

SUSTAINABILITY REPORT 2018



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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

Sustainability. Accountability. Innovation. Leadership. Hard Work. Integrity.









ABOUT SM

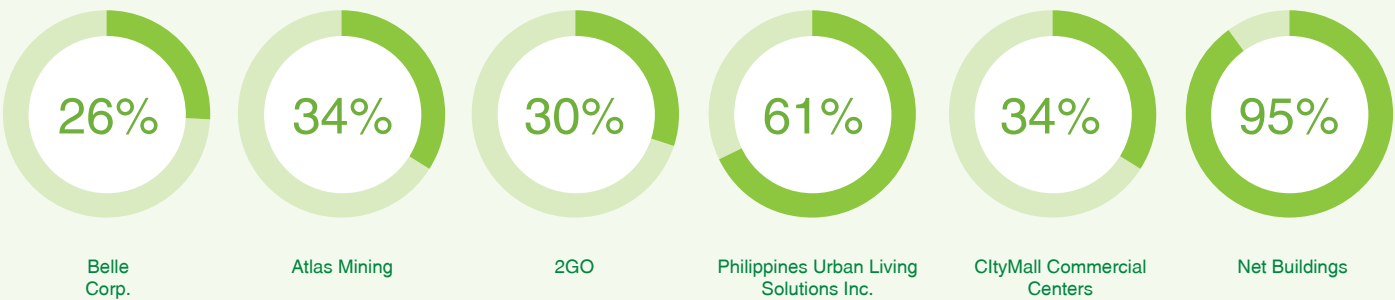
SM Investments Corporation (SM) is the largest publicly listed company in the Philippines that is invested in market leading businesses in retail, property and banking. It also holds equity investments in Belle Corporation, Atlas Consolidated Mining and Development Corporation, 2GO Group, Philippines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

	<p>Belle Corporation (Belle Corp.)</p> <p>A developer of premium tourism and leisure destinations in the Philippines</p>		<p>Atlas Consolidated Mining and Development Corporation (Atlas Mining)</p> <p>One of the largest producers of copper concentrate in the Philippines</p>
	<p>2GO Group Inc. (2GO)</p> <p>The largest end-to-end logistics solutions provider in the Philippines</p>		<p>Philippines Urban Living Solutions Inc.</p> <p>A leading developer and operator of urban dormitory spaces under the MyTown brand</p>
	<p>CityMall Commercial Centers</p> <p>A developer of community mall projects in the country</p>		<p>Net Buildings</p> <p>Seven commercial buildings located within the largest and only PEZA certified IT park in Bonifacio Global City, Metro Manila</p>

Percentage Ownership



Core Businesses



SM Retail Inc. (SM Retail)

77%
ownership

Contribution
to SMIC's
Net Income

20.4%

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

Total Number of Stores

THE SM STORE	63
SM Hypermarket	53
SM Supermarket	56
Savemore	195
WalterMart	52
Alfamart	526
Specialty stores	1,383

Revenue

PHP335.6bn



SM Prime Holdings (SM Prime)

50%
ownership

Contribution
to SMIC's
Net Income

41.4%

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

Malls	79
Philippines	72
China	7
Residential Projects	63
Office Buildings	11
Hotels	6
Convention Centers	4
Trade Halls	3

Market Capitalization

PHP1.0tn

Revenue

PHP104.1bn



BDO Unibank Inc. (BDO)

45%
ownership

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)

Branches	1,309
ATMs	4,325

Market Capitalization

PHP572.1bn

Revenue

PHP148.0bn

Contribution
to SMIC's
Net Income
(BDO and
China Bank)

38.2%



China Banking Corporation (China Bank)

20%
ownership

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

Total Number of Branches and Automated Teller Machines (ATMs)

Branches	620
ATMs	966

Market Capitalization

PHP72.8bn

Revenue

PHP28.6bn

President's Report



“After 60 years and with SM’s footprint today, we recognize our role and responsibilities in creating a more sustainable future.”



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.

Pillars of Sustainability

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.



FREDERIC C. DYBUNCIO
President/CEO

SM's Path to Sustainable Growth





SM's PATH TO SUSTAINABLE GROWTH

Job Creation

#158
World's Best
Employer
Forbes Global 2000

More than

350,000
direct and indirect jobs
created nationwide in 2018

We Provide Inclusive Economic Opportunities

Conservation and Preservation of Natural Environs and Biodiversity

120



bird species protected in
Pico de Loro Village and
Carmen Copper Mine Site

10

hectares of
mangroves
preserved

3

marine protected
areas

3.3M

tree saplings
planted

Holistic Community Development

9,015

college and
technical-vocational
scholarship grants

50,275

public school students
benefiting from 135
school buildings



Inclusive Supply Chains

1,444

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

18,567

tenants in SM malls

Innovative Banking Products and Services

2.4M

total new BDO checking and
savings account holders in 2018

PHP79.6bn

outstanding BDO & China Bank
MSME loans in 2018



Responsible Consumption

35%

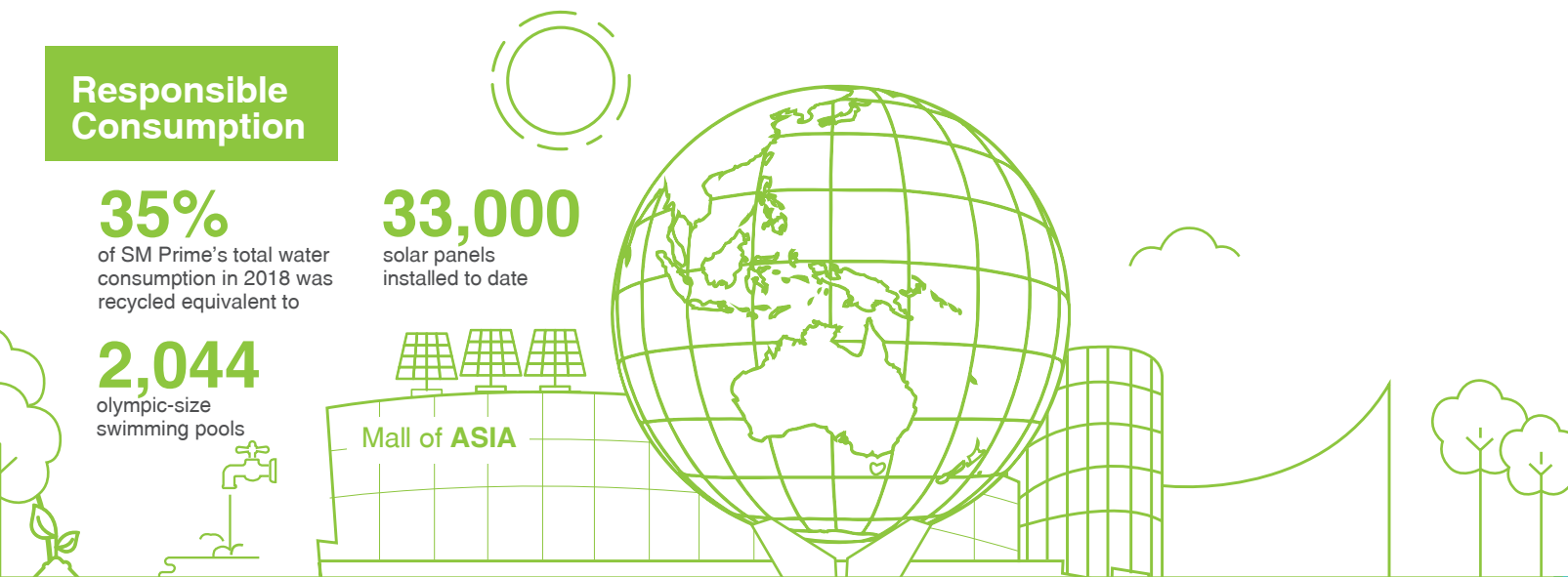
of SM Prime's total water
consumption in 2018 was
recycled equivalent to

33,000

solar panels
installed to date

2,044

olympic-size
swimming pools



We Promote Environmental Responsibility

Promote Social Inclusion

16.6M

beneficiaries of various
social development
programs to date

23,170

farmers trained
through 187
training sessions

157,311

Participated in awareness campaigns for
persons with special needs to date



We Create Positive Community Impact

Public Infrastructure Building and Rehabilitations

135

public school
buildings with

478

classrooms constructed
by SM Foundation,
BDO Foundation and
Carmen Copper

118.1

kilometers of road networks
financed by BDO to date



Integration of Disaster Risk Reduction Features in Design and Management Systems

69

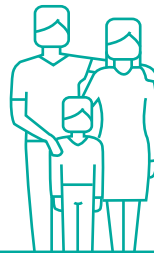
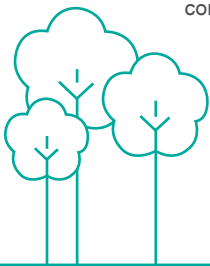
health centers rehabilitated
by BDO Foundation in
disaster stricken
communities

471,199

families supported
by BDO Foundation

34

school buildings built by
BDO Foundation in
disaster stricken
communities



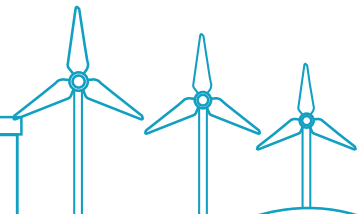
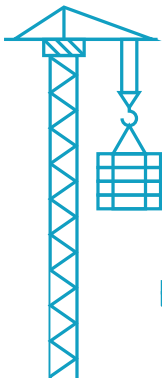
Contribution to National Development Goals

PHP109.9bn

financing for national projects,
airports and road networks by
BDO and China Bank

PHP36.9bn

total funding by BDO for SEF projects to date
resulting in 827,513 tonnes of CO₂e avoided per year



224 81

health centers rehabilitated by
SM Foundation and BDO
Foundation of which

received TB DOTS (Tuberculosis - Directly
Observed Treatment Short course)
PhilHealth Accreditation



We Facilitate Development

663,671

relief packs distributed
by SM Foundation and
BDO Foundation

10%

of Capex allocated to
incorporate disaster
resilient features

64

companies participating in
UNISDR Private Sector Alliance
for Disaster Resilience Societies
(UN ARISE) Philippines



5.4M

e-commerce transactions
processed by 2GO in 2018

PHP24.9bn

total taxes paid in 2018

5

integrated lifestyle
cities built to date



We Drive Sustainable Growth

In Support of the Sustainable Development Goals

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



PHP24.9bn

taxes paid in 2018

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



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

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

81



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

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



50,275

students benefitting from

135

public school
buildings built
to date with

478

classrooms

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**



9,015

technical-vocational and
college scholars to date

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



66%

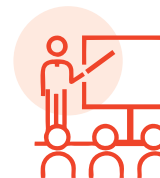
of SM's workforce
are women



57%

of new hires
are women

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



22%

of SMIC's Board
are women

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

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

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

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



Around

232,000

indirect jobs supported through SM's supply chain

158

World's Best Employer Forbes Global 2000

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

9 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

10 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

11 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



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

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



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

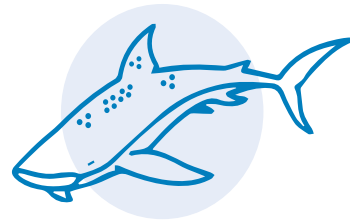


53

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

14 LIFE BELOW WATER



3

marine protected areas

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

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



Target 17.14: Enhance policy coherence or sustainable development

GRI Sustainability Summit Philippines

October 2018 Co-presenter

UN ARISE Philippines

signatory

United Nations Global Compact (UNGC)

signatory



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



Our Journey Towards Sustainability

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



2001

SM Foundation conducted its first medical mission



2000

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



1999

SM Supermalls launched its energy efficiency programs



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 Kabalikatan sa Kabuhayan Farmers Training Program

SM Mall of Asia opened

- Economic
- Social
- Environmental



2018

SM hosts the first GRI Sustainability Summit in the Philippines

SM celebrates 60 years anniversary



2015

SM Foundation launched its Urban Farmers Training Program



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



1997

SM Supermalls launched its first mall waste management initiatives



1993

SM Foundation welcomed its first batch of college scholars



1991

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



2008

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



2009

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



2011

SM Foundation conducted its first Operation Tulong Express response

BDO launched its Sustainable Energy Financing Program



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



2013

SM Foundation launched the Grow A Million Trees Program

SM City Xiamen installed solar panels on its rooftop



2012

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

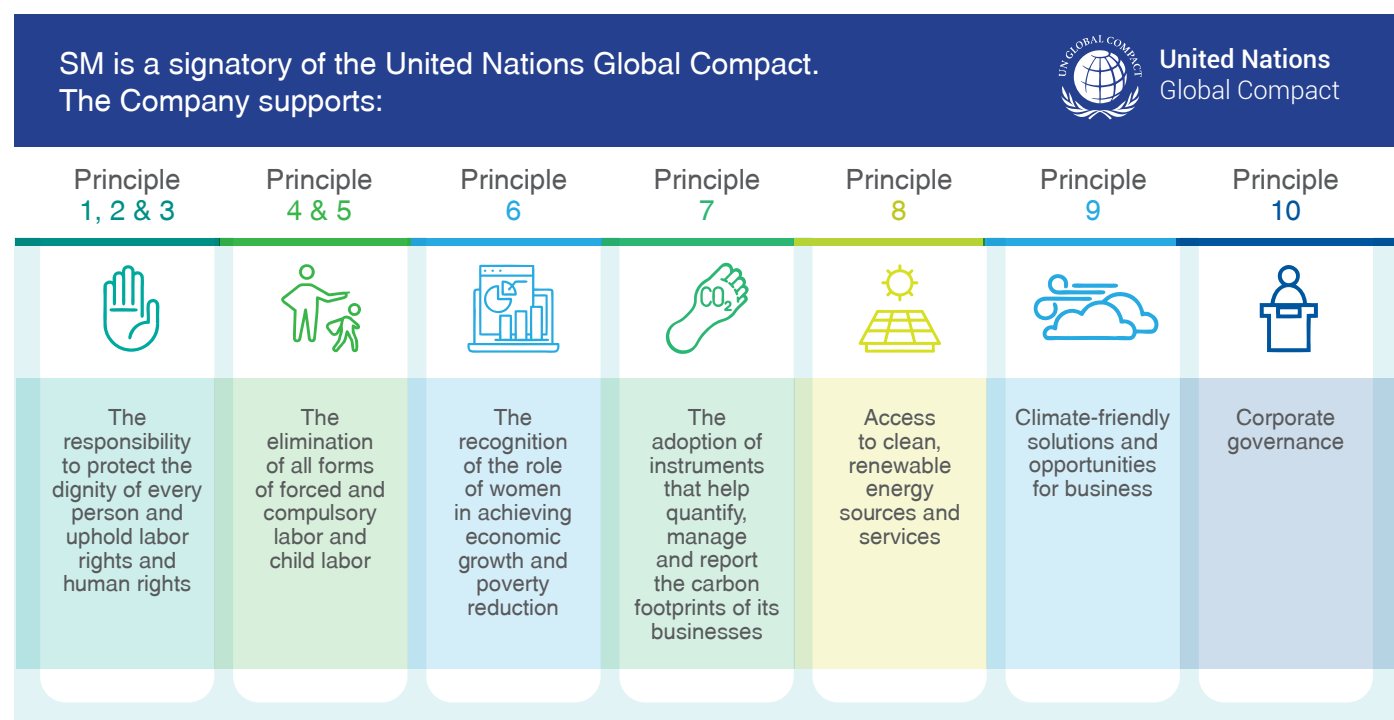
Our Sustainability Framework and Principles

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.

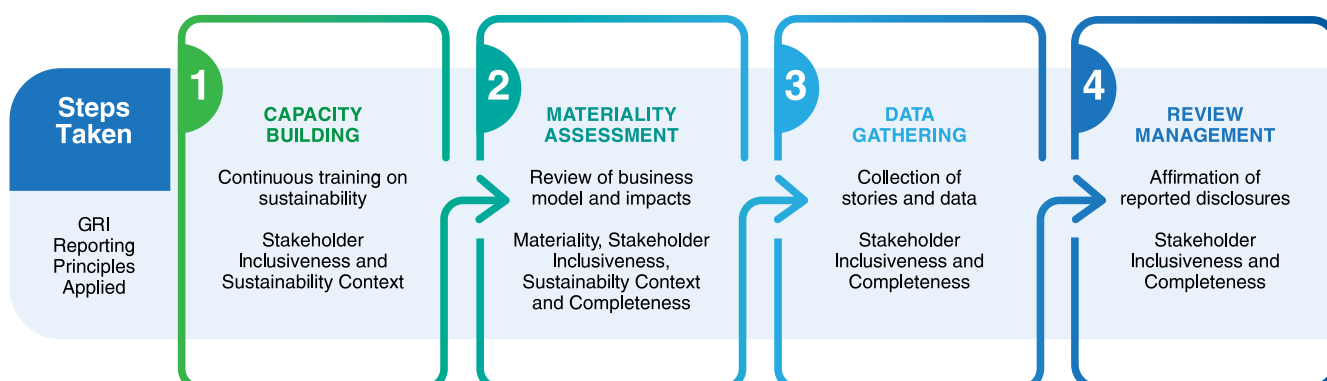


Sustainability and ESG Groupwide Steering Committee

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.

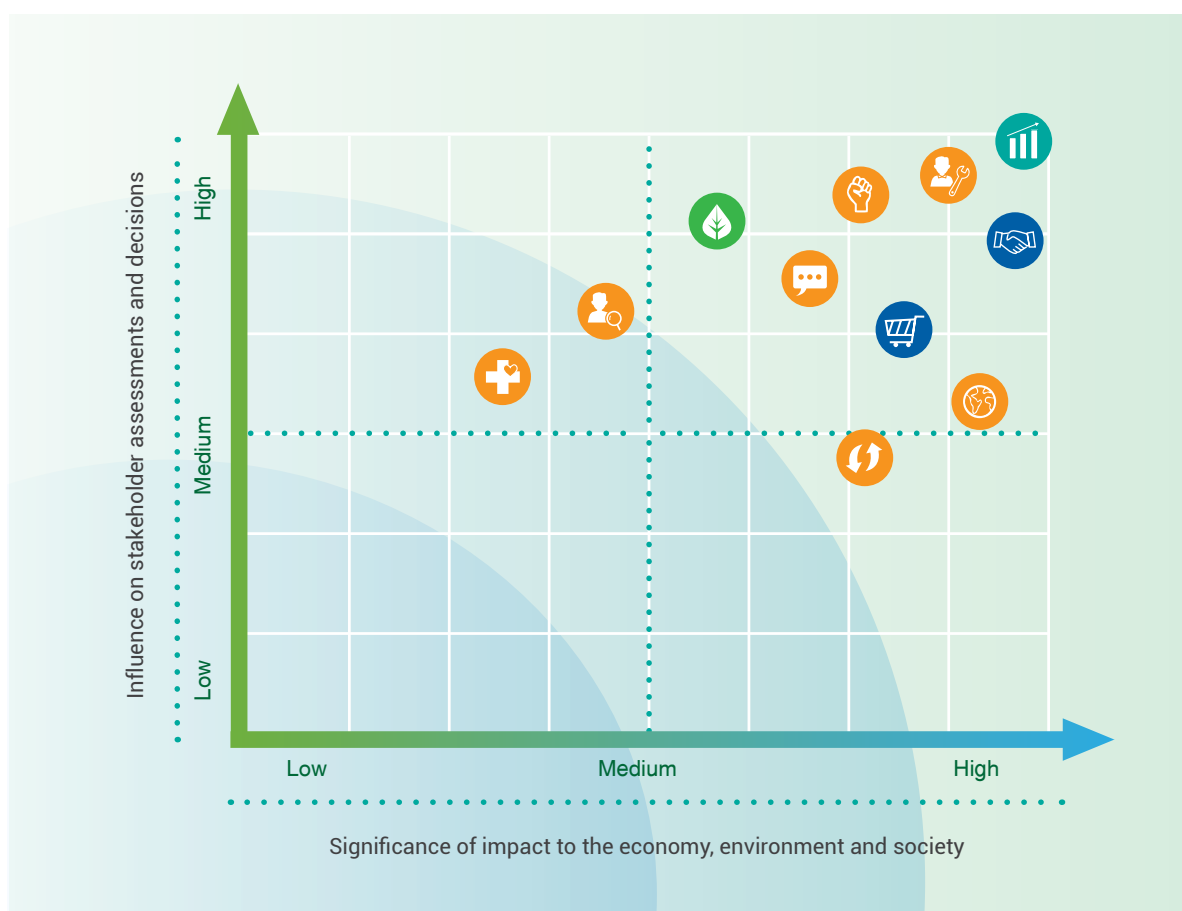
Our Reporting Process 102-46



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



Economic Performance



Corporate Governance



Market Presence



Sustainable Operations



Community Involvement



Customer Rights and Welfare



Inclusive Supply Chain



Diversity, Equal Opportunities and Job Creation



Employee Rights and Welfare



Occupational Health and Safety



Employee Training, Development and Career Path

Material Topics, Boundaries, Definition and Relevance 102–46, 102–47

Alignment to SM's Sustainability Framework	Topics	Boundaries	Definition and Relevance
Inclusive Economic Opportunities Innovative Products and Services	Economic Performance	Within SM, host communities, business partners, government	How the Company delivers value to its shareholders, creates economic opportunities in its communities and contributes to the economic growth of the country
	Market Presence	Within SM, customers, business partners	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
Positive Social Impact Education Program, Health and Wellness Program, Farmers Training Program, SM Cares	Community Involvement/CSR	Within SM and host communities	How the Company helps provide access to social services such as education, healthcare, livelihood, shelter and disaster relief support
Inclusive Economic Opportunities Job Creation Positive Social Impact Performance Management System	Employee Rights and Welfare	Within SM	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
	Employee Training, Development and Career Path		How the Company retains and develops its talents; recognizes the achievements and contribution of its employees; and provides long-term professional development
	Occupational Health and Safety		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
	Diversity, Equal Opportunities and Job Creation		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
Inclusive Economic Opportunities Inclusive Supply Chain	MSME Inclusion	Within SM, business partners	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
Inclusive Economic Opportunities Customer Service Program	Customer Rights and Welfare	Within SM, customers	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
Environmental Responsibility Disaster Risk Reduction and Resiliency, Climate Change Action Plan	Sustainable Operations (Business Continuity)	Within SM, business partners, host communities	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
Good Corporate Governance	Good Corporate Governance (Leadership, Policy, Due Diligence)	Within SM	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

Stakeholder Engagement

102-40, 102-42, 102-43, 102-44

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



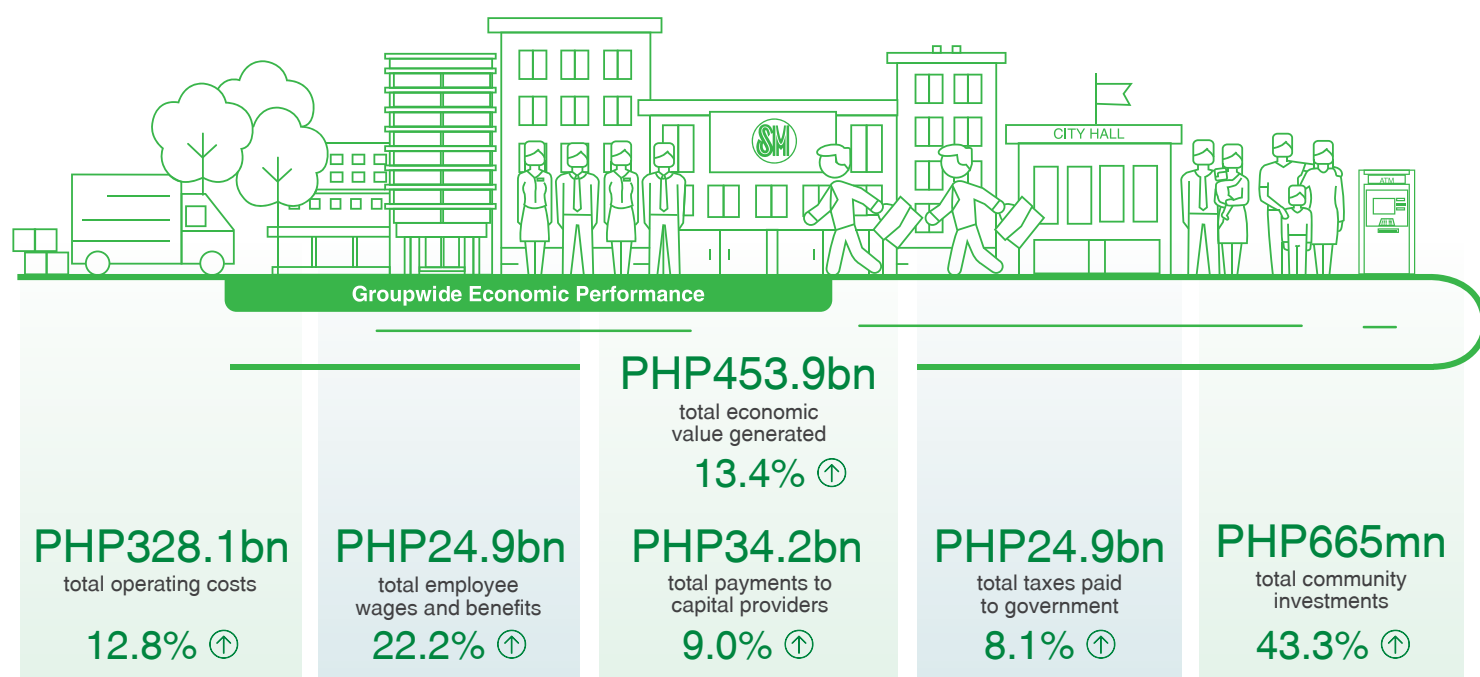
Our Approach to Delivering Sustained Growth

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.

Energizing Local Economies

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

Figures in PHP millions

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

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.



220+
manufacturers



280+
distributors



20+
artisans



10+
local communities



20+
international suppliers

*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.



215
construction
contractors



18,567
mall tenants



90
service providers (security,
maintenance, housekeeping)

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.



20+
IT software and
solutions providers



180+
general
contractors



50+
manufacturers of
furniture, fixtures
and equipment



55+
suppliers of printed
materials and other
consumables

Cultivating Our Greatest Resource

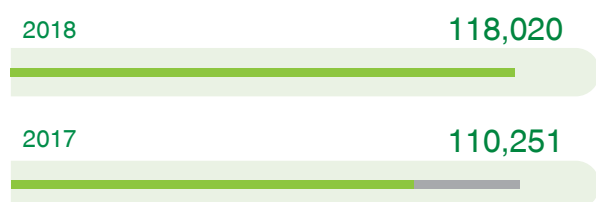
Employee Recruitment and Retention

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.

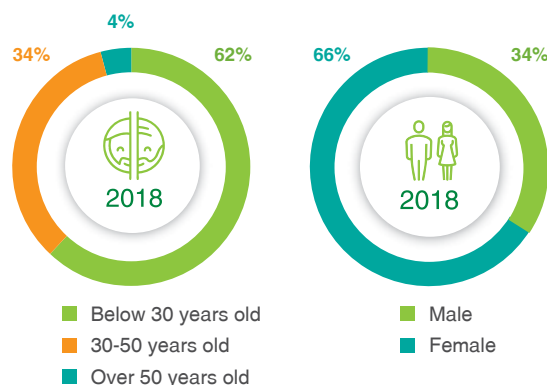
It is always our objective for our people to build their careers with SM. As such, our retention strategy

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.

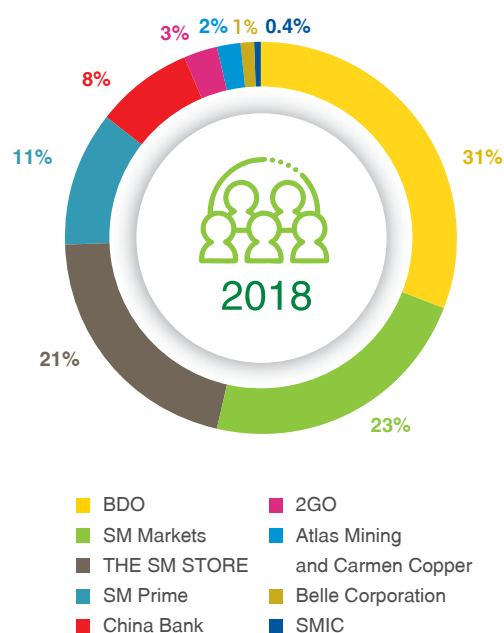
Total headcount¹



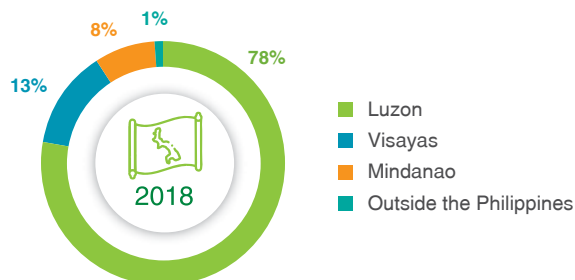
Breakdown by age group and gender¹



Breakdown by company^{1, 2}



Breakdown by region¹



New hires and employee turnover

61,067 Total new hires in 2018
52% hiring rate

56,071 Total employee separations in 2018
49% turnover rate

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



Employee Fulfillment and Job Satisfaction

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.



80,000

employees engaged by the
#AweSMatWork Campaign

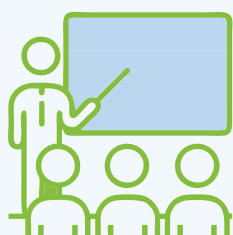
3,685
volunteers in the
60,000
Shoe Drive Project



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.



Average training hours per employee^{1, 2}

2018	2017
18.8	12.6

Average training hours per employee per gender^{1, 2}

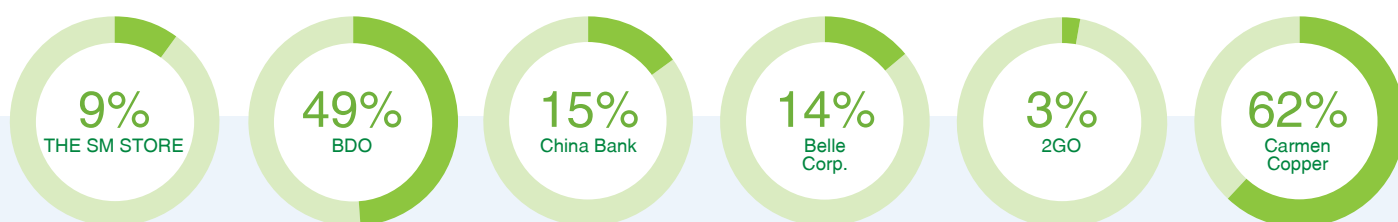
	2018	2017
Male	18.2	14.5
Female	21.6	14.8

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



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.



SM Women 60

We honored women in the company who best exude the values and characteristics of the ideal SM Woman.



Fun Run
14,000 participants



Exceeded target by
6,000 participants



Shoe Drive

15,660 sponsors



60,000 beneficiaries
in 88 public schools



3,684 volunteers from
75 retail branches and malls



The AweSM Tree Count



60,000

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



Ultimate Talent Search



1,300 acts showcased

Safeguarding Our Natural Environment

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

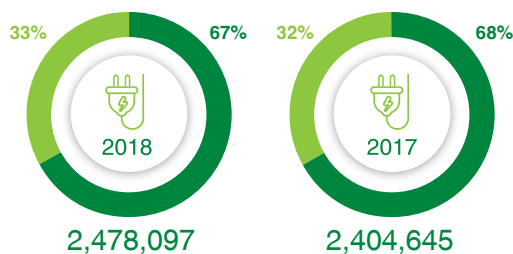
We ensure environmental responsibility in our business processes by adopting climate-friendly solutions and instruments to help monitor and mitigate our carbon footprint. We also finance projects that promote climate change adaptation such as renewable energy projects, national infrastructure projects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



Energy

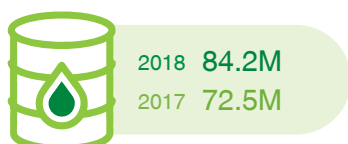
Electricity consumption remains the largest source of our energy utilization with SM Prime being the biggest consumer in the SM group. Fuel consumption from generator sets is second and LPG consumption by mall tenants is third.

Total Electricity Consumption¹ in MWh



- Company-controlled premises
- Tenant-controlled premises

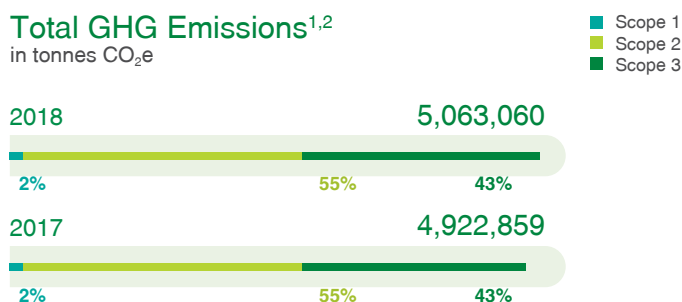
Total Fuel Consumption¹ in liters



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:

Total GHG Emissions^{1,2} in tonnes CO₂e



- 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 2015-2017 National Grid Emission Factors provided by the Department of Energy

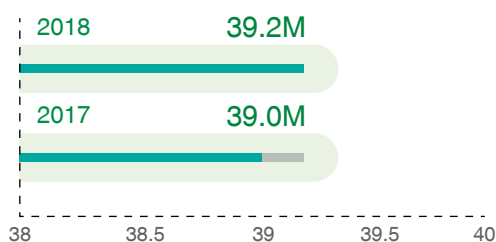


Water

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.

Total Water Consumption¹

in cubic meters

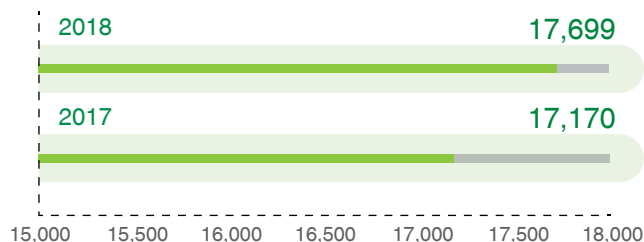


Waste Management

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.

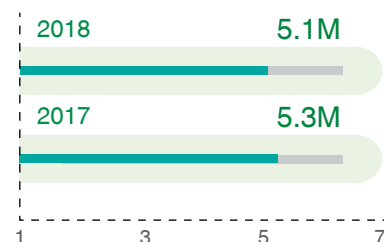
Total Waste Generated¹

in cubic meters



Total Water Recycled

in cubic meters



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

Strengthening Foundations for Social Development

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



Impact to date

135

public school buildings with

478

classrooms constructed

9,015

total number of scholars

2018 Accomplishment

7

public school buildings with

59

classrooms constructed

2,706

total number of scholars

Food Security through Farmer's Training



Impact to date

23,170

farmers trained

187

farmers training sessions conducted

2018 Accomplishment

3,370

farmers trained

32

farmers training sessions conducted

Health and Wellness



Impact to date

224

health centers and medical facilities renovated

14.9M

beneficiaries

1,406

medical missions conducted serving

1.1M

patients

2018 Accomplishment

37

health centers and medical facilities renovated

2.2M

beneficiaries

85

medical missions conducted serving

81,340

patients

Social Inclusion through SM Cares Program



Impact to date

105,000

participated in Angels' Walk to raise awareness for autism

52,311

participated in Happy Walk to raise awareness for Down syndrome

2018 Accomplishment

24,000

participated in Angels' Walk to raise awareness for autism

15,871

participated in Happy Walk to raise awareness for Down syndrome



GRI Empowering Sustainable Decisions

SUST
SUM
2018

OCTOBER 8

TOGETHER TOWARDS A SUS



SUSTAINABILITY MIT

2018 | MANILA, PHILIPPINES

SUSTAINABLE PHILIPPINES

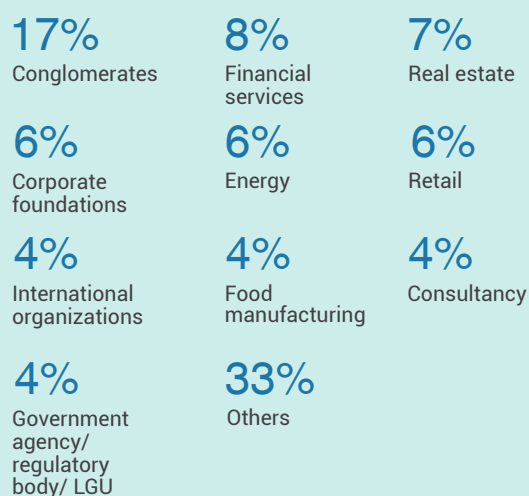


Special Feature

TOGETHER TOWARDS A SUSTAINABLE PHILIPPINES

272

Total Number of Attendees

Breakdown of Attendees
by SectorBreakdown of Attendees
by Group/ Affiliation

Discussions during breakout sessions



1 Promoting Sustainable Development through Public-Private Partnerships



3 SR 101: Starting your Sustainability Reporting Journey



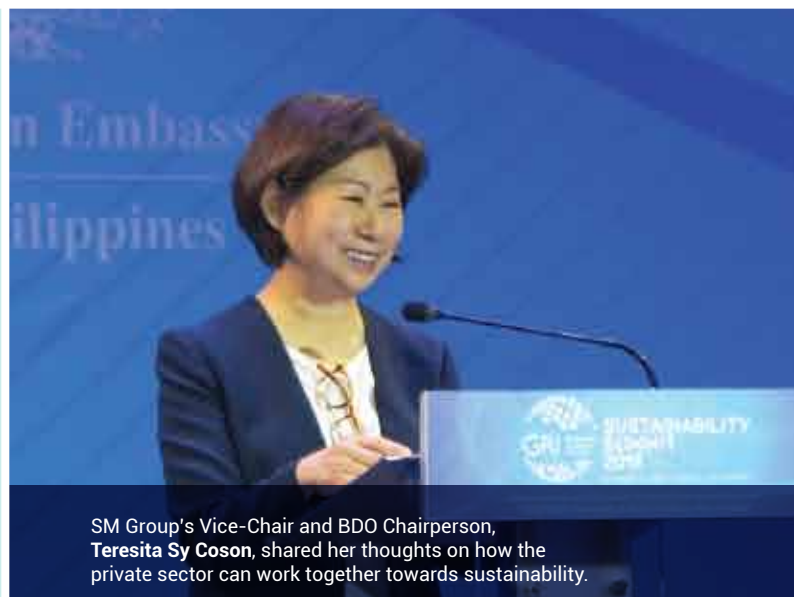
5 Challenges, Keys to Success and Impacts of Sustainability Reporting

2 Driving Transparency and Growth through Sustainable Capital and Financial Market Policies and Practices

4 Advancing the Case for Sustainable Finance and Investment

6 Driving Sustainability through Supply Chain

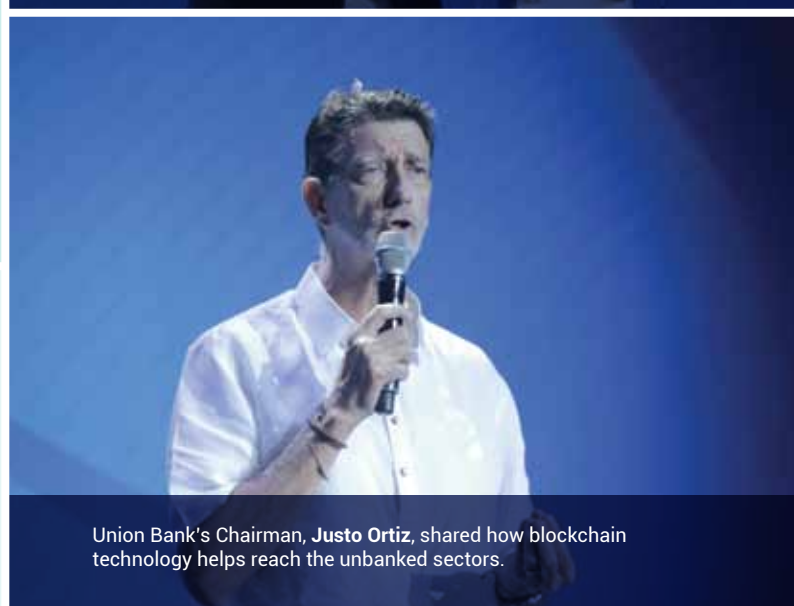




SM Group's Vice-Chair and BDO Chairperson, **Teresita Sy Coson**, shared her thoughts on how the private sector can work together towards sustainability.



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



Union Bank's Chairman, **Justo Ortiz**, shared how blockchain technology helps reach the unbanked sectors.

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



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



Universal Robina Corporation's CEO, **Irwin Lee**, presented URC's commitment to sustainable packaging.



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



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



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
SM Investments Corporation



GRI SUSTAINABILITY SUMMIT





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.



Promoting Sustainable Lifestyles

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

Customer Service Rewards Program



We provide excellent shopping experiences to our customers with each employee living out our service mantra.

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

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

Yvonne 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.



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



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.

Uniquely Filipino Lifestyle

Heritage and Living Traditions



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

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.

Piña Silk Weaving

Produced primarily in the Aklan region, the scraping and weaving process for pina 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.



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

GTGB Trading

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



Crafts for a Cause



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

GKonomics

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





Local Ingredients

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

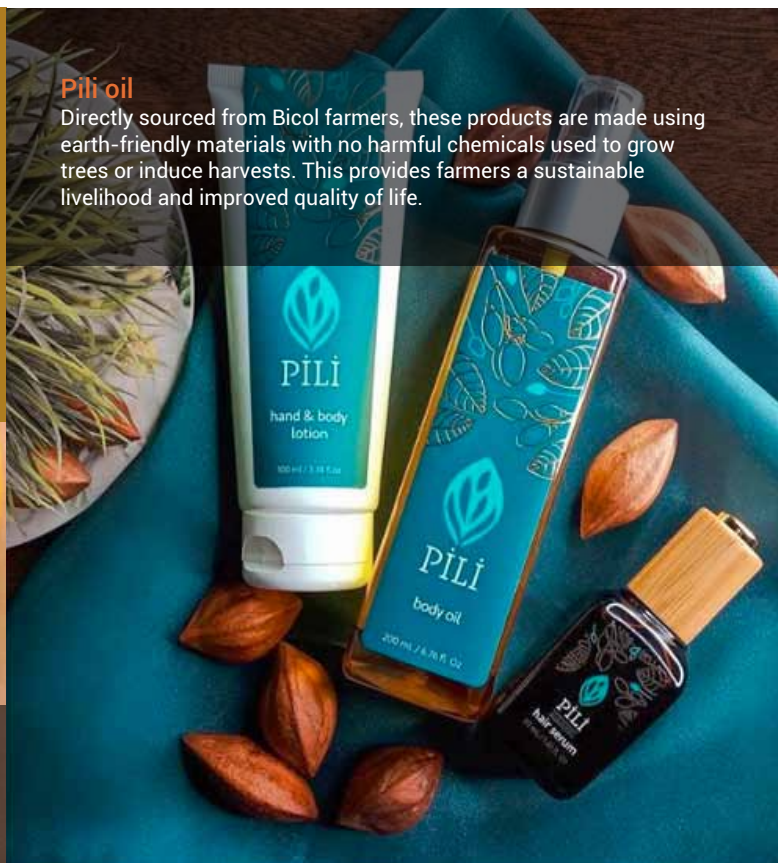


Mango

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

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.



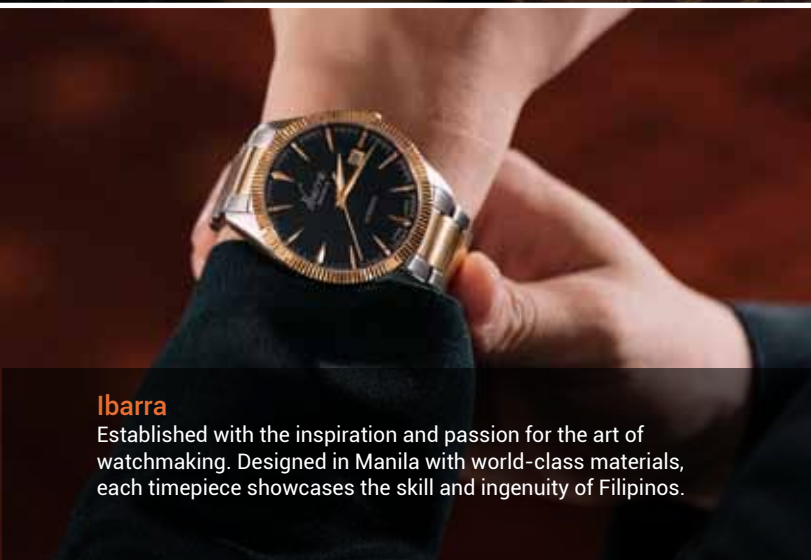
Cacao

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

Local Talent



We support local artistry and craftsmanship.



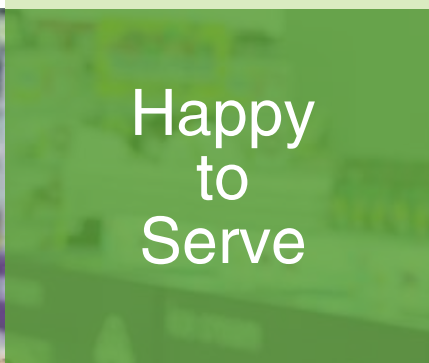
Ibarra

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 1951 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.





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

AutiSM@Work

A Special Place to Work

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, Calvin 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 Nieveo

Operations Manager, SM Supermarket



Disaster Risk Reduction Makes Good Business Sense

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.

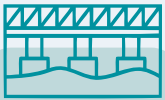
1

We integrate disaster risk reduction into our infrastructure design.

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

— Hans Sy

SM City Marikina



built on
246
stilts

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



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



2

We help develop the resilience of our stakeholders during times of calamities.

"It is in this spirit that I have taken an active role in UNISDR's ARISE, a Private Sector Alliance that promotes collaboration towards disaster risk reduction."

— 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

3

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.



built
1,000
disaster resilient homes that can withstand winds up to 250 km/h for the families affected by Typhoon Haiyan



Promoting Sustainable Tourism

3

marine protected areas

10

hectares of mangroves preserved

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.

48

employees trained

6

training hours per employee

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



Travel With Purpose

Conrad Manila

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.

228

kilowatt hour
consumption per
occupied hotel room

1.29

cubic meter water
consumption per
hotel room

• as measured by
LightStay system

CONRAD

MANILA





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.

Over
25M
cardholders
nationwide to date

7,452
partner merchants
nationwide to date

Over
12.5M
transactions
made to date

More than
PHP53.6bn
total cash withdrawn
to date

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.

19%
5-year CAGR*
in auto financing

18%
5-year CAGR*
in home loan financing

2M
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

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.

PHP12.4bn

Term Loan Facility disbursed

Over

10M



additional passengers served

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.

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.

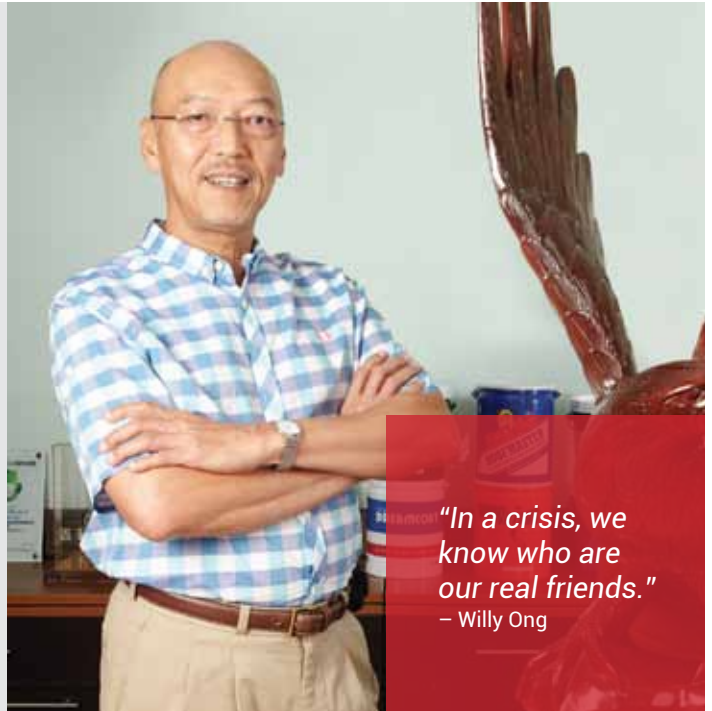


Among the Top 20 publicly listed companies with the highest corporate governance scores based on the ASEAN Corporate Governance Scorecard

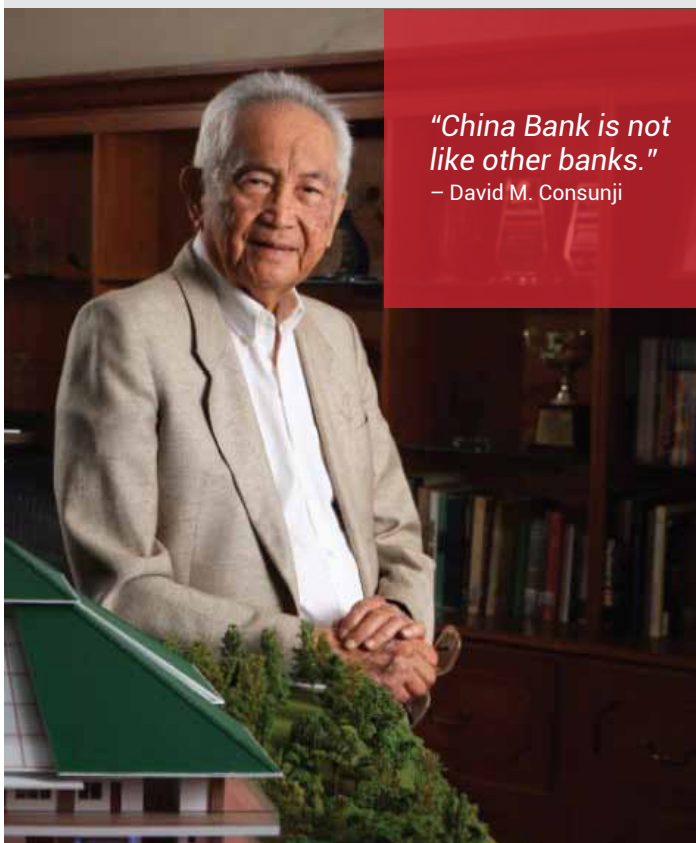
Banking on Relationships Tested through Time

Tested through Time

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 stand out, 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."



"In a crisis, we know who are our real friends."
– Willy Ong



"China Bank is not like other banks."
– David M. Consunji

Building the Future

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.



INVESTMENTS CORPORATION



Anchoring on Good Governance

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.

Board of Directors		
Jose T. Sio	Chairman of the Board	Non-Executive Director
Teresita T. Sy-Coson	Vice Chairperson	Non-Executive Director
Henry T. Sy, Jr.	Vice Chairperson	Non-Executive Director
Frederic C. DyBuncio	President/CEO	Executive Director
Harley T. Sy	Executive Director	Executive Director
Joseph R. Higdon	Lead Independent Director	Non-Executive Director
Tomasa H. Lipana	Independent Director	Non-Executive Director
Alfredo E. Pascual	Independent Director	Non-Executive Director



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 evaluatees 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 pre-requisite 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.



GRI Standard	Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Organizational Profile		
	102-1	Name of the organization	2
	102-2	Activities, brands, products, and services	2-3
	102-3	Location of headquarters	Inside back cover
	102-4	Location of operations	2-3
	102-5	Ownership and legal form	2
	102-6	Markets served	2-3
	102-7	Scale of the organization	3, 7-10
	102-8	Information on employees and other workers	28
	102-9	Supply chain	27
	102-10	Significant changes to the organization and its supply chain	None to report
	102-11	Precautionary Principle or approach	62
	102-12	External initiatives	12-17, 21
	102-13	Membership of associations	Inside back cover
	Strategy		
	102-14	Statement from senior decision-maker	4-5
	Ethics and Integrity		
	102-16	Values, principles, standards, and norms of behavior	1, 61-62
	Governance		
	102-18	Governance structure	59-60
	Stakeholder Engagement		
	102-40	List of stakeholder groups	24
	102-41	Collective bargaining agreements	30
	102-42	Identifying and selecting stakeholders	24
	102-43	Approach to stakeholder engagement	24
	102-44	Key topics and concerns raised	24
	Reporting Practice		
	102-45	Entities included in the consolidated financial statements	Holding company and subsidiaries
	102-46	Defining report content and topic Boundaries	21, 23
	102-47	List of material topics	23
	102-48	Restatements of information	28, 30, 33-34
	102-49	Changes in reporting	Inside front cover
	102-50	Reporting period	Inside front cover
	102-51	Date of most recent report	2017 (published in 2018)
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Inside back cover
	102-54	Claims of reporting in accordance with the GRI Standards	Inside front cover
	102-55	GRI Content Index	63-64
	102-56	External assurance	Not applicable

GRI Standard		Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
Material Topics				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-24	
	103-3	Evaluation of the management approach	23	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	26	
Indirect Economic Impacts				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-25	
	103-3	Evaluation of the management approach	23	
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	35-37	
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-24, 33	
	103-3	Evaluation of the management approach	23	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	33	
Water				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-24, 33	
	103-3	Evaluation of the management approach	23	
GRI 303: Water 2016	303-1	Water withdrawal by source	34	
Emissions				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	23	
	103-2	The management approach and its components	20-24, 33	
	103-3	Evaluation of the management approach	23	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	33	
	305-2	Energy indirect (Scope 2) GHG emissions	33	
	305-3	Other indirect energy (Scope 2) GHG emissions	33	
Effluents and Waste				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	23	
	103-2	The management approach and its components	20-24, 33	
	103-3	Evaluation of the management approach	23	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	34	
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-24, 28-32	
	103-3	Evaluation of the management approach	23	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	28	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-24, 30	
	103-3	Evaluation of the management approach	23	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	30	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	23	
	103-2	The management approach and its components	20-24, 35	
	103-3	Evaluation of the management approach	23	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	35	

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

COMPANY HEADQUARTERS

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 dividend 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



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