitment to the Principles of the United Nations Global Compact

The SM Board of Directors approved guiding principles aligned to the 10 Principles of the United Nations Global Compact.

<table>
<thead>
<tr>
<th>Principle 1, 2 &amp; 3</th>
<th>Principle 4 &amp; 5</th>
<th>Principle 6</th>
<th>Principle 7</th>
<th>Principle 8</th>
<th>Principle 9</th>
<th>Principle 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>The responsibility to protect the dignity of every person and uphold labor rights and human rights</td>
<td>The elimination of all forms of forced and compulsory labor and child labor</td>
<td>The recognition of the role of women in achieving economic growth and poverty reduction</td>
<td>The adoption of instruments that help quantify, manage and report the carbon footprints of its businesses</td>
<td>Access to clean, renewable energy sources and services</td>
<td>Climate-friendly solutions and opportunities for business</td>
<td>Corporate governance</td>
</tr>
</tbody>
</table>

Sustainability and ESG Groupwide Steering Committee

Reporting to the Executive Committee, the group-wide steering committee oversees the group’s sustainability roadmap and progress. The committee is chaired by SMIC President, Frederic DyBuncio, with the Presidents of the various SM companies as members. Serving the committee is a technical working group led by the Vice President for Sustainability, Koleen Davila-Palaganas, who also serves as the committee secretariat. The technical working group is tasked to implement, monitor and report the impact of the company’s sustainability performance. Meanwhile, the Corporate Affairs and Sustainability Group at SM Investments Corporation functions as a shared service support to SM companies in their respective sustainability and CSR programs.

Our Reporting Process

1. **CAPACITY BUILDING**
   - Continuous training on sustainability
   - Stakeholder Inclusiveness and Sustainability Context

2. **MATERIALITY ASSESSMENT**
   - Review of business model and impacts
   - Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness

3. **DATA GATHERING**
   - Collection of stories and data
   - Stakeholder Inclusiveness and Completeness

4. **REVIEW MANAGEMENT**
   - Affirmation of reported disclosures
   - Stakeholder Inclusiveness and Completeness
Materiality

We deepened our analysis of those aspects of our businesses that were identified by our stakeholders as having the greatest impact for them. To achieve this, we provided clear definitions per topic, launched an automated stakeholder feedback survey and conducted informal dialogues with them to have a better understanding of why they consider the topics important and the extent of the effects each topic had per stakeholder group.

Our Materiality Matrix
## Material Topics, Boundaries, Definition and Relevance

<table>
<thead>
<tr>
<th>Alignment to SM’s Sustainability Framework</th>
<th>Topics</th>
<th>Boundaries</th>
<th>Definition and Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusive Economic Opportunities</td>
<td>Economic Performance</td>
<td>Within SM, host communities, business partners, government</td>
<td>How the Company delivers value to its shareholders, creates economic opportunities in its communities and contributes to the economic growth of the country</td>
</tr>
<tr>
<td>Innovative Products and Services</td>
<td>Market Presence</td>
<td>Within SM, customers, business partners</td>
<td>How the Company makes the SM brand accessible and inclusive to the broader market through its diverse businesses, innovative products and services, reasonable price points, customer incentives and loyalty programs</td>
</tr>
<tr>
<td>Positive Social Impact</td>
<td>Community Involvement/CSR</td>
<td>Within SM and host communities</td>
<td>How the Company helps provide access to social services such as education, healthcare, livelihood, shelter and disaster relief support</td>
</tr>
<tr>
<td>Education Program, Health and Wellness Program, Farmers Training Program, SM Cares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inclusive Economic Opportunities</td>
<td>Employee Rights and Welfare</td>
<td>Within SM</td>
<td>How the Company protects the rights, welfare and dignity of its employees; provides decent working conditions and fair compensation and benefits; and engages its employees through various meaningful activities</td>
</tr>
<tr>
<td>Job Creation</td>
<td>Employee Training, Development and Career Path</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Management System</td>
<td>Occupational Health and Safety</td>
<td></td>
<td>How the Company promotes the health and well-being of its employees and provides a safe working environment with adequate benefits and insurance safety nets</td>
</tr>
<tr>
<td>Positive Social Impact</td>
<td>Diversity, Equal Opportunities and Job Creation</td>
<td></td>
<td>How the Company provides job opportunities especially in second tier cities; prioritizes manpower from the locality; creates flexible job opportunities for senior citizens and persons with special needs; and promotes equal remuneration regardless of gender, race or creed</td>
</tr>
<tr>
<td>Inclusive Economic Opportunities</td>
<td>MSME Inclusion</td>
<td>Within SM, business partners</td>
<td>How the Company engages MSMEs in formal retailing by providing opportunities in its retail spaces; supports entrepreneurs through capacity building and financing; and imparts guidance on product packaging and marketing</td>
</tr>
<tr>
<td>Inclusive Supply Chain</td>
<td>Customer Rights and Welfare</td>
<td>Within SM, customers</td>
<td>How the Company protects the rights of its customers through customer data privacy, customer satisfaction initiatives and customer engagement programs; and ensures the safety of its customers</td>
</tr>
<tr>
<td>Inclusive Economic Opportunities</td>
<td>Customer Service Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Rights and Welfare</td>
<td>Sustainable Operations (Business Continuity)</td>
<td>Within SM, business partners, host communities</td>
<td>How the Company efficiently utilizes resources to minimize the withdrawal from natural sources; and designs its infrastructure and business models to mitigate irreversible harm to the environment</td>
</tr>
<tr>
<td>Environmental Responsibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Risk Reduction and Resiliency, Climate Change Action Plan</td>
<td>Good Corporate Governance (Leadership, Policy, Due Diligence)</td>
<td>Within SM</td>
<td>How the Company anchors its policies and practices on good governance; promotes anti-corruption; upholds its Code of Ethics in its transactions; conducts due diligence and complies with all relevant laws and regulations</td>
</tr>
</tbody>
</table>
## Stakeholder Engagement

### Stakeholder Group and Description

<table>
<thead>
<tr>
<th>Stakeholder Group and Description</th>
<th>Channels of Engagement</th>
<th>Relevant Topics</th>
<th>Our Commitment</th>
<th>Our Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMIC Employees</td>
<td>Regular meetings</td>
<td>Economic Performance</td>
<td>Performance-based compensation and benefits</td>
<td>Energizing Local Economies (page 26)</td>
</tr>
<tr>
<td>Proponents of SM’s visions, mission and objectives</td>
<td>Online meetings</td>
<td>Market Presence</td>
<td>Targeted product discounts and promos for employees</td>
<td></td>
</tr>
<tr>
<td>Employees of a Business Unit or Subsidiary</td>
<td>Regular meetings</td>
<td>Employee Rights and Welfare</td>
<td>Code of Ethics</td>
<td>Corporate Governance (pages 59-62)</td>
</tr>
<tr>
<td>Proponents of SM’s vision, mission and objectives at the subsidiary level</td>
<td>Online survey</td>
<td>Occupational Health and Safety</td>
<td>Adequate health benefits and insurance</td>
<td></td>
</tr>
<tr>
<td>Business Partners, Suppliers or Service Providers</td>
<td>Vendor selection process</td>
<td>Corporate Governance</td>
<td>Transparent vendor accreditation process</td>
<td>Corporate Governance (pages 59-62)</td>
</tr>
<tr>
<td>Suppliers and service providers vital to SM</td>
<td>Online survey</td>
<td>Market Presence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investors, Shareholders and Analysts</td>
<td>Annual Stockholder’s Meeting</td>
<td>Corporate Governance</td>
<td>Transparent and timely disclosure of performance</td>
<td>Energizing Local Economies (page 26)</td>
</tr>
<tr>
<td>Providers of resources essential to SM’s goal to deliver results, enhanced economic returns and shared value</td>
<td>Analyst and Investor briefings</td>
<td>Economic Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Partners and Beneficiaries</td>
<td>Informal dialogues</td>
<td>Community Involvement or CSR</td>
<td>Continuous dialogue for the design and implementation of social development programs</td>
<td>Strengthening Foundations for Social Development (page 35)</td>
</tr>
<tr>
<td>Partners in community development and local economic growth</td>
<td>Consultations and partnerships</td>
<td>Market Presence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers, Consumers and Clients</td>
<td>Various customer engagement initiatives</td>
<td>Customer Rights and Welfare</td>
<td>Innovative products and services</td>
<td>Safeguarding Our Natural Environment (pages 33-34)</td>
</tr>
<tr>
<td>Patrons of SM’s products and services</td>
<td>Cause-related marketing</td>
<td>Sustainable Operations</td>
<td>Environmental sustainability practices</td>
<td>Working for a Better Tomorrow (pages 42-57)</td>
</tr>
<tr>
<td>Media</td>
<td>Regular press briefings and conferences</td>
<td>Economic Performance</td>
<td>Transparent and timely disclosure of performance</td>
<td>Energizing Local Economies (page 26)</td>
</tr>
<tr>
<td>Partners in accurate reporting, upholding transparency and integrity</td>
<td>Media events</td>
<td>Market Presence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socio-Civic Partners and NGOs</td>
<td>Program partnerships</td>
<td>Community Involvement or CSR</td>
<td>Partnership for the design and implementation of social development programs</td>
<td>Strengthening Foundations for Social Development (page 35)</td>
</tr>
<tr>
<td>Partners in social development and environmental sustainability</td>
<td>Online survey</td>
<td>Diversity, Equal Opportunities and Job Creation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulators and Government Agencies</td>
<td>Regular meetings</td>
<td>Corporate Governance</td>
<td>Compliance with all applicable laws</td>
<td>Corporate Governance (pages 59-62)</td>
</tr>
<tr>
<td>Partners in upholding the law</td>
<td>Compliance</td>
<td>Diversity, Equal Opportunities and Job Creation</td>
<td>Transparent and timely disclosure of performance</td>
<td></td>
</tr>
</tbody>
</table>
Our Approach to Delivering Sustained Growth

We serve as a catalyst for development in the communities where we are present. SM’s Path to Sustainable Growth is focused on energizing local economies. Wherever SM operates, we provide inclusive economic opportunities, facilitate development, promote environmental responsibility and create positive community impact to drive sustainable growth.
We build a strategic portfolio of investments that are market leaders in retail, property, banking and other equity investments. By capitalizing on the synergy of complementary products and services, the SM group helps accelerate economic activity and creates shared value in the communities we serve.

2018 At A Glance

Our good results in 2018 were driven by the strong performance of all three of our core businesses – retail, banking and property. While our operating costs increased by 12.8%, economic value generated increased by 13.4%. The expansion of our businesses supported by sustainable initiatives across the group allowed us to improve economic value retained by 20%, providing enhanced shared value for our many stakeholders.

2016-2018 Economic Performance

<table>
<thead>
<tr>
<th>SM Investments Corporation and Subsidiaries</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic value generated</td>
<td>367,205</td>
<td>400,345</td>
<td>453,900</td>
</tr>
<tr>
<td>Economic value distributed</td>
<td>333,789</td>
<td>366,098</td>
<td>412,832</td>
</tr>
<tr>
<td>Operating costs</td>
<td>269,510</td>
<td>290,795</td>
<td>328,108</td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td>18,838</td>
<td>20,393</td>
<td>24,911</td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td>26,170</td>
<td>31,420</td>
<td>34,249</td>
</tr>
<tr>
<td>Payments to government</td>
<td>18,857</td>
<td>23,026</td>
<td>24,899</td>
</tr>
<tr>
<td>Community investments</td>
<td>414</td>
<td>464</td>
<td>665</td>
</tr>
<tr>
<td>Economic value retained</td>
<td>33,416</td>
<td>34,247</td>
<td>41,068</td>
</tr>
</tbody>
</table>
Fostering Inclusive Economic Activities

We build long-term relationships with our suppliers and business partners. With SM having diverse companies, each business unit focuses on key elements of inclusive supply chain practices relevant to their core businesses, giving priority to local suppliers whenever possible.

Product Sourcing
SM Retail*

We place our customers at the center of our product selection process, giving utmost priority to product safety, quality and affordability while keeping a balance of international and local product inventory.

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>manufacturers</td>
<td>220+</td>
</tr>
<tr>
<td>distributors</td>
<td>280+</td>
</tr>
<tr>
<td>artisans</td>
<td>20+</td>
</tr>
<tr>
<td>local communities</td>
<td>10+</td>
</tr>
<tr>
<td>international suppliers</td>
<td>20+</td>
</tr>
</tbody>
</table>

*limited to THE SM STORE’s SM Men’s Fashion, Bags and Shoes and Kultura

Property Development and Management
SM Prime Holdings

Our stakeholders’ safety and comfort are our primary concerns in our developments. As such, SM Prime conducts a rigorous process for vendor and supplier accreditation, from identifying locations, designing and constructing to managing our properties.

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>construction contractors</td>
<td>215</td>
</tr>
<tr>
<td>mail tenants</td>
<td>18,567</td>
</tr>
<tr>
<td>service providers</td>
<td>90</td>
</tr>
<tr>
<td>IT software and solutions providers</td>
<td>20+</td>
</tr>
<tr>
<td>general contractors</td>
<td>180+</td>
</tr>
<tr>
<td>manufacturers of furniture, fixtures</td>
<td>50+</td>
</tr>
<tr>
<td>suppliers of printed materials and</td>
<td>55+</td>
</tr>
<tr>
<td>other consumables</td>
<td></td>
</tr>
</tbody>
</table>

Supply Chain Management
BDO

With the financial sector having an indirect impact on supply chain, BDO focuses its supply chain management on its ability to manage risks.
Employee Recruitment and Retention

As a company engaged in highly competitive fields, we make sure that we bring in people who are adaptive and can thrive with and through change. There are five key characteristics that is the DNA of every SM employee – adaptive, creative, reliable, innovative and resilient. Beyond technical fit, we select people who exhibit the same values as we do.

It is always our objective for our people to build their careers with SM. As such, our retention strategy begins even before an employee joins us. We assess each one’s proven track record, long term potential and cultural fit. Upon joining us, each employee undergoes a rigorous and comprehensive onboarding process enabling them to have the work tools needed to be productive and setting them for success. We are also an equal opportunity employer, selecting candidates based on merit regardless of age, gender, sexual orientation, race, ethnicity, religion or creed.

Total headcount¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>118,020</td>
</tr>
<tr>
<td>2017</td>
<td>110,251</td>
</tr>
</tbody>
</table>

Breakdown by age group and gender¹

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30 yrs</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>30-50 yrs</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Over 50 yrs</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Breakdown by company¹, ²

<table>
<thead>
<tr>
<th>Company</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO</td>
<td>8%</td>
</tr>
<tr>
<td>SM Markets</td>
<td>23%</td>
</tr>
<tr>
<td>THE SM STORE</td>
<td>31%</td>
</tr>
<tr>
<td>SM Prime</td>
<td>21%</td>
</tr>
<tr>
<td>China Bank</td>
<td>2%</td>
</tr>
<tr>
<td>2GO</td>
<td>3%</td>
</tr>
<tr>
<td>Atlas Mining</td>
<td>1%</td>
</tr>
<tr>
<td>and Carmen Copper</td>
<td>0.4%</td>
</tr>
<tr>
<td>Belle Corporation</td>
<td>11%</td>
</tr>
</tbody>
</table>

Breakdown by region¹

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luzon</td>
<td>13%</td>
</tr>
<tr>
<td>Visayas</td>
<td>78%</td>
</tr>
<tr>
<td>Mindanao</td>
<td>8%</td>
</tr>
<tr>
<td>Outside the Philippines</td>
<td>1%</td>
</tr>
</tbody>
</table>

New hires and employee turnover

<table>
<thead>
<tr>
<th>Metric</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total new hires in 2018</td>
<td>61,067</td>
</tr>
<tr>
<td>52% hiring rate</td>
<td></td>
</tr>
<tr>
<td>Total employee separations in 2018</td>
<td>56,071</td>
</tr>
<tr>
<td>49% turnover rate</td>
<td></td>
</tr>
</tbody>
</table>

¹Data from Greenmist Property Management Corporation, a subsidiary of SM Prime, is not included
²2017 employee data were recalculated to include figures from Belle Corporation, 2GO, Atlas Mining and Carmen Copper 102-48
We strive to be an employer of choice. In 2018, we were named as one of the World’s Best Employers by Forbes in their Global 2000 list. In an age where work is embraced more as a vocation and a purpose, we promote fulfillment at work by integrating corporate responsibility and sustainability in the core of how we do business. We help our people recognize their value through the work they do, not only for the company but also for the communities we serve through various volunteer opportunities. Moreover, we recognize that the relationships between boss and staff and among teammates play a critical role in having job satisfaction. As such, we create various activities that foster an engaging and nurturing office atmosphere.

**Employee Fulfillment and Job Satisfaction**

- **80,000** employees engaged by the #AweSMatWork Campaign
- **3,685** volunteers in the **60,000** Shoe Drive Project
Employee Talent Development, Training and Career Pathing

We hire for success. As such, leadership development is an indispensable component of our business continuity. We maintain a healthy balance of seasoned executives with proven track records and promising junior executives who exhibit leadership potential. They develop a mentor-mentee relationship, allowing them to mature in their prospective leadership roles in the future. Moreover, they may also be assigned to other companies or be given special tasks or projects to further develop in them SM leadership traits such as tough-mindedness, conscientiousness, perceptiveness and charisma.

<table>
<thead>
<tr>
<th>Average training hours per employee¹,²</th>
<th>Average training hours per employee per gender¹,²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018  18.8</td>
<td>2018  18.2</td>
</tr>
<tr>
<td>2017  12.6</td>
<td>2017  14.5</td>
</tr>
<tr>
<td>Male    18.2</td>
<td>Female 21.6</td>
</tr>
<tr>
<td>Female  14.8</td>
<td></td>
</tr>
</tbody>
</table>

Principles of Fairness, Equality and Meritocracy

We foster fairness within SM through several thoughtful and comprehensive management approaches which have become ingrained in our culture. We established an automated Performance Appraisal Management System which incorporates feedback sessions, ensuring that both appraiser and appraisee have constructive discussions on how to better achieve the set objectives, the assessment of the year’s work outputs and outcomes, and the skills and leadership development path to take moving forward. Aside from an open-door policy for all management, the human resource team conducts one-on-one discussions with employees, allowing our people to share concerns in a safe environment. Lastly, under our Policy on Accountability, Integrity and Vigilance, we provide a secure process that gives employees the opportunity to report any supposed irregularities. By upholding transparency, we are able to create a balanced environment that promotes objectivity and humanity.

Percentage of employees covered by collective bargaining agreements per company ¹02-41

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE SM STORE</td>
<td>9%</td>
</tr>
<tr>
<td>BDO</td>
<td>49%</td>
</tr>
<tr>
<td>China Bank</td>
<td>15%</td>
</tr>
<tr>
<td>Belle Corp.</td>
<td>14%</td>
</tr>
<tr>
<td>2GO</td>
<td>3%</td>
</tr>
<tr>
<td>Carmen Copper</td>
<td>62%</td>
</tr>
</tbody>
</table>

¹Data does not include figures from THE SM STORE.
²2017 training data were recalculated to include figures from Belle Corporation, 2GO, Atlas Mining and Carmen Copper 102-48
Celebrating #AweSM at 60
Through Employee Engagement

The heart of our 60th Anniversary celebrations comes from the passion and commitment of our employees. As part of the various anniversary activities, we launched #AweSMatWork to celebrate diversity, inclusion and fortify values of delivering excellent service and giving back.
The AweSM Tree Count

60,000 fruit bearing trees planted in Batangas, Pampanga, Iloilo and Davao

Ultimate Talent Search

1,300 acts showcased
With SM’s extensive business footprint, the efficient management of our resources is essential to ensuring the long term sustainability of our operations. Across our businesses, we focus our environmental efforts in two areas:

**Disaster Risk Reduction and Resilience**
We work towards business continuity by integrating disaster resilient features in our infrastructure designs and property developments. We implement a business continuity management system throughout our mall operations and support disaster warning systems such as automated weather stations.

**Climate Change Adaptation**
We ensure environmental responsibility in our business processes by adopting climate-friendly solutions and instruments to help monitor and mitigate our carbon footprint. We also finance projects that promote climate change adaptation such as renewable energy projects, national infrastructure projects and other clean technology projects.

**Energy**
Electricity consumption remains the largest source of our energy utilization with SM Prime being the biggest consumer in the SM group. Fuel consumption from generator sets is second and LPG consumption by mall tenants is third.

**Greenhouse Gas (GHG) Emissions**
The majority of our GHG emissions come from carbon dioxide (CO₂) produced by our electricity and fuel consumption using fossil fuel as the primary source. We monitor our emissions following three scopes:

<table>
<thead>
<tr>
<th>Total Electricity Consumption¹</th>
<th>in MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,478,097</td>
</tr>
<tr>
<td>2017</td>
<td>2,404,645</td>
</tr>
</tbody>
</table>

- **Company-controlled premises**
- **Tenant-controlled premises**

<table>
<thead>
<tr>
<th>Total Fuel Consumption¹</th>
<th>in liters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>84.2M</td>
</tr>
<tr>
<td>2017</td>
<td>72.5M</td>
</tr>
</tbody>
</table>

**Total GHG Emissions¹,²** in tonnes CO₂e

<table>
<thead>
<tr>
<th>Year</th>
<th>Total GHG Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5,063,060</td>
</tr>
<tr>
<td>2017</td>
<td>4,922,859</td>
</tr>
</tbody>
</table>

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

¹2017 data was recalculated to include Belle Corporation, 2GO, Atlas Mining and Carmen Copper and for better comparison 102-48
²Calculated following the operational approach of the Greenhouse Gas Protocol. Moreover, Scope 2 emissions were computed using the 2016-2017 National Grid Emission Factors provided by the Department of Energy
Water

We source 100% of our water utilization from established utility providers. To minimize withdrawal from water sources, we treat and recycle our water for non-potable water use in our mall operations such as for cooling towers, toilet flushing and grounds keeping.

Waste Management

Among SM companies, SM Supermalls and SM Retail take the lead in monitoring waste generation, proper disposal and recycling materials for operations. Moreover, they engage their tenants, vendors and customers in recycling activities.

Total Water Consumption¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Consumption (cubic meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>39.2M</td>
</tr>
<tr>
<td>2017</td>
<td>39.0M</td>
</tr>
</tbody>
</table>

Total Water Recycled

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Recycled (cubic meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5.1M</td>
</tr>
<tr>
<td>2017</td>
<td>5.3M</td>
</tr>
</tbody>
</table>

Total Waste Generated¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste Generated (cubic meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>17,699</td>
</tr>
<tr>
<td>2017</td>
<td>17,170</td>
</tr>
</tbody>
</table>

87% of total waste generated is recycled.

¹2017 data was recalculated to include Belle Corporation, 2GO, Atlas Mining and Carmen Copper and for better comparison 102-48
Through SM Foundation and BDO Foundation, we work with communities to identify the root causes of their social gaps and challenges. Access to basic social services namely education, healthcare, food security and shelter is a challenge in the Philippines. As such, our foundations focus on helping provide access to such services especially in calamity stricken communities.

### Education

<table>
<thead>
<tr>
<th>Impact to date</th>
<th>2018 Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>135 public school buildings with 478 classrooms constructed</td>
<td>7 public school buildings with 59 classrooms constructed</td>
</tr>
<tr>
<td>9,015 total number of scholars</td>
<td>2,706 total number of scholars</td>
</tr>
</tbody>
</table>

### Food Security through Farmer's Training

<table>
<thead>
<tr>
<th>Impact to date</th>
<th>2018 Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>23,170 farmers trained</td>
<td>3,370 farmers trained</td>
</tr>
<tr>
<td>187 farmers training sessions conducted</td>
<td>32 farmers training sessions conducted</td>
</tr>
</tbody>
</table>

### Health and Wellness

<table>
<thead>
<tr>
<th>Impact to date</th>
<th>2018 Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>224 health centers and medical facilities renovated</td>
<td>37 health centers and medical facilities renovated</td>
</tr>
<tr>
<td>1,406 medical missions conducted serving 14.9M beneficiaries</td>
<td>85 medical missions conducted serving 2.2M beneficiaries</td>
</tr>
<tr>
<td>1,1M patients</td>
<td>81,340 patients</td>
</tr>
</tbody>
</table>

### Social Inclusion through SM Cares Program

<table>
<thead>
<tr>
<th>Impact to date</th>
<th>2018 Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>105,000 participated in Angels’ Walk to raise awareness for autism</td>
<td>24,000 participated in Angels’ Walk to raise awareness for autism</td>
</tr>
<tr>
<td>52,311 participated in Happy Walk to raise awareness for Down syndrome</td>
<td>15,871 participated in Happy Walk to raise awareness for Down syndrome</td>
</tr>
</tbody>
</table>
GRI: Empowering Sustainable Decisions
SUSTAINABILITY SUMMIT 2018
OCTOBER 8, 2018 | MANILA, PHILIPPINES
TOGETHER TOWARDS A SUSTAINABLE PHILIPPINES
Ayala Group’s Chair, Jaime Zobel, gave an overview of how businesses can support sustainable development. “Sustainability has become an integral part of doing business. Impact Investing gives due importance to both financial and non-financial performance indicators. At SM, we view opportunities with the wider lens of assessing our role in environmental or social issues, which in turn, enables us to identify and better prepare for risks.”

Teresita Sy Coson, Vice Chairperson of SM Investments Corporation, shared how blockchain technology helps reach the unbanked sectors.

Discussions during breakout sessions

1. Promoting Sustainable Development through Public-Private Partnerships
3. SR 101: Starting your Sustainability Reporting Journey
4. Advancing the Case for Sustainable Finance and Investment
5. Challenging, Solving and Sharing: Treatment of Sustainability in Supply Chain
6. Discussions during breakout sessions

SM Sustainability champion and UNISDR Board Member, Hans Sy, shared the importance of disaster resilience to business continuity.

SMIC's Sustainability Steering Committee Vice-Chair and Corporate Affairs Head, Ramon Gil Macapagal, outlined sustainability best practices.

GRI CEO, Tim Mohin, presented how sustainability advances business models.

SMIC's Senior Vice President for Finance, Franklin Gomez, presented how the SM Group has helped advance sustainable financing and investment.

SMIC's Head of Investor Relations, Timothy Daniels, gave SM’s perspective on how capital and financial market trends drive transparency and growth.

SMIC’s Vice President for Investor Relations, Tristan Choa, facilitated the panel discussion on how companies drive sustainability down the supply chain.

SMIC’s Vice President for Sustainability, Koleen Davila-Palaganas, shared SM’s journey in overcoming challenges and reaping the benefits of sustainability reporting.

Breakdown of Attendees by Sector

- Conglomerates: 17%
- Corporate foundations: 6%
- International organizations: 4%
- Government agency/regulatory body/LGU: 4%
- Financial services: 8%
- Energy: 6%
- Food manufacturing: 4%
- Others: 33%
- Real estate: 7%

Breakdown of Attendees by Group/Affiliation

- SM Group: 22%
- Ayala Group: 10%
- Metro Pacific Group: 4%
- Others: 43%
- Lopez Group: 11%
- JG Summit Group: 7%
- Aboitiz Group: 3%

SM Group’s Vice-Chair and BDO Chairperson, Teresita Sy Coson, shared her thoughts on how the private sector can work together towards sustainability.

As a testament to our commitment to sustainability, SM took a lead role in bringing together the names of Philippine business to pave the way for a stronger business platform at the first GRI Sustainability Summit in the country on October 8, 2018 at the Conrad Hotel Manila. The Summit aimed to promote wider understanding of sustainable business practices and sustainability reporting.

‘Sustainability has become an integral part of doing business. Impact Investing gives due importance to both financial and non-financial performance indicators. If you can put yourselves in the wider lens of assessing your role in environmental or social issues, which in turn, enables us to identify and better prepare for risks.”

World Business Council for Sustainable Development Chair, Sunny Verghese, shared Olam’s journey towards sustainability.

Renewable energy advocate and pioneer, Vince Perez, shared his insights on the road to making renewables mainstream.

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Discussions during breakout sessions:

1. SR 101: Starting your Sustainability Reporting Journey

2. Driving Sustainability through Supply Chain

3. Challenges, Keys to Success and Impacts of Sustainability Reporting

4. Promoting Sustainable Development through Public-Private Partnerships

5. Advancing the Case for Sustainable Capital and Financial Market Policies and Practices

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6. Driving Sustainability through Supply Chain

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- Real estate: 7%
- Retail: 6%
- Consultancy: 4%

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Working for a Better Tomorrow

Every company in the SM group defines its sustainability focus areas according to the unique material aspects of its core business while aligning to SM’s group-wide sustainability framework.
THE SM STORE strives to balance providing customers with access to global brands and ensuring a platform for local products to gain wider reach.

We help local manufacturers be competitive by:

- conducting market research and providing advice to suppliers on trending designs, fabrics and materials, including eco-friendly options, that they can use in their products
- automatically engaging key suppliers of house brands as SM expands
- facilitating access to business solutions to help them grow
- training suppliers’ sales assistants to effectively promote their products

SM Bags and Shoes

- 14 local manufacturers engaged
- 347% increase in number of employees hired by local manufacturers
- 184% increase in production volume
We provide excellent shopping experiences to our customers with each employee living out our service mantra.

“Because of CSRP, I can already influence others in the store to be champions as well.”

Yvonnie Delgado
Assistant Branch Manager
THE SM STORE Iloilo

We imbibe the SM culture of service into every team member and motivate them through our annual Customer Service Rewards Program. This program is the platform we use to create long-term career paths and leadership development for THE SM STORE.

“We are your PERSONAL EXPERT, FRIEND AND CHEERLEADER.”

139 CSRP awardees who have risen to senior management roles since program inception
31 promoted to Senior Manager
72 promoted to Manager
36 promoted to Supervisor
As a store for all things uniquely Filipino, we bring together specialties from the different regions of the Philippines. The heart and mission of Kultura is to instill more pride in our identity, embracing our traditions and keeping them relevant to everyday living. We also champion and support communities, local talent, artistry and craftsmanship.

T’Nalak
The tradition of T’nalak designs, considered a sacred fabric woven by the T’boli people in the communities around Lake Sebu, Mindanao, have been passed down through generations, coming to the best weavers in dreams brought to them by their ancestors. T’nalak is used for clothing, wedding dowries, and gifts for special occasions.

Heritage and Living Traditions
We promote products that are made through traditional weaving techniques using indigenous materials in modern, functional designs for daily use.

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Piña Silk Weaving
Produced primarily in the Aklan region, the scraping and weaving process for piña is laborious and intensive with each step done mostly by hand.

Yakan
Known for their remarkable technicolor geometric weaves, the Yakan people in Mindanao embody a non-materialistic culture and live in close-knit communities. Through the years, their traditional textile designs have been enhanced with vivid colored cottons.
Crafts for a Cause

We support social enterprises by promoting products that have direct benefits to communities and the environment.

GTGB Trading
Enables the women artisans of Tondo to gain sustainable livelihood and showcase their handmade upcycled bags in the process.

GKonomics
Adopts a community development model that seeks to alleviate the effects of poverty and restore dignity to the poor.

Through strong partnerships with NGOs and supporters, Gifts and Graces helps communities and individuals reach their full potential and break free from poverty.
Local Ingredients

We help provide sustainable livelihood by promoting products that use local ingredients.

Mango
Fair trade practices toward mango farmers underscore the dried mango products we promote. This encourages greater mango production and allows worldwide distribution.

Cacao
We purchase chocolates sourced from cacao plantations in Davao. This provides livelihood to the poorest communities and supports the education of farmers’ children.

Pili oil
Directly sourced from Bicol farmers, these products are made using earth-friendly materials with no harmful chemicals used to grow trees or induce harvests. This provides farmers a sustainable livelihood and improved quality of life.

Ibarra
Established with the inspiration and passion for the art of watchmaking. Designed in Manila with world-class materials, each timepiece showcases the skill and ingenuity of Filipinos.

Casa Mercedes
The oldest bespoke fan maker in the Philippines. A handmade tradition beginning 1961 and has been the choice of Manila’s fan-using public since. Casa Mercedes fans have been a favorite of Manila society, from designers to First Ladies, and had the honor of providing Queen Sofia of Spain a bespoke fan as a gift from the Philippine government.

Local Talent

We support local artistry and craftsmanship.
Behind the carefully organized aisles, stock-filled shelves and numerous checkout counters of every SM Market store are stories of long-term relationships sharing the same passion for excellence and service.

A Relationship Built on Trust

“When people ask me why I stayed with SM, it is because SM treated me like a member of the family. I was only 43 when I was promoted to President and I am not even Chinese.”

Among the many employees who blossomed at SM is no less than the president of SaveMore Market. From his humble beginnings as a student from a small public school in Lucena, Jojo has risen from the ranks and built a career in SM Markets. Under the tutelage of Mr. Herbert Sy, whom he recognizes as his greatest mentor, Jojo mastered the ins and outs of food retailing, perfectly preparing him to become the leader of SM Markets’ fastest growing retail brand.

Jojo R. Tagbo
President, SaveMore
In partnership with Autism Society Philippines, SM Markets is a place where adults in the autism spectrum can work and be productive. From its pilot program at Savemore Market Light Residences in 2016, AutiSM@Work has expanded to 17 SM Market branches with 63 exceptional individuals in the program.

Kalvin
Known to always accomplish his tasks with a positive attitude, Kalvin is a busy guy balancing SM Markets, his studies and his hobbies.

Brainard
When Brainard is off duty from Savemore, he plays ball or bakes pastries.

Kerstian
Kerstian is well-versed in assisting customers with his extraordinary patience.

“The best thing about SM is that we are treated like family.”

The Commitment to Work
“It is not my decision to hire you. It is up to you to decide whether you want to work with us or not.” Those were the closing words during Liza’s interview. Already, she knew that she was going to be part of something special. Her career began as a cashier at SM Supermarket North EDSA. Today, Liza manages numerous stores including Super Sale Club, SM Marketplace Podium, SM Supermarket Makati, Savemore Market Broadway and more.

Liza San Juan
Operations Manager, SM Supermarket

Learning Never Ends
Jonathan built his career anchored on his willingness and capacity to learn. From doing everything manually, he saw the evolution in stock management and service when technology evolved. But more important is the learning he received from interacting with people as he was assigned to different branches all over the country.

Jonathan Nievo
Operations Manager, SM Supermarket
Investing in disaster risk reduction and resilience has become an indispensable component of our strategic objectives. It is an investment that not only translates to immeasurable business returns but also safeguards the lives and interests of our stakeholders. In SM, we have a three-pronged approach to disaster resilience.

1. We integrate disaster risk reduction into our infrastructure design.

   **SM City Marikina**

   - built on stilts
   - situated 20 meters farther than the standard regulation for buildings or 90 meters away from the Marikina River centerline

   “By investing in resilience, we minimize vulnerability, better safeguard our physical assets, reduce recovery expense and contribute to local government efforts.”
   — Hans Sy

   **SM Mall of Asia**

   - built 4.5 meters above the mean lower water level

   **SM Center Muntinlupa**

   - built on a suspended two-way slab system placed further outside the recommended distance from the fissure line in the event of seismic activity
We help develop the resilience of our stakeholders during times of calamities.

“We help address extreme poverty. The poorest communities remain the most vulnerable groups during times of natural disasters. We recognize that giving them access to basic social services and safety nets helps them have a more resilient foundation.”

— Hans Sy

We launched disaster preparedness programs like the Green Retail Agenda as capacity building programs for our tenants and suppliers.

We also encourage recycling among our customers through programs like Trash to Cash.

During calamities, we open our malls and parking areas to serve as safe haven to those affected.

We helped build 1,000 disaster resilient homes that can withstand winds up to 250 km/h for the families affected by Typhoon Haiyan.
The Sustainable Diner
Pico Sands Hotel

We strive to promote sustainable dining options for our guests as they enjoy sumptuous local and international cuisine. In partnership with World Wide Fund for Nature (WWF) Philippines, Pico Sands Hotel launched THE SUSTAINABLE DINER program with the objective of reducing food waste and promoting sustainable consumption and production during buffet meals.

Reduce Food Waste

We trained the kitchen crew and service staff to monitor, measure and segregate waste generated by the restaurant during food preparation, cooking and serving phases as part of overall responsible restaurant operations.

Promote Sustainable Choices

We do the following to ensure the success of our program:

- Customer requirement and needs analysis
- Strict implementation of minimum diners for buffet
- Proper labeling for responsible consumption
We are committed to creating positive impact through Travel with Purpose, Hilton’s corporate responsibility strategy to redefine and advance sustainable travel and tourism.

**Social Impact**
We focus on promoting inclusive growth, human rights, local investment and disaster relief.

- **Good Food Grocer**
  We help educate and demonstrate healthy cooking to local communities.

- **Soap 4 Hope**
  We have donated more than 60 kilograms of used soap for recycling to provide livelihood to the women of Barangay Ususan, Taguig.

- **Rise Against Hunger Meal Packing**
  Volunteers packed 150 meal boxes, equivalent to 5,400 meal packs and 64,800 food servings, to feed the identified communities of Rise Against Hunger.

**Environment Impact**
We preserve our planet for future generations by reducing our environmental footprint through energy and carbon management, water stewardship, waste reduction and responsible sourcing.

- **Earth Hour**
  Conrad Manila’s guests and team members celebrated Earth Hour with a symbolic formation of an expansive candlelit “60”, staying true to the annual switching off of lights.

**Key Performance Indicators**

- **228** kilowatt hour consumption per occupied hotel room
- **1.29** cubic meter water consumption per hotel room

*as measured by LightStay system*
Banking on Sustainability

PRINCIPLE 1

Product Sustainability Strategy

We create products and services that anticipate the evolving needs of our customers and support sustainable development goals.

We develop our capabilities to understand our customers and reach the underserved markets with relevant products and services that meet their unique needs and ways of doing business.

Reaching the Underserved Market

BDO CASH AGAD allows all BDO debit and cash cardholders to perform banking transactions through the use of Point of Sale (POS) terminals deployed with partner merchants.

Empowering the Filipino Consumer

BDO modified banking products and services and forged tie-ups with car dealerships, home developers, and retail stores to give customers more flexible options at competitive rates.

Over 25M cardholders nationwide to date

7,452 partner merchants nationwide to date

Over 12.5M transactions made to date

More than PHP 53.6bn total cash withdrawn to date

19% 5-year CAGR* in auto financing

18% 5-year CAGR* in home loan financing

19% 5-year CAGR* in credit cards

35,900 first time car buyers who availed of BDO services

17,700 first time home owners who availed of BDO services

23,600 retail partners in 0% interest schemes

*Compound annual growth rate
BDO partnered with the International Finance Corporation for its Sustainable Energy Finance program to help address environmental concerns. To reinforce its Social and Environmental Management Systems Policy in lending operations, BDO integrated its environmental risk management systems with responsible financing to accelerate low carbon energy projects through its Green Finance initiatives.

**PRINCIPLE 2**

**Sustainability Contribution Strategy**

We support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities and disaster resilience initiatives.

**Boosting Philippine Tourism through Infrastructure Development**

BDO facilitated the redevelopment and expansion of the Mactan-Cebu International Airport through a PHP12.4 billion Term Loan Facility. With the recent opening of Terminal 2, the airport’s capacity has more than tripled to 12.5 million passengers a year and is now connected to 32 domestic and 22 international destinations.

**Harnessing Renewable Sources of Energy**

BDO partnered with the International Finance Corporation for its Sustainable Energy Finance program to help address environmental concerns. To reinforce its Social and Environmental Management Systems Policy in lending operations, BDO integrated its environmental risk management systems with responsible financing to accelerate low carbon energy projects through its Green Finance initiatives.

**PHP12.4bn**

Term Loan Facility disbursed

**Over 10M**

additional passengers served

**PHP36.9bn**

total funding for SEF projects funded to date

**34**

SEF projects funded to date

**PHP8bn**

funding for SEF projects funded in 2018

**7**

SEF projects funded in 2018
**PRINCIPLE 3**

**Human Capital Sustainability Strategy**

We develop leaders in the sustainability movement.

We aim to grow a “can lead” workforce that is able to adapt and thrive with a sustainability mind-set driven by a customer-focused attitude and out of the box thinking.

**Cultivating the “Can Lead” Culture of Excellence and Innovation**

The capacity of BDO to innovate and anticipate transformations in the banking industry starts from our people’s passion for excellence and innovation.

- 5,195 recipients of the Smart Frontliner Award since 2014
- 1,001 recipients of the Product Excellence Award since 2014

**PRINCIPLE 4**

**Disaster Response Sustainability Strategy**

We leverage our resources towards the relief, rehabilitation and recovery of disaster-stricken communities.

**BDO Foundation Highlights**

- 240 relief operations conducted to date
- 69 rural health units rehabilitated to date
- 34 school buildings constructed to date
- 150,000 students and 3,000 teachers engaged by our financial inclusion program

**PRINCIPLE 5**

**Governance-Based Sustainability Strategy**

We continuously enhance our corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity and fairness, together with our partners.

Among the Top 20 publicly listed companies with the highest corporate governance scores based on the ASEAN Corporate Governance Scorecard
Founded in 1950, DMCI is one of the biggest construction companies in the country today. Through the years, China Bank has come to the aid of DMCI in critical times. First was in 1984 when the Insular Bank of Asia and America was being sold by its owners and its debtors were being required to pay their loans. DMCI, which owed the bank several million pesos, was forced to look for another bank that would loan them the amount. David Consunji, the owner, approached China Bank with whom it had not dealt with before and received a loan. Second was in 1997 when DMCI Holdings bought Semirara Mining Corporation. “We really needed money to get going. China Bank's officers firmly believed in our capacity to pay our obligations, probably because we had a good track record with them,” David says. The relationship between China Bank and DMCI flourishes to this day; it has now passed on from David to his sons.

The Ong Family of Pacific Paint (Boysen) Philippines had a relationship with China Bank since the 50s. In 1963, Vicente Ong Sue got a licensing agreement with Boysen. Today, Pacific Paint controls over 90% of the local premium paint market. Their initial challenge was to make the brand standout, followed by the challenge of distribution as it required capital. Vicente’s son, Willy Ong narrates, “We would not be here today without the help of China Bank. I will always remember the support China Bank extended to us, especially during the big crisis in the 80s.”
SM understands the importance of good corporate governance and has established practices that deliver financial sustainability in a manner that upholds the principles of fairness, accountability and transparency. Through the guidance of the Company's Board of Directors and Management, SM continues to foster a corporate governance culture that ensures that the long-term success of the Company remains balanced with the long-term best interests of its various stakeholders.
Corporate Governance

The Board of Directors

SM’s Board of Directors sets the “tone from the top” and upholds the highest standard of excellence and integrity that permeates throughout the organization. The Board is composed of eight (8) highly-qualified directors, three (3) of whom are non-executive independent directors. 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 SM’s strategic objectives. Under this policy, SM commits to have a diverse collection of directors, in terms of age, ethnicity, culture, skill, competence, knowledge and 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.

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<th>Board of Directors</th>
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<tr>
<td>Jose T. Sio</td>
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<td>Teresita T. Sy-Coson</td>
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<td>Henry T. Sy, Jr.</td>
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<tr>
<td>Frederic C. DyBuncio</td>
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<td>Joseph R. Higdon</td>
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<tr>
<td>Tomasa H. Lipana</td>
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<td>Alfredo E. Pascual</td>
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Board Independence

Per SM's Manual on Corporate Governance, the Company shall have at least three (3) independent directors, who must be free from management responsibilities, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgement. 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. Furthermore, the roles of the Chairman of the Board and the President are held by separate individuals. Their functions and responsibilities are clearly defined in the Company’s By-Laws and Manual on Corporate Governance.

Board Performance

In accordance with the Manual on Corporate Governance, 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 a year, 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 one (1) week before the actual meeting. Through the Corporate Governance Committee, the Board conducts an annual performance evaluation of the Board, the Board Committees, individual directors, the Chairman of the Board and the President/CEO. The evaluation criteria is based on the duties and responsibilities of the respective valuees as provided for in the Company’s By-Laws and Manual on Corporate Governance.

Directors are also asked to 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 agrees on action plans to address the issues raised. The forms used for the evaluation may be viewed via the Company’s website.

Board Committees

To further enhance its corporate governance programs, as well as to address specific tasks and responsibilities, the Board adopted six (6) board committees, namely the Executive Committee, the Audit Committee, the Risk Management Committee, the Related Party Transactions Committee, the Corporate Governance Committee, and the Compensation Committee. Each committee has a Charter which defines its composition, roles and responsibilities based on 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 Board Committee Charters are reviewed annually and were developed to ensure that each Committee is equipped with what is necessary to attain its objectives. For the full details on the Company’s Board Committees, kindly refer to SM Investments Corporation’s 2018 Annual Report.

Governance Related Policies and Programs

SM’s corporate governance culture is anchored on its Manual on Corporate Governance, Code of Ethics and other governance related policies and programs. The Company regularly reviews and enhances its governance related policies and programs to keep pace with global best practices. SM’s corporate governance related policies may be viewed via the Company’s website at www.sminvestments.com.
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. SM 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.

Code of Ethics

SM’s Code of Ethics is the backbone of the Company’s ethics and corporate governance program. 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 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, and shareholders and the importance of corporate social responsibility.

Conflict of Interest Policy

SM’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, SM’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, travel sponsored by any current or prospective business partner is prohibited.

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. SM 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 should 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

SM 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 to regulators. Management regularly presents the details of transactions entered into by SM with related parties at the meetings of the Related Party Transactions Committee. This is to ensure that SM conducts all related party transactions at an arms’ length basis.
Policy On Accountability, Integrity and Vigilance (Whistleblowing)

SM’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 SM 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.

Environmentally Friendly Value Chain

The Company ensures the environmental friendliness of its operations and contributes to the overall sustainability of the physical environment where the Company operates.

The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations.

The Company also assesses and addresses the foreseeable environmental, health and safety-related risks associated with the delivery of the Company’s goods and services and strives to avoid or, when unavoidable, mitigate them.

The Company continually seeks to improve its corporate environmental performance through its supply chain by adopting technologies, developmental practices and other related programs that encourage an environmentally friendly value chain.

Customer Welfare

The Company provides its customers with quality care and service in the provision of goods and services under terms and conditions that are fair and satisfactory. All customers are given fair and proper treatment and are provided with complete, correct and actual information.

Supplier/Contractor Selection

The Company also ensures that the goods and services it provides meet all agreed upon and/or legally required standards for consumer health and safety, including those pertaining to health warnings and safety information. Furthermore, the Company strives to meet the needs of its vulnerable and/or disadvantaged customers.

The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners. The Company has a bidding committee to screen, review and approve major contracts with contractors and suppliers to ensure that it is conducted on an arm’s length basis. Existing and potential vendors and suppliers are required to conform to the Company’s Code of Ethics as a prerequisite for the accreditation process.

A Corporate Governance Culture

The practice of corporate governance remains an integral part of the Company’s business operations. SM will continue to support the governance related initiatives of regulators and advocacy groups in the development of corporate governance, while strengthening its own sustainability practices and fostering its corporate governance culture. In this way, SMIC hopes to keep stride with the continuous development of domestic, regional and global best practices, while also directing its efforts towards making a positive impact on the environment and the communities it serves.
## GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

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List of Member Associations

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

SM Foundation List of Member Associations

Association of Foundations  
League of Corporation Foundations  
Philippine Council for NGO Certification

Corporate Information

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

STOCKHOLDER INQUIRIES  
SM Investments Corporation’s common stock is listed and traded in the Philippine Stock Exchange under the symbol ‘SM’

Inquiries regarding divided payments, account status, address changes, stock certificates and other pertinent matters may be addressed to the Company’s transfer agent:

BDO Unibank, Inc.  
Trust and Investments Group  
15th Floor, South Tower, BDO Corporate Center  
7899 Makati Avenue, Makati City 0726, Philippines.  
Tel. No. +63(2) 878-4052 to 54; 878-4963; 878-4740; 878-4829

SUSTAINABILITY INQUIRIES  
To learn more about SM Investment Corporation’s sustainability initiatives, inquiries may be addressed to:

Koleen Davila-Palaganas, Vice President for Sustainability  
E-mail: sustainability@sminvestments.com