COVER SHEET

SEC Registration Number

						1	6	3	4	2

Company Name

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N				

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

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,	
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0	

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	8857-0100	–

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,242 (as of December 31, 2023)	**04/24**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Frederic C. DyBuncio	–	**8857-0100**	–

Contact Person's Address

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

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SEC Number **16342**

SM INVESTMENTS CORPORATION

(Company's Full Name)

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

(Company's Address)

8857-0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

SEC Form 17-A
Annual Report

Form Type

Amendment Designation (If applicable)

December 31, 2023

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2023**

2. SEC Identification Number **0000016342** 3. BIR Tax Identification No. **169-020-000**

4. Exact name of registrant as specified in its charter **SM INVESTMENTS CORPORATION**

5. **PHILIPPINES** 6. [ ] (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. **10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City** **1300**
Address of principal office — Postal Code

8. **(632) 8857-0100 / fax (632) 8857-0132**
Registrant's telephone number, including area code

9. _____
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES, P 10 PAR VALUE	**1,222,023,358**

11. Are any or all of these securities listed on a Stock Exchange.
Yes [**X**] No [ ]
If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange, Inc., 1,222,023,358, P10 par value, common shares

12. Check whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 25 and 177 of the Revised Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: P507,269,779,056.00 as of December 31, 2023

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

SM Investments Corporation (**SMIC**) is the holding company of the SM Group with interests in Retail, Property and Banking. Its Retail arm, SM Retail Inc., operates department stores under the SM Store brand, and several food retail formats including Supermarkets, Hypermarkets, Savemore and Alfamart Stores. It also operates specialty stores focused on DIY, furniture, appliances and toys among others. Its Property arm, SM Prime Holdings Inc., is engaged in building and operating shopping malls both in the Philippines and China. It is also engaged in Residential property development under its SM Development Corporation subsidiary, commercial property development, as well as various hotels and convention centers. The Banking Group is comprised of BDO Unibank, Inc., the country's largest bank by resources, and China Banking Corporation. SMIC also has Portfolio Investments in other sectors such as premium commercial buildings, leisure, logistics, geothermal steam production, food manufacturing and mining.

The Group takes an integrated approach to creating shared value for all its stakeholders and to applying global Environmental, Social and Governance (ESG) best practices across its businesses. The SM Group seeks alignment of its sustainability programs to the 17 United Nations Sustainable Development Goals, and is a signatory of the UN Global Compact's 10 Principles. It publishes its report following the International Integrated Reporting Framework, in reference to GRI Standards and the Task Force for Climate Related Disclosures.

Business of Issuer

SM Retail currently has 3,853 stores that consists of 74 department stores, 2,119 food retailing stores, and 1,660 specialty retail stores, operating nationwide. It has 74 department stores located in Metro Manila and key provincial cities. Of these, 70 stores are based inside SM malls and 4 stores in Cubao, Makati, Quiapo and Delgado.

Non-Food Retail

In 2023, 2 new stores were opened in Bataan and Sto. Tomas. These new stores contributed an additional 19,369 sqm, bringing the gross selling area (GSA) of The SM Store to 892,864 sqm. We opened 112 specialty stores focused on retailing special categories such as DIY, furniture, appliances and toys, among others.

Food Retail

SM Supermarket is a large format anchor tenant in SM malls. It has been in operation since 1985 and currently has 65 stores nationwide totaling to 382,864 sqm of GSA with each store carrying 30,000 to 35,000 SKUs. In 2023, it opened 2 new stores in Bataan and Sto. Tomas.

SM Hypermarket is a large format food retailer store with both stand-alone and in-mall locations. It has been in operation since 2001 and provides a shopping experience that combines the features of a supermarket with those of a department store. There are currently 54 stores in operation totaling 337,227 sqm of GSA with each store carrying over 35,000 SKUs.

Savemore is a mid-sized format introduced in 1998. It is located in community malls or as a stand-alone store. Savemore is a neighborhood format, providing food and grocery items in

residential locations with extended opening hours. Savemore introduced a smaller-sized format called Savemore Express which are below 1,000 sqm in size and carries a more concentrated selection of fast-moving SKUs. Among SM Retail's Food formats, Savemore has the largest footprint with 571,821 sqm of GSA across 219 stores as of end-2023. Savemore stores carry 20,000 to 25,000 SKUs, while Savemore Express carry below 20,000 SKUs. In 2023, they opened 9 stores nationwide.

Waltermart is a mid-sized format that provides food and non-food shopping as an anchor tenant in Waltermart community malls, located primarily in Luzon. SM Retail acquired a controlling stake in Waltermart in 2013. It has 88 Department Stores and Supermarkets as at end-2023, with an aggregate GSA of 220,324 sqm. In 2023, they opened 3 department stores and 3 supermarkets in the areas of Laguna, Batangas and Metro Manila.

Alfamart is a small format minimart grocery store situated primarily in residential neighborhoods and offering a range of essential groceries with supermarket pricing. It is a joint venture with Indonesia-based minimart operator, PT Sumber Alfaria Trijaya Tbk, which started operations in the Philippines in 2014. Alfamart Philippines has a network of 1,692 stores as of end-2023, mostly located outside Metro Manila, each carrying up to 4,000 SKUs. In 2023, they opened 287 new stores within Luzon.

Property

SM Prime Holdings, Inc. (**SM Prime**) is one of the largest integrated property developers in Southeast Asia that develops innovative and sustainable lifestyle cities, comprising malls, residences, offices, hotels and convention centers. It was incorporated in the Philippines in 1994 and SMIC has a 49.7% effective ownership in the company.

Malls

SM Prime's mall business unit operates and maintains modern commercial shopping malls. Its main sources of revenue include rental income from leased shopping spaces, cinema ticket sales and other amusement income. SM Prime has 85 malls in the Philippines with a total gross floor area (GFA) of 9.2 million sqm and 8 shopping malls in China with a total GFA of 1.6 million sqm.

In 2023, SM Prime's mall business unit opened 3 new malls in the Philippines namely SM City Bataan, SM Center San Pedro and SM City Sto. Tomas and one in China namely SM City Yangzhou. These new malls, plus the expansion of the Company's existing malls, provided an addition of 0.4 million square meters of GFA.

Residential

SM Prime's residential development arm, SM Development Corporation (**SMDC**), derives development revenues largely from the sales of condominium units. As of December 31, 2023, the primary residential business unit had 67 residential projects in the market worth PHP713 billion.

The Company aims to launch 8,000 to 10,000 residential units in 2024.

In secondary residential business, SM Prime also owns leisure and resort developments including properties in the vicinity of Tagaytay Highlands and Tagaytay Midlands golf clubs

in Laguna, Tagaytay City and Batangas. It is also the developer of Pico de Loro Cove residential community within Hamilo Coast.

Commercial

SM Prime's commercial properties business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila. As of December 31, 2023, the Company has eighteen office buildings with a combined GFA of approximately 1.5 million sqm. These are located in the cities of Quezon, Pasay, Makati, Mandaluyong, Taguig and Las Pinas. Their assets outside Metro Manila are located in Pampanga, Rizal, Laguna, Iloilo and Cagayan de Oro.

Hotels and Convention Centers

SM Prime's hotel and convention centers business unit manages ten hotels located in Tagaytay City, Batangas, Pampanga, Cebu City, Davao City, Pasay City, Iloilo City, Quezon City and Bacolod City with more than 2,600 rooms. It also operates six convention centers located in the Mall of Asia Complex in Pasay City, SM Lanang Premier in Davao City, SM Aura in Taguig City, SM City Bacolod in Bacolod City, SM City Olongapo Central in Zambales, SM City Clark in Pampanga, and two trade halls located in SM Megamall and SM Seaside City Cebu.

Financial Services

BDO Unibank, Inc. (**BDO**) is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including lending, deposit-taking, foreign exchange, brokering, trust and investments, credit cards, corporate cash management and remittances. Through its local subsidiaries, it offers leasing and financing, investment banking, private banking, rural banking, life insurance, insurance brokerage and stock brokerage services. BDO has one of the largest distribution networks with over 1,700 operating branches and more than 4,800 ATMs nationwide.

BDO is the country's largest bank in terms of consolidated resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network.

As at end-2023, BDO had a strong balance sheet with total resources of PHP4.5 trillion.

SMIC has an effective ownership of 45.3% in BDO.

The China Banking Corporation (**China Bank**) was incorporated in 1920 as among the first privately owned banks in the Philippines. It has historical strength in catering to the Chinese-Filipino commercial sector, as well as local corporate and retail banking segments. China Bank offers a complete range of deposit, lending, international and investment products. Through its local subsidiaries, it offers investment banking, securities broking, insurance broking, and thrift bank services. China Bank services its customers through its 648 bank branches with over 1,000 ATMs nationwide.

The Bank boasts a strong balance sheet, with total resources at PHP1.5 trillion as at end-2023.

SMIC has an effective stake of 22.5% in China Bank.

Portfolio Investments

SMIC invests in ventures that capture high growth opportunities in the emerging Philippine economy, looking for market leaders that offer synergies, attractive returns and cash flows.

Belle Corporation (**Belle**) is one of the leading developers of sustainable resort destinations and leisure properties in the Philippines.

Its principal asset is the integrated resorts, operated by Melco Resorts Leisure (PHP) Corporation (**Melco**) under their City of Dreams Manila brand (**CODM**), which is located at the PAGCOR Entertainment City by Manila Bay. The property is leased on a long-term basis. In addition to lease income, Belle receives dividends from Premium Leisure Corp (**PLC**), its 79.78%-owned subsidiary. PLC is accorded a share in revenues or earnings from CODM's gaming operations through the operating agreement between its wholly owned subsidiary, Premium Leisure and Amusement, Inc (**PLAI**) and Melco.

South of Metro Manila, Belle owns significant real estate assets and develops premium residential resort projects around Tagaytay City. Among its exclusive destinations are the club and golf facilities and residential communities of Tagaytay Highlands and Tagaytay Midlands, as well as a further 800 hectares intended for future development.

SMIC's effective ownership in Belle is 26.6%.

Atlas Consolidated Mining & Development Corporation (**Atlas Mining**) is primarily engaged in metallic mineral exploration and mining.

It operates the Toledo copper mine in the province of Cebu through its wholly-owned subsidiary Carmen Copper Corporation (**Carmen Copper**). The Toledo copper mine is one of the Philippines' largest exporters of copper concentrate and also markets by-products from copper concentrate processing such as magnetite and pyrite.

Atlas Mining also has a stake in the nickel laterite mining project of Berong Nickel Corporation (**Berong Nickel**) in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

SMIC effectively owns 34.1% of Atlas Mining.

NEO Group features a portfolio of seven commercial office buildings certified green under the BERDE green building rating system and certified net zero carbon under the EDGE Zero Carbon and Advancing Net Zero Philippines programs. With a total GFA of 256,707 sqm and a tenant base that includes top-tier local and multinational companies, all seven buildings are located within the largest and only Philippine Economic Zone Authority (PEZA) certified IT park in Bonifacio Global City.

Occupancy as of December 31, 2023 is 85.5%.

SMIC effectively owns 95% of the first five buildings, and 34% in the remaining two buildings in the NEO portfolio.

2GO Group, Inc. (**2GO**) is a shipping and logistics provider that synergizes its various businesses in shipping, freight forwarding, warehousing and express delivery services to provide total solutions to its customers.

As of 2023, SMIC holds 67.2% effective ownership of 2GO.

Philippine Urban Living Solutions (PULS) is a dormitory developer and operator specializing in the development of rental housing communities under the MyTown brand. It provides affordable living spaces to young urban professionals within walking distance of the central business districts of Metro Manila. It currently has 16 buildings in operation with 2 more buildings under development.

SMIC effectively owns 71.3% in PULS.

CityMall Commercial Centers Inc. (**CityMalls**) is a mall developer and operator that specializes in developing community malls in second and third cities across the Philippines. SMIC acquired a 34.0% stake in CityMalls in 2014 with the balance owned by Double Dragon Properties Corporation.

Goldilocks is the largest bakeshop chain in the Philippines with 895 stores and selected operations overseas. On its 57th year, Goldilocks serves customers with best-selling dishes as well as a wide array of baked goods and home cooked food.

SMIC effectively owns 64.1% in Goldilocks.

Airspeed is an end-to-end logistics solutions and express courier company that has been in the industry for over 37 years. They provide freight solutions management via air, sea, and land through their established network of international and domestic partners and carriers. Airspeed also offers customized logistics, warehousing and distribution, and customs clearance.

SMIC effectively owns 51.0% in Airspeed.

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

SMIC effectively owns 100% of PGPC.

Competition

The Company's subsidiaries compete with other local companies in the industry segments in which they operate. The Company believes that each of its subsidiaries has strong competitive advantages over the other industry players. In addition, the strong synergy created by the complementing businesses of the individual subsidiaries has further reinforced each subsidiary's preparedness to face stiff competition in the coming years.

Suppliers

The Company and its subsidiaries have a broad range of suppliers, both local and foreign.

Customers / Clients

The Company and its subsidiaries are not dependent on a single or a few customer / client base. The group has a broad base of local and foreign, and corporate and individual customers / clients.

Transactions With and/or Dependence on Related Parties

See *Note 21* (Related Party Disclosures) of the Notes to the Consolidated Financial Statements.

Governmental regulations and environmental laws

The Company and its subsidiaries meet all governmental, environment, health and safety requirements. The Company has not experienced significant governmental, environment, health or safety problems.

Employees

As of December 31, 2023, the Parent Company had 394 regular employees. Its employees are not subject to any Collective Bargaining Agreements.

Risks

SMIC Enterprise Risk Management approach starts from the identification and prioritization of risks, to the assessment of risk interrelationship and analysis of the sources of risks, then to the development of risk management strategies and action plans, and ultimately, to the monitoring and continuous improvement of the risk management process.

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

Action plans to mitigate risks include investment in technology, provision of continuous trainings to employees, performance of regular audits, establishment and implementation of policies for a strong IT governance, and constant partnerships with various stakeholders. The technology risk officer through continuous risk assessments, threats to assets are identified, vulnerability to and likelihood of occurrence are evaluated and potential impacts are estimated in the areas of network, operating system, application and database in production. Specifically, system vulnerability assessments, to proactively detect and address threats and vulnerabilities, are regularly implemented. In terms of cyber security management, the Company has adopted globally accepted standards to employ similar approach of cyber security strategies within the organization.

ITEM 2. Properties

The Company and its subsidiaries own and lease several tracts of land for shopping malls, commercial, residential and other development.

Leased properties intended for future development have lease terms ranging from 15 to 50 years. Some contracts provide for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rental rates for the said properties. Please refer to *Note 27* of the accompanying Notes to the Consolidated Financial Statements for further details on Lease Agreements. Other real properties that the Company intends to acquire are still under review depending on factors such as demographics and accessibility to public transport.

ITEM 3. Legal Proceedings

The Company and its subsidiaries are not involved in any discussion of legal material proceedings.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The Company's shares of stock are traded in The Philippine Stock Exchange, Inc.

	2023				2022			
Stock Prices		High		Low		High		Low
1st Quarter	₱	950.0	₱	852.0	₱	976.5	₱	860.0
2nd Quarter		943.0		870.0		898.0		763.0
3rd Quarter		946.5		789.5		885.0		725.5
4th Quarter		912.5		801.0		980.0		759.0

As of December 31, 2023, the closing price of the Company's shares of stock is P872.00/share.

Stockholder and Dividend Information

The number of stockholders of record as of December 31, 2023 was 1,242. As of December 31, 2023, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to ₱393.8 billion, representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries.

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

In 2023 and 2022, the Company declared and paid dividends of ₱9,165.2 million and ₱7,528.6 million equivalent to 79% and 41% of the 2022 and 2021 earnings, respectively, of SMIC Parent Company.

The cash dividends out of the 2023 earnings will be discussed and determined at the Board Meeting on April 24, 2024.

On April 26, 2023, the BOD approved the declaration of cash dividends of 75.0% of the par value or P7.50 per share for a total amount of P9,165.2 million in favor of stockholders on record as at May 11, 2023. This was paid on May 25, 2023.

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

On April 28, 2021, the BOD approved the declaration of cash dividends of 42.5% of the par value or P4.25 per share for a total amount of P5,119.5 million in favor of stockholders on record as at May 13, 2021. This was paid on May 27, 2021.

The top 20 stockholders as of December 31, 2023 are as follows:

	Name	No. of Shares Held	% to Total
1	PCD Nominee Corp (Non-Filipino)	401,378,455	32.85%
2	PCD Nominee Corp. (Filipino)	148,893,516	12.18%
3	Hans T. Sy	104,915,706	8.59%
4	Herbert T. Sy	99,093,995	8.11%
5	Harley T. Sy	93,402,638	7.64%
6	Teresita T. Sy	85,947,685	7.03%
7	Elizabeth T. Sy	77,159,344	6.31%
8	Henry T. Sy, Jr.	76,878,370	6.29%
9	Syntrix Holdings, Inc.	47,032,000	3.85%
10	Sysmart Corporation	28,365,152	2.32%
11	Tansmart Holdings, Inc.	27,285,000	2.23%
12	Henry Sy Foundation, Inc.	22,500,000	1.84%
13	Felicidad T. Sy Foundation, Inc.	11,250,000	0.92%
14	Susana Fong	452,998	0.04%
15	Value Plus, Inc.	152,119	0.01%
16	SM Prime Holdings, Inc.	146,104	0.01%
17	Belle Corporation	48,877	0.00%
18	Bernadette S. Go	39,402	0.00%
19	Hector Yap Dimacali	39,102	0.00%
20	Hans Sy FAO Wonderfoods Corp.	39,102	0.00%

The securities below were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

- On June 10, 2014, SMIC issued US$350 million senior bonds which bear a fixed interest rate of 4.875% per annum, payable semi-annually in arrears. The bonds will mature on June 10, 2024. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to 10.1 (l) of RA No. 8799. The underwriter is Citigroup Global Markets Limited and Standard Chartered Bank and the total underwriting fees and expenses amounted to US$1.749 million.

There is no recent acquisition, business combination or other reorganization that has an effect on the amount and percentage of present holdings of the Company's common equity.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

Calendar Years Ended December 31, 2023 and 2022

Results of Operation
(amounts in billion pesos)

	2023	2022	% Change
Revenues	**₱ 616.3**	**₱ 553.0**	**11.4%**
Cost and Expenses	474.1	435.4	8.9%
Income from Operations	**142.2**	**117.6**	**21%**
Other Charges	19.4	18.4	5.0%
Provision for Income Tax	16.6	14.8	12.4%
Net Income After Tax	**106.2**	**84.4**	**26%**
Non-controlling Interests	29.2	22.7	29%
Net Income Attributable to Owners of the Parent	**₱ 77.0**	**₱ 61.7**	**25%**

SM Investments Corporation and Subsidiaries (the Group) reported ₱77.0 billion *Net Income Attributable to Owners of the Parent* on ₱616.3 billion *Revenues*.

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

	Revenues		Net Income	
	2023	2022	**2023**	2022
Retail	**67%**	68%	**19%**	21%
Property	**19%**	18%	**25%**	23%
Banks	**7%**	6%	**47%**	45%
Portfolio	**7%**	8%	**9%**	11%

Retail

SM Retail reported ₱19.9 billion *Net income* on *Revenues* of ₱415.0 billion, 11% and 10% higher than 2022, respectively.

The SM Stores reported Sales of ₱108.4 billion, 14% higher than 2022.

The Food Stores reported Sales of ₱231.5 billion, 7% higher than 2022. Bulk of the increase is from the SM Markets with Sales of ₱167.7 million, a 6% growth, and Alfamart with ₱28.4 billion sales, with 9% same store sales growth.

The Specialty Stores reported Sales of ₱89.6 billion, 10% higher than 2022. This growth is attributable to Toy Kingdom/Pet Express, Miniso, Crocs and Kultura.

The general improvement in profitability is attributable to the strong sales growth and modest improvement in gross margins.

Property

SM Prime reported P40.0 billion *Net income* on *Revenues* of ₱128.1 billion, 33% and 21% higher than 2022, respectively.

The mall business, which accounts for 56% of consolidated *Revenues* reported a 30% growth in *Revenues* to ₱71.9 billion in 2023. Mall rental income increased by 24% to ₱ 61.3 billion.

The residential business, led by SMDC, reported an 8% growth in *Revenues* of ₱43.1 billion in 2023, with 2023 reservation sales of ₱102.0 billion equivalent to more than 21,000 residential units.

Banking

BDO reported ₱73.4 billion *Net income*, 29% higher than 2022. This is supported by growth across its core businesses. *Net interest income* increased 25% to ₱186.4 billion as *Gross customer loans* grew by 9% to ₱2.8 trillion with growth across all market segments.

Total deposits increased 11% to ₱3.6 trillion, with CASA ratio at 72%. Asset quality continued to improve with non-performing loan (NPL) ratio at 1.85% and NPL coverage at 185%.

China Bank reported ₱22.0 billion *Net income*, 15% higher than 2022. *Net interest income* increased 17% to ₱53.5 billion as the strong growth in loans and investments offset the significantly higher interest expense. *Gross loans* increased 10% to ₱791 billion.

Total deposits increased 11% to ₱1.2 trillion with CASA ratio at 48%. Asset quality was stable with non-performing loan (NPL) ratio at 2.5% and NPL coverage at 104%.

Portfolio Investments

Portfolio Investments' contribution to consolidated net income grew 6% in 2023. The businesses with significant contribution to consolidated net income growth include 2GO whose reported net income grew 204%, Belle with 30% and Goldilocks with 60%.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which increased by 9.4% to ₱401.7 billion, accounted for 65% of total revenues in 2023. This is attributable to The SM Store with 14% growth, Food with 7% and Specialty stores with 10%.

Real Estate Sales increased by 7.9% to ₱42.1 billion due mainly to higher sales take-up and construction accomplishments of various projects including *Gold*, *Mint*, *Sands*, *Shore*, *Cheerful* and *South* Residences.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 26% to ₱61.8 billion. This is attributable to increased mall traffic and general improvements in tenant sales.

*Equity in Net Earnings of Associate Companies and Joint Venture*s increased by 25% to ₱44.9 billion. The increase is coming mainly from the bank and retail associates.

Other Revenues increased by 6.5% to ₱65.7 billion due mainly to the 114% increase in *Cinema Ticket Sales*, *Amusement and Others*, 18.5% increase in *Shipping, Logistics and Other Services* and 41% increase in *Royalty and Service Fees*.

Costs and Expenses increased by 8.9% to ₱474.1 billion. This increase is relative to the increase in revenue due mainly to opening of new malls and retail stores and ongoing real estate projects.

Income from Operations increased by 21% to ₱142.2 billion. *Operating Margin* and *Net Margin* in 2023 is at 23.1% and 17.2%, respectively.

Other Charges (net) increased by 5.0% to ₱19.4 billion. *Interest Expense* increased to ₱24.1 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 33% to ₱4.0 billion due mainly to increase in average balance of cash and time deposits. *Foreign Exchange Gain (Loss) - Net and Others in 2023* include *Gain on Disposal of Investments and Properties - Net* of ₱66 million and ₱329 million foreign exchange gain. The PHP to USD foreign exchange rate amounted to PHP55.37 : USD1.00 in 2023 from PHP55.76 : USD1.00 in 2022.

Provision for Income Tax increased by 12.4% to ₱16.6 billion due mainly to higher taxable income in 2023.

Non-controlling Interests increased by 29% to ₱29.2 billion due mainly to the improved net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	12 / 31 / 2023	12 / 31 / 2022	% Change
Current Assets	₱ 359.5	₱ 361.5	-0.6%
Noncurrent Assets	1,226.7	1,117.9	9.7%
Total Assets	**₱ 1,586.2**	**₱ 1,479.4**	**7.2%**
Current Liabilities	₱ 330.8	₱ 293.0	12.9%
Noncurrent Liabilities	483.2	494.2	-2.3%
Total Liabilities	**814.0**	**787.2**	**3.4%**
Total Equity	**772.2**	**692.2**	**11.6%**
Total Liabilities and Equity	**₱ 1,586.2**	**₱ 1,479.4**	**7.2%**

Total *Assets* and *Liabilities* increased by 7.2% to ₱1,586.2 billion and 3.4% to ₱814.0 billion, respectively.

Assets

Current Assets slightly decreased by 0.6% to ₱359.5 billion.

Cash and Cash Equivalents decreased by 2.6% to ₱103.7 billion: ₱52.3 billion used for financing activities, ₱41.4 billion used for investments in property, plant and equipment, investment properties and others, partially offset by ₱90.9 billion cash generated from operations.

Receivables and Contract Assets decreased by 6.1% to ₱79.2 billion due mainly to collections of receivables from real estate buyers, tenants, and shipping and logistics services.

Inventories increased by 10.4% to ₱117.5 billion. SM Prime's real estate inventory increased by ₱7.4 billion to ₱77.9 billion and Retail's merchandise inventory increased by ₱4.2 billion to ₱38.9 billion.

Other Current Assets increased by 4.9% to ₱57.7 billion due mainly to higher input tax and receivable from banks.

Noncurrent Assets increased by 9.7% to ₱1,226.7 billion.

Financial Assets at FVOCI (current and noncurrent) increased by 4.5% to ₱27.1 billion due mainly to new investments partially offset by the decline in market value of certain investments in shares of stock.

Investments in Associate Companies and Joint Ventures increased by 10.1% to ₱361.3 billion. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by dividends received, disposal of shares, and share in comprehensive loss of its associate companies.

Property and Equipment increased by 10.4% to ₱52.9 billion attributable mainly to additions to machinery and equipment and leasehold improvements.

Time Deposits (current and noncurrent) decreased by 30% to ₱22.9 billion as these were used to pay maturing obligations.

Investment Properties increased by 10.5% to ₱537.1 billion due mainly to SM Prime's landbanking and land reclamation project, ongoing new mall and commercial projects, and redevelopment and expansion of existing malls.

Other Noncurrent Assets increased by 13.3% to ₱138.0 billion attributable mainly to receivable from real estate buyers.

Liabilities

Interest-bearing Debt decreased by 0.8% to ₱501.7 billion due mainly to net payments, particularly by the Parent Company and SM Prime.

Accounts Payable and Other Current Liabilities increased by 10.0% to ₱200.2 billion due mainly to the increase in trade and nontrade payables.

Deferred Tax Liabilities increased by 7.9% to ₱18.1 billion reflecting the net change in SM Prime's unrealized gross profit on sales of real estate.

Tenants' Deposits and Others increased by 23% to ₱58.0 billion. This account includes the deferred output VAT related to sales of residential projects, deposits from residential buyers and tenants in new malls and office buildings, and derivative liabilities.

Equity

Total *Equity* increased by 11.6% to ₱772.2 billion.

Equity Attributable to Owners of the Parent increased by 12.0% to ₱556.6 billion due mainly to the ₱67.8 billion addition in Retained Earnings representing the ₱77.0 billion net income offset by the ₱9.2 billion dividend declaration in 2023, and the ₱4.0 billion reduction in *Additional paid-in capital* resulting mainly from the movements in the Group's investments in 2GO and GBI.

Non-controlling Interests increased by 10.4% to ₱215.6 billion due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, and obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Group's continuing operations.

Key Performance Indicators

The key financial ratios of the Group follow:

	12 / 31 / 2023	12 / 31 / 2022
Current Ratio	1.1	1.2
Acid Test Ratio	0.6	0.7
Solvency Ratio	16.1%	13.7%
Asset to Equity	2.1	2.1
Debt - Equity Ratios:		
On Gross Basis	39 : 61	42 : 58
On Net Basis	33 : 67	35 : 65
Return on Equity	14.5%	13.1%
Return on Assets	7.0%	5.9%
Revenue Growth	11.4%	28.1%
Net Margin	17.2%	15.3%
Net Income Growth	25%	53%
EBITDA *(In Billions of Pesos)*	166.9B	141.2B
Interest Cover	6.9x	6.6x

Current ratio slightly decreased to 1.1 due to the 0.6% slight decrease in *Current assets* vs 12.9% increase in *Current liabilities.*

Acid Test Ratio slightly decreased to 0.6 due to the 7.9% decrease in quick assets, mainly *Cash and Cash Equivalents* and *Receivables and Contract Assets* vs. 12.9% increase in *Current Liabilities*.

Solvency Ratio increased to 16.1% due to the 21% increase in *Net Income After Tax* and depreciation vs. 3.4% increase in *Total Liabilities*.

Gross Debt - Equity Ratio improved to 39:61 due to the 0.8% decrease in gross debt with 11.6% increase in equity. *Net Debt - Equity Ratio* likewise improved to 33:67 with only 2.4% increase in net debt.

Return on Equity improved to 14.5% due to the 25% increase in net income attributable to owners of the parent vs. 12.5% increase in average equity.

Return on Assets improved to 7.0% due to the 26% increase in *Net Income After Tax* vs 6.4% increase in average assets.

Revenue Growth increased to 11.4% due mainly to the 9.4% increase in *Merchandise Sales*, 26% increase in *Rent Revenues,* 25% increase in *Equity in Net Earnings of Associate Companies and Joint Ventures* and 6.5% increase in *Other Revenues*.

EBITDA increased by 18.2% due to the 21% increase in income from operations and 4.5% increase in depreciation.

Interest Cover improved to 6.9x due to the 18.2% increase in EBITDA vs. 11.8% increase in interest expense.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio — Current Assets / Current Liabilities

2. Acid Test Ratio — Current Assets less Inventories and Other Current Assets / Current Liabilities

3. Solvency Ratio — Net Income After Tax + Depreciation and Amortization / Total Liabilities

4. Asset to Equity Ratio — Total Assets / Total Equity

5. Debt – Equity Ratio

   a. Gross Basis — Total Interest-Bearing Debt / Total Equity + Total Interest-Bearing Debt

   b. Net Basis — Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds / Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds

6. Revenue Growth — Total Revenues (Current Period) - 1 / Total Revenues (Prior Period)

7. Net Margin — Net Income After Tax / Total Revenues

8. Net Income Growth — Net Income Attributable to Owners of the Parent (Current Period) - 1 / Net Income Attributable to Owners of the Parent (Prior Period)

9. Return on Equity — Net Income Attributable to Owners of the Parent / Average Equity Attributable to Owners of the Parent

10. Return on Assets — Net Income after Tax / Total Assets

11. EBITDA — Income from Operations + Depreciation & Amortization

12. Interest Cover — EBITDA / Interest Expense

Expansion Plans / Prospects in 2024

In 2024, the Group would continue with the opening of new stores, construction and/or expansion of malls and commercial properties, as well as repairs and maintenance of existing property and equipment and investment properties. The Group has no material commitments for capital expenditures other than those disclosed in Note 15 for Investment Properties.

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

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

Calendar Years Ended December 31, 2022 and 2021

Results of Operation
(amounts in billion pesos)

	2022	2021	% Change
Revenues	**₱ 553.0**	**₱ 431.7**	**28%**
Cost and Expenses	435.4	352.8	23%
Income from Operations	**117.6**	**78.9**	**49%**
Other Charges	18.4	15.3	21%
Provision for Income Tax	14.8	9.0	64%
Net Income After Tax	**84.4**	**54.6**	**54%**
Non-controlling Interests	22.7	14.2	59%
Net Income Attributable to Owners of the Parent	**₱ 61.7**	**₱ 40.4**	**53%**

SM Investments Corporation and Subsidiaries (the Group) reported ₱61.7 billion *Net Income Attributable to Owners of the Parent* on ₱553.0 billion *Revenues*.

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

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

Retail

SM Retail reported ₱17.9 billion *Net income* on *Revenues* of ₱378.2 billion, 86% and 24% higher than 2021, respectively.

The SM Stores reported ₱94.9 billion *Sales*, 64% higher than 2021.

The Food Stores reported ₱215.4 billion *Sales*, 12% higher than 2021. The SM Markets reported ₱158.2 million *Sales*, 11% higher than 2021. 2022 is the first year that Alfamart reported positive results on ₱23.3 billion *Sales*, 22% higher than 2021.

The Specialty Stores reported ₱81.5 billion *Sales*, 29% higher than 2021. This growth is attributable to SM Appliances, Our Home, Ace Hardware, Sports stores and Toy Kingdom/Pet Express.

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

Property

SM Prime reported ₱30.1 billion *Net income* on *Revenues* of ₱105.8 billion, 38% and 29% higher than 2021, respectively.

The Philippine malls reported *Revenues* of ₱49.8 billion, more than double the ₱24.1 billion reported in 2021. Local mall rental income increased by 92% to ₱44.1 billion.

SM Prime's residential business led by SMDC reported *Revenues* of ₱40.1 billion and reservation sales of ₱102.0 billion.

Banking

BDO reported ₱57.1 billion *Net income*, 33% higher than 2021. This is supported by a 14% growth in net interest income and 17% growth in Other operating income.

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

China Bank reported a ₱19.1 billion *Net income*, 27% higher than 2021. This is supported by a 19% growth in net interest income.

Portfolio Investments

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

Profit & Loss Statement - Account Analysis

Merchandise Sales, which increased by 25% to ₱367.3 billion, accounted for 66% of total revenues in 2022. This is attributable to the strong holiday sales and increased demand for school essential with the resumption of in-person schooling.

Real Estate Sales decreased by 13% to ₱39.0 billion due mainly to sales cancellations relative to the expiration of Bayanihan Act which gave some reprieve to unit buyers in terms of amortization payments.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 66% to ₱49.2 billion. This is attributable to increased mall traffic.

*Equity in Net Earnings of Associate Companies and Joint Venture*s increased by 34% to ₱35.8 billion. The increase is mainly coming from BDO and China Bank.

Other Revenues increased by 74% to ₱61.6 billion.

- *Sales - Processed Food and Others* increased by 92% to ₱24.6 billion. The increase is attributable to the full year sales contribution of 2GO and GBI in 2022. 2GO and GBI became subsidiaries of SMIC in June 2021 and August 2021, respectively.

- *Shipping, Logistics and Other Services* increased by 149% to ₱14.1 billion. The increase is attributable to the full year revenue contribution of 2GO and 4 months revenue contribution of Airspeed in 2022 (see Note 5 of the consolidated financial statements).

- *Cinema Ticket Sales, Amusement and Others* increased by 745% to ₱4.2 billion. This is attributable to the lifting of restrictions in the operation of cinemas and other leisure areas in the latter part of 2021.

- *Royalty and Service Fees* increased by 22% to ₱5.5 billion as this is based on the higher sales base of various retail affiliated stores.

Costs and Expenses increased by 23% to ₱435.4 billion. This increase is relative to the increase in revenue. Also, 2022 includes the full year expenses of 2GO and GBI.

Income from Operations increased by 49% to ₱117.6 billion. *Operating Margin* and *Net Margin* in 2022 is at 21.3% and 15.3%, respectively.

Other Charges (net) increased by 21% to ₱18.4 billion. *Interest Expense* increased to ₱ 21.5 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 38% to ₱3.0 billion due mainly to increase in average balance of cash and time deposits. *Foreign Exchange Gain (Loss) - Net and Others in 2022* include *Gain on Disposal of Investments and Properties - Net* of ₱209 million and ₱211 million foreign exchange loss. The PHP to USD foreign exchange rate amounted to PHP55.76 : USD1.00 in 2022 from PHP51.00 : USD1.00 in 2021.

Provision for Income Tax increased by 64% to ₱14.8 billion due mainly to higher taxable income in 2022 and the initial adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) in 2021 which included favorable adjustments of deferred tax liabilities.

Non-controlling Interests increased by 59% to ₱22.7 billion due mainly to the improved net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	12 / 31 / 2022	12 / 31 / 2021	% Change
Current Assets	₱ 361.5	₱ 306.4	18.0%
Noncurrent Assets	1,117.9	1,054.1	6.0%
Total Assets	**₱ 1,479.4**	**₱ 1,360.5**	**8.7%**
Current Liabilities	₱ 293.0	₱ 261.6	12.0%
Noncurrent Liabilities	494.2	475.3	4.0%
Total Liabilities	**787.2**	**736.9**	**6.8%**
Total Equity	**692.2**	**623.6**	**11.0%**
Total Liabilities and Equity	**₱ 1,479.4**	**₱ 1,360.5**	**8.7%**

Total *Assets* and *Liabilities* increased by 8.7% to ₱1,479.4 billion and 6.8% to ₱787.2 billion, respectively.

Current Assets

Current Assets increased by 18.0% to ₱361.5 billion.

Cash and Cash Equivalents increased by 19.3% to ₱106.6 billion due mainly to improved operating results and proceeds from issuances of bonds and loan availments, partly offset by payments for trade, capital expenditures and debt servicing.

Receivables and Contract Assets increased by 10.8% to ₱84.3 billion due mainly to higher receivables from real estate buyers, tenants, and shipping and logistics services (see Note 5 of the consolidated financial statements).

Inventories increased by 23% to ₱106.4 billion. The increase is attributable to the construction accomplishments of the Property Group and the increase in merchandise inventories of the Retail Group.

Other Current Assets increased by 3.2% to ₱55.0 billion due mainly to higher prepaid taxes, input tax and bonds and deposits.

Noncurrent Assets

Noncurrent Assets increased by 6.0% to ₱1,117.9 billion.

Financial Assets at FVOCI (current and noncurrent) decreased by 6.4% to ₱25.9 billion due mainly to the decline in market value of certain investments in shares of stock, partly offset by new investments.

Investments in Associate Companies and Joint Ventures increased by 7.6% to ₱328.3 billion. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by dividends received, share in comprehensive loss of its associate companies, and the effect of business combination in 2022 (see Note 5 of the consolidated financial statements).

Property and Equipment increased by 5.4% to ₱47.9 billion due mainly to additions to machinery and equipment of PGPC in 2022.

Time Deposits (current and noncurrent) increased by 681% to ₱32.9 billion due mainly to the reclassification of time deposits from other noncurrent assets in 2022.

Investment Properties increased by 4.8% to ₱486.0 billion due mainly to SM Prime's landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense.

Liabilities

Interest-bearing Debt increased by 7.0% to ₱505.7 billion due mainly to SM Prime's debt availments in 2022.

Accounts Payable and Other Current Liabilities increased by 8.0% to ₱182.0 billion due mainly to the increase in trade and nontrade payables and accruals of SM Retail in 2022.

Deferred Tax Liabilities increased by 7.2% to ₱16.8 billion reflecting the net change in SM Prime's unrealized gross profit on sale of real estate.

Tenants' Deposits and Others increased by 1.0% to ₱47.3 billion. This account includes the deferred output VAT related to sales of residential projects, deposits from residential buyers and tenants in new malls and office buildings, and derivative liabilities.

Equity

Total *Equity* increased by 11.0% to ₱692.2 billion.

Equity Attributable to Owners of the Parent increased by 11.0% to ₱496.9 billion. This increase resulted mainly from the ₱61.7 billion net income and reduced by ₱7.5 billion dividends declared in 2022 that is reflected in *Retained Earnings. Fair Value Changes on Cash Flow Hedges* increased to gain of ₱1.6 billion. The increase is partly offset by the 17.3% decrease in *Unrealized Gain on Financial Assets at FVOCI* to ₱11.8 billion due to lower market valuation of certain investments, 68% increase in *Remeasurement Loss on Defined Benefit Asset/Obligation* to ₱1.7 billion, 6.7% decrease in *Cumulative Translation Adjustment* to ₱2.1 billion, and 63% increase in *Share in Other Comprehensive Loss of Associates – net* to ₱10.8 billion.

Non-controlling Interests increased by 11.0% to ₱195.3 billion due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, and obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Group's continuing operations.

Key Performance Indicators

The key financial ratios of the Group follow:

	12 / 31 / 2022	12 / 31 / 2021
Current Ratio	1.2	1.2
Acid Test Ratio	0.7	0.6
Solvency Ratio	13.7%	10.2%
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	42 : 58	43 : 57
On Net Basis	35 : 65	38 : 62
Return on Equity	13.1%	9.4%
Return on Assets	5.9%	4.2%
Revenue Growth	28.1%	9.0%
Net Margin	15.3%	12.7%
Net Income Growth	53%	69%
EBITDA *(In Billions of Pesos)*	141.2B	99.9B
Interest Cover	6.6x	5.2x

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

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

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

Net Debt - Equity Ratio improved to 35:65 due to the ₱45.7 billion increase in cash and cash equivalents and time deposits which resulted to a decrease in net debt of ₱12.5 billion.

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

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

Revenue Growth increased to 28.1% due mainly to the 25% increase in *Merchandise Sales*, 34% increase in *Equity in Net Earnings of Associate Companies and Joint Ventures,* 66% increase in *Rent Revenues* and 74% increase in *Other Revenues*. In 2021, *Merchandise Sales* and *Rent Revenues* increased only by 1.7% and by 10.2%, respectively.

EBITDA increased by 41% due to the ₱38.6 billion increase in income from operations and ₱2.7 billion increase in depreciation.

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

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio — Current Assets / Current Liabilities

2. Acid Test Ratio — Current Assets less Inventories and Other Current Assets / Current Liabilities

3. Solvency Ratio — Net Income After Tax + Depreciation and Amortization / Total Liabilities

4. Asset to Equity Ratio — Total Assets / Total Equity

5. Debt – Equity Ratio

   a. Gross Basis — Total Interest-Bearing Debt / Total Equity + Total Interest-Bearing Debt

   b. Net Basis — Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds / Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds

6. Revenue Growth — Total Revenues (Current Period) - 1 / Total Revenues (Prior Period)

7. Net Margin — Net Income After Tax / Total Revenues

8. Net Income Growth — Net Income Attributable to Owners of the Parent (Current Period) - 1 / Net Income Attributable to Owners of the Parent (Prior Period)

9. Return on Equity — Net Income Attributable to Owners of the Parent / Average Equity Attributable to Owners of the Parent

10. Return on Assets — Net Income after Tax / Total Assets

11. EBITDA — Income from Operations + Depreciation & Amortization

12. Interest Cover — EBITDA / Interest Expense

Expansion Plans / Prospects in 2023

In 2023, expansion and construction of malls, residential and commercial properties, opening of new retail stores across the various formats, mainly in the Retail Food Group, and selectively in the Retail Non-Food Group, as well as expansion of the Group's logistics capacity will continue.

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

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

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

ITEM 7. Financial Statements

Please see the attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

In the course of the year, the Board regularly reviewed, at least quarterly, SMIC's financial performance and financial condition to ensure that the Company is able to deliver on its strategic objectives.

ITEM 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Independent Public Accountants, External Audit Fees and Services

Sycip, Gorres, Velayo & Company (SGV & Co.) is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

SRC Rule 68, as Amended, Part 3 (b) (ix), Rotation of External Auditors, states that the key audit partners, which include the engagement partner or signing partner, shall comply with the provisions on long association of personnel (including partner rotation) with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines (the Code). The Code allows for the engagement partner or signing partner for any audit client, to act in such capacity for a maximum of seven years. Ms. Belinda Beng Hui of SGV & Co. handled the examination of the Company's financial statements starting 2023. Ms. Julie Christine O. Mateo of SGV & Co. was the engagement partner from 2016 to 2022.

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

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

The fees paid to SGV & Co. for the audit of SMIC Parent and Consolidated yearend financial statements and review of supplementary schedules amounted to P 2.7 million for 2023 and P 2.6 million for 2022. Fees amounting to P 5.2 million was also paid to SGV & Co. in 2022 for the review of the Consolidated financial statements related to the issuance

of retail bonds. The fees paid to SGV & Co. for tax related services amounted to P 0.3 million in 2022 and none in 2023. Fees amounting to P 1.1 million was also paid to SGV & Co. in 2023 for vulnerability assessment and penetration testing service to strengthen the Company's defenses against cyber-attacks, reduce information security risk levels and comply with government regulatory requirements primarily with Data Privacy Act of the Philippines 2012. There were no other fees paid to SGV & Co. for services rendered.

The Audit Committee recommended to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approved the Committee's recommendation.

The members of the Audit Committee are:

1. Tomasa H. Lipana - Chairperson (Independent Director)
2. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio* - Member
4. Amando M. Tetangco, Jr.** - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2023:

Members	Feb 24	Apr. 24	May 10	Aug. 3	Nov. 7
Tomasa H. Lipana	√	√	√	√	√
Ramon M. Lopez	√	√	√	√	√
Jose T. Sio*	√	√	√	N/A	N/A
Amando M. Tetangco, Jr.**	N/A	N/A	N/A	√	√

*Mr. Jose T. Sio retired as Chairman of the Board of Directors effective June 16, 2023. **Mr. Amando M. Tetangco, Jr. was appointed as Chairman of the Board. He was also elected as Independent Director and member of the Audit Committee on the same date.

The members of the Risk Management Committee are:

1. Robert G. Vergara - Chairman (Independent Director)
2. Ramon M. Lopez - Member (Independent Director)
3. Amando M. Tetangco, Jr.* - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2023:

	August 3, 2023	November 7, 2023
Robert G. Vergara	√	√
Ramon M. Lopez	√	√
Amando M. Tetangco, Jr.*	√	√

* Mr. Amando M. Tetangco, Jr. was appointed as Chairman of the Board of Directors effective June 16, 2023. He was also elected as Independent Director and member of the Risk Management Committee on the same date.

PART III- CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors and Executive Officers of the Registrant

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Officers	Name	Age	Citizenship
Chairman and Independent Director	Amando M. Tetangco, Jr.	71	Filipino
Vice Chairperson	Teresita T. Sy	73	Filipino
Vice Chairman	Henry T. Sy, Jr.	70	Filipino
President & Chief Executive Officer	Frederic C. DyBuncio	64	Filipino
Executive Director	Harley T. Sy	64	Filipino
Lead Independent Director	Tomasa H. Lipana	75	Filipino
Independent Director	Robert G. Vergara	63	Filipino
Independent Director	Ramon M. Lopez	64	Filipino
Treasurer/EVP-Treasury, Finance and Planning	Erwin G. Pato	51	Filipino
Senior Vice President - Finance	Franklin C. Gomez	54	Filipino
Senior Vice President - Legal and Assistant Corporate Secretary	Arthur A. Sy	54	Filipino
Senior Vice President – Corporate Services, Chief Risk & Compliance Officer	Elizabeth Anne C. Uychaco	68	Filipino
Chief Audit Executive	Shiela P. Alarcio	43	Filipino
Corporate Secretary	Elmer B. Serrano	56	Filipino

MANAGEMENT

Board of Directors

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified.

The following are the business experience/s of the Company's incumbent Directors during the last five years:

Amando M. Tetangco, Jr. is the Chairman and Independent Director of the Board of SMIC (as of June 16, 2023). He is also the Vice Chairman and Independent Director of the Board of Directors of SM Prime Holdings, Inc. He is concurrently an independent Director of Belle Corporation, Converge ICT Solutions, Inc. and Shell Pilipinas Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines, and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity. Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines on 25 March 1974. During his term as Governor, he held other government positions, such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of

the BSP, and was an Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked at the Management Services Division of SGV and Co. in 1973 to 1974. Overseas, he was the Philippines' representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees – the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee. He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015. Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He was conferred the Honorary Doctorate in Management by the Asian Institute of Management in 2023. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

Teresita T. Sy is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. (BDO) and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of BDO Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Bachelor of Science degree in Commerce, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

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

Frederic C. DyBuncio is the President and Chief Executive Officer of SMIC. He is the Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Concurrently, he is the Chairman, President and Chief Executive Officer of 2GO Group, Inc. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.

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

Tomasa H. Lipana* is the Lead Independent Director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an Independent Director and Audit Committee Chairperson of Flexo Manufacturing Corporation and Rural Bank of Silay City Inc. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines, and an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), the single entity in charge of the government guarantee system. Sfhe is a Fellow and Trustee of the Institute of Corporate Directors. She is also a Trustee of the Shareholders' Association of the Philippines, Inc. and the Sikat Solar Challenge Foundation, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. Recently, she was bestowed the Accountancy Centenary Recognition of Service Excellence by the Professional Regulation Commission - Board of Accountancy. She also received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is a CPA Board placer.

Robert G. Vergara* is an Independent Director of SMIC. He also sits as an Independent Director of Metro Pacific Hospital Holdings, Inc., STI Education Systems Holdings. Inc. and AIG Insurance Philippines, Inc. He is also Chairman and Director of Cabanatuan Electric Corporation. He was appointed President of the Manila Polo Club in August 2023. He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated *magna cum laude* from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

Ramon M. Lopez* is currently an Independent Director of SM Investments Corporation. He also currently serves as an Independent Director of AIC Group of Companies Holding Corporation (a subsidiary of SMIC in the Logistics sector). He is also a Board Trustee and Vice-Chairman of the Valenzuela City Polytechnic College that provides education and training for industrial workforce advancement. Mr. Lopez was recently appointed as Chairman of the Governing Board of the Economic Research Institute for ASEAN and East Asia (ERIA). He was also elected as Independent Director in the Boards of unlisted companies, namely New Marketlink Pharmaceutical Corporation; Seedbox Securities Inc.,

which provides an online financial investment platform; and, Asian Consulting Group (ACG), a tax consulting services/advocacy for SMEs, top corporations in the Asia-Pacific. Mr. Lopez is also a Member of the Board of Advisors in Packworks Venture Pte. Ltd., a start-up venture that provides a digital operations systems for micro-entrepreneurs. Mr. Lopez is also a Board Trustee in Bayan Family of Foundations, a non-profit organization providing entrepreneurship education and SMEs/social enterprise development. Mr. Lopez was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. He chaired during his term the DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, and Philippine International Trading Corp. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others. He received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. In June 2022, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. He also received The Asia CEO Awards 2022 "Lifetime Contributor of the Year Award". Mr. Lopez has a Master's Degree in Development Economics 1988 class at Williams College, Massachusetts USA and an AB Degree in Economics (1981) from the University of the Philippines School of Economics.

** Independent director – the Company has complied with the Guidelines set forth by the Securities Regulation Code (**SRC**) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

Period of Directorship

Name	Period Served
Amando M. Tetangco, Jr.	June 2023 to present
Teresita T. Sy	1979 to present
Henry T. Sy, Jr.	1979 to present
Frederic C. DyBuncio	2017 to present
Harley T. Sy	1993 to present
Tomasa H. Lipana	2016 to present
Robert G. Vergara	2019 to present
Ramon M. Lopez	August 2022 to present

Directorships in Other Reporting Companies

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

Amando M. Tetangco, Jr.	SM Prime Holdings, Inc.	Vice Chairman/ Independent Director
	Belle Corporation	Independent Director
	Converge ICT Solutions, Inc.	Independent Director
	Shell Pilipinas Corporation	Independent Director
Teresita T. Sy	BDO Unibank, Inc.	Chairperson

Henry T. Sy, Jr.	SM Prime Holdings, Inc. Synergy Grid & Development Phils. Inc.	Chairman Chairman
Frederic C. DyBuncio	2GO Group, Inc. Atlas Consolidated Mining and Development Corporation	President/CEO/Director Chairman
Harley T. Sy	China Banking Corporation	Director
Robert G. Vergara	STI Education Systems Holdings, Inc.	Independent Director

Attendance in Board Meetings

Below is the attendance of the Directors for the meetings held as of December 2023:

Director	Jan. 18	Feb. 28	March 6	Apr. 26	Apr. 26	May 10	June 16	Aug. 09	Nov. 8	%
	Special	Regular	Special	Regular	Organi-zational	Special	Special	Regular	Regular	
Jose T. Sio*	√	√	√	√	√	√	√	N/A	N/A	100
Amando M. Tetangco, Jr. **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	√	100
Tomasa H. Lipana	√	√	√	√	√	√	√	√	√	100
Robert G. Vergara	√	√	√	√	√	√	√	√	√	100
Ramon M. Lopez	√	√	√	√	√	√	√	√	√	100

*Mr. Sio retired as Chairman of the Board of Directors effective June 16, 2023. **Mr. Tetangco was appointed as Chairman of the Board effective June 16, 2023. He was also elected as Independent Director on the same date.

Nomination of Directors

The procedure for nomination of directors of the Corporation is as follows:

- Nomination of all directors shall be reviewed and qualified by the Corporate Governance Committee prior to the stockholders' meeting

- The Corporate Governance Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of directors and which list shall contain all the information about these nominees.

- Only nominees qualified by the Corporate Governance Committee and whose names appear on the Final List of Candidates shall be eligible for election. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

- For independent directors, in case of resignation, disqualification or cessation of Independent Directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

The Corporate Governance Committee created by the Board under its Manual on Corporate Governance reviews the credentials of, and qualifies the nominees for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting.

The Company has complied with the Guidelines set forth by Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and regulations and other SEC issuances regarding the Nomination and Election of Independent Director. The same provision is also in the Amended By-Laws of the Company.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified. The nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The Corporate Governance Committee is composed of the following members, all of whom are Independent Directors:

1. Ramon M. Lopez - Chairman (Independent Director)
2. Tomasa H. Lipana - Member (Independent Director)
3. Robert G. Vergara - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2023:

Members	March 13, 2023	June 16, 2023	August 3, 2023
Ramon M. Lopez	√	√	√
Tomasa H. Lipana	√	√	√
Robert G. Vergara	√	√	√

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMIC's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy, and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMIC's expense to promote relevance and effectivity and to keep them abreast of the latest developments in corporate directorship and good governance.

Officers

The following are the business experience/s of the Company's current Executive Officers during the last five years:

Erwin G. Pato is the Treasurer and Executive Vice President for Treasury, Finance and Planning of SMIC. He is the Chairman of Family Cooperation Health Services Foundation, Inc. (FAMCOHSEF) and currently also a Board Director of SMIC SG Holdings Pte. Ltd. Prior to joining SMIC in January 2020, he was formerly the Head of Treasury of Temasek Holdings Pte. Ltd. based in Singapore. He spent over 25 years of Treasury and Finance leadership experience in various industries spanning investment banking, local and regional banks, global consumer finance companies, global industrial companies, and government owned global investment companies. Mr. Pato holds a Bachelor of Arts Degree major in Economics from Ateneo de Manila University.

Franklin C. Gomez is the Senior Vice President for Finance of SMIC. Prior to joining SMIC in 2013, he spent over 20 years at Unilever where he held several senior positions, his last being Finance Director and Chief Financial Officer of Unilever Indonesia since May 2009. His previous senior posts in the same company include Chief Financial Officer at Unilever Philippines; Innovation and Learning Director at the Finance Excellence Centre in London; and Finance Director of Selecta Wall's Ice Cream, Philippines. Mr. Gomez holds a Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Accountancy from the De La Salle University, Manila.

Arthur A. Sy is the Assistant Corporate Secretary and Senior Vice President for Legal Department of SMIC. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation, Premium Leisure Corp., and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major companies within the SM Group of Companies and is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Juris Doctor degree from Ateneo de Manila University, School of Law.

Elizabeth Anne C. Uychaco is the Senior Vice President for Corporate Services, Chief Risk and Compliance Officer of SMIC, Diversity Officer of SM Group. She is currently a Board Director and Vice Chairperson of Belle Corporation, and an independent director of Citicore Energy REIT Corp. She is also the Chairperson of the Board of The Neo Group. She is likewise a Board Director of Republic Glass Holdings Corp., Goldilocks Bakeshop, Inc., Brownies Unlimited, Inc., ACE Hardware Philippines, Inc., and Philippines Urban Living Solutions. She is also a Trustee of Asia Pacific College and President and Trustee of Senior Member Social Club. She was formerly the Senior Vice President and Chief Marketing Officer of Philippine American Life and General Insurance Company and a Board Director of Philam Call Center. Prior to that, she was the Vice President of Globe Telecom, Inc., Kuok Philippine Properties, Inc. and Transnational Diversified Corp. Ms. Uychaco has 18 DBA units in Corporate Finance from Walden University. She obtained a Master's Degree in Business Economics from the University of Asia and the Pacific in 1988 and a Master's Degree in Business Administration from the Ateneo School of Business in 1992.

Shiela P. Alarcio is the Chief Audit Executive of SM Investments Corporation. She has served as a member of Board of Trustees of Institute of Internal Auditors-Philippines from 2020-2023. She has more than 22 years of vast experience in financial audit, internal audit, financial and control risks assessment, risk management, review of operations and financial controls, regulatory compliance and fraud investigations. Prior to joining SM Investments Corporation in 2023, Ms. Alarcio served as the Chief Audit Executive of Monde Nissin Corporation for three (3) years. Ms. Alarcio also worked for seven (7) years as Head of Group Internal Audit of AIA Philippines (previously Philam Life), three (3) years as Head of Internal Audit of Splash Corporation and had a ten (10) year stint with PricewaterhouseCoopers (PwC) Manila and London where she acquired her deep external audit experience from vast array of clients of various industries. Ms. Alarcio is a Certified Public Accountant, Certified Internal Auditor, a Certified Fraud Examiner and a Certified External Quality Assessor of Internal Audit Activity. Ms. Alarcio has also successfully completed the Certification for Trust Operations and Investment, a Fellow of Life Management Institute Management and a Fellow of Institute of Corporate Directors.

Elmer B. Serrano is the Corporate Secretary of SMIC since November 2014. Atty. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner and founder of the law firm SERRANO LAW. He has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR) after being consistently recognized as a "Highly Regarded-Leading Lawyer" by IFLR and named "Leading Individual" by the Legal 500 Asia Pacific.

Atty. Serrano is the Chairman of Dominion Holdings, Inc. (formerly, BDO Leasing and Finance, Inc.), a director of EEI Corporation and DFNN, Inc. and an Independent Director of Philippine Telegraph and Telephone Corporation and Benguet Corporation. He is also a director of 2GO Group, Inc. He is also the Corporate Information Officer of BDO Unibank, Inc. and serves as the corporate secretary of the bank's subsidiaries and affiliates. Atty. Serrano is also Corporate Secretary of SM Prime Holdings, Inc., Premium Leisure Corp., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines, the Philippine Payments Management, Inc. and the PDS Group of Companies.

Atty. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Atty. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

Period of Officership

Name	Office	Period Served
Frederic C. DyBuncio	President and Chief Executive Officer	2017 to present
Erwin G. Pato	Treasurer and EVP-Treasury, Finance and Planning	2021 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Arthur A. Sy	Assistant Corporate Secretary and Senior Vice President - Legal	2017 to present
Elizabeth Anne C. Uychaco	Chief Risk Officer & Compliance Officer and Senior Vice President	April 2023 to present
Shiela P. Alarcio	Chief Audit Executive	Nov. 2023 to present
Elmer B. Serrano	Corporate Secretary	2014 to present

Directorships in Other Reporting Companies

Other than Atty. Elmer B. Serrano who is also a director of Dominion Holdings, Inc., EEI Corporation, DFNN, Inc., 2GO Group, Inc. and an independent director of Philippine Telegraph and Telephone Corporation and Benguet Corporation, and Ms. Elizabeth Anne C. Uychaco who is a director of Belle Corporation and an independent director of Citicore Energy REIT Corp., the Officers do not hold any directorships in other reporting companies during the last five years.

Nomination of Officers

Incoming officers will be appointed at the organizational meeting to be held immediately after the Annual Stockholders' Meeting.

(b) Significant Employees

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

(c) Family Relationships

Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy, and Harley T. Sy are siblings. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference. There are no other elements of related party transactions that are considered necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions, other than those disclosed in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

The members of the Related Party Transactions Committee are:

1. Ramon M. Lopez - Chairman (Independent Director)
2. Robert G. Vergara - Member (Independent Director)
3. Amando M. Tetangco, Jr. - Member (Independent Director)

Below is the attendance of the members for the Committee meeting held as of December 2023:

Members	November 07, 2023
Ramon M. Lopez	√
Robert G. Vergara	√
Amando M. Tetangco, Jr.	√

(e) Involvement in Legal Proceedings

Except as disclosed[1], the Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

(1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
(2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

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[1] A criminal and administrative case (OMB-C-C-13-0092) filed against Mr. Amando M. Tetangco, Jr. et al. with the Ombudsman was dismissed on May 13, 2015. The dismissal was elevated to the Court of Appeals (CA) (CA-G.R. SP No. 144038), which sustained the dismissal on May 15, 2017. The CA's resolution was assailed with the Supreme Court (SC) (G.R. 234696) upon the filing of a Petition for Review dated November 29, 2017. In its Resolution dated October 3, 2022, the Supreme Court denied the Petition for Review of the petitioners and affirmed the May 15, 2017 Decision and October 4, 2017 Resolution of the Court of Appeals. To date, Mr. Tetangco has not yet received a Motion for Reconsideration on the said Resolution nor an Entry of Judgment.

A complaint for damages was also filed against Mr. Amando M. Tetangco, Jr., et. al in connection with the Report of the Anti-Money Laundering Council (AMLC), which served as the basis of AMLCs ex-parte petition for the issuance of Freeze Order issued by the Court of Appeals in CA G.R. AMLA No. 00134 dated 11 May 2015. Mr. Tetangco, Jr., et. al., were impleaded in their official capacity as members and/or officers of the AMLC. In an order dated 27 March 2020, the Regional Trial Court of Quezon City dismissed the Complaint for Damages (Civil Case No. R-QZN-15-04513-CV) against Mr. Tetangco Jr., et. al; and ordered plaintiff to amend his complaint. Plaintiffs filed a Motion for Reconsideration, to which the Office of the Solicitor General (in representation of defendants Tetangco, et al) filed its Comment. In an Order dated 9 February 2021, the trial court denied the Motion for Reconsideration filed by the plaintiff and upheld its earlier 27 March 2020 Order dismissing the case. Aggrieved, platinff filed a Petition for Certiorari with the Court of Appeals (CA-G.R. SP No. 169478), assailing the 27 March 2020 and 09 February 2021 Orders. The CA, in its Decision dated 13 November 2023, dismissed the Petition for Certiorari and upheld the 27 March 2020 and 09 February 2021 Orders. On 21 December 2023, a Motion for Reconsideration was filed in relation to the said Decision. To date, Mr. Tetangco has not received a Resolution/Order from the CA.

A Subpoena dated November 8, 2022 was reportedly issued by the Office of the City Prosecutor – Manila in connection with the Joint Complaint-Affidavit filed against Mr. Amando M. Tetangco, Jr. and several other respondents including former members of the Monetary Board, for alleged violation of the Central Bank Act, as amended (R.A. 7653 as amended by R.A. 11211). As of this date, no official service of subpoena or complaint has been made on Mr. Tetangco. The other respondents who have officially received the subpoena and/or voluntarily submitted to the jurisdiction of the OCP- Manila filed their respective counter-affidavits and their joint rejoinder-affidavit. In a Resolution dated 10 February 2023, the OCP-Manila dismissed the complaint against all respondents, including Mr. Tetangco, for lack of probable cause. Consequently, complainants requested a reconsideration of the said resolution which was eventually denied by the OCP-Manila in a Resolution dated 03 May 2023. Accordingly, complainants filed a Petition for Review dated 02 June 2023 with the Department of Justice (DOJ). On 23 June 2023, the other respondents filed a Verified Comment [To Petition for Review dated 02 June 2023] of even date. To date, Mr. Tetangco has not received any resolution/order from the DOJ.

ITEM 10. Compensation of Directors and Executive Officers

(a) Executive compensation

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and executive officers of the Company are as follows:

Name and Position

1. Harley T. Sy
   Executive Director*
2. Frederic C. DyBuncio
   President and Chief Executive Officer*
3. Elizabeth Anne C. Uychaco
   Chief Risk Officer & Compliance Officer and Senior Vice President - Corporate Services*
4. Franklin C. Gomez
   Senior Vice President - Finance*
5. Erwin G. Pato
   Treasurer and EVP*

Summary Compensation Table (in million pesos)

	Year	Salary	Bonus	Other Annual Compensation
* President and four Most Highly Compensated Executive Officers	2024 (estimate)	153	25	-
	2023	147	32	-
	2022	140	23	-
All other Officers and Directors as a group Unnamed	2024 (estimate)	456	71	-
	2023	422	106	-
	2022	388	58	-

b) Compensation of Directors

Board Remuneration

Each member of the Board of Directors received the following remuneration as Directors for the year 2023:

Name	Total (PHP)
1. Jose T. Sio*	2,775,000.00
2. Teresita T. Sy	5,400,000.00
3. Henry T. Sy Jr.	5,400,000.00
4. Harley T. Sy	5,400,000.00
5. Frederic C. DyBuncio	5,400,000.00
6. Amando M. Tetangco, Jr.**	2,925,000.00
7. Tomasa H. Lipana	5,400,000.00
8. Roberto G. Vergara	5,400,000.00
9. Ramon M. Lopez	5,400,000.00

*Mr. Sio retired as Chairman of the Board of Directors effective June 16, 2023. **Mr. Tetangco was appointed as Chairman of the Board effective June 16, 2023. He was also elected as Independent Director on the same date.

Above-mentioned amounts include total fees and *per diems* received by the directors for their attendance in the meetings of the Board. There is no distinction on the fee for a committee chairman and member. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus, or other forms of emoluments.

Except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before income tax of the Company during the preceding year.

The Board, through the Compensation Committee, designates the amount of remuneration and provides oversight over remuneration of Management and other key personnel, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully and will ensure that compensation is consistent with the Company's culture, strategy and control environment. The Committee decides, determines and approves, by a majority vote of all its members, matters relating to the compensation, remuneration and benefits of the Company's officers and directors. The Committee meets at least twice a year or as often as it considers necessary.

Employment Contract

There are no special contracts of employment between the Company and the named directors and executive officers, as well as special compensatory plans or arrangements, including payment to be received from the Company with respect to any named director or executive.

Terms and Conditions of Appointment

The above-named executive officers have their respective letters of appointment indicating their job descriptions, functions, and obligations, among others.

Board Evaluation and Assessment

To ensure optimum Board performance, the Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. The Committee also ensures that every three (3) years, the assessment is supported by an external facilitator.

Elements of the Board evaluation include the following:

1. Board Structure and Composition – The diversity and balance of competencies of directors, board committees and officers who support the Board.

2. Board Roles and Accountabilities – How the Board effectively fulfills its roles and accountabilities particularly in strategy, policy, oversight and accountability.

3. Board Dynamics – How the Board works as a team, the expectations of individual directors and the leadership of the chairperson.

4. Board Processes – The internal processes of the Board from nomination, election and onboarding of the directors, among others.

The Corporate Governance Committee spearheaded the annual Board evaluation self-assessment by the members of the Board of Directors in 2023. The results of the

evaluation, which found the Board to be functioning well to its mandate, were discussed and presented to the Board through the Corporate Governance Committee.

Through the annual evaluation process, directors identify areas for improvement, such as:

1. The quality and timeliness of information provided to them;
2. The frequency and conduct of regular, special or committee meetings;
3. Directors' access to Management, the Corporate Secretary and Board Advisors;
4. Other forms of assistance that they may need in the performance of their duties; and,
5. Areas of continuing education on corporate governance topics they require.

Directors are asked to rate the performance of the collective Board, the Board Committees, themselves as directors, the Company's Chairman of the Board, the President, and key officers. The detailed Board Evaluation Form can be found in the Company's website.

Criteria for Board and Management Ratings are as follows:

1. Collective Board Rating – relates to:

    - Board Overall Composition – whether the Board is balance and have diversity, knowledge and competencies, qualification, background and experience
    - Board Efficiency and Importance – their overall performance, decision making, discussion on short and long term goals, business strategy and plans, risk handling, follow ups of business plans, strategy, plans and budgets, promotion of good governance principles, policies and mechanisms
    - Board Meetings and Participation

2. Board Committees Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year:

    - Audit Committee
    - Compensation Committee
    - Corporate Governance Committee
    - Related Party Transaction Committee
    - Risk Management Committee

3. Individual Directors' Self-rating – relates to how the Directors assess their independence, participation and expertise

4. Officers Rating – relates to how well the following officer demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices:

    - Chairman of the Board,
    - President/CEO,
    - Chief Audit Executive,
    - Chief Compliance Officer,
    - Chief Risk Officer.

5. Overall Comments and Suggestions

The Company also ensures that the Board and key officers are kept abreast of governance related developments through regular education programs. SMIC also facilitates annual training programs for the directors and officers of its subsidiaries and affiliates within the SM Group of Companies. These Group-wide training programs are conducted by providers accredited by the Securities and Exchange Commission. On 02 August 2023 and 16 October 2023, directors and key officers attended a corporate governance training seminar conducted by BDO Unibank, Inc. and the Institute of Corporate Directors.

Retirement Plan

In compliance with Republic Act 7641, amending Article 301 of the Labor Code, the Company has established a private retirement benefit plan for all its regular employees with benefits such as early retirement pay upon reaching the age of 50 years with at least 10 years of service, regular retirement pay upon reaching the age of 60 years or more with 5 years of service, and such other benefits as contained in the Retirement Plan of the Company.

Except as provided in the plan described above, there are no other agreements or arrangements pursuant to which officers and directors of the Company may be entitled to receive any cash or non-cash compensation, or any benefits or payments in case of termination of employment or a change in control of the Company.

Pension Benefits

The SM Group has a benefit pension plan covering all regular and permanent employees. The assets of the Pension Plan are held by a trustee bank, BDO. The investing decisions of the Pension Plan are made by the Board of Trustees of said Plan. The Group expects to contribute about ₱2.0 billion to its Pension Plan in 2024.

Options, Warrants or Rights to Purchase Securities

There are no outstanding warrants or options held by directors and officers. There are no actions to be taken with regard to election, any compensatory plan, contract, or arrangement, bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

The members of the Compensation Committee are:

1. Teresita T. Sy - Chairperson
2. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio* - Member
4. Amando M. Tetangco, Jr.** - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2023:

Members	April 26, 2023	Nov. 7, 2023
Teresita T. Sy	√	√
Ramon M. Lopez	√	√
Jose T. Sio*	√	N/A
Amando M. Tetangco, Jr.**	N/A	√

*Mr. Jose T. Sio retired as Chairman of the Board of Directors effective June 16, 2023. **Mr. Amando M. Tetangco, Jr. was appointed as Chairman of the Board of Directors effective June 16, 2023. He was also elected as Independent Director and member of the Compensation Committee on the same date.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners as of December 31, 2023

(a) As of December 31, 2023, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent (%)
Common	Teresita T. Sy (Director and Vice Chairperson) Forbes Park, Makati City	Same as the Record Owner	Filipino	85,947,685	7.03%
-do-	Henry T. Sy, Jr. (Director and Vice Chairman) Forbes Park, Makati City	Same as the Record Owner	Filipino	76,878,370	6.29%
-do-	Harley T. Sy (Executive Director) Forbes Park, Makati City	Same as the Record Owner	Filipino	93,402,638	7.64%
-do-	Hans T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	104,915,706	8.59%
-do-	Herbert T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,093,995	8.11%
-do-	Elizabeth T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	77,159,344	6.31%
-do-	PCD Nominee Corp. (Filipino)	Various clients [1]	Filipino	148,893,516	12.18%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients [1]	Foreign	401,378,455	32.85%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of December 31, 2023

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership	(D) direct / (I) indirect	Citizen-ship	Percent of Class
Common	Teresita T. Sy	P859,476,850.00	D	Filipino	7.03%
Common	Henry T. Sy, Jr.	18,611,820.00	D	Filipino	6.29%
		750,171,880.00	I		
Common	Harley T. Sy	934,026,380.00	D	Filipino	7.64%
Common	Jose T. Sio	210.00	D	Filipino	0.00%
Common	Amando M. Tetangco, Jr.	1,000.00	D	Filipino	0.00%
Common	Frederic C. DyBuncio	100.00	D	Filipino	0.00%
Common	Tomasa H. Lipana	1,500.00	D	Filipino	0.00%
Common	Robert G. Vergara	1,000.00	D	Filipino	0.00%
Common	Ramon M. Lopez	11,800.00	D	Filipino	0.00%
Common	Franklin C. Gomez	138,800.00	D	Filipino	0.00%
Common	Erwin G. Pato	0.00		Filipino	0.00%
Common	Elizabeth Anne C. Uychaco	0.00		Filipino	0.00%
Common	Sheila P. Alarcio	0.00		Filipino	0.00%
Common	Arthur A. Sy	0.00		Filipino	0.00%
Common	Elmer B. Serrano	0.00		Filipino	0.00%
		P2,562,441,340.00			20.96%

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

(b) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

ITEM 12. Certain Relationships and Related Transactions

Please refer to Item 1, Transactions With and/or Dependence on Related Parties, page 5.

PART IV- CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

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

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

To operationalize the Manual, the Company requires all its employees to accomplish the online form of the declaration on Conflict of Interest on an annual basis, in line with the Company's long-standing commitment to doing business founded on the values of transparency, integrity and accountability. With the support of the Company's Human Resource Department, classroom trainings, e-learnings modules and periodic email reminders to all employees on various corporate governance policy reminders were made such as the Insider Trading Policy, which prohibits directors, officers and employees from trading the Company's shares five (5) days before and two (2) trading days after the disclosure of any material stock price-sensitive information. Other existing governance related policies include the Guidelines on Acceptance of Gifts, Guidelines on Placement of Advertisements, Related Party Transactions Policy, Policy on Vendor Selection and Purchase of Goods and Services and the Policy on Accountability, Integrity and Vigilance which is SMIC's whistleblowing policy. For new hires, through the OneSM orientation program, the Company provided an overview of the Company's Corporate Governance Framework as part of the topics for discussion.

There have been no deviations from the Manual since its adoption. SMIC certifies that the Company, its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by the Manual. The Manual is reviewed regularly and updated as necessary and may be accessed via the Company's website. The Code of Ethics highlights the importance of integrity in the Company's dealings with its investors, creditors, customers, contractors, suppliers, regulators, employees and other relevant groups. It also outlines the Company's duties with regard to its employees, shareholders, the communities it operates in and all stakeholders.

SMIC's website has a separate corporate governance section that contains, among others, company policies, programs and other relevant corporate governance-related reports and developments. SMIC also ensures that its shareholders and all stakeholders are provided with periodic reports, including relevant information on its directors and officers and their shareholdings and dealings with the Company pursuant to good corporate governance practices. SMIC will continue to support the initiatives of regulators and advocacy groups including sustainability, climate change and monitor risks associated thereto in order to enhance and promote corporate governance standards, while also further strengthening its own corporate governance culture.

PART V- EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits (page 44).

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C (Current Report) have been filed during the last six months period covered by this report on the following items:

1. Notice of Analysts'/Investors' Briefing on August 9, 2023
2. Material Information/Transaction – SM Investments net income grows 32% to PHP36.5bn in H1 on strong consumer confidence
3. Press Release – SM Investments net income grows 32% to PHP36.5bn in H1 on strong consumer confidence
4. Notice of Participation in PSE Star Investor Day 2023 on August 16, 2023
5. Press Release – SM sees significant growth in earnings contribution from portfolio investments
6. Notice of Analysts'/Investors' Briefing on Nov 8, 2023
7. Press Release – SM Investments net income rises 30% to PHP55.9 billion in YTD Sept on solid consumer confidence
8. Change in Directors and/or Officers – Resignation of Mr. Anastacio C. Balubar II as Vice President of Internal Audit, and Appointment of Ms. Shiela Alarcio as Chief Audit Executive

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

INDEX TO EXHIBITS

Form 17-A

No.		**Page No.**
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	45
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

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* These Exhibits are either not applicable to the Company or require no answer.

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Please refer to *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in TAGUIG CITY on APR 0 5 2024.

By:

SM INVESTMENTS CORPORATION

FREDERIC C. DYBUNCIO
President and CEO

FRANKLIN C. GOMEZ
Senior Vice President - Finance

ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 0 5 2024, affiants exhibiting to me their evidence of identity as follows:

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

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
[illegible] Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
TR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2020

Doc. No.: 251;
Page No.: 48;
Book No. II;
Series of 2024.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION

I, **ERWIN G. PATO**, Filipino, of legal age, and with office address at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, after being duly sworn to in accordance with law, depose, state and certify that:

1. I am the duly elected Treasurer and Executive Vice President of SM Investments Corporation, a corporation duly organized and existing under the laws of the Philippines, with principal office address at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City.

2. Submitted herewith is an excel copy of the Special Forms for Financial Statements of Investments Companies and Publicly-held Companies (PHFS1 for Parent Company or PHFS2 for the Consolidated) for the calendar year ended December 31, 2023 containing the basic and material data as stated in the scanned copies of the accompanying audited financial statements.

3. This Certification is issued in compliance with Section 27 of R.A. 8792 otherwise known as the "Electronic Commerce Act", and Section 37 of its Implementing Rules and Regulations as required by the Securities and Exchange Commission with respect to the filing of audited financial statements and supplementary schedules.

IN WITNESS WHEREOF, I hereunto affix my signature this MAR 0 8 2024 at MAKATI CITY.

ERWIN G. PATO
Affiant

SUBSCRIBED AND SWORN TO before me on the date and place stated above, affiant exhibiting to me his [redacted].

Doc No. 744;
Page No. 79;
Book No. 69;
Series of 2024.

ATTY. REINIER S. QUIAMBAO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
PTR NO. 10079518 / 01.04.24 / MAKATI CITY
IBP NO. 384046 / 01.01.24 / TARLAC CITY
TIN 238-251-699 ROLL NO. 62283
MCLE NO. VII - 0016570 / 04.28.22

Control No.:

Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City

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

COMPANY TYPE : HOLDING COMPANY **PSIC:** 68110

Table 1. Balance Sheet

FINANCIAL DATA	Dec-23 (in P'000)	Dec-22 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8)	**1,586,218,513**	1,479,425,640
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	**359,471,325**	361,549,410
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	**103,745,558**	106,561,072
A.1.1.1 On hand	**2,073,873**	2,015,749
A.1.1.2 In domestic banks/entities	**94,476,542**	97,341,550
A.1.1.3 In foreign banks/entities	**7,195,143**	7,203,773
A.1.2 Financial Assets other than Cash/Trade Receivables/investments accounted for using the Equity Method (A.1.2.1 + A.1.2.2 + A.1.2.3 + A.1.2.4)	**1,350,306**	9,323,713
A.1.2.1 Short-term placements or investments in securities issued by domestic entities:	**747,840**	534,865
A.1.2.1.1 National Government	**-**	-
A.1.2.1.2 Public Financial Institutions	**-**	-
A.1.2.1.3 Public Non-Financial Institutions	**-**	-
A.1.2.1.4 Private Financial Institutions	**747,840**	534,865
A.1.2.1.5 Private Non-Financial Institutions	**-**	-
A.1.2.2 Short-term placements or investments in securities issued by foreign entities	**-**	-
A.1.2.3 Others, specify		
Time deposits	**602,466**	8,788,848
A.1.2.4 Allowance for decline in market value (**negative entry**)	**-**	-
A.1.3 Trade and Other Receivables (A.1.3.1 + A.1.3.2)	**79,209,522**	84,320,589
A.1.3.1 Due from domestic entities (A.1.3.1.1 + A.1.3.1.2 + A.1.3.1.3 + A.1.3.1.4)	**79,209,522**	84,320,589
A.1.3.1.1 Due from customers (trade)	**78,510,432**	84,365,786
A.1.3.1.2 Due from related parties	**-**	-
A.1.3.1.3 Others, specify		
Management fees / Dividends	**3,983,613**	2,986,387
A.1.3.1.4 Allowance for doubtful accounts/bad debts/probable losses (**negative entry**)	**-3,284,523**	-3,031,584
A.1.3.2 Due from foreign entities, specify	**-**	-
A.1.3.2.5 Allowance for doubtful accounts/bad debts/probable losses (**negative entry**)	**-**	-
A.1.4 Inventories (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4)	**117,474,980**	106,368,038
A.1.4.1 Raw materials and supplies	**-**	-
A.1.4.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)	**-**	-
A.1.4.3 Finished goods/factory supplies	**-**	-
A.1.4.4 Merchandise/Condominium units for sale/Land and development - current	**117,474,980**	106,368,038
A.1.5 Other Current Assets	**57,690,959**	54,975,998

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS1, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City
TEL. NO.: 8857-0100 **FAX NO.:**
COMPANY TYPE : HOLDING COMPANY **PSIC:** 68110

Table 1. Balance Sheet

FINANCIAL DATA	Dec-23 (in P'000)	Dec-22 (in P'000)
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8+ A.2.9+ A.2.10)	**52,851,633**	47,881,014
A.2.1 Land (incl. land for future plant expansion, unused land and improvements)	**1,718,794**	1,718,794
A.2.2 Building and improvements including leasehold improvement	**53,595,344**	50,199,951
A.2.3 Machinery and equipment (on hand and in transit)	**24,406,386**	21,456,447
A.2.4 Store equipment and improvements	**2,963,308**	3,349,277
A.2.5 Data processing equipment	**11,853,449**	10,622,599
A.2.6 Furniture, fixtures and office equipment	**12,782,090**	12,611,163
A.2.7 Transportation equipment, Vessels in operation, Containers and Reefer Vans	**18,680,513**	17,989,847
A.2.8 Others, specify		
Construction in progress	**6,123,951**	4,771,166
A.2.9 Appraisal increase, specify	**-**	-
A.2.10 Accumulated Depreciation (**negative entry**)	**-79,272,202**	-74,838,230
A.3 Investments accounted for using equity method (A.3.1 + A.3.2 + A.3.3)	**361,324,800**	328,271,536
A.3.1 Investments in associate companies and joint ventures	**361,324,800**	328,271,536
A.3.2 Equity in foreign branches/subsidiaries/affiliates	**-**	-
A.3.3 Others, specify	**-**	-
A.4 Investment properties	**537,067,223**	485,982,301
A.5 Investments excluding that which is recorded in current assets (net of allowance for decline in value) (A.5.1 +A.5.2)	**97,182,871**	93,639,239
A.5.1 Others, specify		
Financial assets at FVOCI	**26,317,778**	25,369,850
Right-of-use assets	**48,540,412**	44,138,808
Time deposits	**22,324,681**	24,130,581
A.5.2 Allowance for doubtful accounts, net of current portion (**negative entry**)	**-**	-
A.6 Intangibles	**40,275,568**	40,277,349
A.7 Long-term receivables	**-**	-
A.7.1 Long-term receivables (net of current portion)	**-**	-
From domestic entities, specify	**-**	-
A.8 Other Assets (A.8.1 + A.8.2 + A.8.3)	**138,045,093**	121,824,791
A.8.1 Long-term notes	**-**	-
A.8.2 Bonds and deposits	**50,388,596**	53,671,037
A.8.3 Others, specify		
Land use rights	**282,333**	324,770
Deferred tax assets	**6,462,108**	5,209,746
Deferred input VAT	**1,559,521**	1,941,985
Escrow fund	**843,732**	621,490
Receivables from real estate buyers	**70,600,303**	48,929,523
Derivative assets	**3,611,478**	8,508,965
Defined benefit asset	**110,831**	129,034
Others	**4,186,191**	2,488,241
B. LIABILITIES (B.1 + B.2 + B.3 + B.4)	**814,018,308**	787,235,629
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3)	**330,761,980**	293,025,159
B.1.1 Trade and Other Payables to Domestic Entities	**197,682,607**	178,764,185
B.1.1.1 Trade	**116,681,582**	100,815,157
B.1.1.2 Payables to subsidiaries	**-**	-
B.1.1.3 Due to related parties	**-**	-
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders	**-**	-
B.1.1.5 Accruals	**27,469,392**	26,019,579

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City
TEL. NO.: 8857-0100 **FAX NO.:**
COMPANY TYPE : HOLDING COMPANY **PSIC:** 68110

Table 1. Balance Sheet

FINANCIAL DATA	Dec-23 (in P'000)	Dec-22 (in P'000)
B.1.1.6 Others, specify		
Nontrade	**17,528,203**	14,766,974
Tenants and customers' deposits	**14,595,837**	13,703,779
Subscription payable	**1,966,477**	1,966,477
Gift checks redeemable and others	**4,914,796**	6,353,287
Payable to government agencies	**7,046,388**	7,437,350
Payable arising from acquisition of land	**4,502,475**	4,548,755
Lease liabilities	**2,977,457**	3,152,827
B.1.2 Trade and Other Payables to Foreign Entities, specify	**-**	-
B.1.3 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)		
Dividends declared and not paid at balance sheet date	**2,486,420**	3,197,523
Derivative liabilities	**-**	-
Portion of Long-term debt due within one year	**113,528,791**	87,047,213
Any other current liability in excess of 5% of Total Current Liabiilities, specify:		
Bank loans (Financial institutions)	**13,414,239**	20,811,524
Income tax payable	**3,649,923**	3,204,714
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.4.1 + B.4.2 + B.4.3 + B.4.4 + B.4.5)	**374,758,859**	397,849,704
B.2.1 Domestic Public Financial Institutions	**36,913,732**	26,897,485
B.2.2 Domestic Public Non-Financial Institutions	**-**	-
B.2.3 Domestic Private Financial Institutions	**254,900,904**	233,327,477
B.2.4 Domestic Private Non-Financial Institutions	**14,906,479**	24,812,620
B.2.5 Foreign Financial Institutions	**68,037,744**	112,812,122
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	**-**	-
B.4 Other Liabilities (B.6.1 + B.6.2)	**108,497,469**	96,360,766
B.4.1 Deferred tax liabilities	**18,129,316**	16,797,862
B.4.2 Others, specify		
Tenant's deposits and others	**51,091,099**	42,459,021
Defined benefit liability	**6,934,775**	4,867,262
Lease liabilities	**32,342,279**	32,236,621
C. MINORITY INTEREST	**215,595,506**	195,301,099
D. EQUITY (D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)	**556,604,699**	496,888,912
D.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (D.1.1+D.1.2+D.1.3)	**27,900,000**	27,900,000
D.1.1 Common shares (2,790,000,000 shares @ P10 par value)	**27,900,000**	27,900,000
D.1.2 Preferred Shares (10,000,000 shares @ P10 par value)	**100,000**	100,000
D.1.3 Others	**-**	-
D.2 Subscribed Capital Stock (no. of shares, par value and total value) (D.2.1 + D.2.2 + D.2.3)	**12,261,146**	12,261,146
D.2.1 Common shares (1,204,582,867 @ P10 par value)	**12,261,146**	12,261,146
D.2.2 Preferred Shares	**-**	-
D.2.3 Others	**-**	-
D.3 Paid-up Capital Stock (D.3.1 + D.3.2)	**12,261,146**	12,261,146
D.3.1 Common shares	**12,261,146**	12,261,146
D.3.2 Preferred Shares	**-**	-
D.4 Additional Paid-in capital	**71,837,361**	75,839,217
D.5 Others, specify		
Net unrealized gain on financial assets at FVOCI	**11,075,393**	11,823,413
Equity adjustments from common control transactions	**-6,660,472**	-6,660,472
Cumulative translation adjustment	**1,587,205**	2,102,782
Net fair value changes on cash flow hedges	**809,143**	1,610,364
Remeasurement loss on defined benefit asset/obligation	**-3,150,991**	-1,721,868
Share in other comprehensive loss of associates – net	**-11,376,601**	-10,763,209
D.6 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus	**-**	-
D.7 Retained Earnings (D.7.1 + D.7.2)	**480,288,813**	412,463,837
D.7.1 Appropriated	**37,000,000**	37,000,000
D.7.2 Unappropriated	**443,288,813**	375,463,837
D.8 Head / Home Office Account (for Foreign Branches only)	**-**	-
D.9 Cost of Stocks Held in Treasury (negative entry)	**-66,298**	-66,298
TOTAL LIABILITIES AND EQUITY (B + C + D)	**1,586,218,513**	1,479,425,640

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City

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

COMPANY TYPE : HOLDING COMPANY **PSIC:** 68110

Table 2. Income Statement

FINANCIAL DATA	Dec-23 (in P'000)	Dec-22 (in P'000)	Dec-21 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	**576,040,701**	520,292,456	408,833,142
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	**551,351,642**	498,465,150	388,418,956
A.2 Other Revenue (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5)	**19,043,513**	17,530,354	15,959,039
A.2.1 Rental Income from Land and Buildings	**-**	-	-
A.2.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)	**-**	-	-
A.2.3 Sale of Real Estate	**-**	-	-
A.2.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)	**-**	-	-
A.2.5 Others, specify	**19,043,513**	17,530,354	15,959,039
Food and beverage	**2,339,039**	1,786,358	611,751
Royalty, management and service fees	**7,756,655**	5,520,393	4,537,522
Others	**8,947,819**	10,223,603	10,809,766
A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4)	**5,645,546**	4,296,952	4,455,147
A.3.1 Interest Income	**4,048,278**	3,042,370	2,203,351
A.3.2 Dividend Income	**911,619**	1,177,340	586,703
A.3.3 Gain / (**Loss**) from selling of Assets, specify	**66,131**	209,206	579,680
Gain on disposal of investments and properties - net	**66,131**	209,206	579,680
A.3.4 Others, specify	**619,518**	-131,964	1,085,413
Foreign exchange gain (loss) - net and others	**330,043**	-211,298	767,670
Gain on fair value changes on derivatives - net	**-30,731**	866,500	317,743
Impairment loss on investments	**320,206**	-787,166	-
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)			
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	**-**	-	-
B.1.1 Direct Material Used	**-**	-	-
B.1.2 Direct Labor	**-**	-	-
B.1.3 Other Manufacturing Cost / Overhead	**-**	-	-
B.1.4 Goods in Process, Beginning	**-**	-	-
B.1.5 Goods in Process, End (**negative entry**)	**-**	-	-
B.2 Finished Goods, Beginning	**-**	-	-
B.3 Finished Goods, End (**negative entry**)	**-**	-	-
C. COST OF SALES (C.1 + C.2 + C.3 + C.4)	**336,311,596**	315,651,763	255,252,148
C.1 Purchases (Merchandise) and Effect of Business Combination	**298,618,735**	276,234,410	222,974,743
C.2 Merchandise Inventory, Beginning	**34,653,094**	29,026,924	28,352,565
C.3 Merchandise Inventory, End (**negative entry**)	**-38,869,576**	-34,653,094	-29,026,924
C.4 Cost of Real Estate Sold and Services	**41,909,343**	45,043,523	32,951,764
D. GROSS PROFIT (A - B - C)	**239,729,105**	204,640,693	153,580,994

Control No.:
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SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City

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

COMPANY TYPE : HOLDING COMPANY **PSIC:** 68110

Table 2. Income Statement

FINANCIAL DATA	Dec-23 (in P'000)	Dec-22 (in P'000)	Dec-21 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3)	**137,772,268**	119,779,164	97,560,774
E.1 Selling or Marketing Expenses	**9,517,534**	7,279,896	6,763,396
E.2 Administrative Expenses	**128,254,734**	112,499,268	90,797,378
E.3 Other Expenses, specify	**-**	-	-
F. FINANCE COSTS (F.1 + F.2 + F.3)	**24,084,744**	21,547,070	19,138,771
F.1 Interest	**24,084,744**	21,547,070	19,138,771
F.2 Amortization	**-**	-	-
F.3 Other interests, specify	**-**	-	-
G. Share of Income (Losses) of Associates and Joint Ventures accounted for using the Equity Method	**44,945,113**	35,825,734	26,768,811
H. Net Income (Loss) Before Tax (D - E - F + G)	**122,817,206**	99,140,193	63,650,260
I. Income Tax Expense (negative entry)	**-16,632,143**	-14,794,820	-9,006,519
J. Income After Tax	**106,185,063**	84,345,373	54,643,741
K. Non-controlling Interest (negative entry)	**-29,196,020**	-22,691,708	-14,231,845
L. Net Income (Loss - negative entry) from Ordinary Activities (J - K)	**76,989,043**	61,653,665	40,411,896
M. Extraordinary Items	**-**	-	-
N. Net Income (Loss - negative entry) for the Year (L + M)	**76,989,043**	61,653,665	40,411,896
O. Earnings (Loss) Per Share			
O.1 Basic	**63.00**	50.88	33.55
O.2 Diluted	**63.00**	50.88	33.55

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF: SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City
TEL. NO.: 8857-0100 FAX NO.:
COMPANY TYPE : HOLDING COMPANY PSIC: 68110

Table 3. Cash Flow Statements

FINANCIAL DATA	Dec-23 (in P'000)	Dec-22 (in P'000)	Dec-21 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	**122,817,206**	99,140,193	63,650,260
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Equity in net earnings of associate companies and joint ventures	**-44,945,113**	-35,825,734	-26,768,811
Depreciation and amortization	**24,706,691**	23,653,863	20,936,405
Interest expense	**24,084,744**	21,547,070	19,138,771
Interest Income	**-4,048,278**	-3,042,370	-2,203,351
Impairment loss on investment	**-320,206**	787,166	-
Provisions (reversal of provisions) - net	**4,400,289**	5,099,217	-3,982,227
Dividend income	**-911,619**	-1,177,340	-586,703
Unrealized foreign exchange loss (gain) - net	**44,431**	1,132,078	-484,756
Loss (gain) on disposal of investments and properties - net	**-66,131**	-209,206	-579,680
Loss (gain) on fair value changes on derivatives - net	**30,731**	-866,500	-317,743
Decrease (Increase) in:			
Receivables	**-16,882,660**	-7,501,824	-5,230,950
Inventories	**-24,275,052**	-40,685,904	-37,303,043
Other current assets	**-1,436,571**	-635,950	-8,465,803
Increase (Decrease) in:			
Accounts payable and other current liabilities	**14,194,998**	34,081,718	36,543,695
Income tax paid	**-15,747,502**	-13,356,765	-7,583,481
Others, specify:			
Tenant's deposits and others	**9,233,692**	2,544,753	972,808
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	**90,879,650**	84,684,465	47,735,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment in associate companies and joint ventures	**-**	50,000	-
Property and equipment	**52,738**	241,913	365,861
Investment properties	**74,855**	84,863	914,962
Additions to:			
Investment properties	**-68,205,952**	-33,990,435	-42,155,574
Property and equipment	**-12,361,763**	-9,678,003	-13,286,055
Investments in associate companies and joint ventures	**-288,227**	-73,500	-358,120
Financial assets at FVOCI	**-692,125**	-	-1,427
Decrease (increase) in:			
Time deposits	**9,857,111**	-27,518,818	-2,829,397
Other noncurrent assets	**14,679,276**	8,794,846	14,938,709
Dividends received	**11,240,255**	8,136,996	5,180,690
Purchase consideration, net of cash from acquisition of subsidiaries	**0**	-88,608	-5,684,648
Interest received	**4,289,389**	2,846,341	2,021,177
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	**-41,354,443**	-51,194,405	-40,893,822
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	**107,590,529**	100,256,801	129,529,420
Bank loans	**45,599,966**	66,878,421	53,296,257
Payments of:			
Long-term debt	**-103,343,041**	-72,630,533	-92,624,775
Bank loans	**-52,906,823**	-73,264,105	-53,509,929
Others, specify (**negative entry**):			
Interest paid	**-22,834,339**	-19,909,588	-18,412,696
Dividends paid	**-17,335,101**	-12,714,420	-9,653,454
Lease liabilities	**-5,219,712**	-4,853,925	-4,692,207
Acquisition of non-controlling interest in a subsidiary	**-5,169,476**	-	-
Partial sale of shares in a subsidiary	**1,294,623**	-	-
Efffect of exchange rate changes on cash and cash equivalents	**-17,347**	-44,273	-82,117
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	**-52,340,721**	-16,281,622	3,850,499
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	**-2,815,514**	17,208,438	10,692,068
Cash and Cash Equivalents			
Beginning of year	**106,561,072**	89,352,634	78,660,566
End of year	**103,745,558**	106,561,072	89,352,634

Control No.:
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SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CURRENT ADDRESS: 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1 Pasay City
TEL. NO.: 8857-0100 FAX NO.:
COMPANY TYPE : HOLDING COMPANY PSIC: 68110

Table 4. Consolidated Statement of Changes in Equity

(Amount in P'000)

FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Treasury Shares	Equity adjustment from common control transactions	Cumulative translation adjustment	Fair value changes on cash flow hedges and others	Unrealized gain on financial assets at FVOCI	Remeasurement loss on defined benefit asset/obligation	Share in other comprehensive loss of associates and joint ventures - net	Retained Earnings	TOTAL
A. Balance, End Dec-21	**12,045,829**	**75,827,181**	**-25,386**	**-6,298,551**	**2,253,475**	**-1,201,352**	**14,289,319**	**-1,026,650**	**-6,597,174**	**358,337,891**	**447,604,582**
A.1 Effect of merger	-	-	-	-	-	-	-	-	-	-	-
A.2 Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
B. Restated Balance	**12,045,829**	**75,827,181**	**-25,386**	**-6,298,551**	**2,253,475**	**-1,201,352**	**14,289,319**	**-1,026,650**	**-6,597,174**	**358,337,891**	**447,604,582**
C. Surplus											
C.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
C.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
C.3 Currency Translation Differences	-	-	-	-	-150,693	-	-	-	-	-	-150,693
C.4 Other Surplus (specify)											
C.4.1 Other comprehensive income	-	-	-	-	-	2,811,716	-2,465,906	-695,218	-4,166,035	-	-4,515,443
C.4.2 Realized gain on sale of financial assets at FVOCI	-	-	-	-	-	-	-	-	-	-	-
D. Net Income (Loss) for the Period	-		-	-	-	-	-	-	-	61,653,665	61,653,665
E. Dividends (negative entry)	-	-	-	-	-	-		-	-	-7,527,719	-7,527,719
F. Appropriations for (specify)	-	-	-	-	-	-	-	-	-	-	-
G. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-
G.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
G.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
G.3 Others - Effect of business combination	215,317	-	-40,912	-361,921	-	-	-	-	-	-	-187,516
G.4 Others - Transactions with non-controlling interests	-	12,036	-	-	-	-	-	-	-	-	12,036
H. Balance, End Dec-22	**12,261,146**	**75,839,217**	**-66,298**	**-6,660,472**	**2,102,782**	**1,610,364**	**11,823,413**	**-1,721,868**	**-10,763,209**	**412,463,837**	**496,888,912**
H.1 Effect of merger	-	-	-	-	-	-	-	-	-	-	-
H.2 Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
I. Restated Balance	**12,261,146**	**75,839,217**	**-66,298**	**-6,660,472**	**2,102,782**	**1,610,364**	**11,823,413**	**-1,721,868**	**-10,763,209**	**412,463,837**	**496,888,912**
J. Surplus											
J.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
J.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
J.3 Currency Translation Differences	-	-	-	-	-515,577	-	-	-	-	-	-515,577
J.4 Other Surplus (specify)											
J.4.1 Other comprehensive income	-	-	-	-	-	-801,221	-748,020	-1,429,123	-613,392	-	-3,591,756
K. Net Income (Loss) for the Period	-	-	-	-	-	-	-	-	-	76,989,043	76,989,043
L. Dividends (negative entry)	-	-	-	-	-	-	-	-	-	-9,164,067	-9,164,067
M. Appropriations for (specify)	-	-	-	-	-	-	-	-	-	-	-
N. Issuance of Capital Stock											
N.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
N.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
N.3 Others - Effect of business combination	-	-	-	-	-	-	-	-	-	-	-
N.4 Others - Transactions with non-controlling interests	-	-4,001,856	-	-	-	-	-	-	-	-	-4,001,856
O. Balance, End Dec-23	**12,261,146**	**71,837,361**	**-66,298**	**-6,660,472**	**1,587,205**	**809,143**	**11,075,393**	**-3,150,991**	**-11,376,601**	**480,288,813**	**556,604,699**

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

Consolidated Financial Statements

A.	Statement of Management's Responsibility for Financial Statements	Attached
B.	Independent Auditor's Report	Attached
C.	Consolidated Balance Sheets as at December 31, 2023 and 2022	Attached
D.	Consolidated Statements of Income For the Years Ended December 31, 2023, 2022 and 2021	Attached
E.	Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2023, 2022 and 2021	Attached
F.	Consolidated Statements of Changes in Equity For the Years Ended December 31, 2023, 2022 and 2021	Attached
G.	Consolidated Statements of Cash Flows For the Years Ended December 31, 2023, 2022 and 2021	Attached
H.	Notes to Consolidated Financial Statements	Attached

Supplementary Schedules

Independent Auditor's Report on Supplementary Schedules		Attached
Revised SRC Rule 68 Annex 68-J Schedules		
A.	Financial Assets	Attached
B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)	*
C.	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	Attached
D.	Long-term Debt	*
E.	Indebtedness to Related Parties	*
F.	Guarantees of Securities of Other Issuers	*
G.	Capital Stock	Attached

Additional Components

Independent Auditor's Report on Components of Financial Soundness Indicators	Attached
Schedule of Financial Soundness Indicators	Attached
Reconciliation of Retained Earnings Available for Dividend Declaration	Attached
Conglomerate Map	Attached

**These schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Group's consolidated financial statements or the notes to consolidated financial statements.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines are necessary, to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

AMANDO M. TETANGCO, JR.
Chairman of the Board

FREDERIC C. DYBUNCIO
President and
Chief Executive Officer

ERWIN G. PATO
Treasurer and
Executive Vice President

Signed this 28th day of February 2024

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY)

SUBSCRIBED AND SWORN to before this FEB 2 8 2024 at TAGUIG CITY, affiants exhibiting to me their Taxpayer Identification Number ID, as follows:

NAMES	TIN
AMANDO M. TETANGCO, JR. FREDERIC C. DYBUNCIO ERWIN G. PATO	[redacted]

DOC No. 54
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BOOK No. II
SERIES of 2024

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
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26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2022

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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	S	U	B	S	I	D	I	A	R	I	E	S																	

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	8857-0100	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,242	04/24	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	–	8857-0100	–

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SM Investments Corporation
10th Floor, One E-com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

Opinion

We have audited the consolidated financial statements of SM Investments Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Investments in Associate Companies

As at December 31, 2023, the Group's investments in associate companies amounted to ₱350.8 billion, representing 28.6% and 22.1% of the Group's total noncurrent assets and total assets, respectively. The investments in associate companies are accounted for under the equity method and considered for impairment if there are indicators that such investments may be impaired. Given the magnitude of the carrying amount and share in equity on investments in associate companies, the significant management judgments and estimates made by the associate companies in determining expected credit loss and valuation of financial instruments that affect the associate's net income, as well as the significant management judgments and estimates applied in determining the recoverable amount of these investments, we consider this matter significant to our audit.

The details of these investments are disclosed in Note 13 to the consolidated financial statements.

Audit Response

We obtained relevant financial information of the associate companies and recomputed the Group's share in equity in net earnings. For the material associate company audited by other auditor, we sent audit instructions to the other auditor to perform an audit on the relevant financial information of the associate company for the purpose of the Group's consolidated financial statements. Our audit instructions cover the other auditor's scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the other auditor their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2023. We reviewed the working papers of the other auditor, focusing on the procedures performed on the review of the testing of the expected credit loss model and valuation of financial instruments. We also obtained the financial information of the associate companies for the year ended December 31, 2023 and recomputed the Group's share in net income for the year ended December 31, 2023.

For investments with indicators of possible impairment, we obtained an understanding of the management's process for evaluating the impairment of investments in associate companies. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used, such as revenue growth rate against the historical performance of these associate companies and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of investment in associate companies.

Revenue and Cost Recognition from Sale of Real Estate

The Group's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyer's equity before commencing revenue recognition.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, on the real estate project which requires technical determination by the Group's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commissions due to sales agent as cost to obtain a contract and recognizes the related commissions payable. The Group uses percentage of completion (POC) method in amortizing sales commissions consistent with the Group's revenue recognition policy.

The disclosures related to the Group's revenue recognition are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's real estate revenue and cost recognition process.

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

For the determination of the transaction price of real estate sale, we obtained an understanding of the Group's process in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Group's contract with customers is significant. For these selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, and percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Group's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.

For the application of the output method in determining revenue from sale of real estate, we obtained an understanding of the Group's processes for determining the POC and performed tests of the relevant controls. We inspected the certified POC reports prepared by the third-party project managers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and inspected the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate sold, we obtained an understanding of the Group's cost accumulation process. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts and accomplishment reports, among others.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commissions capitalized and portion recognized in profit or loss, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

Existence and Completeness of Merchandise Inventories

As at December 31, 2023, the merchandise inventories of the Group amounted to ₱38.9 billion, representing 10.8% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the merchandise inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this a key audit matter.

The disclosures about inventories are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's inventory process and performed test of controls for selected stores and warehouses. We observed the conduct of physical inventory count at selected warehouses and stores. We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports reflect the results of the inventory count. We traced the last documents used for shipping, receiving, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We inspected the reconciliations of the inventory compilation reports with the general ledger account balances and tested the reconciling items. We performed testing, on a sampling basis, of the Group's rollforward or rollback procedures on inventory quantities from the date of physical inventory count to the financial reporting date.

We also reviewed the working papers of other auditor on merchandise inventories, specifically on the observation and testing of physical inventory counts, testing of compilation procedures and the reconciliation of the physical inventory count to the general ledger and financial reports.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

February 28, 2024

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

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 21 and 28)	**₱103,745,558**	₱106,561,072
Time deposits (Notes 8, 21 and 28)	**602,466**	8,788,848
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	**747,840**	534,865
Receivables and contract assets (Notes 10, 21 and 28)	**79,209,522**	84,320,589
Inventories (Note 11)	**117,474,980**	106,368,038
Other current assets (Notes 12, 21 and 28)	**57,690,959**	54,975,998
Total Current Assets	**359,471,325**	361,549,410
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	**26,317,778**	25,369,850
Investments in associate companies and joint ventures (Note 13)	**361,324,800**	328,271,536
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	**22,324,681**	24,130,581
Property and equipment (Note 14)	**52,851,633**	47,881,014
Investment properties (Note 15)	**537,067,223**	485,982,301
Right-of-use assets (Note 27)	**48,540,412**	44,138,808
Intangibles (Note 16)	**40,275,568**	40,277,349
Other noncurrent assets (Notes 16, 21 and 28)	**138,045,093**	121,824,791
Total Noncurrent Assets	**1,226,747,188**	1,117,876,230
	₱1,586,218,513	₱1,479,425,640
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 17, 21, 28 and 31)	**₱13,414,239**	₱20,811,524
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	**200,169,027**	181,961,708
Income tax payable	**3,649,923**	3,204,714
Current portion of long-term debt (Notes 19, 21, 28 and 31)	**113,528,791**	87,047,213
Total Current Liabilities	**330,761,980**	293,025,159
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	**374,758,859**	397,849,704
Lease liabilities - net of current portion (Notes 27 and 31)	**32,342,279**	32,236,621
Deferred tax liabilities (Note 26)	**18,129,316**	16,797,862
Tenants' deposits and others (Notes 25, 27, 28 and 29)	**58,025,874**	47,326,283
Total Noncurrent Liabilities	**483,256,328**	494,210,470
Total Liabilities	**814,018,308**	787,235,629

(Forward)

	December 31	
	2023	2022
Equity Attributable to Owners of the Parent Company		
Capital stock (Note 20)	**₱12,261,146**	₱12,261,146
Additional paid-in capital	**71,837,361**	75,839,217
Treasury stock	**(40,912)**	(40,912)
Equity adjustments from common control transactions (Note 20)	**(6,660,472)**	(6,660,472)
Cost of Parent common shares held by subsidiaries	**(25,386)**	(25,386)
Cumulative translation adjustment	**1,587,205**	2,102,782
Fair value changes on cash flow hedges and others	**809,143**	1,610,364
Unrealized gain on financial assets at FVOCI (Note 9)	**11,075,393**	11,823,413
Remeasurement loss on defined benefit asset/obligation (Note 25)	**(3,150,991)**	(1,721,868)
Share in other comprehensive loss of associate companies and joint ventures - net	**(11,376,601)**	(10,763,209)
Retained earnings (Note 20):		
Appropriated	**37,000,000**	37,000,000
Unappropriated	**443,288,813**	375,463,837
Total Equity Attributable to Owners of the Parent	**556,604,699**	496,888,912
Non-controlling Interests	**215,595,506**	195,301,099
Total Equity	**772,200,205**	692,190,011
	₱1,586,218,513	₱1,479,425,640

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2023	2022	2021
REVENUES			
Sales:			
Merchandise	**₱401,725,529**	₱367,318,577	₱294,694,316
Real estate	**42,124,088**	39,046,514	45,116,570
Rent (Notes 15, 21 and 27)	**61,784,742**	49,167,565	29,642,244
Equity in net earnings of associate companies and joint ventures (Note 13)	**44,945,113**	35,825,734	26,768,811
Others (Note 22)	**65,672,415**	61,640,188	35,511,568
	616,251,887	552,998,578	431,733,509
COSTS AND EXPENSES (Notes 11 and 23)	**474,083,864**	435,430,927	352,812,922
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 24)	**(24,084,744)**	(21,547,070)	(19,138,771)
Interest income (Notes 21 and 24)	**4,048,278**	3,042,370	2,203,351
Investment impairment reversal (provision) (Note 13)	**320,206**	(787,166)	–
Gain (loss) from fair value changes on derivatives - net	**(30,731)**	866,500	317,743
Foreign exchange gain (loss) - net and others (Note 28)	**396,174**	(2,092)	1,347,350
	(19,350,817)	(18,427,458)	(15,270,327)
INCOME BEFORE INCOME TAX	**122,817,206**	99,140,193	63,650,260
PROVISION FOR INCOME TAX (Note 26)			
Current	**16,209,025**	14,248,182	7,224,482
Deferred	**423,118**	546,638	1,782,037
	16,632,143	14,794,820	9,006,519
NET INCOME	**₱106,185,063**	₱84,345,373	₱54,643,741
Attributable to			
Owners of the Parent (Note 30)	**₱76,989,043**	₱61,653,665	₱40,411,896
Non-controlling interests	**29,196,020**	22,691,708	14,231,845
	₱106,185,063	₱84,345,373	₱54,643,741
Basic/Diluted Earnings Per Common Share Attributable to Owners of the Parent (Note 30)	**₱63.00**	₱50.88	₱33.55

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱106,185,063**	₱84,345,373	₱54,643,741
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	**(1,035,219)**	27,928	2,166,840
Fair value changes on cash flow hedges	**(1,758,911)**	4,608,383	2,014,960
	(2,794,130)	4,636,311	4,181,800
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	**(2,503,907)**	(1,274,242)	593,126
Net unrealized gain (loss) on financial assets at FVOCI (Note 9)	**(599,993)**	(2,478,988)	391,870
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	**344,024**	(269,602)	(178,295)
	(2,759,876)	(4,022,832)	806,701
Share in other comprehensive loss of associate companies and joint ventures - net (Note 13)	**(641,624)**	(4,336,268)	(4,184,715)
TOTAL COMPREHENSIVE INCOME	**₱99,989,433**	₱80,622,584	₱55,447,527
Attributable to			
Owners of the Parent	**₱72,881,710**	₱56,987,529	₱40,265,811
Non-controlling interests	**27,107,723**	23,635,055	15,181,716
	₱99,989,433	₱80,622,584	₱55,447,527

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021

(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent														
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Fair Value Changes on Cash Flow Hedges	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/ Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2023	**₱12,261,146**	**₱75,839,217**	**(₱40,912)**	**(₱6,660,472)**	**(₱25,386)**	**₱2,102,782**	**₱1,610,364**	**₱11,823,413**	**(₱1,721,868)**	**(₱10,763,209)**	**₱37,000,000**	**₱375,463,837**	**₱496,888,912**	**₱195,301,099**	**₱692,190,011**
Net income	–	–	–	–	–	–	–	–	–	–	–	**76,989,043**	**76,989,043**	**29,196,020**	**106,185,063**
Other comprehensive loss	–	–	–	–	–	**(515,577)**	**(801,221)**	**(748,020)**	**(1,429,123)**	**(613,392)**	–	–	**(4,107,333)**	**(2,088,297)**	**(6,195,630)**
Total comprehensive income	–	–	–	–	–	**(515,577)**	**(801,221)**	**(748,020)**	**(1,429,123)**	**(613,392)**	–	**76,989,043**	**72,881,710**	**27,107,723**	**99,989,433**
Transactions with non-controlling interests	–	**(4,001,856)**	–	–	–	–	–	–	–	–	–	–	**(4,001,856)**	**174,174**	**(3,827,682)**
Cash dividends - ₱7.50 per share (Note 20)	–	–	–	–	–	–	–	–	–	–	–	**(9,164,067)**	**(9,164,067)**	–	**(9,164,067)**
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	**(7,459,930)**	**(7,459,930)**
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	**472,440**	**472,440**
As at December 31, 2023	**₱12,261,146**	**₱71,837,361**	**(₱40,912)**	**(₱6,660,472)**	**(₱25,386)**	**₱1,587,205**	**₱809,143**	**₱11,075,393**	**(₱3,150,991)**	**(₱11,376,601)**	**₱37,000,000**	**₱443,288,813**	**₱556,604,699**	**₱215,595,506**	**₱772,200,205**
As at January 1, 2022	₱12,045,829	₱75,827,181	₱–	(₱6,298,551)	(₱25,386)	₱2,253,475	(₱1,201,352)	₱14,289,319	(₱1,026,650)	(₱6,597,174)	₱37,000,000	₱321,337,891	₱447,604,582	₱176,003,603	₱623,608,185
Net income	–	–	–	–	–	–	–	–	–	–	–	61,653,665	61,653,665	22,691,708	84,345,373
Other comprehensive income (loss)	–	–	–	–	–	(150,693)	2,811,716	(2,465,906)	(695,218)	(4,166,035)	–	–	(4,666,136)	943,347	(3,722,789)
Total comprehensive income	–	–	–	–	–	(150,693)	2,811,716	(2,465,906)	(695,218)	(4,166,035)	–	61,653,665	56,987,529	23,635,055	80,622,584
Effect of business combination (Note 5)	215,317	–	(40,912)	(361,921)	–	–	–	–	–	–	–	–	(187,516)	239,695	52,179
Transactions with non-controlling interests	–	12,036	–	–	–	–	–	–	–	–	–	–	12,036	21,245	33,281
Cash dividends - ₱6.25 per share (Note 20)	–	–	–	–	–	–	–	–	–	–	–	(7,527,719)	(7,527,719)	–	(7,527,719)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,273,377)	(5,273,377)
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	674,878	674,878
As at December 31, 2022	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,660,472)	(₱25,386)	₱2,102,782	₱1,610,364	₱11,823,413	(₱1,721,868)	(₱10,763,209)	₱37,000,000	₱375,463,837	₱496,888,912	₱195,301,099	₱692,190,011

	Equity Attributable to Owners of the Parent													
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Fair Value Changes on Cash Flow Hedges	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/ Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2021	₱12,045,829	₱75,823,506	(₱6,299,797)	(₱25,386)	₱876,050	(₱2,623,849)	₱13,627,808	(₱1,639,759)	(₱2,629,722)	₱37,000,000	₱286,298,019	₱412,452,699	₱160,895,255	₱573,347,954
Net income	–	–	–	–	–	–	–	–	–	–	40,411,896	40,411,896	14,231,845	54,643,741
Other comprehensive income (loss)	–	–	–	–	1,377,425	1,422,497	408,336	613,109	(3,967,452)	–	–	(146,085)	949,871	803,786
Total comprehensive income	–	–	–	–	1,377,425	1,422,497	408,336	613,109	(3,967,452)	–	40,411,896	40,265,811	15,181,716	55,447,527
Effect of business combination (Note 5)	–	–	1,246	–	–	–	–	–	–	–	–	1,246	3,073,712	3,074,958
Realized loss on sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–	253,175	–	–	–	(253,175)	–	–	–
Transactions with non-controlling interests	–	3,675	–	–	–	–	–	–	–	–	–	3,675	25,466	29,141
Cash dividends - ₱4.25 per share (Note 20)	–	–	–	–	–	–	–	–	–	–	(5,118,849)	(5,118,849)	–	(5,118,849)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,816,245)	(3,816,245)
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	643,699	643,699
As at December 31, 2021	₱12,045,829	₱75,827,181	(₱6,298,551)	(₱25,386)	₱2,253,475	(₱1,201,352)	₱14,289,319	(₱1,026,650)	(₱6,597,174)	₱37,000,000	₱321,337,891	₱447,604,582	₱176,003,603	₱623,608,185

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱122,817,206**	₱99,140,193	₱63,650,260
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	**(44,945,113)**	(35,825,734)	(26,768,811)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	**24,706,691**	23,653,863	20,936,405
Interest expense (Note 24)	**24,084,744**	21,547,070	19,138,771
Provisions (reversal of provisions) - net (Notes 10 and 23)	**4,400,289**	5,099,217	(3,982,227)
Interest income (Note 24)	**(4,048,278)**	(3,042,370)	(2,203,351)
Dividend income (Note 21)	**(911,619)**	(1,177,340)	(586,703)
Investment impairment provision (reversal) (Note 13)	**(320,206)**	787,166	–
Gain on disposal of investments and properties - net	**(66,131)**	(209,206)	(579,680)
Unrealized foreign exchange loss (gain) - net	**44,431**	1,132,078	(484,756)
Loss (gain) on fair value changes on derivatives - net	**30,731**	(866,500)	(317,743)
Income before working capital changes	**125,792,745**	110,238,437	68,802,165
Decrease (increase) in:			
Receivables and contract assets	**(16,882,660)**	(7,501,824)	(5,230,950)
Inventories	**(24,275,052)**	(40,685,904)	(37,303,043)
Other current assets	**(1,436,571)**	(635,950)	(8,465,803)
Increase in:			
Accounts payable and other current liabilities	**14,194,998**	34,081,718	36,543,695
Tenants' deposits and others	**9,233,692**	2,544,753	972,808
Net cash generated from operations	**106,627,152**	98,041,230	55,318,872
Income tax paid	**(15,747,502)**	(13,356,765)	(7,583,481)
Net cash provided by operating activities	**90,879,650**	84,684,465	47,735,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties	**74,855**	84,863	914,962
Property and equipment	**52,738**	241,913	365,861
Investment in associate companies and joint ventures	**–**	50,000	–
Additions to:			
Investment properties (Note 15)	**(68,205,952)**	(33,990,435)	(42,155,574)
Property and equipment (Note 14)	**(12,361,763)**	(9,678,003)	(13,286,055)
Financial assets at FVOCI	**(692,125)**	–	(1,427)
Investments in associate companies and joint ventures (Note 13)	**(288,227)**	(73,500)	(358,120)
Decrease (increase) in:			
Time deposits	**9,857,111**	(27,518,818)	(2,829,397)
Other noncurrent assets	**14,679,276**	8,794,846	14,938,709
Dividends received	**11,240,255**	8,136,996	5,180,690
Interest received	**4,289,389**	2,846,341	2,021,177
Purchase consideration net of cash, from acquisition of subsidiaries (Note 5)	**–**	(88,608)	(5,684,648)
Net cash used in investing activities	**(41,354,443)**	(51,194,405)	(40,893,822)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	**₱107,590,529**	₱100,256,801	₱129,529,420
Bank loans	**45,599,966**	66,878,421	53,296,257
Payments of:			
Long-term debt	**(103,343,041)**	(72,630,533)	(92,624,775)
Bank loans	**(52,906,823)**	(73,264,105)	(53,509,929)
Interest	**(22,834,339)**	(19,909,588)	(18,412,696)
Dividends	**(17,335,101)**	(12,714,420)	(9,653,454)
Lease liabilities	**(5,219,712)**	(4,853,925)	(4,692,207)
Acquisition of non-controlling interest in a subsidiary	**(5,169,476)**	–	–
Partial sale of shares in a subsidiary	**1,294,623**	–	–
Net cash provided by (used in) financing activities	**(52,323,374)**	(16,237,349)	3,932,616
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,798,167)**	17,252,711	10,774,185
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,347)**	(44,273)	(82,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	**106,561,072**	89,352,634	78,660,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱103,745,558**	₱106,561,072	₱89,352,634

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 28, 2024.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest thousand Peso except when otherwise indicated. The Group reclassified certain income and balance sheet accounts in 2022 and 2021 to conform to the 2023 presentation and classification. The reclassification has no impact on the 2022 and 2021 profit or loss and equity of the Group.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation
The Group is considered to have control over an investee when the Group has:

- power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and,
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to have control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation adjustments recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

		Percentage of Ownership			
		2023		2022	
Company	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Property					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	**50**	**–**	50	–
SM Development Corporation and Subsidiaries	Real estate development	**–**	**100**	–	100
Highlands Prime Inc. and Subsidiary	Real estate development	**–**	**100**	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	**–**	**100**	–	100
Magenta Legacy, Inc.	Real estate development	**–**	**100**	–	100
Associated Development Corporation	Real estate development	**–**	**100**	–	100
Prime Metro Estate, Inc. and Subsidiary	Real estate development	**–**	**100**	–	100
Tagaytay Resort Development Corp	Real estate development	**–**	**100**	–	100
SM Arena Complex Corporation	Conventions	**–**	**100**	–	100
MOA Esplanade Port, Inc.	Port terminal operations	**–**	**100**	–	100
Premier Clark Complex, Inc.	Real estate development	**–**	**100**	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	**–**	**100**	–	100
First Asia Realty Development Corp.	Real estate development	**–**	**74**	–	74
Premier Central, Inc. and Subsidiary	Real estate development	**–**	**100**	–	100
Consolidated Prime Dev. Corp.	Real estate development	**–**	**100**	–	100
Premier Southern Corp.	Real estate development	**–**	**100**	–	100
San Lazaro Holdings Corporation	Real estate development	**–**	**100**	–	100
Southernpoint Properties Corp.	Real estate development	**–**	**100**	–	100
First Leisure Ventures Group Inc.	Real estate development	**–**	**50**	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	**–**	**100**	–	100
Springfield Global Enterprises Limited *[BVI]	Real estate development	**–**	**100**	–	100
Simply Prestige Limited and Subsidiaries *[BVI]	Real estate development	**–**	**100**	–	100
SM Land (China) Limited and Subsidiaries * [Hong Kong]	Real estate development	**–**	**100**	–	100

(Forward)

Company	Principal Activities	Percentage of Ownership 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
Rushmore Holdings, Inc.	Real estate development	–	**100**	–	100
Prime_Commercial Property Management Corp. and Subsidiaries	Real estate development	–	**100**	–	100
Mindpro, Incorporated	Real estate development	–	**70**	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	**100**	–	100
AD Canicosa Properties, Inc.	Real estate development	–	**100**	–	100
Cherry Realty Development Corporation	Real estate development	–	**100**	–	100
Supermalls Transport Services, Inc.	Real estate development	–	**100**	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	**100**	–	100
Britannia Trading Corp. and Subsidiaries	Trading, importing and exporting of goods	–	**100**	–	100
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	**100**	–	100	–
Intercontinental Development Corporation	Real estate development	**97**	**3**	97	3
Prime Central Limited and Subsidiaries *[BVI]	Investment	**100**	–	100	–
Bellevue Properties, Inc.	Real estate development	**62**	–	62	–
Neo Subsidiaries [(a)]	Real estate development	**95**	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	**100**	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	**71**	–	71	–
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	**77**	–	77	–
Others					
Primebridge Holdings, Inc. and Subsidiaries	Investment	**100**	–	100	–
Multi-Realty Development Corporation	Investment	**91**	–	91	–
Henfels Investments Corporation	Investment	**100**	–	99	–
Belleshares Holdings, Inc.	Investment	**99**	–	99	–
2GO Group, Inc. (Note 5)	Integrated Supply Chain	**67**	–	53	–
Goldilocks Bakeshop, Inc. (Note 5)	Bakery products and other food items	**64**	–	74	–
Globalfund Holdings, Inc.	Investment	**100**	–	100	–
SMIC SG Holdings Pte. Ltd. *[Singapore]	Investment	**100**	–	100	–
Katimak Holdings, Inc. (Note 5)	Investment	**100**	–	100	–
Allfirst Renewables Holdings, Inc. (Note 5)	Investment	**89**	**11**	89	11
Philippine Geothermal Production Company, Inc. (PGPC) and Subsidiaries (Note 5)	Development and utilization of minerals, geothermal and other products	**60**	**40**	60	40
AIC Group of Companies Holding Corp. (Airspeed) (Note 5)	Integrated Supply Chain	**51**	–	**51**	–

*The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines except for those marked * and as indicated after the company name.*

(a) Neo Subsidiaries include N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.

Material Partly-owned Subsidiary

The non-controlling interests of SM Prime is material to the Group. Non-controlling shareholders hold 50% of SM Prime as at December 31, 2023 and 2022.

The summarized financial information of SM Prime follows:

Financial Position

	December 31	
	2023	2022
	(In Thousands)	
Current assets	**₱217,455,628**	₱222,008,236
Noncurrent assets	**725,871,947**	652,206,416
Total assets	**₱943,327,575**	₱874,214,652
Current liabilities	**₱172,416,008**	₱145,170,302
Noncurrent liabilities	**372,024,531**	363,892,744
Total liabilities	**₱544,440,539**	₱509,063,046
Total equity	**₱398,887,036**	₱365,151,606
Attributable to:		
Owners of the Parent	**₱396,196,619**	₱363,201,490
Non-controlling interests	**2,690,417**	1,950,116
	₱398,887,036	₱365,151,606

Statements of Income

	Years Ended December 31		
	2023	2022	2021
		(In Thousands)	
Revenues	**₱128,097,541**	₱105,785,635	₱82,315,484
Costs and expenses	**66,818,300**	56,542,322	49,900,933
Other charges	**(11,439,422)**	(10,529,309)	(4,681,026)
Income before income tax	**49,839,819**	38,714,004	27,733,525
Provision for income tax	**8,975,974**	7,970,875	5,822,122
Net income	**40,863,845**	30,743,129	21,911,403
Other comprehensive income (loss)	**(213,165)**	2,910,173	4,180,611
Total comprehensive income	**₱40,650,680**	₱33,653,302	₱26,092,014
Attributable to:			
Owners of the Parent	**₱40,010,501**	₱30,099,799	₱21,786,516
Non-controlling interests	**853,344**	643,330	124,887
Net income	**₱40,863,845**	₱30,743,129	₱21,911,403
Attributable to:			
Owners of the Parent	**₱39,798,392**	₱33,013,181	₱25,968,260
Non-controlling interests	**852,288**	640,121	123,754
Total comprehensive income	**₱40,650,680**	₱33,653,302	₱26,092,014
Dividends paid to non-controlling interests	**₱324,450**	₱144,050	₱129,050



Cash Flows

	Years Ended December 31		
	2023	2022	2021
		(In Thousands)	
Net cash provided by operating activities	**₱61,941,387**	₱34,933,212	₱30,667,161
Net cash used in investing activities	**(66,714,473)**	(52,244,301)	(44,113,678)
Net cash provided by (used in) financing activities	**(5,513,233)**	19,685,743	22,623,545
Effect of exchange rate changes on cash and cash equivalents	**43,039**	(90,424)	(62,790)
Net increase (decrease) in cash and cash equivalents	**(₱10,243,280)**	₱2,284,230	₱9,114,238

3. **Summary of Material Accounting Policies, Changes and Improvements**

The material accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

Determination of Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or,
- in the most advantageous market for the asset or liability, in the absence of a principal market.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest.

The fair value measurement of a nonfinancial asset considers the market participant's ability to generate economic benefits by using and/or selling the asset to another market participant in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured based on the lowest level input that is significant to the fair value measurement as a whole and disclosed in the consolidated financial statements based on the fair value hierarchy described below:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and,

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability and the fair value hierarchy.

Financial Instruments

Financial Assets

Initial Recognition and Measurement
At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group's business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers.*

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement
Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
  - with recycling of cumulative gains and losses (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial Assets at Amortized Cost (Debt Instruments)
The Group measures financial assets at amortized cost when:
- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, time deposits, receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables (included under "Other current assets" account) and long-term notes (included under "Other noncurrent assets" account).

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are measured at fair value. Changes in fair values are recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative when:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and,
- The hybrid contract is not measured at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial Assets Designated at FVOCI (Equity Instruments)
Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the consolidated statement of income when the right of payment is established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's equity instruments at FVOCI include investments in shares of stock and club shares (included under "Financial assets at FVOCI" account).

Derecognition
A financial asset, part of a financial asset or part of a group of similar financial assets, is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or, (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates the extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of Financial Assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between the carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether the modification of financial asset is substantial or not. The Group considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as "solely payment for principal and interest".

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased



or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification is considered as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

Impairment
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

To calculate ECLs, the Group uses the provision matrix for rent and other receivables, vintage approach for receivables from sales of real estate (billed and unbilled) and general approach (low credit risk simplification) for treasury assets.

Under the provision matrix, ECLs are calculated based on lifetime ECLs. Changes in credit risk are not tracked, instead, a loss allowance based on lifetime ECLs adjusted for forward-looking factors specific to the debtors and the economic environment is recognized.

Under the vintage approach, ECLs are calculated based on the cumulative loss rates of given real estate receivable pool. The probability of default is derived from the historical data of a homogenous portfolio that share the same origination period. Information on the number of loan defaults for fixed time intervals is utilized to create the probability model. It allows the evaluation of the loan activity from origination period to the end of the contract period. Macroeconomic indicators such as forward-looking data on inflation rate are also considered. The probability of default is applied to the loss estimate which is the difference between the contractual cash flows due and the amount expected to be received, including the cost of repossession of the subject real estate property and other related costs. In calculating the recovery rates, collections and/or cash from the resale of foreclosed real estate properties, net of direct costs to obtain and sell the real estate properties, are considered such as commission, cost of refurbishment, payment required under Maceda law, and cost to complete for incomplete units. As these are future cash flows, these are discounted to the time of default using the appropriate effective interest rate.

The Group considers a financial asset in default when contractual payments are 120 days past due or when sales are cancelled, supported by a notarized cancellation letter. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge.



Financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable costs.

The Group's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies), dividends payable presented under "Other current liabilities", long-term debt, lease liabilities and tenants' deposits and others.

Subsequent Measurement

Loans and Borrowings

Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

The calculation of amortized cost considers any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of income.

Financial Liabilities at FVPL

Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the consolidated statement of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Exchange or Modification of Financial Liabilities

The Groups considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.



If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial instrument and amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement
The Group uses derivative financial instruments such as cross-currency swaps, foreign currency call options, interest rate swaps, options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair Value Hedge
The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.



In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

Cash Flow Hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under "Fair value changes on cash flow hedges and others" account.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Merchandise Inventories
Merchandise inventories' costs are primarily determined using the weighted average method.

Current Portion of Land and Development and Condominium and Residential Units for Sale
The current portion of land and development and condominium and residential units for sale are stated at the lower of cost or net realizable value. Cost includes those costs incurred for development and improvement of the properties. Net realizable value is the selling price in the ordinary course of business less costs to complete and the estimated cost to make the sale. The current portion of land and development and condominium and residential units for sale includes properties that are constructed for sale in the ordinary course of business, rather than for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- land cost;
- amounts paid to contractors for construction and development; and,
- planning and design, and site preparation, as well as professional fees, property transfer taxes, construction overhead and others.

Property and Equipment
Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings and improvements	5–25 years
Store equipment and improvements	5–10 years
Data processing equipment	4–8 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	2–10 years
Leasehold improvements	5–20 years or term of the lease, whichever is shorter
Transportation equipment	5–15 years
Vessels in operation, excluding drydocking cost, and vessel equipment and improvements	30–35 years
Containers and reefer vans	5–10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying value of the assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment Properties

Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	3–10 years
Buildings and leasehold improvements	5–40 years or term of the lease, whichever is shorter
Building equipment, furniture and others	3–15 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in Progress

Construction in progress under property and equipment and investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

Tenants' Deposits

Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

Property Acquisitions and Business Combinations. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Costs and expenses" account in the consolidated statement of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Equity adjustments from common control transactions" account in the equity section of the consolidated balance sheet.

Acquisitions/Disposal of Non-controlling Interests. Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/received shall be recognized as equity reserve, presented as "Additional Paid-in Capital".

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.



Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Impairment of Nonfinancial Assets

The carrying value of nonfinancial assets (property and equipment, investment properties, investments in associate companies and joint ventures, right-of-use (ROU) assets, and intangibles with definite useful life and other noncurrent assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria shall be met before revenue is recognized:

Sale of Merchandise Inventories. Revenue from sale of goods is recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods. Payment of the transaction price is due immediately at the point of sale.

Revenue and Cost from Sales of Real Estate. The Group derives its real estate revenue from the sale of lots, house and lot and condominium units. Revenue from the sale of these real estate under pre-completion stage is recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date, milestones reached and time elapsed. This is based on the monthly project accomplishment report prepared by third party project managers as approved by the construction manager which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sales of real estate, under trade receivables, is accounted for as unbilled revenue from sales of real estate and presented under "Receivables and contract assets".

Any excess of collections over the total of recognized installment real estate receivables is included in contract liabilities.

Information about the Group's performance obligation. The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment in cash or under a financing scheme commences upon signing of the "contract to sell" with the customer. The financing scheme includes payment of a certain percentage of the contract price spread over a specified period at a fixed monthly amount with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection based on the amortization schedule does not necessarily coincide with the progress of construction.

The Group has a quality assurance warranty which is not treated as a separate performance obligation.

Cost of Real Estate Sold. The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.



Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. Contract assets pertain to unbilled revenue from sales of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. The capitalized amount is reclassified to trade receivable from real estate buyers when the periodic amortization of the customer becomes due for collection.

Contract Liabilities. Contract liabilities pertain to unearned revenue from sales of real estate. This is the obligation to transfer goods or services to a customer for which the Group has received consideration) from the customer. These also include customers' deposits related to sales of real estate. These are recognized as revenue when the Group performs the pertinent obligations under the contract.

Costs to Obtain a Contract. The costs of obtaining a contract with a customer are recognized as an asset if the Group expects recovery of these costs. The accrual of commissions paid to brokers and marketing agents on the sale of pre-completed real estate units is likewise capitalized when recovery is reasonably expected and is charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Costs and expenses" account in the consolidated statement of income. Costs incurred prior to obtaining a contract with a customer are expensed as these are incurred.

Contract Fulfillment Assets. Contract fulfillment costs are divided into (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group considers the applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which if met, result in capitalization (i) costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) costs are expected to be recovered. The assessment of this criteria requires the application of judgement particularly in determining whether costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets mainly pertain to land acquisition costs, included in Real estate inventories − Land and development (current portion) and Condominium, residential units and subdivision lots for sale.

Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract. The Group amortizes contract fulfillment assets and costs capitalized to obtain a contract to cost of sales over the expected construction period using percentage of completion (POC) following the pattern of real estate revenue recognition. The amortization is included in cost of real estate sold account in the consolidated statement of income.

A contract fulfillment asset or costs capitalized to obtain a contract is derecognized when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that a contract fulfillment asset may be impaired. If such indication exists, the Group makes an estimate by comparing the



carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less those costs that relate to providing services under the contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price are removed when testing for impairment.

In case the relevant costs demonstrate indicators of impairment, judgment is required in ascertaining the future economic benefits from these contracts as sufficient to recover the relevant assets.

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

Shipping and Logistics Revenues. Revenues from shipping and logistics services are recognized when rendered and/or when export/import cargoes are received by the shipper or consignee. Shipping revenues include fees for ancillary services such as wharfage, arrastre, stevedoring and other related services.

Rent. Revenues are recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

Sale of Cinema and Event Tickets. Revenues are recognized upon receipt of cash from the customers which coincides with the rendering of services.

Gain on Sale of Investments in Associate Companies and Joint Ventures and Financial Assets. Revenues are recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividends. Revenues are recognized when the Group's right as a shareholder to receive payment is established.

Royalty and Service Fees. Revenues and/or expenses are recognized when earned and/or incurred, in accordance with the terms of the agreements.

Interest. Revenues are recognized when interest accrues, considering the effective yield.

Costs and expenses. Costs and expenses are recognized as incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

Taxes

Current Income Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the tax amounts are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Income Tax. Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts at each reporting period.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess

MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures wherein deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that the future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and/or the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- for receivables and payables that are stated with the amount of tax included.



The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated balance sheet.

Basic/Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income attributable to owners of the Parent for the period by the weighted average number of issued and outstanding common shares for the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive ordinary shares.

Events after the Reporting Period
Post yearend events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that a change in input or in a measurement technique is considered a change in accounting estimate if it does not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments clarify that PAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Global Anti-Base Erosion Model Rules (GLoBE Rules or Pillar Two Model Rules) published by the Organization for Economic Cooperation and Development (OECD), including those that implement qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Disclosures relating to the current portion of income tax relating to Pillar Two income taxes before the legislation became effective, are required for annual reporting periods beginning on or after January 1, 2023.

  The Pillar Two Model Rules apply to multinational enterprises (MNEs) with annual consolidated revenues in excess of Euro 750 million. The Group is in scope for Pillar Two Model Rules, however, it has yet to apply the temporary exception to recognize and disclose deferred tax assets and liabilities related to Pillar Two income taxes in 2023 because the Group's entities are operating in jurisdictions in which the Pillar Two legislation is not yet in effect. The Group is monitoring developments in the enactment of these legislations. The Group will disclose known or reasonably estimable information that will help users of the Group's financial statements to understand the impact of Pillar Two income taxes in the Group's consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Noncurrent*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective on or after January 1, 2024 to be applied retrospectively.

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

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

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

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective on or after January 1, 2024, early adoption permitted.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  On December 15, 2021, the Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the International Accounting Standards Board (IASB).

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective on or after January 1, 2025, with early adoption permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associates or joint ventures.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the reporting date.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Existence of a Contract. The Group's primary document for a contract with a customer is the signed contract to sell. In cases wherein the contract to sell is not signed by both parties at report date, other signed documents including the reservation agreement, official receipts, quotation sheets and other documents are considered to contain the basic elements to qualify as a contract with the customer under PFRS 15.

The Group's revenue recognition process includes the assessment of the probability of the Group collecting the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating the probability of collection, the Group considers the significance of the buyer's initial payments in relation to the contract price.

Measure of Progress. The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Determining the Transaction Price for Sales of Real Estate. The Group determines whether a contract contains a significant financing component using the portfolio approach by considering (1) the difference between the amount of promised consideration and the cash selling price of the promised goods or services; and (2) the expected length of time from when the entity transfers the promised goods or services to the time the customer pays for those goods or services at the prevailing effective interest rate. The Group applied the practical expedient and did not adjust for the effect of financing component when the difference between the time of transfer of the promised goods or services to the time the customer pays for these goods or services is one year or less. The Group determined that its contracts for the sale of real estate do not contain a significant financing component.

Property Acquisitions and Business Combinations. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services are to be provided by the subsidiary. When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition. No goodwill or deferred tax is recognized.

Consignment Arrangements on Retail Segment. The retail segment of the Group has various consignment arrangements with suppliers. Management has determined that it is acting as principal in these sales transactions. Accordingly, revenue is recognized at gross amount upon actual sale to customers. The related inventory stocks supplied under these arrangements only become due and payable to suppliers when sold.

Operating Lease Commitments - Group as Lessor. Management has determined that the Group retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life.

Determination of Lease Term of Contracts with Renewal and Termination Options - Group as Lessee. The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating the certainty or possibility of exercising the option to renew or terminate lease contracts. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contract (e.g., construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Group exercises its option to renew.

Assessing Significant Influence over Associates. Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

Assessing Joint Control of an Arrangement and the Type of Arrangement. The Group has 25% ownership in Waltermart Mall. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Assessing of Control or Significant Influence over Investees

SM Prime. The Group has 50% ownership interest in SM Prime. Management assessed that the Group has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Group the power to direct relevant activities of SM Prime.

BDO Unibank, Inc. (BDO). The Group has 45% ownership interest in BDO. Management assessed that the Group does not have control of BDO as the Group's aggregate voting rights is not sufficient to give it power to direct the relevant activities of BDO (see Note 13).



Premium Leisure Corp. (PLC). The Group has 5% ownership interest in PLC. PLC is a subsidiary of Belle Corporation (Belle). Management assessed that the Group has significant influence over PLC through its associate, Belle (see Note 13).

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. Upon adoption of the Philippine Interpretation on IFRIC-23, *Uncertainty over Income Tax Treatments,* the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities.

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

Revenue Recognition Method and Measure of Progress. The Group recognizes revenue for real estate sales over time in consideration of the following (a) the Group's performance does not create an asset with an alternative use, and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. The property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred. In addition, under the current legal framework, the customer is contractually obliged to make payments to the Group for performance completed to date.

The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Provision for ECL of Receivables and Contract Assets (referred also in the consolidated financial statements as "Unbilled revenue from sales of real estate"). The Group maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group uses a provision matrix for rent and other receivables and vintage approach for receivables from sales of real estate (billed and unbilled) to calculate ECLs. The Group performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. See Note 10 for related balances.

Net Realizable Value of Merchandise Inventories, Condominium and Residential Units for Sale, and Land and Development. The Group recognizes an allowance for impairment of value of merchandise inventories, condominium and residential units for sale, and land and development to value these assets at net realizable value. Impairment may be due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Note 11 for related balances.

The estimate of net realizable value is based on the most reliable evidence of the realizable value of the assets, available at the time the estimate is made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.



The allowance account is reviewed on a regular basis. In 2023, 2022 and 2021, the Group assessed that the net realizable value of merchandise inventories, condominium and residential units for sale and land and land development is higher than aggregate cost, hence, the Group did not recognize any impairment loss.

Estimated Useful Life of Property and Equipment and Investment Properties (except for ROU Assets). The useful life of each of the Group's property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. See Notes 14 and 15 for related balances.

Impairment of Investments in Associate Companies and Joint Ventures. Impairment review of investments in associate companies and joint ventures is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments using key assumptions such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.

Impairment of Goodwill and Trademarks, Brand Names and Copyright with Indefinite Useful Lives. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the forecast for the relevant period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 16 for related balances.

Impairment of Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. There is no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2023. See Notes 14, 15 and 27 for related balances.

Purchase Price Allocation in Business Combinations. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to

recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names. In estimating the fair value of the acquiree's identifiable assets and liabilities, the Group used judgments, valuation methods and key assumptions such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. See Note 5 for related balances.

Fair Value of Previously Held Interest in an Acquiree. A business combination that is achieved in stages requires the Group to remeasure its previously held interest in the acquiree at its fair value at acquisition date and recognize any resulting gain or loss in profit or loss. The determination of fair value of the previously held interest involves judgment, estimations and assumptions. See Note 5 for related balances.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Accordingly, only a portion of the Group's deferred tax assets is recognized. See Note 26 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.

The Group determines the appropriate discount rate at the reporting date. In determining the discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Group's pension and other pension obligations. See Note 25 for related balances.

Fair Value of Financial Assets and Liabilities. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and OCI. See Note 29 for related balances.

Valuation of Unquoted Equity Investments. Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.



The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's financial assets at FVOCI at fair value in compliance with PFRS 9, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group.

Leases – Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).
See Note 27 for related balances.

Contingencies. The Group is involved in certain legal and administrative proceedings. The Group, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

5. Business Combination

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

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

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

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination except those necessary to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;

- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

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

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

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

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

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

From the date of acquisition, Airspeed's revenues and net income amounting to ₱461.7 million and ₱34.9 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱554.8 billion and ₱61.7 billion, respectively.

2GO Group, Inc. (2GO). In April and June 2021, the Parent Company acquired additional 551.4 million common shares of 2GO increasing its equity interest in 2GO to 52.9% from 30.5% previously. 2GO is the largest integrated supply chain operator in the Philippines offering shipping, freight forwarding, warehousing, and express delivery services.

Beginning June 1, 2021, 2GO became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	(In Thousands)
Cash and cash equivalents	₱2,101,999
Receivables and contract assets	4,192,282
Merchandise inventories (Note 11)	516,155
Other current assets	2,699,758
Investments in associate companies and joint ventures (Note 13)	260,037
Property and equipment (Note 14)	9,919,064
Right-of-use assets (Note 27)	786,597
Other noncurrent assets	1,008,558
Total identifiable assets	21,484,450

(Forward)

	Fair Value
	(In Thousands)
Bank loans	₱3,036,500
Accrued payable and other current liabilities	7,206,250
Long-term debt - net of current portion	3,984,077
Deferred tax liabilities	1,257,749
Other noncurrent liabilities	1,071,851
Total identifiable liabilities	16,556,427
Net identifiable assets	4,928,023
Non-controlling interests (proportionate share in 2GO's net identifiable assets)	(2,352,991)
Fair value of previously held interest	(1,484,612)
Goodwill arising from the acquisition (Note 16)	3,602,620
Purchase consideration transferred	₱4,693,040

The cash flows from this acquisition follow:

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

At the date of the acquisition, the fair value of 2GO's receivables approximates its carrying amount. The receivables comprise mainly of trade and nontrade receivables carried at cost. These are not subject to interest and generally on 30- to 60-day terms while nontrade receivables are collectible on demand. The fair value of the property and equipment was determined using the current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.

The goodwill of ₱3.6 billion represents the value of synergies expected to arise from the business combination.

From the date of acquisition, 2GO's revenues and net loss amounting to ₱8.8 billion and ₱962.7 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱434.8 billion and ₱38.4 billion, respectively.

Goldilocks Bakeshop, Inc. (GBI). In August 2021, the Parent Company acquired additional 224.5 million common shares of GBI increasing its equity interest in GBI to 74.1% from 34.1% previously. GBI is primarily engaged in the purchase and sale, manufacture and production, import and export, and distribution of food items such as cakes, pastries, bread and candies on wholesale, retail or franchising; operation of restaurants, refreshment parlors or food outlets; and serving, arranging and catering food, drinks and refreshments.

Beginning August 1, 2021, GBI became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	(In Thousands)
Cash and cash equivalents	₱945,964
Time deposits	210,925
Receivables and contract assets	330,036
Merchandise inventories (Note 11)	564,858
Other current assets	502,915
Financial assets	1,406
Investments in associate companies and joint ventures (Note 13)	249,157
Property and equipment (Note 14)	2,563,094
Right-of-use assets (Note 27)	912,876
Other noncurrent assets	471,983
Total identifiable assets	6,753,214
Accrued payable and other current liabilities	2,233,095
Deferred tax liabilities	338,599
Other noncurrent liabilities	1,435,383
Total identifiable liabilities	4,007,077
Net identifiable assets	2,746,137
Non-controlling interests (proportionate share in GBI's net identifiable assets)	(720,721)
Fair value of previously held interest	(931,874)
Goodwill arising from the acquisition (Note 16)	2,946,029
Purchase consideration transferred	₱4,039,571

The cash flows from this acquisition follow:

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

At the date of the acquisition, the fair value of GBI's receivables approximates the carrying amount. GBI's receivables comprise mainly of trade and nontrade receivables, royalties and advances carried at cost. These are not subject to interest with trade receivables generally on 15- to 30- day terms while nontrade receivables and royalties are collectible on demand. Advances consist of salary loans due within 1 year and other cash advances that are subject to liquidation within 1 to 2 weeks. The fair value of the property and equipment was determined using the market approach and current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.

The goodwill of ₱2.9 billion represents the value of synergies expected to arise from the business combination.

From the date of acquisition, GBI's revenues and net income amounting to ₱5.0 billion and ₱114.8 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱433.9 billion and ₱38.6 billion, respectively.

The Group remeasured its previously held interest in AIC, 2GO and GBI at acquisition-date fair value. The key assumptions used in determining the acquisition-date fair value of the property and equipment of GBI include list prices, current replacement cost and reproduction cost.

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

6. Segment Information

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

The property segment is involved in mall, residential and commercial development and hotel and convention center operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers and cinemas within the compound of the shopping centers. The residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

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

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

The BOD monitors the operating results of each of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Operating Results by Segment

	Year Ended December 31, 2023						
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
				(In Thousands)			
Revenues:							
External customers	**₱119,003,867**	**₱413,996,266**	**₱39,267,571**	**₱41,828,015**	**₱2,156,168**	**₱–**	**₱616,251,887**
Revenues from contracts with customers	**42,124,088**	**401,725,529**	**–**	**–**	**–**	**–**	**443,849,617**
Merchandise sales	**–**	**401,725,529**	**–**	**–**	**–**	**–**	**401,725,529**
Real estate sales	**42,124,088**	**–**	**–**	**–**	**–**	**–**	**42,124,088**
Rent	**58,103,708**	**1,267,910**	**–**	**2,413,124**	**–**	**–**	**61,784,742**
Equity in net earnings of associate companies and joint ventures	**2,162,611**	**1,942,814**	**39,267,571**	**1,636,117**	**(64,000)**	**–**	**44,945,113**
Others	**16,613,460**	**9,060,013**	**–**	**37,778,774**	**2,220,168**	**–**	**65,672,415**
Inter-segment	**15,552,645**	**606,204**	**–**	**689,550**	**4,424,419**	**(21,272,818)**	**–**
	₱134,556,512	**₱414,602,470**	**₱39,267,571**	**₱42,517,565**	**₱6,580,587**	**(₱21,272,818)**	**₱616,251,887**

	Year Ended December 31, 2023						
	Property	**Retail**	**Banking**	**Portfolio Investments**	**Others**	**Eliminations**	**Consolidated**
				(In Thousands)			
Segment results:							
Income before income tax	**₱50,336,108**	**₱28,751,653**	**₱39,267,571**	**₱9,082,093**	**(₱4,620,219)**	**₱–**	**₱122,817,206**
Provision for income tax	**9,015,084**	**6,685,451**	**–**	**800,769**	**130,839**	**–**	**16,632,143**
Net income after tax	**₱41,321,024**	**₱22,066,202**	**₱39,267,571**	**₱8,281,324**	**(₱4,751,058)**	**₱–**	**₱106,185,063**
Net income attributable to:							
Owners of the Parent	**₱20,506,629**	**₱15,267,128**	**₱38,193,589**	**₱7,752,065**	**(₱4,730,368)**	**₱–**	**₱76,989,043**
Non-controlling interests	**20,814,395**	**6,799,074**	**1,073,982**	**529,259**	**(20,690)**	**–**	**₱29,196,020**

	Year Ended December 31, 2022						
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
				(In Thousands)			
Revenues:							
External customers	₱98,244,792	₱377,327,567	₱30,984,018	₱43,677,737	₱2,764,464	₱–	₱552,998,578
Revenues from contracts with customers	39,046,514	367,318,577	–	–	–	–	406,365,091
Merchandise sales	–	367,318,577	–	–	–	–	367,318,577
Real estate sales	39,046,514	–	–	–	–	–	39,046,514
Rent	45,918,158	1,146,228	–	2,103,179	–	–	49,167,565
Equity in net earnings of associate companies and joint ventures	1,720,116	1,224,260	30,984,018	1,866,350	30,990	–	35,825,734
Others	11,560,004	7,638,502	–	39,708,208	2,733,474	–	61,640,188
Inter-segment	13,611,294	483,551	–	634,029	3,999,125	(18,727,999)	–
	₱111,856,086	₱377,811,118	₱30,984,018	₱44,311,766	₱6,763,589	(₱18,727,999)	₱552,998,578
Segment results:							
Income before income tax	₱39,061,734	₱25,928,619	₱30,984,018	₱8,218,200	(₱5,052,378)	₱–	₱99,140,193
Provision for income tax	8,001,682	6,006,064	–	681,419	105,655	–	14,794,820
Net income after tax	₱31,060,052	₱19,922,555	₱30,984,018	₱7,536,781	(₱5,158,033)	₱–	₱84,345,373
Net income attributable to:							
Owners of the Parent	₱15,372,433	₱13,937,923	₱30,148,855	₱7,345,911	(₱5,151,457)	₱–	₱61,653,665
Non-controlling interests	15,687,619	5,984,632	835,163	190,870	(6,576)	–	22,691,708

	Year Ended December 31, 2021						
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
				(In Thousands)			
Revenues:							
External customers	₱79,552,631	₱303,188,794	₱23,395,467	₱23,167,504	₱2,429,113	₱–	₱431,733,509
Revenues from contracts with customers	45,116,570	294,694,316	–	–	–	–	339,810,886
Merchandise sales	–	294,694,316	–	–	–	–	294,694,316
Real estate sales	45,116,570	–	–	–	–	–	45,116,570
Rent	26,218,182	1,093,378	–	2,327,765	2,919	–	29,642,244
Equity in net earnings of associate companies and joint ventures	1,187,419	527,733	23,395,467	1,757,788	(99,596)	–	26,768,811
Others	7,030,460	6,873,367	–	19,081,951	2,525,790	–	35,511,568
Inter-segment	9,423,189	2,108	–	–	2,384,449	(11,809,746)	–
	₱88,975,820	₱303,190,902	₱23,395,467	₱23,167,504	₱4,813,562	(₱11,809,746)	₱431,733,509
Segment results:							
Income before income tax	₱28,165,056	₱14,180,061	₱23,395,467	₱4,662,195	(₱6,752,519)	₱–	₱63,650,260
Provision for income tax	5,942,800	3,261,945	–	(165,445)	(32,781)	–	9,006,519
Net income after tax	₱22,222,256	₱10,918,116	₱23,395,467	₱4,827,640	(₱6,719,738)	₱–	₱54,643,741
Net income attributable to:							
Owners of the Parent	₱11,317,533	₱7,697,477	₱22,768,902	₱5,366,643	(₱6,738,659)	₱–	₱40,411,896
Non-controlling interests	10,904,723	3,220,639	626,565	(539,003)	18,921	–	14,231,845

In 2023, 2022 and 2021, no single customer accounted for 10% or more of consolidated revenues. The Group's revenues are substantially earned within the Philippines.

The disaggregation of revenues is as indicated in the consolidated statements of income and in the operating results by segment report above.

7. Cash and Cash Equivalents

This account consists of:

	2023	2022
	(In Thousands)	
Cash on hand and in banks (Note 21)	**₱22,918,721**	₱26,887,562
Temporary investments (Note 21)	**80,826,837**	79,673,510
	₱103,745,558	₱106,561,072

Cash in banks and investments earn interest at the prevailing rates. The tenure of temporary investments varies depending on the immediate cash requirements of the Group (see Note 24).

8. Time Deposits

This account consists of time deposits as follows:

	2023	2022
	(In Thousands)	
Current	**₱602,466**	₱8,788,848
Noncurrent	**22,324,681**	24,130,581
	₱22,927,147	₱32,919,429

The time deposits bear interest ranging from 0.1% to 6.1% in 2023 and 1.3% to 4.5% in 2022.

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

Interest earned from time deposits is disclosed in Note 24.

9. Financial Assets at FVOCI

This account consists of:

	2023	2022
	(In Thousands)	
Shares of stock		
Listed	**₱25,505,874**	₱25,146,102
Unlisted	**1,534,894**	736,813
Club shares	**24,850**	21,800
	27,065,618	25,904,715
Less current portion	**747,840**	534,865
Noncurrent portion	**₱26,317,778**	₱25,369,850

Financial assets at FVOCI pertain to equity investments in shares of stock and club shares which are not held for trading and which the Group has irrevocably designated as financial assets at FVOCI, as the Group considers these investments to be strategic in nature.

10. **Receivables and Contract Assets**

This account consists of:

	2023	2022
	(In Thousands)	
Trade:		
Real estate buyers*	**₱132,187,696**	₱114,017,297
Third-party tenants	**10,714,323**	11,254,451
Shipping and logistics**	**2,753,168**	4,212,664
Related-party tenants (Note 21)	**533,448**	511,274
Others	**2,922,100**	3,299,623
Royalty and service fees (Note 21)	**2,980,499**	2,277,578
Dividends (Note 21)	**1,003,114**	708,809
	153,094,348	136,281,696
Less allowance for ECL	**3,284,523**	3,031,584
	149,809,825	133,250,112
Less noncurrent portion of receivables from real estate buyers (Note 16)	**70,600,303**	48,929,523
Current portion	**₱79,209,522**	₱84,320,589

* *Includes unbilled revenue from sales of real estate of ₱114.9 billion and ₱100.2 billion as at December 31, 2023 and 2022, respectively.*

** *Includes contract assets representing shipping and logistics services delivered but not yet invoiced of ₱616.8 million and ₱730.1 million as at December 31, 2023 and 2022, respectively.*

The terms and conditions of these receivables follow:

- Receivables from sales of real estate pertain mostly to sale of condominium and residential units at various terms of payment that are not subject to interest. Portions of these receivables have been assigned to local banks: on without recourse basis, ₱4.1 billion and nil as at December 31, 2023 and 2022, respectively (Note 21), and on with recourse basis, ₱0.2 billion and ₱1.2 billion as at December 31, 2023 and 2022, respectively. The corresponding liability from the assignment of receivables with recourse bears interest at 5.0% to 6.5% and 3.8% to 5.0% as at December 31, 2023 and 2022, respectively.

  The transaction price allocated to the remaining performance obligations totaling ₱38.1 billion and ₱25.4 billion as at December 31, 2023 and 2022, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants, shipping and logistics, royalty and service fee receivables are not subject to interest and are normally collectible on 30- to 90-day terms.

- Dividends receivables are not subject to interest and are normally collectible within the next financial year.

Allowance for ECL is provided for receivables from sales of real estate, receivables from tenants, shipping and logistics, and other receivables which were identified to be impaired based on specific and collective assessment. The movements in this account follow:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱3,031,584**	₱2,237,119
Provisions - net of writeoff (Note 23)	**252,939**	794,465
Balance at end of year	**₱3,284,523**	₱3,031,584

The aging of receivables follows:

	2023	2022
	(In Thousands)	
Neither past due nor impaired	**₱138,195,908**	₱121,546,146
Past due but not impaired:		
Less than 30 days	**3,804,623**	4,199,730
31-90 days	**3,299,648**	2,327,871
91-120 days	**1,197,760**	1,707,216
Over 120 days	**3,311,886**	3,469,149
Impaired	**3,284,523**	3,031,584
	₱153,094,348	₱136,281,696

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

11. Inventories

This account consists of:

	2023	2022
	(In Thousands)	
Real estate inventories	**₱77,892,908**	₱70,506,503
Merchandise inventories	**38,869,576**	34,653,094
Processed food and others	**712,496**	1,208,441
	₱117,474,980	₱106,368,038

Inventories are stated at cost as at December 31, 2023 and 2022.

Merchandise Inventories
The movements in this account follow:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱34,653,094**	₱29,026,924
Purchases	**298,618,735**	276,234,410
Total goods available for sale	**333,271,829**	305,261,334
Less cost of merchandise sales	**294,402,253**	270,608,240
Balance at end of year	**₱38,869,576**	₱34,653,094

Real Estate Inventories
The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
		(In Thousands)	
Balance as at January 1, 2022	₱37,229,527	₱19,351,999	₱56,581,526
Development cost incurred	27,956,439	–	27,956,439
Cost of real estate sold	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	–
Reclassifications (Notes 15 and 27)	2,204,897	–	2,204,897
Translation adjustment and others	187,069	475,140	662,209
Balance as at December 31, 2022	₱43,780,861	₱26,725,642	₱70,506,503
Development cost incurred	**22,141,007**	**–**	**22,141,007**
Cost of real estate sold	**(13,166,921)**	**(3,494,522)**	**(16,661,443)**
Transfers	**(1,902,929)**	**1,902,929**	**–**
Reclassifications (Notes 15 and 27)	**1,807,712**	**–**	**1,807,712**
Translation adjustment and others	**98,608**	**521**	**99,129**
Balance as at December 31, 2023	**₱52,758,338**	**₱25,134,570**	**₱77,892,908**

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

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱1.8 billion and ₱1.0 billion as at December 31, 2023 and 2022, respectively.

The estimated cost to complete the projects amounted to ₱103.6 billion and ₱106.9 billion as at December 31, 2023 and 2022, respectively.

There is no allowance for inventory write-down as at December 31, 2023 and 2022.

The details of cost of sales and services follow:

	2023	2022	2021
		(In Thousands)	
Cost of sales:			
Merchandise	**₱294,402,253**	₱270,608,240	₱222,300,384
Real estate	**16,661,443**	16,898,568	18,687,157
Processed food and others	**11,601,340**	15,401,706	7,993,598
Cost of shipping, logistics and other services	**13,646,560**	12,743,249	6,271,009
	₱336,311,596	₱315,651,763	₱255,252,148

12. **Other Current Assets**

This account consists of:

	2023	2022
	(In Thousands)	
Prepaid taxes and other prepayments	**₱20,539,740**	₱19,881,090
Bonds and deposits	**10,845,768**	11,143,581
Input tax	**7,226,317**	5,846,949
Receivables from banks	**7,207,447**	5,732,802
Nontrade receivables	**6,233,033**	8,296,364
Derivative assets (Note 29)	**3,167,911**	1,617,864
Uniform and supplies inventory	**1,724,324**	1,573,029
Accrued interest receivable (Note 21)	**325,863**	566,974
Others	**420,556**	317,345
	₱57,690,959	₱54,975,998

- Prepaid taxes and other prepayments consist of creditable tax certificates received by the Group and prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.

- Bonds and deposits pertain to down payments made to suppliers and contractors to cover preliminary expenses of the Group's construction projects. These are not subject to interest and are applied to progress billings depending on the percentage of project accomplishment.

- Nontrade receivables include advances for future purchases and marketing support. These are normally collected within the next financial year (see Note 24).

- Receivables from banks are not subject to interest and are normally collectible on 30- to 90-day terms.

- Input tax represents VAT paid to suppliers that can be claimed as credit against future output VAT liabilities without prescription.

- Accrued interest receivable relates mostly to time deposits and is normally collected within the next financial year.

13. **Investments in Associate Companies and Joint Ventures**

The movements in this account follow:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱328,271,536**	₱305,072,026
Additions	**288,227**	73,500
Disposal	**(1,186,682)**	(13,742)
Business combination (Note 5)	**–**	(535,945)
Equity in net earnings	**44,945,113**	35,825,734
Dividends received and others	**(10,622,941)**	(7,089,942)
Share in other comprehensive loss of associate companies	**(641,624)**	(4,336,268)
Reversal of (provision for) impairment loss	**320,206**	(740,000)
Translation adjustment	**(49,035)**	16,173
Balance at end of year	**₱361,324,800**	₱328,271,536

** Investment in associate companies amounted to ₱350.8 billion and ₱318.5 billion as at December 31, 2023 and 2022, respectively.*

The Group regularly performs tests for impairment of its investments comparing the expected cash flows against the carrying values. In 2023, ₱320.2 million of the ₱740.0 million provision for impairment loss recognized in 2022 was reversed relative to the disposal of the Group's investment in GPay.

The recoverable amount of investments in associate companies is determined based on the fair value less costs of disposal and/or value-in-use calculations using the cash flow projections from the financial budgets approved by senior management.

The calculation of value-in-use is sensitive to the following assumptions:

a. *Revenues.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. The revenue growth rates used in the cash flow projections ranged from 3.3% to 5.9%.

b. *Pre-tax discount rates*. Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the entity for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 8.2% to 15.2% and 9.9% to 12.2% as at December 31, 2023 and 2022, respectively.

The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership 2023 Gross	2023 Effective	2022 Gross	2022 Effective	Principal Activities
Associates					
Amazing Philippines Digital Economy Corp.	**35**	**18**	35	18	Digital customer service and selling platform
Andwil Corporation	**50**	**20**	50	20	Retail
Asia-Pacific Computer Technology Center, Inc.	**42**	**42**	42	42	Investment
Atlas	**34**	**34**	34	34	Mining
BDO	**47**	**45**	47	45	Financial services
Belle	**27**	**27**	27	27	Real estate development and tourism
China Bank	**23**	**23**	23	23	Financial services
CityMall Commercial Centers, Inc.	**34**	**34**	34	34	Real estate development and tourism
Clarmil Manufacturing Incorporated	**42**	**27**	42	31	Bakery products and other food items
Ecco Philippines, Inc.	**50**	**39**	50	39	Retail
Fast Retailing Philippines, Inc.	**25**	**19**	25	19	Retail
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	**50**	**25**	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	**40**	**31**	40	31	Retail
GPAY Network, PH, Inc. (GPay)	**-**	**-**	35	35	Providing electronic money through electronic instruments
MCC Transport Philippines, Inc.	**33**	**22**	33	18	Integrated supply chain
Neo Associates [(a)]	**34**	**34**	34	34	Real estate development
Ortigas Land Corporation	**40**	**20**	40	20	Real estate development
PLC	**5**	**5**	5	5	Gaming
Premier Shoes Distribution Corp.	**49**	**38**	49	38	Retail
Sodexo Benefits and Rewards Services Philippines, Inc.	**40**	**40**	40	40	Retail
Three Bears Group Holdings Corporation	**35**	**23**	35	26	Bakery products and other food items
Watsons Personal Care Stores (Philippines), Inc.	**40**	**31**	40	31	Retail
Win With Love, Inc.	**33**	**13**	33	13	Retail
YCO Global Cloud Centers Holdings, Inc.	**10**	**10**	-	-	Data center
Joint Ventures					
Kerry Logistics (Phils), Inc.	**63**	**33**	63	26	Integrated supply chain
Metro Rapid Transit Service, Inc.	**51**	**25**	51	25	Transportation
ST 6747 Resources Corporation	**50**	**25**	50	25	Real estate development
Waltermart Mall [(b)]	**51**	**25**	51	25	Shopping mall development

The principal place of business and country of incorporation of the associate companies and joint ventures listed above is in the Philippines except for FHREC which was incorporated in China.

(a) Neo Associates consists of N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.
(b) Waltermart Mall consists of Winsome Development Corporation, Willin Sales, Inc., Willimson, Inc., Waltermart Ventures, Inc., WM Development Inc. and WM Shopping Center Management Inc.

BDO

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

	2023	2022
	(In Millions)	
Total assets	**₱4,477,661**	₱4,074,708
Total liabilities	**3,959,107**	3,613,251
Total equity	**518,554**	461,457
Proportion of the Group's ownership	**45%**	45%
	234,743	209,046
Goodwill and others	**26,669**	26,800
Carrying amount of the Group's investment	**₱261,412**	₱235,846

	2023	2022	2021
		(In Millions)	
Interest income	**₱240,196**	₱169,071	₱144,879
Interest expense	**(53,809)**	(19,839)	(13,533)
Other expenses - net	**(112,827)**	(91,998)	(88,491)
Net income after tax	**73,560**	57,234	42,855
Other comprehensive loss	**(1,799)**	(9,861)	(5,810)
Total comprehensive income	**₱71,761**	₱47,373	₱37,045
Group's share in net income	**₱34,314**	₱26,684	₱20,019
Group's share in other comprehensive loss	**(₱843)**	(₱5,599)	(₱5,405)

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

	2023	2022	2021
		(In Millions)	
Share in net income	**₱10,631**	₱9,142	₱6,750
Share in other comprehensive income	**201**	1,263	1,220
Share in total comprehensive income	**₱10,832**	₱10,405	₱7,970

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

	2023	2022
	(In Thousands)	
BDO	**₱344,083,211**	₱278,929,105
China Bank	**18,685,792**	16,626,418
Belle	**3,047,547**	3,177,784
Atlas	**4,279,075**	4,412,417
PLC	**16,669,846**	12,568,534

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

14. Property and Equipment

The movements in this account follow:

	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
						(In Thousands)						
Cost												
As at January 1, 2022	₱1,729,542	₱19,822,198	₱2,660,943	₱10,030,976	₱11,784,685	₱17,301,482	₱24,970,861	₱1,196,937	₱8,503,113	₱371,936	₱4,968,379	₱103,341,052
Additions	–	677,187	266,706	933,079	717,278	860,925	1,574,090	51,805	464,728	915	4,131,290	9,678,003
Effect of business combination (Note 5)	–	21,616	–	16,984	38,000	12	140	54,148	–	–	–	130,900
Reclassifications	(9,948)	58,852	(1,966,055)	216,471	579,419	3,855,706	4,964,147	443,187	7,027,236	1,253,911	(4,276,055)	14,294,963
Translation adjustment	–	–	–	–	–	(160,203)	–	–	–	–	(52,448)	(212,651)
Disposals/retirements	(800)	(123,520)	(323,995)	(574,911)	(508,219)	(401,475)	(1,202,034)	(88,822)	(1,287,520)	(1,727)	–	(4,513,023)
As at December 31, 2022	1,718,794	19,892,747	3,349,277	10,622,599	12,611,163	21,456,447	30,307,204	1,657,255	14,707,557	1,625,035	4,771,166	122,719,244
Additions	**–**	**697,001**	**201,286**	**1,614,927**	**1,059,198**	**851,219**	**2,347,796**	**67,955**	**762,647**	**34**	**4,759,700**	**12,361,763**
Reclassifications	**–**	**762,184**	**(443,822)**	**26,868**	**(39,013)**	**2,268,988**	**427,755**	**98,278**	**(13,530)**	**301**	**(3,406,915)**	**(318,906)**
Disposals/retirements	**–**	**(579,239)**	**(143,433)**	**(410,945)**	**(849,258)**	**(170,268)**	**(260,104)**	**(100,567)**	**(102,792)**	**(21,660)**	**–**	**(2,638,266)**
As at December 31, 2023	**₱1,718,794**	**₱20,772,693**	**₱2,963,308**	**₱11,853,449**	**₱12,782,090**	**₱24,406,386**	**₱32,822,651**	**₱1,722,921**	**₱15,353,882**	**₱1,603,710**	**₱6,123,951**	**₱132,123,835**
Accumulated Depreciation and Amortization												
As at January 1, 2022	₱–	₱7,790,965	₱1,903,039	₱8,120,807	₱10,337,850	₱9,896,786	₱18,020,851	₱737,640	₱1,077,060	₱44,531	₱–	₱57,929,529
Depreciation and amortization	–	787,373	233,359	726,437	785,672	1,374,376	1,471,704	112,868	1,010,940	59,037	–	6,561,766
Reclassifications	–	(698,684)	802,480	106,132	(642,658)	1,434,083	4,941,874	453,730	7,020,331	1,308,505	–	14,725,793
Translation adjustment	–	–	–	–	–	(54,499)	–	–	–	–	–	(54,499)
Disposals/retirements	–	(122,875)	(315,148)	(565,611)	(480,809)	(397,026)	(1,110,122)	(84,699)	(1,245,888)	(2,181)	–	(4,324,359)
As at December 31, 2022	–	7,756,779	2,623,730	8,387,765	10,000,055	12,253,720	23,324,307	1,219,539	7,862,443	1,409,892	–	74,838,230
Depreciation and amortization	–	**922,703**	**226,928**	**1,307,897**	**767,376**	**1,501,025**	**1,479,149**	**86,398**	**961,991**	**48,134**	–	**7,301,601**
Reclassifications	–	**19,324**	**(587,914)**	**(280,871)**	**262,420**	**(83,810)**	**275,569**	**102,087**	–	–	–	**(293,195)**
Disposals/retirements	–	**(544,403)**	**(140,809)**	**(403,861)**	**(822,584)**	**(181,623)**	**(256,732)**	**(99,970)**	**(102,792)**	**(21,660)**	–	**(2,574,434)**
As at December 31, 2023	**₱–**	**₱8,154,403**	**₱2,121,935**	**₱9,010,930**	**₱10,207,267**	**₱13,489,312**	**₱24,822,293**	**₱1,308,054**	**₱8,721,642**	**₱1,436,366**	**₱–**	**₱79,272,202**
Net Book Value												
As at December 31, 2023	**₱1,718,794**	**₱12,618,290**	**₱841,373**	**₱2,842,519**	**₱2,574,823**	**₱10,917,074**	**₱8,000,358**	**₱414,867**	**₱6,632,240**	**₱167,344**	**₱6,123,951**	**₱52,851,633**
As at December 31, 2022	1,718,794	12,135,968	725,547	2,234,834	2,611,108	9,202,727	6,982,897	437,716	6,845,114	215,143	4,771,166	47,881,014

As at December 31, 2023 and 2022, a passenger cargo-ship was used as collateral for a subsidiary's long-term debt (see Note 19).

15. Investment Properties

The movements in this account follow:

	Land Held for Future Development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)			
Cost						
As at January 1, 2022	₱82,118,174	₱83,225,124	₱284,850,141	₱48,301,269	₱76,809,546	₱575,304,254
Additions	3,207,518	2,382,608	2,360,096	2,389,145	23,651,068	33,990,435
Effect of business combination	–	168,530	15,912	639,737	528,338	1,352,517
Reclassifications (Note 11)	(1,461,375)	2,221,280	26,542,114	4,033,427	(32,511,422)	(1,175,976)
Translation adjustment	–	14,239	344,383	27,723	84,967	471,312
Disposals	(17,590)	(299,145)	(156,421)	(46,618)	–	(519,774)
As at December 31, 2022	83,846,727	87,712,636	313,956,225	55,344,683	68,562,497	609,422,768
Additions	**4,442,123**	**11,637,554**	**2,421,367**	**3,121,210**	**46,583,698**	**68,205,952**
Reclassifications (Note 11)	**(89,781)**	**2,683,563**	**24,423,632**	**2,482,213**	**(31,251,512)**	**(1,751,885)**
Translation adjustment	**–**	**(61,972)**	**(1,756,871)**	**(170,289)**	**(391,352)**	**(2,380,484)**
Disposals	**(3,594)**	**(312,626)**	**(109,550)**	**(530,451)**	**–**	**(956,221)**
As at December 31, 2023	**₱88,195,475**	**₱101,659,155**	**₱338,934,803**	**₱60,247,366**	**₱83,503,331**	**₱672,540,130**
Accumulated Depreciation, Amortization and Impairment Loss						
As at January 1, 2022	₱–	₱2,916,480	₱76,571,597	₱32,050,803	₱–	₱111,538,880
Depreciation and amortization	–	364,563	8,386,686	3,386,346	–	12,137,595
Reclassifications	–	(560)	(41,940)	(26,795)	–	(69,295)
Translation adjustment	–	7,652	71,693	15,935	–	95,280
Disposals	–	(161,310)	(60,358)	(40,325)	–	(261,993)
As at December 31, 2022	–	3,126,825	84,927,678	35,385,964	–	123,440,467
Depreciation and amortization	**–**	**265,404**	**9,071,500**	**3,983,725**	**–**	**13,320,629**
Reclassifications	**–**	**45**	**4,475**	**9,427**	**–**	**13,947**
Translation adjustment	**–**	**(42,708)**	**(431,780)**	**(86,870)**	**–**	**(561,358)**
Disposals	**–**	**(301,936)**	**(65,033)**	**(373,809)**	**–**	**(740,778)**
As at December 31, 2023	**₱–**	**₱3,047,630**	**₱93,506,840**	**₱38,918,437**	**₱–**	**₱135,472,907**
Net Book Value						
As at December 31, 2023	**₱88,195,475**	**₱98,611,525**	**₱245,427,963**	**₱21,328,929**	**₱83,503,331**	**₱537,067,223**
As at December 31, 2022	83,846,727	84,585,811	229,028,547	19,958,719	68,562,497	485,982,301

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱60.4 billion, ₱47.9 billion and ₱28.5 billion in 2023, 2022 and 2021, respectively. The corresponding direct operating expenses amounted to ₱33.4 billion, ₱25.3 billion and ₱18.9 billion in 2023, 2022 and 2021, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱82.0 billion and ₱67.1 billion as at December 31, 2023 and 2022, respectively.

Portions of investment properties located in China amounting to ₱1.5 billion and ₱1.6 billion as at December 31, 2023 and 2022, respectively, are used as collateral to secure domestic borrowings (see Note 19).

The outstanding construction contracts with various contractors amounted to ₱78.4 billion and ₱79.5 billion as at December 31, 2023 and 2022, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱5.8 billion and ₱4.8 billion as at December 31, 2023 and 2022, respectively. Capitalization rates used range from 2.3% to 5.4% in 2023 and 2.4% to 5.2% in 2022.

As at December 31, 2023, the fair value of substantially all investment properties amounting to ₱2.1 trillion was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date approximate their fair values. In conducting the appraisal, the independent appraisers mainly used the Market Approach and Income Approach. The Income Approach is based on the premise that the value of a property is directly related to the income it generates.

The significant assumptions used in the valuation are discount rates and capitalization rates of 8.0% to 9.0% with an average growth of 5.0%. Fair values based on market approach were assessed using sales comparison approach.

These investment properties are categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs.

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

16. Intangibles and Other Noncurrent Assets

Intangible Assets
This account consists of:

	2023	2022
	(In Thousands)	
Goodwill	**₱34,320,712**	₱34,320,712
Less accumulated impairment loss	**172,213**	172,213
Net book value	**34,148,499**	34,148,499
Trademarks, brand names and copyright	**6,127,069**	6,128,850
	₱40,275,568	₱40,277,349

Goodwill is attributable mainly to SM Prime, Supervalue, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, 2GO, GBI and PGPC (see Note 5).

Trademarks and brand names include the following:

a. Brand names of SM Supermarket and SM Hypermarket that were acquired in a business combination in 2006. These are assessed to have an indefinite life and valued using the Relief-from-Royalty Method. The royalty rate used was 3.5%, the prevailing royalty rate in 2006 in the retail assorted category.

b. Rights, title and interest in the trademark of Cherry Foodarama, Inc. that was acquired in 2015 and assessed to have a definite useful life of 10 years. In 2022, the carrying amount of ₱857.8 million has been fully amortized and taken up in profit or loss.

The recoverable amount of goodwill, trademarks and brand names have been determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management covering a five-year period and fair value less cost of disposal calculations of the underlying net assets of the CGUs.

The calculation of value-in-use is most sensitive to the following assumptions:

a. *Revenue.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. Revenue growth rates used in the cash flow projections ranged from 2.1% to 4.4%.

b. *Pre-tax discount rates*. Discount rates reflect the current market assessment of the risks to each CGU and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 12.4% to 18.1% and 12.1% to 18.4% as at December 31, 2023 and 2022, respectively.

Fair value less cost of disposal. The fair values of the CGUs were computed based on available market price for quoted instruments less cost of disposal.

Management assessed that no reasonably possible change in pre-tax discount rates, future cash inflows and fair values would cause the carrying value of goodwill in 2023 and 2022 to materially exceed its recoverable amount.

Other Noncurrent Assets
This account consists of:

	2023	2022
		(In Thousands)
Receivables from real estate buyers* (Note 10)	**₱70,600,303**	₱48,929,523
Bonds and deposits	**50,388,596**	53,671,037
Deferred tax assets (Note 26)	**6,462,108**	5,209,746
Derivative assets (Note 29)	**3,611,478**	8,508,965
Deferred input VAT	**1,559,521**	1,941,985
Escrow fund (Notes 12 and 21)	**843,732**	621,490
Land use rights	**282,333**	324,770
Defined benefit asset (Note 25)	**110,831**	129,034
Others	**4,186,191**	2,488,241
	₱138,045,093	₱121,824,791

** Pertains to the noncurrent portion of unbilled revenue from sales of real estate.*

- Bonds and deposits include deposits for its leased properties as well as deposits to contractors and suppliers relative to various construction projects and service contracts.

- Included under "Land use rights" account are certain parcels of real estate properties planned for residential development in accordance with the cooperative contracts entered into by SM Prime with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) in March 2007. The value of these real estate properties was not part of the consideration paid by SM Prime to Grand China and Oriental Land. Accordingly, the assets were recorded at carrying value under "Other noncurrent assets" account and a corresponding liability equivalent to the same amount, which is shown as part of "Tenants' deposits and others" account in the consolidated balance sheets.

- Escrow fund consists mainly of funds deposited by the Parent Company in the account of an escrow agent as required by the SEC, in connection with the corporate restructuring in 2013, and by SM Prime as required by the Department of Human Settlements and Urban Development in connection with the incentive compliance provisions of the Urban Development and Housing Act.

17. **Bank Loans**

This account consists of:

	2023	2022
	(In Thousands)	
Parent Company:		
U.S. dollar-denominated loans	**₱415,275**	₱–
Peso-denominated loans	**4,200,000**	9,995,000
Subsidiaries:		
China yuan renminbi-denominated loans	**2,288,964**	2,422,524
Peso-denominated loans	**6,510,000**	8,394,000
	₱13,414,239	₱20,811,524

The interest rates of Peso-denominated loans ranged from 4.0% to 6.9% in 2023 and 2.0% to 7.9% in 2022. The U.S. dollar-denominated loans bear an interest rate of 6.2%. The China yuan renminbi-denominated loans bear the China Loan Prime Rate (LPR) in 2023 and 2022.

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

18. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2023	2022
	(In Thousands)	
Trade	**₱116,681,582**	₱100,815,157
Accrued expenses	**23,778,417**	22,405,137
Nontrade	**17,528,203**	14,766,974
Tenants' and customers' deposits*	**14,595,837**	13,703,779
Payables to government agencies	**7,046,388**	7,437,350
Payable arising from acquisition of land	**4,502,475**	4,548,755
Accrued interest (Note 21)	**3,690,975**	3,614,442
Lease liabilities (Note 27)	**2,977,457**	3,152,827
Dividends payable	**2,486,420**	3,197,523
Subscriptions payable	**1,966,477**	1,966,477
Gift checks redeemable and others	**4,914,796**	6,353,287
	₱200,169,027	₱181,961,708

* *Includes unearned revenues from shipping and logistics of ₱54.1 million and ₱48.9 million as at December 31, 2023 and 2022, respectively, and unearned revenues from sales of real estate of ₱7.0 billion and ₱5.5 billion as at December 31, 2023 and 2022, respectively.*

- Trade payables primarily consist of liabilities to suppliers and contractors. These are not subject to interest and are normally settled on 30-to 60-day terms.

- Accrued expenses pertain to costs and expenses which are normally settled within twelve months. Details follow:

	2023	2022
	(In Thousands)	
Payable to contractors	**₱9,400,962**	₱7,979,543
Marketing and advertising and others	**9,907,485**	10,765,314
Utilities	**3,123,796**	2,495,739
Co-loading termination cost	**896,956**	713,297
Salaries and wages	**449,218**	451,244
	₱23,778,417	₱22,405,137

- Nontrade payables, accrued interest, subscriptions payable and others are expected to be settled within the next financial year.

- Tenants' deposits refer to security deposits received from tenants normally at the time of signing lease contracts. These deposits may be returned to the tenants at lease termination, net of unpaid rental, penalties and/or cost of repairs for any damage on the leased properties. Customers' deposits mainly represent the excess of collections from real estate buyers over the related revenue recognized based on POC and the non-refundable reservation fees from prospective real estate buyers which are applied to the receivable when the reservation is converted to sales. In 2023 and 2022, unearned revenue from sales of real estate recognized in profit or loss amounted to ₱2.1 billion and ₱4.3 billion, respectively.

- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.

- Payable arising from acquisition of land is expected to be settled within the next financial year.

- Gift checks are redeemable at face value.

19. Long-term Debt

This account consists of:

	December 31, 2023					December 31, 2022
	Availment	**Maturity**	**Interest Rate/Term**	**Security**	**Amount**	Amount
					(In Thousands)	
Parent Company						
U.S. dollar-denominated*	June 2014 - August 2023	June 2024 - August 2028	Fixed 4.9%-6.2%; ROP reference rate + margin; Three-Month SOFR + margin; semi-annual and quarterly	Unsecured	**₱35,159,950**	₱42,326,896
GBP-denominated*	April 2023 - July 2023	April 2025 - July 2028	Fixed 4.2%-5.3%; quarterly	Unsecured	**6,403,683**	–
Peso-denominated	September 2017 - March, 2023	April 2024 - May 2031	Fixed 3.4%-5.2%; Three-Month PHP BVAL + margin; Two-year PHP BVAL + margin; semi-annual and quarterly	Unsecured	**65,156,900**	76,124,350
Subsidiaries						
U.S. dollar-denominated*	April 2019 - June 2022	February 2024 - June 2027	LIBOR + spread; SOFR + spread; semi-annual and quarterly	Unsecured	**₱84,350,144**	₱91,062,847
China yuan renminbi-denominated**	May 2021 - December 2023	April 2026 - June 2037	Fixed 3.7%; LPR; annually	Secured	**10,590,461**	9,665,493
Peso-denominated***	September 2014 - December 2023	April 2024 - April 2032	Fixed 3.9%-7.0%; BVAL + margin	Unsecured/ Secured	**288,983,232**	268,425,993
					490,644,370	487,605,579
Less debt issue cost					**2,356,720**	2,708,662
					488,287,650	484,896,917
Less current portion					**113,528,791**	87,047,213
					₱374,758,859	₱397,849,704

BVAL – Bloomberg Valuation
ROP – Republic of the Philippines
LIBOR – London Interbank Offered Rate
SOFR – Secured Overnight Financing Rate
**Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 24)*
*** Secured by portions of investment properties located in China (see Note 15)*
****Secured by portions of property and equipment (see Note 14)*

Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱2,708,662**	₱2,672,016
Additions	**829,466**	1,134,632
Amortization and others	**(1,181,408)**	(1,097,986)
Balance at end of year	**₱2,356,720**	₱2,708,662

Repayment Schedule
The repayment schedule of long-term debt as at December 31, 2023 follows:

	Gross Debt	Debt Issue Cost	Net
		(In Thousands)	
Within 1 year	₱114,321,218	₱792,427	₱113,528,791
Over 1 year to 5 years	336,187,107	1,461,477	334,725,630
Over 5 years	40,136,045	102,816	40,033,229
	₱490,644,370	₱2,356,720	₱488,287,650

Covenants
The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at December 31, 2023 and 2022, the Group is in compliance with the terms of its debt covenants with the exception of 2GO, which is covered with a waiver from its creditor bank.

20. Equity

Capital Stock

a. Common stock

	Number of Shares	
	2023	2022
Authorized - ₱10 par value per share	**2,790,000,000**	2,790,000,000
Issued and subscribed	**1,226,114,578**	1,226,114,578

As at December 31, 2023 and 2022, the Parent Company is compliant with the minimum public float as required by the PSE.

Information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013			
(25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625

(Forward)

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
August 1, 2013		7,250,000	₱900
August 27, 2014			
Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015			
Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10

The total number of shareholders of the Company is 1,242 and 1,251 as at December 31, 2023 and 2022, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2023	2022
Authorized - ₱10 par value per share	**10,000,000**	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2023 and 2022.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

- Acquisition of various SM China Companies by SM Prime in 2007.
- Acquisition of various service companies by SM Retail in 2009.
- Corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime in 2013.
- Merger of SM Retail with other retail affiliates in 2016.
- SM Prime common control business acquisitions in 2016 and 2017.
- Merger of the Parent Company with Allfirst in August 2022.

These acquisitions were considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the consolidated financial statements.

Retained Earnings

- Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
		(In Thousands)
Balance as at January 1, 2015		₱27,000,000
Reversal	November 4, 2015	(18,000,000)
Addition	November 4, 2015	27,000,000

(Forward)

	Date of BOD Approval	Amount
Reversal	November 8, 2017	(₱27,800,000)
Addition	November 8, 2017	28,800,000
Reversal	November 10, 2021	(37,000,000)
Addition	November 10, 2021	37,000,000

Retained earnings appropriated as at December 31, 2023 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		(In Thousands)
Debt service	2024	₱27,000,000
Investments	2024	10,000,000
		₱37,000,000

- Unappropriated

  The Parent Company's cash dividend declarations in 2023 and 2022 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				(In Thousands)
April 26, 2023	May 11, 2023	May 25, 2023	₱7.50	₱9,165,175
April 27, 2022	May 13, 2022	May 26, 2022	6.25	7,528,643

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱393.8 billion and ₱335.3 billion as at December 31, 2023 and 2022, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

The retained earnings of the Parent Company available for dividend declaration amounted to ₱43.8 billion, ₱34.5 billion and ₱30.4 billion as at December 31, 2023, 2022 and 2021, respectively.

21. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

The significant transactions with related parties follow:

- Rent

  The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholders).

- Royalty and Service Fees

  The Parent Company and SM Retail receive service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to service fees, the Parent Company also receives royalty fees from certain related parties.

- Dividend Income

  The Group earns dividend income from certain related parties under common stockholders.

- Cash Placements and Loans

  The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.

- Notes Receivable

  The Group has certain notes receivable from CCC which has been collected in full as of December 31, 2022.

- Others

  The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

	Transaction Amount			Outstanding Amount			
	2023	2022	2021	**2023**	2022	Terms	Conditions
			(In Thousands)				
Banking Group							
Cash placement and investment in marketable securities	**₱–**	₱–	₱–	**₱112,090,550**	₱121,312,088	Interest-bearing	Unsecured; no impairment
Interest receivable	**–**	–	–	**122,166**	242,663	–	–
Interest income	**3,115,199**	2,084,329	1,186,798	**–**	–	–	–
Interest-bearing debt	**–**	–	–	**63,521,896**	67,368,704	Interest-bearing	Unsecured
Interest payable	**–**	–	–	**365,746**	352,951	–	–
Interest expense	**3,045,964**	2,753,606	2,388,269	**–**	–	–	–
Rent receivable	**–**	–	–	**162,982**	148,221	Noninterest-bearing	Unsecured; no impairment
Rent income	**1,307,951**	1,142,575	692,948	**–**	–	–	–
Receivable financed	**4,130,907**	–	358,861	**–**	–	Without recourse	Unsecured
Dividends receivable	**–**	–	–	**40,386**	150,403	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee receivable	**–**	–	–	**8,458**	8,441	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	**116,740**	124,260	47,481	**–**	–	–	–
Escrow fund	**–**	–	–	**841,272**	621,490	Interest-bearing	Unsecured; no impairment
Retail and Other Entities							
Rent receivable	**–**	–	–	**370,466**	363,053	Noninterest-bearing	Unsecured; no impairment
Rent income	**2,378,131**	1,945,309	1,062,811	**–**	–	–	–
Royalty and service fee receivable	**–**	–	–	**2,851,529**	2,234,281	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	**2,468,686**	2,056,294	1,642,340	**–**	–	–	–
Nontrade receivable	–	–	–	**87,007**	142,128	Noninterest-bearing	Unsecured; no impairment
Nontrade payable	–	–	–	**1,166,297**	941,000	Noninterest-bearing	Unsecured
Interest income	–	237,830	352,192	**–**	–	–	–
Dividends receivable	–	–	–	**746,019**	357,400	–	–

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are unsecured and are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel in 2023, 2022 and 2021 consist of short-term employee benefits amounting to ₱4.1 billion, ₱3.7 billion and ₱3.2 billion, respectively, and post-employment benefits amounting to ₱543.5 million, ₱536.4 million and ₱503.0 million, respectively.

22. Other Revenues

This account consists of:

	2023	2022	2021
		(In Thousands)	
Sales - processed food and others	**₱19,964,099**	₱24,604,593	₱12,810,015
Shipping, logistics and other services	**16,725,516**	14,111,385	5,656,887
Cinema and event ticket sales and others	**9,027,668**	4,216,516	498,924
Royalty and service fees	**7,756,655**	5,520,394	4,537,522
Food and beverage	**2,339,039**	1,786,358	611,751
Dividends	**911,619**	1,177,340	586,703
Others	**8,947,819**	10,223,602	10,809,766
	₱65,672,415	₱61,640,188	₱35,511,568

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

23. Costs and Expenses

This account consists of:

	2023	2022	2021
		(In Thousands)	
Cost of sales and services (Note 11)	**₱336,311,596**	₱315,651,763	₱255,252,148
Personnel cost (Note 21)	**34,201,813**	29,580,662	25,176,009
Depreciation and amortization (Notes 14, 15, 16 and 27)	**22,745,157**	21,740,973	19,799,590
Utilities	**15,133,643**	13,491,008	10,002,523
Taxes and licenses	**10,759,774**	8,442,897	8,664,108
Outside services	**10,521,569**	7,178,570	6,538,377
Marketing and selling	**9,517,534**	7,279,896	6,763,396
Supplies	**5,552,948**	2,565,154	1,938,985
Provisions (reversal of provisions) - net	**4,400,289**	5,099,217	(3,982,227)
Rent (Note 27)	**3,716,298**	3,323,087	1,200,679
Repairs and maintenance	**2,767,583**	2,410,096	1,769,627
Pension (Note 25)	**1,489,654**	1,270,890	1,253,169
Transportation and travel	**1,273,496**	1,127,112	772,406
Insurance	**1,107,341**	1,030,217	877,686
Data processing	**1,097,338**	1,089,862	827,128
Professional fees	**761,705**	720,865	277,106
Communications	**556,082**	480,584	364,341
Entertainment, representation and amusement	**494,347**	433,405	434,988
Donations	**363,177**	422,070	208,482
Management and royalty fees (Note 21)	**360,897**	371,672	173,467
Remeasurement loss (Note 5)	–	310,152	7,358,144
Others	**10,951,623**	11,410,775	7,142,790
	₱474,083,864	₱435,430,927	₱352,812,922

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

24. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2023	2022	2021
		(In Thousands)	
Interest income on:			
Cash in banks and temporary investments (Note 7)	**₱2,878,312**	₱1,664,890	₱933,399
Time deposits and other noncurrent assets (Notes 8 and 16)	**840,991**	1,174,464	797,300
Others (Note 12)	**328,975**	203,016	472,652
	₱4,048,278	₱3,042,370	₱2,203,351
Interest expense on:			
Long-term debt (Note 19)	**₱20,939,063**	₱18,330,649	₱16,210,283
Lease liabilities (Note 27)	**1,999,342**	2,029,583	2,002,343
Bank loans (Note 17)	**1,076,593**	1,152,710	859,702
Others	**69,746**	34,128	66,443
	₱24,084,744	₱21,547,070	₱19,138,771

25. Pension Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees.

Net benefit expense (included under "Costs and Expenses") consists of:

	2023	2022	2021
		(In Thousands)	
Current service cost	**₱1,360,559**	₱1,301,442	₱1,330,146
Net settlement loss (gain)	**(241)**	(238)	2,573
Net interest cost	**286,686**	211,071	120,256
Past service cost - curtailment	**10,245**	(1,931)	(14,120)
	₱1,657,249	₱1,510,344	₱1,438,855
Pension expense (Note 23)	**₱1,489,654**	₱1,270,890	₱1,253,169
Cost of sales and services (Note 23)	**167,595**	239,454	185,686

Changes in the net defined benefit liability and asset follow:

- Net Defined Benefit Liability

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
		(In Thousands)		
As at January 1, 2022	₱10,785,621	₱6,946,217	₱–	₱3,839,404
Net benefit expense (Note 23):				
Current service cost	1,134,684	–	–	1,134,684
Settlement gain	(238)	–	–	(238)
Net interest cost	616,437	385,348	487	231,576
	1,750,883	385,348	487	1,366,022
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	(629,290)	–	629,290
Actuarial changes arising from:				
Changes in financial assumptions	337,384	–	–	337,384
Changes in demographic assumptions	(89,477)	–	–	(89,477)
Experience adjustment	82,702	–	–	82,702
Others	–	–	(487)	(487)
	330,609	(629,290)	(487)	959,412
Reclassifications from defined benefit assets	487,604	1,057,443	–	(569,839)
Personnel transfers	72,559	38,624	–	33,935
Actual contributions	–	893,372	–	(893,372)
Benefits paid	(1,032,300)	(1,025,000)	–	(7,300)
Transfer to related parties	7,688	7,688	–	–
Other adjustments	291,739	152,739	–	139,000
As at December 31, 2022	12,694,403	7,827,141	–	4,867,262
Net benefit expense (Note 23):				
Current service cost	**1,314,769**	**–**	**–**	**1,314,769**
Settlement gain	**(241)**	**–**	**–**	**(241)**
Net interest cost	**997,397**	**707,658**	**146**	**289,885**
Past service cost - curtailment	**10,245**	**–**	**–**	**10,245**
	2,322,170	**707,658**	**146**	**1,614,658**
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	**–**	**(334,406)**	**–**	**334,406**
Actuarial changes arising from:				
Changes in financial assumptions	**2,115,492**	**–**	**–**	**2,115,492**
Changes in demographic assumptions	**(15,510)**	**–**	**–**	**(15,510)**
Experience adjustment	**12,364**	**–**	**–**	**12,364**
Others	**–**	**–**	**(105)**	**(105)**
	2,112,346	**(334,406)**	**(105)**	**2,446,647**
Reclassifications from defined benefit assets	**1,657,205**	**1,741,593**	**–**	**(84,388)**
Personnel transfers	**84,227**	**(42,534)**	**–**	**126,761**
Actual contributions	**–**	**2,044,189**	**–**	**(2,044,189)**
Benefits paid	**(971,728)**	**(948,288)**	**–**	**23,440**
Transfer to related parties	**49,762**	**49,136**	**–**	**626**
Other adjustments	**35,261**	**5,406**	**(17)**	**29,838**
As at December 31, 2023	**₱17,983,646**	**₱11,048,895**	**₱24**	**₱6,934,775**

- Net Defined Benefit Asset

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
		(In Thousands)		
As at January 1, 2022	₱2,741,508	₱3,566,963	₱71,818	(₱753,637)
Net benefit expense (Note 23):				
Current service cost	166,758	–	–	166,758
Net interest cost	88,378	111,836	2,953	(20,505)
Past service cost - curtailment	(1,931)	–	–	(1,931)
	253,205	111,836	2,953	144,322
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	(184,558)	–	184,558
Actuarial changes arising from:				
Changes in financial assumptions	(24,672)	–	–	(24,672)
Changes in demographic assumptions	18,998	–	–	18,998
Experience adjustment	173,154	–	–	173,154
Others	–	–	(37,208)	(37,208)
	167,480	(184,558)	(37,208)	314,830
Reclassifications from defined benefit liabilities	(920,684)	(1,253,538)	–	332,854
Personnel transfers	(140,110)	(87,700)		(52,410)
Actual contributions	–	105,869	–	(105,869)
Benefits paid	(135,908)	(135,875)	–	(33)
Transfer from the plan	(20,323)	(11,232)	–	(9,091)
Amount not recognized due to asset limit	–	–	37,571	37,571
Other adjustments	–	–	(37,571)	(37,571)
As at December 31, 2022	1,945,168	2,111,765	37,563	(129,034)
Net benefit expense (Note 23):				
Current service cost	**45,790**	–	–	**45,790**
Net interest cost	**28,480**	**34,285**	**2,606**	**(3,199)**
	74,270	**34,285**	**2,606**	**42,591**
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	**–**	**(14,261)**	**–**	**14,261**
Actuarial changes arising from:				
Changes in financial assumptions	**77,177**	**–**	**–**	**77,177**
Changes in demographic assumptions	**(2,647)**	**–**	**–**	**(2,647)**
Experience adjustment	**(24,997)**	**–**	**–**	**(24,997)**
Others	**–**	**–**	**(6,534)**	**(6,534)**
	49,533	**(14,261)**	**(6,534)**	**57,260**
Reclassifications from defined benefit liabilities	**(1,618,909)**	**(1,707,328)**	**–**	**88,419**
Personnel transfers	**(118,848)**	**7,913**	**–**	**(126,761)**
Actual contributions	**–**	**47,540**	**–**	**(47,540)**
Benefits paid	**(29,580)**	**(27,301)**	**–**	**(2,279)**
Transfer from the plan	**(10,964)**	**(13,243)**	**–**	**2,279**
Amount not recognized due to asset limit	**–**	**–**	**33,660**	**33,660**
Other adjustments	**(1,189)**	**(5,406)**	**(33,643)**	**(29,426)**
As at December 31, 2023	**₱289,481**	**₱433,964**	**₱33,652**	**(₱110,831)**

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

	2023	2022
Discount rate	**5.9% - 6.5%**	5.1% - 7.4%
Future salary increases	**3.0% - 10.0%**	2.0% - 10.0%

The assets of the Pension Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Pension Plan. The carrying amounts, which approximate the estimated fair values of the Plan assets, follow:

	2023	2022
	(In Thousands)	
Cash and cash equivalents	**₱279,604**	₱203,812
Investment in debt and other securities	**1,378,149**	1,806,677
Investment in common trust funds	**4,123,140**	4,089,437
Investment in equity securities	**337,371**	480,191
Investment in government securities	**5,287,958**	3,314,714
Others	**76,637**	44,075
	₱11,482,859	₱9,938,906

- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 3.0% to 7.8% and 2.9% to 8.0% in 2023 and 2022, respectively. These have maturities from October 2024 to August 2033 and February 2023 to December in 2023 and 2022, respectively.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds. These bonds bear interest ranging from 2.7% to 8.6% and 2.1% to 11.9% in 2023 and 2022, respectively. These bonds have maturities from October 2024 to August 2033 and May 2023 to April 2028 in 2023 and 2022, respectively.
- Others pertain to accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with the trustee bank follow:

	2023	2022
	(In Thousands)	
Balances:		
Cash and cash equivalents	**₱279,604**	₱203,812
Investment in common trust funds	**4,123,141**	4,089,437
Transactions:		
Interest income from cash and cash equivalents	**6,010**	1,005
Net income (loss) from investment in common trust funds	**216,672**	(135,180)

The Group expects to contribute about ₱2.0 billion to its Pension Plan in 2024.

The sensitivity analysis below has been determined based on reasonably possible changes in each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)
2023		
Discount rates	**50**	**(₱2,165,326)**
	(50)	**2,408,090**
Future salary increases	**100**	**2,623,065**
	(100)	**(2,356,199)**
No attrition rate	**–**	**2,025,162**
2022		
Discount rates	50	(₱872,168)
	(50)	996,350
Future salary increases	100	1,171,032
	(100)	(1,031,713)
No attrition rate	–	1,376,099

The average duration of the Group's defined benefit obligation is 4 to 22 years in 2023 and 2022.

The maturity analysis of the undiscounted benefit payments follows:

	2023	2022
	(In Thousands)	
Year 1	**₱3,638,125**	₱3,905,116
Year 2	**1,265,115**	1,260,971
Year 3	**1,313,298**	1,672,538
Year 4	**1,351,925**	1,898,062
Year 5	**1,848,886**	1,915,450
Year 6 -10	**15,029,376**	13,995,475

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

26. Income Tax

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

	2023	2022
	(In Thousands)	
Deferred tax assets:		
Lease liabilities	**₱9,514,938**	₱10,107,139
Unamortized past service cost and defined benefit liability	**2,246,111**	1,660,618
NOLCO	**2,025,739**	1,083,853
Provision for doubtful accounts and others	**1,595,198**	1,246,439
Excess of fair values over cost of investment properties	**973,652**	723,543
MCIT	**589,637**	544,532
Accrued leases	**78,715**	195,576
	17,023,990	15,561,700
Deferred tax liabilities:		
Unrealized gross profit on sales of real estate	**11,190,690**	8,896,471
ROU assets	**8,059,156**	8,680,073
Appraisal increment on investment property	**4,326,473**	4,494,557
Capitalized interest	**3,169,365**	3,259,706
Trademarks and brand names	**1,470,771**	1,470,771
Excess of fair values over cost of equity instruments	**55,262**	39,368
Unamortized past service cost and defined benefit asset	**13,467**	38,371
Others	**406,014**	270,499
	28,691,198	27,149,816
Net deferred tax liabilities	**₱11,667,208**	₱11,588,116

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

	2023	2022
	(In Thousands)	
Deferred tax assets (Note 16)	**₱6,462,108**	**₱5,209,746**
Deferred tax liabilities	**18,129,316**	**16,797,862**
	(₱11,667,208)	**(₱11,588,116)**

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3.5 billion and ₱3.4 billion as at December 31, 2023 and 2022, respectively.

Corporate Recovery and Tax Incentives for Enterprises Act
On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

The Group recognized in its consolidated financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax liabilities - net amounting to ₱1.1 billion, ₱17.9 million, and ₱1.1 billion, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

The reconciliation between the statutory tax rates and the Group's effective tax rate on income before income tax follows:

	2023	2022	2021
Statutory income tax rate	**25%**	25%	25%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	**(9)**	(9)	(11)
Interest income subjected to final tax	**(1)**	(1)	(1)
Others	**(1)**	–	1
Effective income tax rate	**14%**	15%	14%

27. Lease Agreements

As Lessor. The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

The future minimum lease receivables under the non-cancellable operating leases follow:

	2023	2022
	(In Millions)	
Within one year	**₱9,454**	₱13,150
Over one year to five years	**19,239**	23,231
Over five years	**4,078**	6,310
	₱32,771	₱42,691

As Lessee. The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.

The rollforward analysis of ROU assets follows:

	December 31, 2023		
	Land Use Rights	**Retail Stores, Office Spaces, Warehouses and Others**	**Total**
		(In Thousands)	
Cost			
As at beginning of year	**₱26,917,044**	**₱30,106,402**	**₱57,023,446**
Additions	**10,558**	**3,561,726**	**3,572,284**
Translation adjustment	**(460,661)**	**–**	**(460,661)**
Reclassifications (Note 11)	**5,708,623**	**(40,779)**	**5,667,844**
Retirements	**(10,558)**	**(806,440)**	**(816,998)**
As at end of year	**32,165,006**	**32,820,909**	**64,985,915**
Accumulated Depreciation and Amortization			
As at beginning of year	**2,368,428**	**10,516,210**	**12,884,638**
Depreciation and amortization	**718,839**	**3,365,765**	**4,084,604**
Translation adjustment	**(23,937)**	**–**	**(23,937)**
Reclassifications	**3,282**	**(98,804)**	**(95,522)**
Retirements	**(2,147)**	**(402,133)**	**(404,280)**
As at end of year	**3,064,465**	**13,381,038**	**16,445,503**
Net Book Value	**₱29,100,541**	**₱19,439,871**	**₱48,540,412**

	December 31, 2022		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
		(In Thousands)	
Cost			
As at beginning of year	₱26,952,441	₱27,339,351	₱54,291,792
Additions	1,138,124	3,710,101	4,848,225
Effect of business combination (Note 5)	106,771	6,249	113,020
Translation adjustment	(1,280,292)	30,309	(1,249,983)
Retirements	–	(979,608)	(979,608)
As at end of year	26,917,044	30,106,402	57,023,446

(Forward)

	December 31, 2022		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
		(In Thousands)	
Accumulated Depreciation and Amortization			
As at beginning of year	₱1,589,882	₱7,862,232	₱9,452,114
Depreciation and amortization	775,944	3,306,691	4,082,635
Translation adjustment	2,602	4,273	6,875
Reclassifications	–	76,558	76,558
Retirements	–	(733,544)	(733,544)
As at end of year	2,368,428	10,516,210	12,884,638
Net Book Value	₱24,548,616	₱19,590,192	₱44,138,808

The rollforward analysis of lease liabilities follows:

	2023	2022
	(In Thousands)	
As at beginning of year	**₱35,389,448**	₱33,691,435
Additions	**3,572,284**	4,848,225
Interest expense (Note 24)	**1,999,342**	2,029,583
Concessions	–	(6,098)
Terminations	**(491,683)**	(319,772)
Payments	**(5,219,712)**	(4,853,925)
Reclassification and others	**70,057**	–
As at end of year	**35,319,736**	35,389,448
Less current portion (Note 18)	**2,977,457**	3,152,827
Noncurrent portion	**₱32,342,279**	₱32,236,621

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

	2023	2022
	(In Thousands)	
Depreciation of ROU assets	**₱4,084,604**	₱4,082,635
Interest expense on lease liabilities	**1,999,342**	2,029,583

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio.

Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

The future minimum lease payables under the non-cancellable leases follow:

	2023	2022
	(In Millions)	
Within one year	**₱5,047**	₱4,920
Over one year to five years	**12,484**	13,641
Over five years	**40,606**	43,729
	₱58,137	₱62,290

Included in "Tenants' deposits and others" in the consolidated balance sheets are Tenant's deposits of ₱23.7 billion and ₱22.4 billion as at December 31, 2023 and 2022, respectively.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, consist of cash and cash equivalents, time deposits, financial assets at FVOCI, nontrade receivables, bonds and deposits, receivables from banks, accrued interest receivable, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, mainly, cross-currency swaps, interest rate swaps, foreign currency call options and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three or six months.

- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. Dollars and China yuan renminbi.

- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.

- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI in the consolidated balance sheets. Equity price risk arises from changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 19).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps and cross-currency swaps were designated by the Group under cash flow hedge accounting. Furthermore, the Group applied rollover hedging strategy to some of its currency forward contracts whereby the maturity of the hedging instrument is intentionally shorter than the maturity of the hedged item, and there is an

expectation that on expiry of the original hedging instrument it will be replaced by a new hedging instrument with similar characteristics of the instrument being replaced.

As at December 31, 2023 and 2022, after considering the effect of the swaps, approximately 78.8% and 79.1%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest-bearing debt with floating interest rates, follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Tax
		(In Millions)
2023	**100**	**(₱190.2)**
	50	**(95.1)**
	(100)	**190.2**
	(50)	**95.1**
2022	100	(₱160.2)
	50	(80.1)
	(100)	160.2
	(50)	80.1

The assumed movement in basis points for interest rate sensitivity analysis is based on observable market conditions.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options and non-deliverable forwards.

The Group's foreign currency-denominated financial assets and liabilities and their Peso equivalents follow:

	2023		2022	
	US$	**Ph₱**	US$	Ph₱
		(In Thousands)		
Current assets:				
Cash and cash equivalents	**$23,811**	**₱1,318,435**	$110,236	₱6,146,210
Receivables and contract assets	**1,333**	**73,815**	2,732	152,311
Noncurrent assets:				
Time deposits	**350,000**	**19,379,500**	345,034	19,237,383
Other noncurrent assets	**–**	**–**	17,000	947,835
Total assets	**375,144**	**20,771,750**	475,002	26,483,739
Current liabilities:				
Bank loans	**7,500**	**415,275**	–	–
Accounts payable and other current liabilities	**4,062**	**224,921**	4,650	259,257
Current portion of long-term debt	**349,983**	**19,378,549**	–	–
Noncurrent liabilities:				
Long-term debt - net of current portion	**4,966**	**274,978**	434,458	24,223,206
Total liabilities	**366,511**	**20,293,723**	439,108	24,482,463
Net	**$8,633**	**₱478,027**	$35,894	₱2,001,276

As at December 31, 2023 and 2022, approximately 27.6% and 28.6%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of ₱328.7 million, ₱209.0 million and ₱790.1 million in 2023, 2022 and 2021, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
December 31, 2023	**₱55.370**
December 31, 2022	55.755
December 31, 2021	50.999

Foreign Currency Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in U.S. Dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's financial assets and liabilities denominated in foreign currency, follows:

	Appreciation (Depreciation) of Peso	Effect on Income Before Tax
		(In Millions)
2023	**₱1.50**	**₱12.9**
	1.00	**8.6**
	(1.50)	**(12.9)**
	(1.00)	**(8.6)**
2022	₱1.50	₱53.8
	1.00	35.9
	(1.50)	(53.8)
	(1.00)	(35.9)

Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or sale of assets.

The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund raising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

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

	2023	2022
	(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	**₱101,671,685**	₱104,545,323
Current portion of time deposits	**602,466**	8,788,848

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

	2023			
	Less than 1 Year	**1 to 5 Years**	**More than 5 Years**	**Total**
		(In Thousands)		
Bank loans	**₱13,414,239**	**₱–**	**₱–**	**₱13,414,239**
Accounts payable and other current liabilities*	**175,538,851**	**–**	**–**	**175,538,851**
Long-term debt (including current portion)**	**156,852,506**	**384,720,189**	**46,019,727**	**587,592,422**
Derivative liabilities**	**10,496**	**306,585**	**–**	**317,081**
Tenants' deposits**	**96,023**	**23,450,038**	**315,851**	**23,861,912**
Other noncurrent liabilities***	**–**	**9,834,890**	**2,304,661**	**12,139,551**
	₱345,912,115	**₱418,311,702**	**₱48,640,239**	**₱812,864,056**

**Excluding nonfinancial liabilities of ₱10.0 billion.*
***Based on estimated future cash flows.*
****Excluding nonfinancial liabilities amounting to ₱20.8 billion.*

	2022			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
		(In Thousands)		
Bank loans	₱20,811,524	₱–	₱–	₱20,811,524
Accounts payable and other current liabilities*	157,445,676	–	–	157,445,676
Long-term debt (including current portion)**	100,888,369	295,992,179	148,727,650	545,608,198
Derivative liabilities**	459,320	294,403	–	753,723
Tenants' deposits**	187,177	3,066,376	19,107,547	22,361,100
Other noncurrent liabilities***	–	3,371,317	5,335,747	8,707,064
	₱279,792,066	₱302,724,275	₱173,170,944	₱755,687,285

**Excluding nonfinancial liabilities of ₱10.6 billion.*
***Based on estimated future cash flows.*
****Excluding nonfinancial liabilities amounting to ₱15.4 billion.*

Credit Risk

The Group trades only with recognized and creditworthy related and third parties. The Group policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Group's diverse customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits and certain derivative instruments, the Group's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Receivables from sales of real estate have minimal credit risk and are effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at December 31, 2023 and 2022, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to the high quality category are included in this category.

	2023			2022		
	High Quality	**Standard Quality**	**Total**	High Quality	Standard Quality	Total
			(In Thousands)			
Cash and cash equivalents (excluding cash on hand)	**₱101,671,685**	**₱–**	**₱101,671,685**	₱104,545,323	₱–	₱104,545,323
Time deposits including noncurrent portion	**22,927,147**	**–**	**22,927,147**	32,919,429	–	32,919,429
Financial assets at FVOCI	**25,530,724**	**1,534,894**	**27,065,618**	25,167,902	736,813	25,904,715
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	**86,090,325**	**7,966,598**	**94,056,923**	61,877,471	8,441,661	70,319,132
Advances and other receivables - net (includes nontrade receivables, bonds and deposits, receivable from banks, notes receivable and accrued interest receivable under "Other current assets" account in the consolidated balance sheets)**	**24,377,006**	**–**	**24,377,006**	25,535,428	–	25,535,428
Escrow fund	**843,732**	**–**	**843,732**	621,490	–	621,490
Derivative assets (including noncurrent portion)	**6,779,389**	**–**	**6,779,389**	10,126,829	–	10,126,829
	₱268,220,008	**₱9,501,492**	**₱277,721,500**	₱260,793,872	₱9,178,474	₱269,972,346

**Excluding non-financial assets of ₱44.3 billion and ₱51.2 billion as at December 31, 2023 and 2022, respectively.*
***Excluding non-financial assets of ₱235.1 million and ₱204.3 million as at December 31, 2023 and 2022, respectively.*

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The sensitivity analysis for a reasonably possible change in equity indices, with all other variables held constant, of the Group's investments in listed shares of stock, follows:

	Change in Equity Price	Effect on Equity
		(In Millions)
2023	**+1.63%**	**₱507.6**
	-1.63%	**(507.6)**
2022	+2.44%	₱670.3
	-2.44%	(670.3)

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes appropriate adjustments based on changes in economic conditions. Accordingly, the Group may adjust dividend payments to shareholders, secure new and/or pay off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity.

Net Gearing Ratio

	2023	2022
	(In Thousands)	
Bank loans	**₱13,414,239**	₱20,811,524
Long-term debt (current and noncurrent)	**488,287,650**	484,896,917
Less:		
Cash and cash equivalents (excluding cash on hand)	**(101,671,685)**	(104,545,323)
Time deposits (current and noncurrent)	**(22,927,147)**	(32,919,429)
Net interest-bearing debt (a)	**377,103,057**	368,243,689
Total equity	**772,200,205**	692,190,011
Net interest-bearing debt and total equity (b)	**₱1,149,303,262**	₱1,060,433,700
Gearing ratio - net (a/b)	**33%**	35%

Gross Gearing Ratio

	2023	2022
	(In Thousands)	
Bank loans	**₱13,414,239**	₱20,811,524
Long-term debt	**488,287,650**	484,896,917
Total interest-bearing debt (a)	**501,701,889**	505,708,441
Total equity	**772,200,205**	692,190,011
Total interest-bearing debt and total equity (b)	**₱1,273,902,094**	₱1,197,898,452
Gearing ratio - gross (a/b)	**39%**	42%

29. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

	December 31, 2023				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱25,505,874	₱25,505,874	₱25,505,874	₱–	₱–
Unlisted shares of stock	1,534,894	1,534,894	–	–	1,534,894
Club shares	24,850	24,850	–	24,850	–
Derivative assets	6,779,389	6,779,389	–	6,779,389	–
	33,845,007	33,845,007	25,505,874	6,804,239	1,534,894
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	22,324,681	22,657,988	–	22,657,988	–
	₱56,169,688	₱56,502,995	₱25,505,874	₱29,462,227	₱1,534,894
Liabilities Measured at Fair Value					
Derivative liabilities	₱317,081	₱317,081	₱–	₱317,081	₱–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	374,758,859	362,191,802	–	–	362,191,802
Tenants' deposits and others*	36,941,440	35,731,981	–	–	35,371,981
	411,700,299	397,923,783	–	–	397,923,783
	₱412,017,380	₱398,240,864	₱–	₱317,081	₱398,240,864

**Excluding nonfinancial liabilities of ₱20.8 billion and noncurrent derivative liabilities of ₱306.6 million.*

	December 31, 2022				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱25,146,102	₱25,146,102	₱25,146,102	₱–	₱–
Unlisted shares of stock	736,813	736,813	–	–	736,813
Club shares	21,800	21,800	–	21,800	–
Derivative assets	10,126,829	10,126,829	–	10,126,829	–
	36,031,544	36,031,544	25,146,102	10,148,629	736,813
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	24,130,581	24,301,426	–	24,301,426	–
	₱60,162,125	₱60,332,970	₱25,146,102	₱34,450,055	₱736,813
Liabilities Measured at Fair Value					
Derivative liabilities	₱753,723	₱753,723	₱–	₱753,723	₱–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	397,849,704	388,216,528	–	–	388,216,528
Tenants' deposits and others*	31,592,352	29,501,687	–	–	29,501,687
	429,442,056	417,718,215	–	–	417,718,215
	₱430,195,779	₱418,471,938	₱–	₱753,723	₱417,718,215

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

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2023 and 2022.

The fair values of unlisted shares of stock classified under Level 3 were determined through the income valuation approach. This valuation approach assumes that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. As at December 31, 2023 and 2022, the Group's unlisted shares of stock were valued using discount rates of 17.2% to 18.2% and 20.4% to 21.4%, respectively.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2023	2022
Time deposits (noncurrent portion)	**2.2% - 3.9%**	3.1% - 4.0%
Tenants' deposits	**2.1% - 6.9%**	2.7% - 6.9%

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 0.02% to 8.3% and 3.1% to 8.4% as at December 31, 2023 and 2022, respectively.
Variable Rate	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used were 8.2% to 8.3% and 7.4% to 8.5% as at December 31, 2023 and 2022, respectively.

Derivative Instruments. The fair values are based on quotes obtained from counterparties. The rollforward analysis of the fair value changes of derivative instruments follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱9,373,106**	(₱1,709,480)
Net changes in fair value during the year	**(1,194,648)**	11,819,742
Fair value on settled derivatives	**(1,716,150)**	(737,156)
	₱6,462,308	₱9,373,106

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2023, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:

	Notional Amount	Agreed Equivalent	Fair Value	Interest Rate	Foreign Exchange Rate	Maturity
		(In Thousands)				
Parent						
Cross Currency Swaps	$280,000	₱14,751,000	₱876,193	5.4% - 5.8%	₱51.15 - ₱56.20	2024 - 2025
Cross Currency Swaps	£90,700	6,298,557	334,506	5.7% - 5.8%	68.52 - 70.49	2025 - 2028
SM Prime						
Cross Currency Swaps	$150,000	₱7,276,500	₱1,096,049	3.6% - 3.7%	₱48.50 - ₱48.52	2024
Cross Currency Swaps	286,000	¥1,919,208	962,344	3.9% - 4.0%	¥6.69 - ¥6.72	2024
Principal Only Swaps	270,000	¥1,753,285	281,166	–	¥6.38 - ¥6.68	2026 - 2027
Foreign Exchange Forward Swaps	800,000	₱44,725,405	108,803	–	₱53.94 - ₱60.39	2024 - 2026
Interest Rate Swaps	670,000	–	2,803,247	2.3% - 2.6%	–	2025 - 2026

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges were assessed to be highly effective.

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to ₱592.0 million, ₱995.0 million and ₱216.0 million gain in 2023, 2022 and 2021, respectively.

30. EPS Computation

	Years Ended December 31		
	2023	2022	2021
	(In Thousands Except Per Share Data)		
Net income attributable to owners of the Parent (a)	**₱76,989,043**	₱61,653,665	₱40,411,896
Weighted average number of common shares outstanding (b)	**1,222,023**	1,211,846	1,204,583
Basic/Diluted EPS (a/b)	**₱63.00**	₱50.88	₱33.55

31. **Change in Liabilities Arising From Financing Activities**

	2023			2022		
	Bank Loans (Note 17)	**Long-term Debt** (Note 19)	**Lease Liabilities** (Note 27)	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
			(In Thousands)			
Balance at beginning of year	**₱20,811,524**	**₱484,896,917**	**₱35,389,448**	₱27,167,173	₱445,325,439	₱33,691,435
Availments	**45,599,966**	**107,590,529**	**3,572,284**	66,878,421	100,256,801	4,848,225
Payments	**(52,906,823)**	**(103,343,041)**	**(5,219,712)**	(73,264,105)	(72,630,533)	(4,853,925)
Cumulative translation adjustment on cash flow hedges	**(86,678)**	**(1,609,567)**	**–**	5,535	2,229,038	–
Foreign exchange movement	**(3,750)**	**408,406**	**–**	–	9,718,606	–
Business combination (Note 5)	**–**	**–**	**–**	24,500	22,183	–
Others	**–**	**344,406**	**1,577,716**	–	(24,617)	1,703,713
Balance at end of year	**₱13,414,239**	**₱488,287,650**	**₱35,319,736**	₱20,811,524	₱484,896,917	₱35,389,448

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

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation (the Company) and Subsidiaries as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

February 28, 2024

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
AS AT DECEMBER 31, 2023
(Amounts in Thousands Except Per Share Data)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Temporary investments*		**₱80,826,837**	**–**	**₱2,696,113**
Time deposits – current*		**602,466**	**–**	**17,618**
Financial Asset at FVOCI:				
Shares of Stock:				
Common shares:				
Shang Properties, Inc.	189,550,548 shares	695,651	695,651	54,856
Republic Glass Holdings Corporation	14,230,000 shares	42,690	42,690	427
PICOP Resources, Inc.	40,000,000 shares	8,200	8,200	–
Benguet Corporation	266,757 shares	1,299	1,299	–
		747,840	**747,840**	**55,283**
Total Current Financial Assets		**₱82,177,143**	**₱747,840**	**₱2,769,014**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Financial Asset at FVOCI– noncurrent:				
Shares of Stock				
Listed:				
Ayala Corporation	28,249,341 shares	₱19,237,801	₱19,237,801	₱215,034
DMCI Holdings	164,312,700 shares	1,605,335	1,605,335	236,610
Grab Holdings, Ltd.	6,900,000 shares	1,287,519	1,287,519	–
D.M. Wenceslao and Associates, Incorporated	79,167,800 shares	408,506	408,506	5,935
The Philippine Stock Exchange, Inc.	3,595,639 shares	611,259	611,259	35,956
ACEN	81,412,653 shares	356,587	356,587	3,256
Others		1,251,027	1,251,027	58,180
Unlisted:				
Heavenly Garden Development Corp.	25,000 shares	2,500	2,500	–
SM Insurance Brokers Services, Inc.	129,390 shares	150	150	–
Mutual Development Center, Inc.	4,633 shares	1,259	1,259	1,087
NLEX Corporation	732,600 shares	836,825	836,825	300,278
Others		694,160	694,160	–
		₱26,292,928	₱26,292,928	₱856,336

(Forward)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Club Shares				
Cebu Golf & Country Club	1 share	₱15,000	₱15,000	₱ –
Baguio Country Club	1 share	6,000	6,000	–
Mimosa Golf & Country Club, Inc.	1 share	150	150	–
Country Club of Tagaytay Highlands	1 share	2,000	2,000	–
Camp John Hay	2 shares	600	600	–
Subic Bay Yacht Club	1 share	200	200	–
Splendido Taal Golf Club	1 share	200	200	–
Calatagan Golf Club	1 share	650	650	–
Cresta del Mar	1 share	35	35	–
Ridge Resort	1 share	15	15	–
		24,850	24,850	–
		26,317,778	**26,317,778**	**856,336**
Time Deposits – noncurrent*		**22,324,681**	**–**	**823,373**
Total Noncurrent Financial Assets		**₱48,642,459**	**₱26,317,778**	**₱1,679,709**

**Excluding cash on hand and in banks.*

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Accounts receivable – Tenants							
SM Retail Inc. and subsidiaries	₱2,734,043	₱14,900,179	(₱14,914,377)	₱–	₱2,719,845	₱–	₱2,719,845
SM Prime Holdings, Inc. and subsidiaries	38,499	159,420	(132,212)	–	65,707	–	65,707
AIC Group of Companies Holdings Corp.	6,606	29,237	(29,199)	–	6,644	–	6,644
Manila Southcoast Development Corp.	161	1,192	(1,185)	–	168	–	168
Goldilocks Bakeshop Inc. and subsidiaries	40,876	346,536	(342,519)	–	44,893	–	44,893
2GO Group, Inc. and subsidiaries	15,270	137,391	(133,116)	–	19,545	–	19,545
SM Investments Corporation	15,049	69,449	(66,992)	–	17,506	–	17,506
Total Accounts Receivable-Tenants	**₱2,850,504**	**₱15,643,404**	**(₱15,619,600)**	**₱–**	**₱2,874,308**	**–**	**₱2,874,308**

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Due From Related Parties							
Allfirst Renewables Holdings, Inc.	₱16,000	₱–	(₱16,000)	₱–	₱–	₱–	₱–
Belleshares Holdings, Inc. (formerly SM Commercial Properties, Inc.)	1,717,862	–	(155,000)	–	1,562,862	–	1,562,862
Henfels Investments Co. Inc.	6,087,080	–	(92)	–	6,086,988	–	6,086,988
Intercontinental Development Corporation	168,100	26,030	–	–	194,130	–	194,130
Manila Southcoast Development Corp.	3,414,816	296,831	–	–	3,711,647	–	3,711,647
Mountain Bliss Resort and Development Corp.	979,317	–	–	–	979,317	–	979,317
Multi Realty Development Corporation	1,375,000	–	–	–	1,375,000	–	1,375,000
Primebridge Holdings, Inc.	1,000	–	–	–	1,000	–	1,000
Total Due From Related Parties	**₱13,759,175**	**₱322,861**	**(₱171,092)**	**₱–**	**₱13,910,944**	**₱–**	**₱13,910,944**

Accounts receivable–royalty, management and service fees	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
SM Retail Inc. and subsidiaries	₱626,459	₱4,327,398	(₱3,682,555)	₱–	₱1,271,302	₱–	₱1,271,302
SM Prime Holdings, Inc. and subsidiaries	6,419	281,941	(276,298)	–	12,062	–	12,062
Philippine Geothermal Production Company, Inc.	1,130	12,000	(13,130)	–	–	–	–
Intercontinental Development Corporation	–	7,003	–	–	7,003	–	7,003
2Go Group, Inc. and subsidiaries	20,813	19,040	(26,011)	–	13,842	–	13,842
Goldilocks Bakeshop Inc. and subsidiaries	–	18,681	(18,681)	–	–	–	–
Belleshares Holdings, Inc.	6,862	–	–	–	6,862	–	6,862
SM Investments Corporation	2,860	51,992	(51,940)	–	2,912	–	2,912
Accounts receivable–royalty, management and service fees	**₱664,543**	**₱4,718,055**	**(₱4,068,615)**	**₱–**	**₱1,313,983**	**₱–**	**₱1,313,983**

Dividends Receivable	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
SM Retail, Inc	₱7,726,849	₱8,499,533	(₱10,817,586)	₱–	₱5,408,796	₱–	₱5,408,796
SM Prime Holdings, Inc.	–	3,401,771	(3,401,771)	–	–	–	–
Henfels Investments Co. Inc.	160,000	316,500	(301,500)	–	175,000	–	175,000
Neo Subsidiaries	–	997,500	(522,500)	–	475,000	–	475,000
Nagtahan Property Holdings, Inc.	4,687	4,986	(4,687)	–	4,986	–	4,986
Globalfund Holdings, Inc.	50,000	305,000	(245,000)	–	110,000	–	110,000
Goldilocks Bakeshop Inc.	–	444,519	(444,519)	–	–	–	–
SM Investments Corporation	–	1,108	(1,108)	–	–	–	–
Total Dividends Receivable	**₱7,941,536**	**₱13,970,917**	**(₱15,738,671)**	**₱–**	**₱6,173,782**	**₱–**	**₱6,173,782**

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
AS AT DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Principal Stockholders	Others
Common Stock	2,790,000,000	1,222,023,358	–	102,878,781	537,413,179	581,731,398

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation (the Company) and Subsidiaries as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

February 28, 2024

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2023 AND 2022
(AMOUNTS IN THOUSANDS)

			December 31, 2023		December 31, 2022	
i.	Current ratio	Total current assets	359,471,325	1.09 : 1	361,549,410	1.23 : 1
		Total current liabilities	330,761,980		293,025,159	
ii.	Acid test ratio	Total current assets less inventories and other current assets	184,305,386	0.56 : 1	200,205,374	0.68 : 1
		Total current liabilities	330,761,980		293,025,159	
iii.	Solvency ratio*	Net income after tax + Depreciation and amortization	130,891,754	16.1%	107,999,236	13.7%
		Total liabilities	814,018,308		787,235,629	
iv.	Debt-to-equity ratio	Total interest-bearing debt	501,701,889	39 : 61	505,708,441	42 : 58
		Total equity + Total interest-bearing debt	1,273,902,094		1,197,898,452	
	Net debt-to-equity ratio	Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits	377,103,056	33 : 67	368,243,689	35 : 65
		Total equity + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits	1,149,303,261		1,060,433,700	
v.	Asset to equity ratio	Total assets	1,586,218,513	2.05	1,479,425,640	2.14
		Total equity	772,200,205		692,190,011	
vi.	Return on assets	Net income after tax	106,185,063	7.0%	84,345,373	5.9%
		Average assets	1,523,561,263		1,432,480,364	
vii.	Return on equity	Net income attributable to equity holders of the parent	76,989,043	14.5%	61,653,665	13.1%
		Average equity attributable to equity holders of the parent	530,460,556		471,448,447	

(Forward)

viii.	Interest rate coverage ratio	Income from operations + Depreciation and amortization	166,874,714	6.93	141,221,514	6.55
		Interest expense	24,084,744		21,547,070	
ix.	Net profit margin	Net income after tax	106,185,063	17.2%	84,345,373	15.3%
		Total revenues	616,251,887		552,998,578	

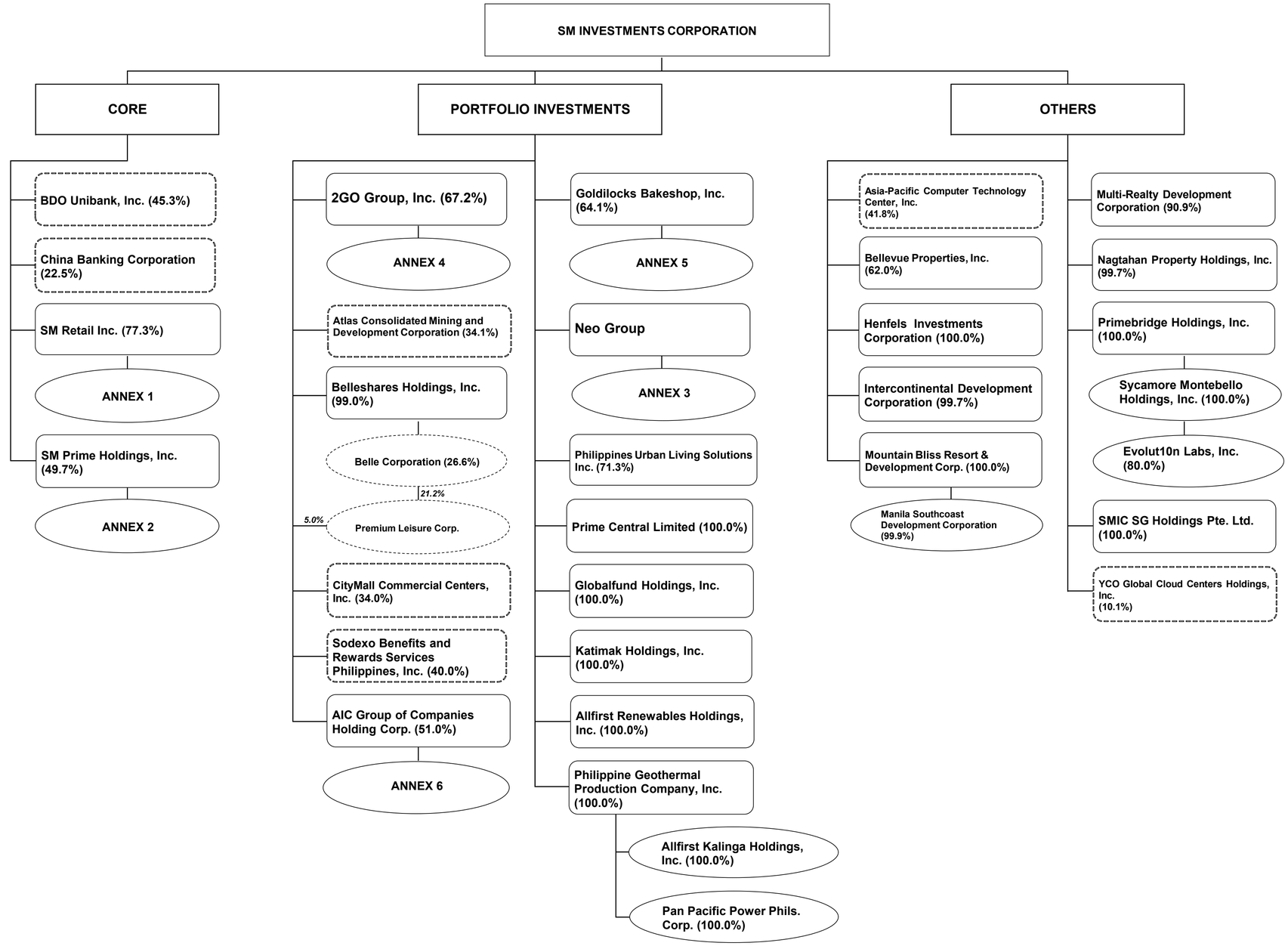
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2023
(Amounts in Thousands)

SM Investments Corporation

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

Unappropriated RE, December 31, 2022		₱34,555,186
Adjustments to beginning unappropriated RE:		
Rental income from straight-line amortization in excess of rental payments	(108,885)	
Actuarial loss as at January 1, 2013 recorded as expense	48,548	(60,337)
Unappropriated RE, as adjusted to available for dividend distribution, beginning		34,494,849
Net income during the period closed to Retained Earnings	18,478,227	
Less: Unrealized foreign exchange gain – net (except those attributable to Cash and Cash Equivalents)	(631)	
Rental income from straight-line amortization in excess of rental payments	(5,076)	
	(5,707)	
Net income actually earned during the period		18,472,520
Less: Cash dividends declared during the period		(9,165,175)
Unappropriated RE, as adjusted to available for dividend distribution, December 31, 2023		₱43,802,194

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)

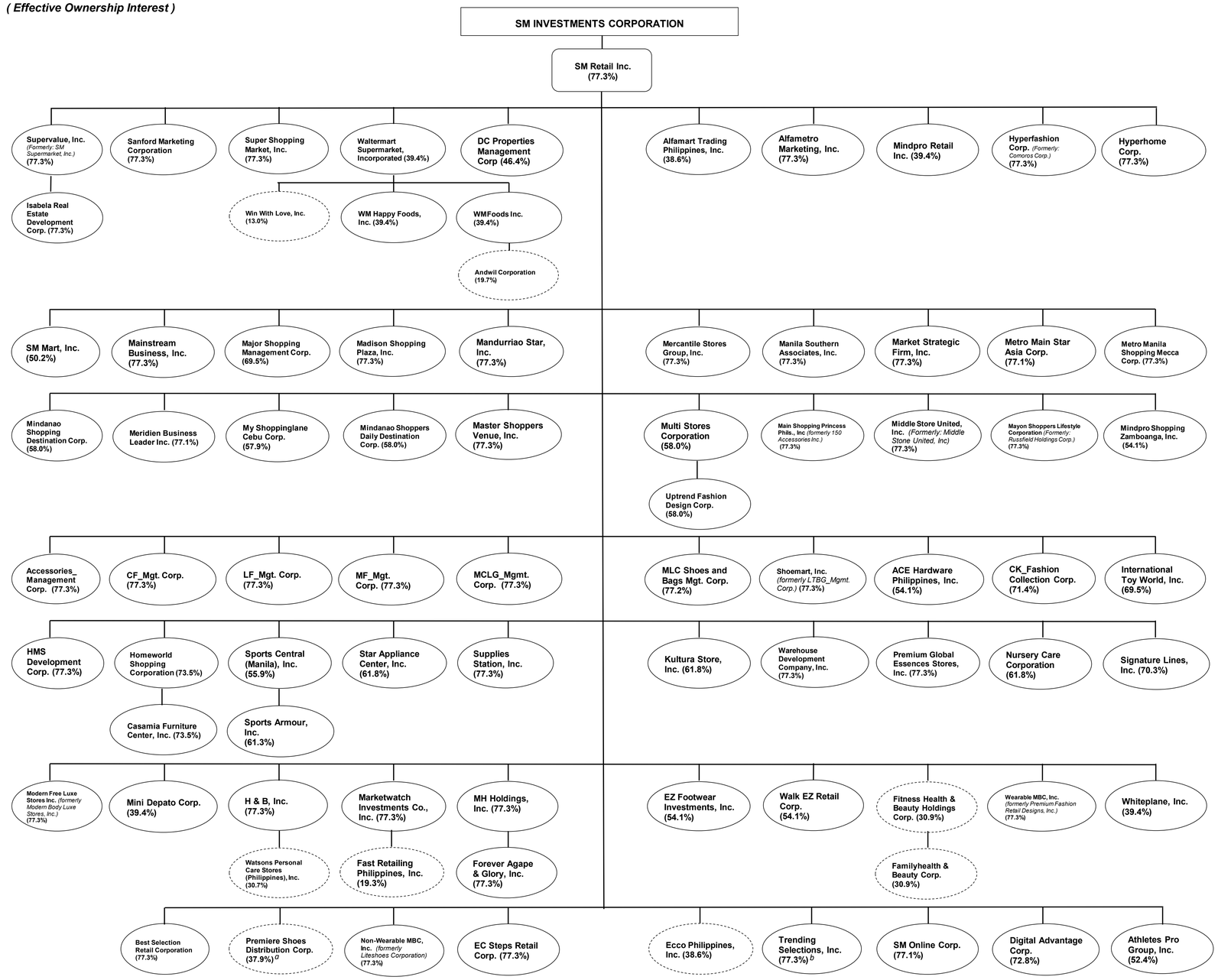


Legend:



SMIC Conglomerate Map

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)



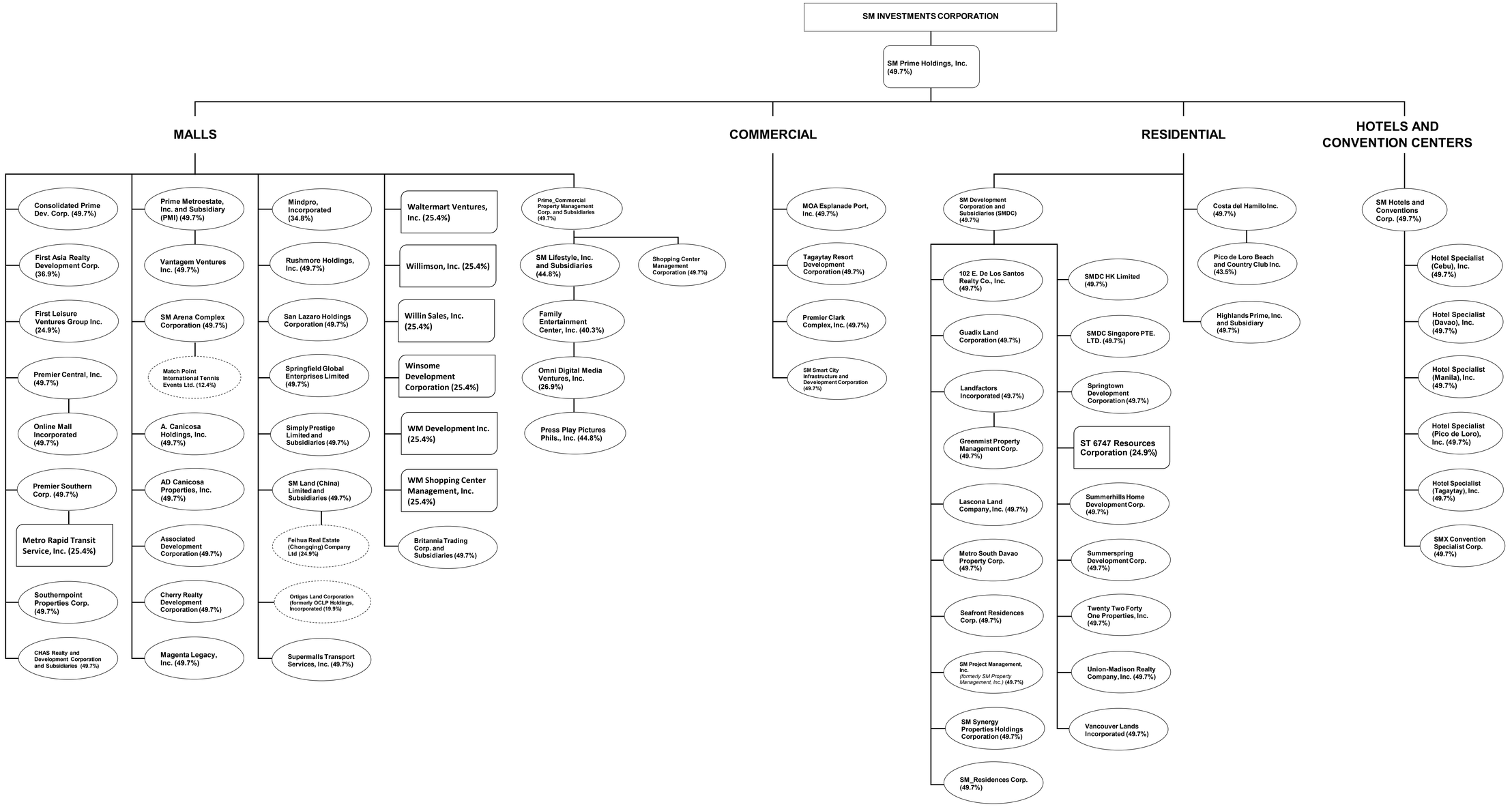
Legend:

SMIC Subsidiary | Subsidiaries of SM Retail | Associates of SM Retail

[a] Corporate life ended effective November 30, 2023

[b] Corporate life ended effective October 31, 2023

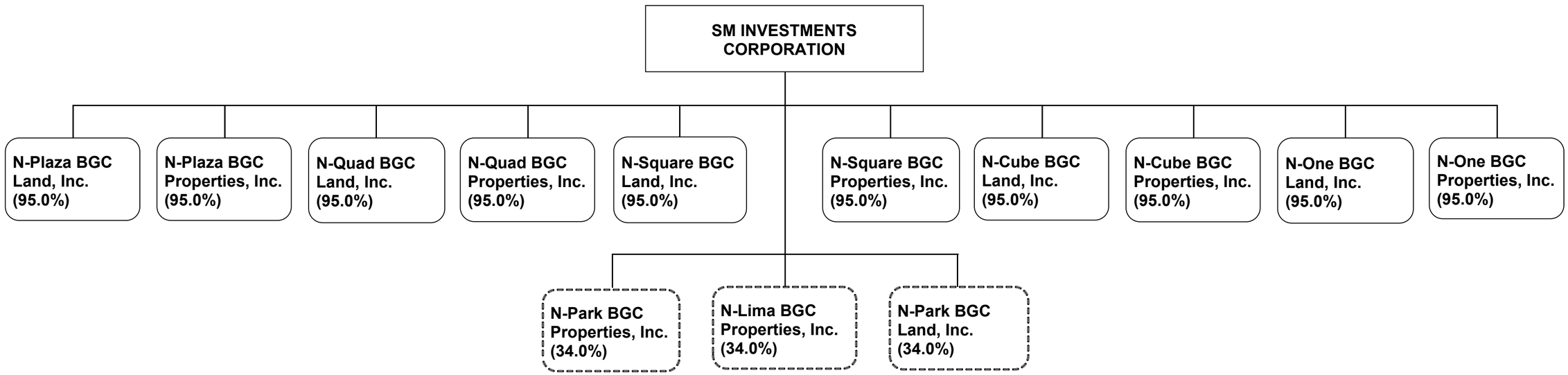
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)



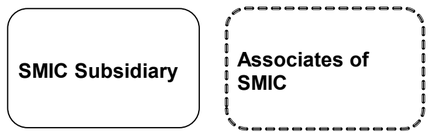
Legend:

SMIC Subsidiary	Subsidiaries of SM Prime	Associates of SM Prime	Joint Ventures of SM Prime

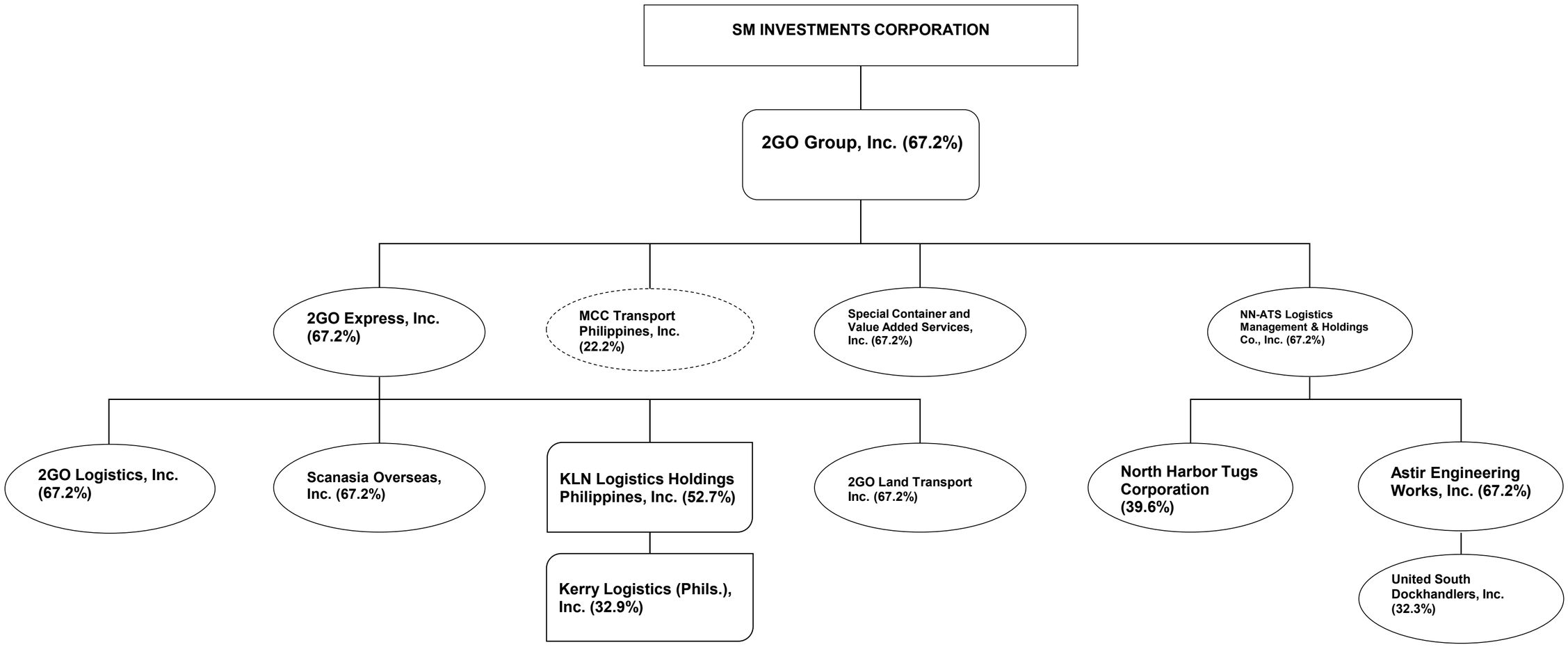
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)



Legend:



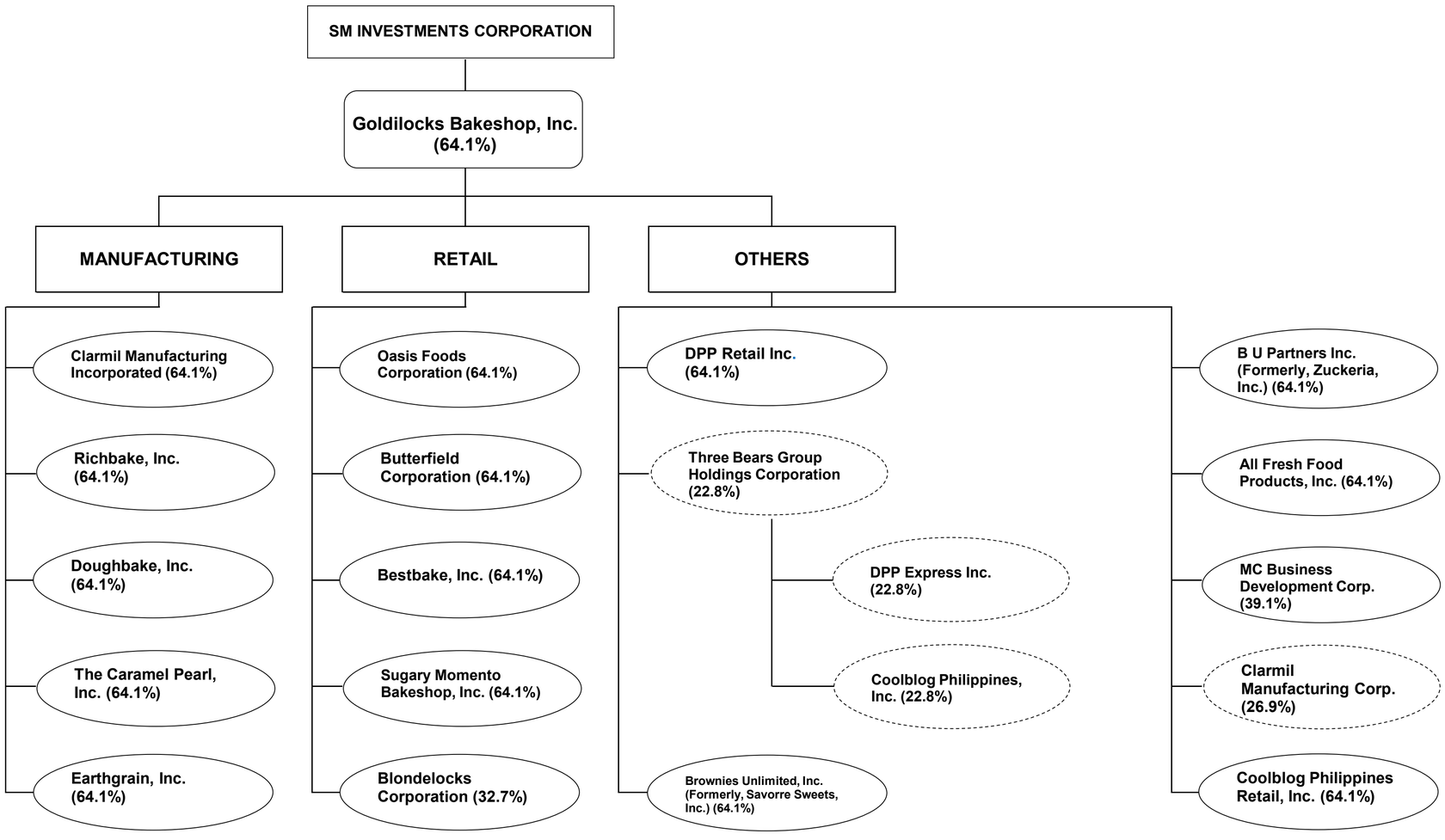
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)



Legend:



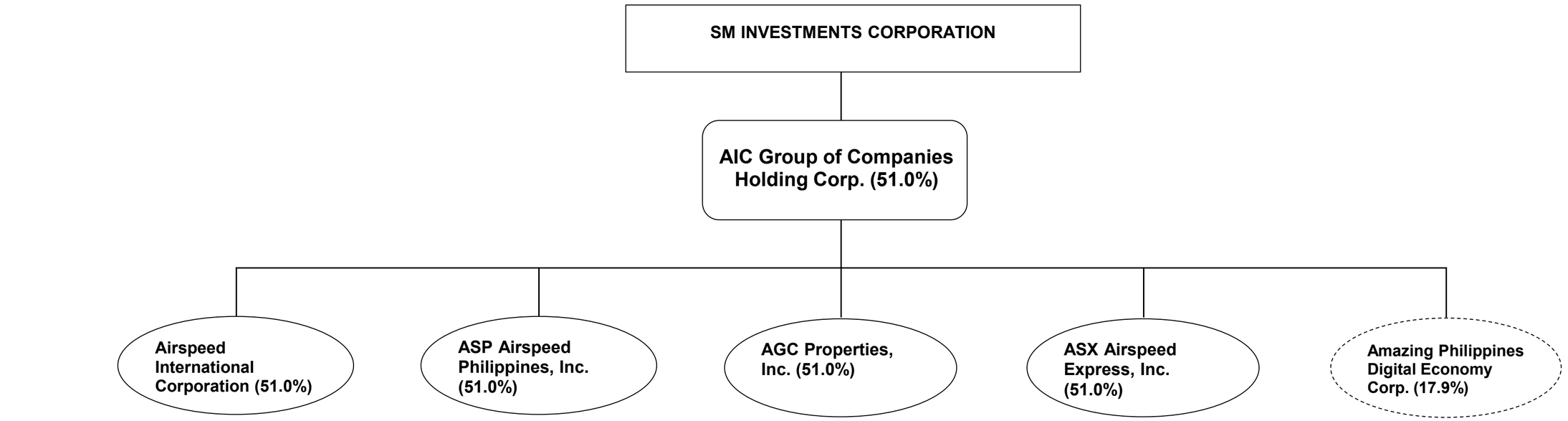
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)



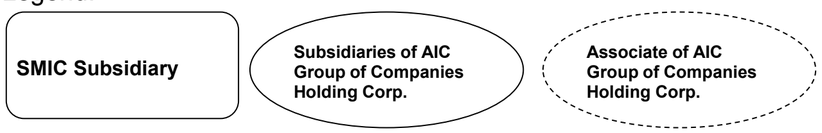
Legend:

SMIC Subsidiary | Subsidiaries of Goldilocks Bakeshop, Inc. | Associates of Goldilocks Bakeshop, Inc.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2023
(Effective Ownership Interest)



Legend:



COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	6	3	4	2

Company Name

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N				

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

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,	
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0		

Form Type	Department requiring the report	Secondary License Type, If Applicable
PHFS1		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Secondary License Type, If Applicable
	857-0100	_

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,242	April 24, 2024	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	-	8857-0100	-

Contact Person's Address

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurance thereof with information and complete contact details of the new contact person designated.

Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Control No.:
Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)
CURRENT ADDRESS: 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, 1300
TEL. NO.: 8857-0100 **FAX NO.:**
COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	**285,343,254**	**290,285,731**
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	35,085,784	44,072,355
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	5,786,153	5,100,636
A.1.1.1 On hand	77	77
A.1.1.2 In domestic banks/entities	5,786,076	5,100,559
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	26,232,888	26,495,963
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	26,232,888	26,495,963
A.1.2.1.1 Due from customers (Royalty and Service Fees and Tenants)	4,502,450	3,141,183
A.1.2.1.2 Due from related parties	13,910,944	13,759,175
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2 + A.1.2.1.3.3)	7,819,494	9,595,605
A.1.2.1.3.1 Accrued interest	51,086	120,468
A.1.2.1.3.2 Dividends	6,498,102	8,107,994
A.1.2.1.3.3 Non-trade and others	1,270,306	1,367,143
A.1.2.1.4 Allowance for doubtful accounts (**negative entry**)	0	0
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	0	0
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (**negative entry**)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	0	0
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)	0	0
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	0	0
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	0	0
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	0	0
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:
Form Type: PHFS1 (rev 2006)

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)
CURRENT ADDRESS: 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, 1300
TEL. NO.: 8857-0100 FAX NO.:
COMPANY TYPE : Holding Company PSIC: 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)	0	0
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	0	0
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions	0	0
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)	0	0
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)	0	0
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	3,066,743	12,475,756
A.1.5.1 Time deposits	158,570	8,753,535
A.1.5.2 Prepaid taxes and other prepayments and supplies	1,987,335	2,014,478
A.1.5.3 Derivative assets	920,838	1,707,743
A.1.5.4		
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8)	554,054	428,010
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement	114,486	114,486
A.2.3 Machinery and equipment (on hand and in transit)	29,878	29,878
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	444,485	444,485
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	1,390,446	1,106,323
A.2.5.1 Property or equipment used for education purposes		
A.2.5.2 Construction in progress		
A.2.5.3 Furniture, fixtures and office equipment	1,390,446	1,106,323
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)	0	0
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	(1,425,241)	(1,267,162)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)	212,048,872	208,365,312
A.3.1 Equity in domestic subsidiaries/affiliates	211,755,245	208,365,264
A.3.2 Equity in foreign branches/subsidiaries/affiliates	293,627	48
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)	0	0
A.3.3.1	0	0
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property	3,372,555	3,410,550
A.5 Biological Assets		
A.6 Intangible Assets	0	120
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	0	120
A.6.1.1 Software	0	120
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	0	0
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

Control No.:
Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)
CURRENT ADDRESS: 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, 1300
TEL. NO.: 8857-0100 **FAX NO.:**
COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	0	0
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	0	0
A.9.1.1	0	0
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	0	0
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	34,281,989	34,009,384
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax		
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4+A.10.4.5+A.10.4.6+10.4.7+10.4.8)	34,281,989	34,009,384
A.10.4.1 Time deposits	19,379,500	19,514,250
A.10.4.2 Financial assets at FVOCI	12,807,635	11,949,236
A.10.4.3 Bonds and deposits	1,146,140	815,216
A.10.4.4 Refundable deposits	34,509	34,509
A.10.4.5 Derivative assets	334,507	1,080,764
A.10.4.6 Escrow fund	130,000	130,000
A.10.4.7 Right-of-use assets	449,698	485,409
A.10.4.8		
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	**125,573,304**	**139,598,530**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	62,687,728	48,770,987
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	6,384,695	11,896,017
B.1.1.1 Loans/Notes Payables	4,615,275	9,995,000
B.1.1.2 Trade Payables	653,579	630,949
B.1.1.3 Payables to Related Parties	56,581	83,021
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)	1,059,260	1,187,047
B.1.1.5.1 Accrued interest	747,942	874,194
B.1.1.5.2 Accrued expenses	311,318	312,853
B.1.1.5.3	0	0
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	0	0
B.1.1.6.1		
B.1.1.6.2		
B.1.1.6.3		
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	0	0
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions	8,442,577	5,024,677
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)	2,182,359	2,582,148
B.1.4.1 Derivative liability	3,074	439,825
B.1.4.2 Advance rental and deposits	212,808	175,846
B.1.4.3 Subscription payable	1,966,477	1,966,477
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax		
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)	45,678,097	29,268,145
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt due within one year	44,875,428	28,612,743
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:	802,669	655,402
B.1.7.6.1 Payable to government agencies	783,541	633,646
B.1.7.6.2 Lease liabilities	19,128	21,756
B.1.7.6.3		

Control No.:
Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)
CURRENT ADDRESS: 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, 1300
TEL. NO.: 8857-0100 **FAX NO.:**
COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	61,458,952	89,291,121
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions	46,552,473	44,994,470
B.2.4 Domestic Private Non-Financial Institutions	14,906,479	24,812,620
B.2.5 Foreign Financial Institutions		19,484,031
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	1,426,624	1,536,422
B.5.1 Deferred Tax	292,282	242,587
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)	1,134,342	1,293,835
B.5.2.1 Tenants' deposits and others	569,150	725,766
B.5.2.2 Defined benefit liability	36,277	56,536
B.5.2.3 Derivative liabilities	41,572	0
B.5.2.4 Lease liabilities	487,343	511,533
B.5.2.5		
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	**159,769,950**	**150,687,201**
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	28,000,000	28,000,000
C.1.1 Common shares **2,790,000,000 @ P10 par**	27,900,000	27,900,000
C.1.2 Preferred Shares **10,000,000 sh @ P10 par**	100,000	100,000
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)	12,261,146	12,261,146
C.2.1 Common shares **1,226,114,578 sh @ P10 par**	12,261,146	12,261,146
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	12,261,146	12,261,146
C.3.1 Common shares **1,226,114,578 sh @ P10 par**	12,261,146	12,261,146
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	67,452,883	67,452,883
C.5 Minority Interest		
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)	(771,405)	(541,102)
C.6.1 Net unrealized gain on available-for-sale investments and others	33,627	215,311
C.6.2 Remeasurement loss on defined benefit liability	(805,032)	(756,413)
C.6.3 Net fair value changes on cash flow hedges		
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	80,868,238	71,555,186
C.8.1 Appropriated	37,000,000	37,000,000
C.8.2 Unappropriated	43,868,238	34,555,186
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (**negative entry**)	(40,912)	(40,912)
TOTAL LIABILITIES AND EQUITY (B + C)	**285,343,254**	**290,285,731**

Control No.:

Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)

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

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

COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	31,646,682	25,738,507
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)		
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method		
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	7,825,747	6,714,626
A.3.1 Rental Income from Land and Buildings	1,500,104	1,243,620
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)	6,325,643	5,471,006
A.3.5.1 Royalty and service fees	6,211,092	5,471,006
A.3.5.2 Reversal of impairment loss	114,551	0
A.3.5.3		
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.3.5.8		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	23,820,935	19,023,881
A.4.1 Interest Income	986,398	1,328,897
A.4.2 Dividend Income	22,558,623	16,256,320
A.4.3 Gain / (**Loss**) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	300,161	11,210
A.4.3.1 property and equipment and investment properties	0	0
A.4.3.2 investment in subsidiary	300,161	11,210
A.4.3.3		
A.4.3.4		
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	(24,247)	1,427,454
A.4.4.1 Gain / (**Loss**) on Foreign Exchange	(77,766)	515,974
A.4.4.2 Gain / (**Loss**) on fair value of derivatives	53,519	911,480
A.4.4.3		
A.4.4.4		
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	0	0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	0	0
B.1.1 Direct Material Used		
B.1.2 Direct Labor		
B.1.3 Other Manufacturing Cost / Overhead		
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (**negative entry**)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (**negative entry**)		
C. COST OF SALES (C.1 + C.2 + C.3)	0	0
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (**negative entry**)		
D. GROSS PROFIT (A - B - C)	31,646,682	25,738,507

Control No.:

Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)

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

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

COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)	**6,901,940**	**7,645,114**
E.1 Selling or Marketing Expenses		
E.2 Administrative Expenses	6,901,940	6,905,114
E.3 General Expenses		
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	0	740,000
E.4.1		740,000
E.4.2		
E.4.3		
E.4.4		
E.4.5		
E.4.6		
E.4.7		
E.4.8		
E.4.9		
E.4.10		
F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)	**5,992,754**	**6,145,334**
F.1 Interest on Short-Term Promissory Notes	274,697	294,547
F.2 Interest on Long-Term Promissory Notes	5,379,475	5,448,451
F.3 Interest on bonds, mortgages and other long-term loans		
F.4 Amortization		
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	338,582	402,336
F.5.1 Debt issue cost	289,879	351,789
F.5.2 Lease liabilities	42,631	43,605
F.5.3 Others	6,072	6,942
F.5.4		
F.5.5		
G. NET INCOME (LOSS) BEFORE TAX (D - E - F)	**18,751,988**	**11,948,059**
H. INCOME TAX EXPENSE (negative entry)	**(273,761)**	**(294,984)**
I. INCOME(LOSS) AFTER TAX	**18,478,227**	**11,653,075**
J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)		
J.1		
J.2		
K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST		
L PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**18,478,227**	**11,653,075**
M. EARNINGS (LOSS) PER SHARE		
M.1 Basic		
M.2 Diluted		

Control No.: _____

Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)

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

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

COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA		2023 (in P'000)	2022 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items		18,751,988	11,948,059
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation and amortization		357,191	395,140
Others, specify:	Dividend income	(22,558,623)	(16,256,320)
	Interest expense	5,992,754	6,145,334
	Interest income	(986,398)	(1,328,897)
	Loss (gain) on fair value changes of derivatives - net	(53,519)	(911,480)
	Impairment loss on investment	0	740,000
	Provisions	3,417,900	3,318,500
	Gain sale of investment in shares, investment property and property and equipment	(300,161)	(11,210)
	Net benefit expense	82,914	104,278
	Net unrealized foreign exchange loss (gain)	3,850	384,653
	Amortization of deferred rent income	(5,991)	(6,535)
	Reversal of impairment loss	(114,551)	0
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables		(144,768)	1,298,609
Prepaid taxes and other current assets		27,143	161,790
Increase (Decrease) in:			
Accounts payable and other current liabilities		181,512	(326,925)
Tenants' deposits		(156,697)	106,004
Income tax paid		(117,953)	(78,748)
Contributions to the plan		(151,791)	(202,757)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)		**4,224,800**	**5,479,495**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Time deposits		8,594,545	(27,084,025)
(Increase) Decrease in Other noncurrent assets		(330,924)	23,570,167
Proceeds from sale of , specify:	Available-for-sale investmenents	0	0
	Investment in shares of stocks	1,294,623	77,150
	Software cost	0	0
	Property and equipment	0	0
	Investment properties	0	0
Additions to , specify:	Investment in shares of stocks	(5,750,154)	(423,288)
	Finanical assets	0	0
	Investment properties	(125,286)	(286,470)
	Software cost	0	0
	Property and equipment	(284,123)	(76,318)
	Effect of merger	0	104,809
Dividends received		24,142,073	16,663,136
Interest received		903,892	944,221
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)		**28,444,646**	**13,489,382**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Bank loans		10,369,025	32,966,000
Long-term debt		16,990,015	19,285,070
Payments of:			
Bank loans		(15,745,000)	(35,221,000)
Long-term debt		(28,578,438)	(21,380,217)
Dividends		(9,165,175)	(7,528,643)
Lease liabilites		(69,450)	(64,092)
Interest expense		(5,780,425)	(5,599,017)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)		**(31,979,448)**	**(17,541,899)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)		689,998	1,426,978
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(4,481)	5,382
Cash and Cash Equivalents			
Beginning of year		5,100,636	3,668,276
End of year		5,786,153	5,100,636

Control No.:
Form Type: *PHFS1 (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM INVESTMENTS CORPORATION (PARENT)
CURRENT ADDRESS: 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, 1300
TEL. NO.: 857-0100 **FAX NO.:**
COMPANY TYPE : Holding Company **PSIC:** 68110

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

(Amount in P'000)

FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Remeasurement loss on defined benefit liability	Net unrealized gain on AFS investments and others	Appropriated Retained Earnings	Unappropriated Retained Earnings	TOTAL
A. Balance, 2021	12,045,828	62,383,271	(878,938)	1,620,502	37,000,000	30,430,754	142,601,417
A.1 Correction of Error(s)							0
A.2 Changes in Accounting Policy							0
B. Restated Balance	12,045,828	62,383,271	(878,938)	1,620,502	37,000,000	30,430,754	142,601,417
C. Surplus	0	0	122,525	(1,405,191)	0	0	(1,282,666)
C.1 Surplus (Deficit) on Revaluation of Properties							0
C.2 Surplus (Deficit) on Revaluation of Investments				(1,405,191)			-1,405,191
C.3 Currency Translation Differences							0
C.4 Other Surplus (specify)	0	0	122,525	0	0	0	122,525
C.4.1 Remeasurement loss			122,525				122,525
C.4.2							0
C.4.3							0
C.4.4							0
C.4.5							0
D. Net Income (Loss) for the Period						11,653,075	11,653,075
E. Dividends (negative entry)						(7,528,643)	(7,528,643)
F. Appropriation for (specify)	0	0	0	0	0	0	0
F.1							0
F.2							0
F.3							0
F.4							0
F.5							0
G. Issuance of Capital Stock	174,406	5,069,612	0	0	0	0	5,244,018
G.1 Common Stock	215,318	5,069,612					5,284,930
G.2 Preferred Stock							0
G.3 Others	(40,912)						-40,912
H. Balance, 2022	12,220,234	67,452,883	(756,413)	215,311	37,000,000	34,555,186	150,687,201
H.1 Correction of Error (s)							0
H.2 Changes in Accounting Policy							0
I. Restated Balance	12,220,234	67,452,883	(756,413)	215,311	37,000,000	34,555,186	150,687,201
J. Surplus	0	0	(48,619)	(181,684)	0	0	-230,303
J.1 Surplus (Deficit) on Revaluation of Properties							0
J.2 Surplus (Deficit) on Revaluation of Investments				(181,684)			-181,684
J.3 Currency Translation Differences							0
J.4 Other Surplus (specify)	0	0	(48,619)	0	0	0	(48,619)
J.4.1 Remeasurement gain			(48,619)				(48,619)
J.4.2							0
J.4.3							0
J.4.4							0
J.4.5							0
K. Net Income (Loss) for the Period						18,478,227	18,478,227
L. Dividends (negative entry)						(9,165,175)	(9,165,175)
M. Appropriation for (specify)	0	0	0	0	0	0	0
M.1							0
M.2							0
M.3							0
M.4							0
M.5							0
N. Issuance of Capital Stock	0	0	0	0	0	0	0
N.1 Common Stock							0
N.2 Preferred Stock							0
N.3 Others							0
O. Balance, 2023	12,220,234	67,452,883	(805,032)	33,627	37,000,000	43,868,238	159,769,950

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: AARON PAGKATIPUNAN
Receipt Date and Time: March 27, 2024 05:33:49 PM

Company Information

SEC Registration No.: 0000016342
Company Name: S.M. INVS. CORP.
Industry Classification: J66110
Company Type: Stock Corporation

Document Information

Document ID: OST10327202482162417
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Parent
Remarks: None

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

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	6	3	4	2

C O M P A N Y N A M E

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N				

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,	
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0	

Form Type

A	A	P	F	S

Department requiring the report

Secondary License Type, If Applicable

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
–	8857-0100	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,242	April 24, 2024	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	–	8857-0100	–

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Virnadeth O. Coronado

From: Helen Grace D. Dela Cruz
Sent: Tuesday, March 26, 2024 8:52 AM
To: Virnadeth O. Coronado; Maria Jade C. Serviano
Subject: FW: (EXTERNAL)Your BIR AFS eSubmission uploads were received

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From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Tuesday, 26 March 2024 7:52 am
To: Helen Grace D. Dela Cruz <helengrace.delacruz@sminvestments.com>
Cc: Helen Grace D. Dela Cruz <helengrace.delacruz@sminvestments.com>
Subject: (EXTERNAL)Your BIR AFS eSubmission uploads were received

CAUTION: External Email "Do NOT click on the links or open the attachments unless you recognize the sender and that the content is safe."

Hi SM INVESTMENTS CORPORATION,

Valid files

- EAFS000169020TCRTY122023-01.pdf
- EAFS000169020ITRTY122023.pdf
- EAFS000169020AFSTY122023.pdf
- EAFS000169020TCRTY122023-02.pdf
- EAFS000169020OTHTY122023.pdf
- EAFS000169020TCRTY122023-03.pdf
- EAFS000169020RPTTY122023.PDF

Invalid file

- <None>

Transaction Code: **AFS-0-Q1X11XYV0NR11V1SSNRQMVR3Y03WW3QMTT**
Submission Date/Time: **Mar 26, 2024 07:51 AM**
Company TIN: **000-169-020**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SM Investments Corporation is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines is necessary, to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the parent company financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the parent company financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

AMANDO M. TETANGCO, JR.
Chairman of the Board

FREDERIC C. DYBUNCIO
President and
Chief Executive Officer

ERWIN G. PATO
Treasurer and
Executive Vice President

Signed this 28th day of February 2024

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY)

SUBSCRIBED AND SWORN to before this FEB 2 8 2024 at TAGUIG CITY affiants exhibiting to me their Taxpayer Identification Number ID, as follows:

NAMES	TIN
AMANDO M. TETANGCO, JR.	[redacted]
FREDERIC C. DYBUNCIO	[redacted]
ERWIN G. PATO	[redacted]

Doc No. 57;
Page No. 13;
Book No. II;
Series of 2024.

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
1105 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2020

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SM Investments Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



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

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of SM Investments Corporation in a separate schedule. Revenue Regulations No. 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

February 28, 2024

SM INVESTMENTS CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 23 and 27)	**₱5,786,153,290**	₱5,100,636,151
Time deposits (Notes 7, 23 and 27)	**158,570,252**	8,753,535,000
Receivables (Notes 8, 23 and 27)	**26,232,888,133**	26,495,963,483
Prepaid taxes and other current assets (Note 10)	**2,908,172,784**	3,722,220,685
Total Current Assets	**35,085,784,459**	44,072,355,319
Noncurrent Assets		
Time deposits (Notes 7, 23, 27 and 28)	**19,379,500,000**	19,514,250,000
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 27 and 28)	**12,807,634,825**	11,949,235,547
Investments in subsidiaries and associates (Note 11)	**212,048,872,495**	208,365,311,782
Property and equipment (Note 12)	**554,053,953**	428,009,839
Investment properties (Note 13)	**3,372,554,797**	3,410,549,752
Right-of-use assets (Note 26)	**449,697,717**	485,409,284
Other noncurrent assets (Notes 14, 23 and 27)	**1,645,155,905**	2,060,610,024
Total Noncurrent Assets	**250,257,469,692**	246,213,376,228
	₱285,343,254,151	₱290,285,731,547
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 23, 27 and 29)	**₱4,615,275,000**	₱9,995,000,000
Accounts payable and other current liabilities (Notes 16, 23, 26, 27 and 28)	**4,754,447,011**	5,138,566,292
Provisions (Notes 17 and 27)	**8,442,577,247**	5,024,677,247
Current portion of long-term debt (Notes 18, 23, 27 and 29)	**44,875,427,888**	28,612,743,250
Total Current Liabilities	**62,687,727,146**	48,770,986,789
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 23, 27, 28 and 29)	**61,458,951,820**	89,291,121,274
Defined benefit liability (Note 24)	**36,277,541**	56,535,877
Deferred tax liabilities (Note 25)	**292,282,026**	242,587,405
Derivative liabilities (Notes 18, 27 and 28)	**41,572,338**	–
Lease liabilities - net of current portion (Notes 23, 26, 27 and 29)	**487,342,988**	511,532,486
Tenants' deposits and others (Notes 23, 26, 27 and 28)	**569,150,191**	725,766,233
Total Noncurrent Liabilities	**62,885,576,904**	90,827,543,275
Total Liabilities	**125,573,304,050**	139,598,530,064
Equity		
Capital stock (Note 19)	**12,261,145,780**	12,261,145,780
Additional paid-in capital	**67,452,883,265**	67,452,883,265
Treasury stock (Note 19)	**(40,912,200)**	(40,912,200)
Remeasurement loss on defined benefit liability (Note 24)	**(805,031,605)**	(756,412,722)
Net unrealized gain on financial assets at FVOCI and others (Notes 9 and 28)	**33,626,790**	215,310,779
Retained earnings (Note 19):		
Appropriated	**37,000,000,000**	37,000,000,000
Unappropriated	**43,868,238,071**	34,555,186,581
Total Equity	**159,769,950,101**	150,687,201,483
	₱285,343,254,151	₱290,285,731,547

See accompanying Notes to Parent Company Financial Statements.

SM INVESTMENTS CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
REVENUES		
Dividends (Note 23)	**₱22,558,623,267**	₱16,256,320,527
Royalty and service fees (Notes 20 and 23)	**6,211,091,781**	5,471,005,720
Rent (Notes 13, 23 and 26)	**1,500,104,097**	1,243,619,670
	30,269,819,145	22,970,945,917
COSTS AND EXPENSES (Note 21)	**6,901,939,715**	6,905,113,461
OTHER INCOME (CHARGES)		
Interest expense (Notes 22 and 23)	**(5,992,755,216)**	(6,145,333,832)
Interest income (Notes 22 and 23)	**986,398,079**	1,328,896,648
Reversal of (provision for) impairment loss on investment (Note 11)	**114,550,757**	(740,000,000)
Gain from fair value changes on derivatives - net (Note 28)	**53,519,214**	911,479,958
Gain on sale of investment in subsidiaries and associates (Note 11)	**300,161,245**	11,209,801
Foreign exchange gain (loss) and others - net (Note 27)	**(77,765,630)**	515,974,103
	(4,615,891,551)	(4,117,773,322)
INCOME BEFORE INCOME TAX	**18,751,987,879**	11,948,059,134
PROVISION FOR INCOME TAX (Note 25)	**273,761,204**	294,983,953
NET INCOME	**18,478,226,675**	11,653,075,181
OTHER COMPREHENSIVE INCOME (LOSS)		
Item to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain on financial assets at FVOCI and others (Note 28)	**188,651,542**	1,076,035,129
Income tax relating to items to be reclassified to profit or loss in subsequent periods (Note 25)	**(42,052,109)**	(42,468,698)
	146,599,433	1,033,566,431
Items not to be reclassified to profit or loss in subsequent periods:		
Net unrealized loss on financial assets at FVOCI and others (Note 9)	**(328,283,422)**	(2,559,888,060)
Remeasurement gain (loss) on defined benefit liability (Note 24)	**(48,618,883)**	122,525,463
Income tax relating to items not to be reclassified to profit or loss in subsequent periods (Note 25)	**–**	121,130,517
	(376,902,305)	(2,316,232,080)
OTHER COMPREHENSIVE LOSS	**(230,302,872)**	(1,282,665,649)
TOTAL COMPREHENSIVE INCOME	**₱18,247,923,803**	₱10,370,409,532

See accompanying Notes to Parent Company Financial Statements.

SM INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Remeasurement Loss on Defined Benefit Liability	Net Unrealized Gain on Financial Assets at FVOCI and Others	Retained Earnings		Total
						Appropriated	Unappropriated	
As at January 1, 2023	**₱12,261,145,780**	**₱67,452,883,265**	**(₱40,912,200)**	**(₱756,412,722)**	**₱215,310,779**	**₱37,000,000,000**	**₱34,555,186,581**	**₱150,687,201,483**
Net income	–	–	–	–	–	–	**18,478,226,675**	**18,478,226,675**
Other comprehensive loss	–	–	–	**(48,618,883)**	**(181,683,989)**	–	–	**(230,302,872)**
Total comprehensive income (loss)	–	–	–	**(48,618,883)**	**(181,683,989)**	–	**18,478,226,675**	**18,247,923,803**
Cash dividends - ₱7.50 a share (Note 19)	–	–	–	–	–	–	**(9,165,175,185)**	**(9,165,175,185)**
As at December 31, 2023	**₱12,261,145,780**	**₱67,452,883,265**	**(₱40,912,200)**	**(₱805,031,605)**	**₱33,626,790**	**₱37,000,000,000**	**₱43,868,238,071**	**₱159,769,950,101**
As at January 1, 2022	₱12,045,828,670	₱62,383,270,999	₱–	(₱878,938,185)	₱1,620,501,891	₱37,000,000,000	₱30,430,754,319	₱142,601,417,694
Net income	–	–	–	–	–	–	11,653,075,181	11,653,075,181
Other comprehensive income (loss)	–	–	–	122,525,463	(1,405,191,112)	–	–	(1,282,665,649)
Total comprehensive income (loss)	–	–	–	122,525,463	(1,405,191,112)	–	11,653,075,181	10,370,409,532
Effect of merger (Note 5)	215,317,110	5,069,612,266	(40,912,200)	–	–	–	–	5,244,017,176
Cash dividends - ₱6.25 a share (Note 19)	–	–	–	–	–	–	(7,528,642,919)	(7,528,642,919)
As at December 31, 2022	₱12,261,145,780	₱67,452,883,265	₱(40,912,200)	(756,412,722)	₱215,310,779	₱37,000,000,000	₱34,555,186,581	₱150,687,201,483

See accompanying Notes to Parent Company Financial Statements.

SM INVESTMENTS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱18,751,987,879**	₱11,948,059,134
Adjustments for:		
Dividend income (Note 23)	**(22,558,623,267)**	(16,256,320,527)
Interest expense (Notes 22 and 23)	**5,992,755,216**	6,145,333,832
Provisions - net (Notes 17 and 21)	**3,417,900,000**	3,318,500,000
Interest income (Notes 22 and 23)	**(986,398,079)**	(1,328,896,648)
Depreciation and amortization (Notes 12, 13, 14, 21 and 26)	**357,191,383**	395,139,732
Gain on sale of investment in subsidiaries and associates (Note 11)	**(300,161,245)**	(11,209,801)
Provision for (reversal of) impairment loss on investment (Note 11)	**(114,550,757)**	740,000,000
Pension benefits (Notes 21 and 24)	**82,913,779**	104,278,268
Gain on fair value changes on derivatives - net (Note 28)	**(53,519,214)**	(911,479,958)
Amortization of deferred rent income	**(5,991,161)**	(6,535,273)
Net unrealized foreign exchange loss	**3,849,635**	384,653,536
Income before working capital changes	**4,587,354,169**	4,521,522,295
Decrease (increase) in:		
Receivables	**(144,768,248)**	1,298,609,068
Prepaid taxes and other current assets	**27,143,093**	161,789,656
Increase (decrease) in:		
Accounts payable and other current liabilities	**181,512,160**	(326,925,280)
Tenants' deposits and others	**(156,697,449)**	106,004,216
Cash generated from operations	**4,494,543,725**	5,760,999,955
Contributions to plan assets (Note 24)	**(151,790,998)**	(202,756,798)
Income tax paid	**(117,952,650)**	(78,748,348)
Net cash provided by operating activities	**4,224,800,077**	5,479,494,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments in subsidiaries and associates (Note 11)	**(5,750,154,407)**	(423,287,897)
Property and equipment (Note 12)	**(284,123,494)**	(76,318,507)
Investment properties (Note 13)	**(125,285,538)**	(286,470,006)
Proceeds from sale of investment in subsidiaries and associates (Note 11)	**1,294,622,997**	77,149,800
Dividends received	**24,142,073,526**	16,663,136,554
Interest received	**903,891,627**	944,220,604
Decrease (increase) in:		
Time deposits	**8,594,544,748**	(27,084,025,000)
Other noncurrent assets	**(330,923,878)**	23,570,166,635
Effect of merger (Note 5)	**–**	104,809,541
Net cash provided by investing activities	**28,444,645,581**	13,489,381,724

(Forward)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt (Notes 18 and 29)	**₱16,990,014,823**	₱19,285,070,024
Bank loans (Notes 15 and 29)	**10,369,025,000**	32,966,000,000
Payments of:		
Long-term debt (Notes 18 and 29)	**(28,578,438,236)**	(21,380,216,742)
Bank loans (Notes 15 and 29)	**(15,745,000,000)**	(35,221,000,000)
Dividends (Note 19)	**(9,165,175,185)**	(7,528,642,919)
Interest	**(5,780,424,535)**	(5,599,017,222)
Lease liabilities (Notes 26 and 29)	**(69,449,460)**	(64,092,405)
Net cash used in financing activities	**(31,979,447,593)**	(17,541,899,264)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**689,998,065**	1,426,977,269
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,480,926)**	5,382,812
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	**5,100,636,151**	3,668,276,070
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱5,786,153,290**	₱5,100,636,151

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

SM Investments Corporation (the Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Company is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying parent company financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 28, 2024.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value. The parent company financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance
The parent company financial statements have been prepared in compliance with PFRSs.

The Company prepares and issues consolidated financial statements in compliance with PFRSs and for the same period as the parent company financial statements. These consolidated financial statements may be obtained at the registered office address of the Company or at the Philippine SEC.

3. Summary of Material Accounting Policies, Changes and Improvements

The material accounting policies adopted in the preparation of the parent company financial statements are summarized below.

Determination of Fair Value of Assets and Liabilities
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or,
- in the most advantageous market for the asset or liability, in the absence of a principal market.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a nonfinancial asset considers the market participant's ability to generate economic benefits by using and/or selling the asset to another market participant in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured based on the lowest level input that is significant to the fair value measurement as a whole and disclosed in the parent company financial statements based on the fair value hierarchy described below:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company has assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability and fair value hierarchy.

Financial Instruments

Financial Assets

Initial Recognition and Measurement
At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Company's business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement
Subsequent to initial recognition, the Company classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
  - with recycling of cumulative gains and losses (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial Assets at Amortized Cost (Debt Instruments)
The Company measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the SCI when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, time deposits, receivables (excluding certain other receivables), escrow fund and refundable deposits (included under "Other noncurrent assets" account).

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are measured at fair value. Changes in fair value are recognized in the SCI.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative when:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and,
- The hybrid contract is not measured at FVPL.



Embedded derivatives are measured at fair value with changes in fair value recognized in the SCI. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial Assets Designated at FVOCI (Equity Instruments)
Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the SCI when the right of payment is established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company's equity instruments at FVOCI include investments in shares of stock and club shares (included under "Financial assets at FVOCI" account).

Derecognition
A financial asset, part of a financial asset or part of a group of similar financial assets, is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates the extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Modification of Financial Assets
The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the SCI, to the extent that an impairment loss has not already been recorded.



The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. The Company considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as "SPPI"

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the SCI.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

Impairment
The Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

To calculate ECLs, the Company uses a provision matrix for receivable from tenants and general approach (low credit risk simplification) for treasury assets.

ECLs are recognized in two stages. For credit exposures with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month period (a 12-month ECL). For those credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Company applies a simplified approach in calculating ECLs. The Company does not track changes in credit risk, instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable costs.

The Company's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies and advance rentals and deposits), long-term debt, lease liabilities and tenants' deposits and others (excluding deferred rent income).

Subsequent Measurement

Loans and Borrowings
Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the SCI when the liabilities are derecognized as well as through the EIR amortization process.

The calculation of amortized cost considers any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the SCI.

Financial Liabilities at FVPL
Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the SCI.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the SCI.

Exchange or Modification of Financial Liabilities
The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).



When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in the SCI.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement
The Company uses derivative financial instruments such as cross-currency swaps and non-deliverable forwards and swaps to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Cash Flow Hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the SCI. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under "Net unrealized gain on financial assets at FVOCI and others" account.



The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a nonfinancial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or nonfinancial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Investments in Subsidiaries and Associates

The Company's investments in subsidiaries (entities which the Company controls) and associates (entities in which the Company has significant influence and are neither subsidiaries nor joint ventures) are carried at cost less any impairment in value.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary or associate. The Company recognizes dividend income from its subsidiaries and associates when its right to receive the dividend is established.

Common control transactions with the subsidiaries are recorded at the carrying value of assets given up. No gain or loss is recognized from the transactions.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings, condominium units and improvements	5–25 years
Machinery and equipment	10 years
Transportation equipment	5–15 years
Furniture, fixtures and office equipment	5–10 years

The residual values, useful lives and methods of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying value of the assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment Properties

Investment properties, except land, are measured at cost, less accumulated depreciation and accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	10 years
Buildings and improvements	5–25 years
Building equipment, furniture and others	3–10 years

Construction in Progress

Construction in progress under investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

Impairment of Nonfinancial Assets

The carrying value of nonfinancial assets (investment in subsidiaries and associates, property and equipment, investment properties and right-of-use (ROU) assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units (CGUs) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the SCI in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. A previously recognized impairment loss is reversed only when there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the SCI. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Tenants' Deposits

Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Company's investment properties. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than 12 months.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria shall be met before revenue is recognized:

Dividends. Revenue is recognized when the Company's right as a shareholder to receive payment is established.

Royalty and Service Fees. Revenue is recognized when earned in accordance with the terms of the agreements.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

Gain on Sale of Investment in Subsidiaries and Associates and Financial Assets (Equity Instruments). Revenue is recognized upon delivery of the securities to the buyer or confirmation of the sale by the broker.

Interest Income. Revenue is recognized when interest accrues, considering the effective yield.

Costs and Expenses

Costs and expenses are decreases in economic benefits in the accounting period, other than those relating to distributions to equity participants. Costs and expenses are recognized as incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

Taxes

Current Income Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of each reporting period.

Deferred Income Tax. Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and their carrying amounts at each reporting period.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that the future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in OCI is recognized in OCI and not in SCI.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and/or the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Prepaid taxes and other current assets" or "Accounts payable and other current liabilities" accounts in the parent company balance sheet.

Segment Reporting

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

The property segment is involved in mall, residential and commercial development and hotel and convention center operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers and cinemas within the compound of the shopping centers. The residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking segment includes the operations of BDO Unibank Inc. (BDO) and China Banking Corporation.

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

The BOD monitors the operating results of each of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Events after the Reporting Period
Post yearend events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous year except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8*, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that a change in input or in a measurement technique is considered a change in accounting estimate if it does not result from the correction of prior period errors.

- Amendments to PAS 12*, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

- Amendments to PAS 12*, International Tax Reform - Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments clarify that PAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Global Anti-Base Erosion Model Rules (GLoBE Rules or Pillar Two Model Rules) published by the Organization for Economic Cooperation and Development (OECD), including those that implement qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Disclosures relating to the current portion of income tax relating to Pillar Two income taxes before the legislation became effective, is required for annual reporting periods beginning on or after January 1, 2023.

  The Pillar Two Model Rules apply to multinationals enterprises (MNEs) with annual consolidated revenues in excess of Euro 750 million. The Company is in scope for Pillar Two Model Rules, however, it has yet to apply the temporary exception to recognize and disclose deferred tax assets and liabilities related to Pillar Two income taxes in 2023 because the Company and its subsidiaries and associates are operating in jurisdictions in which the Pillar Two legislation is not yet in effect. The Company is monitoring developments in the enactment of these legislations. The Company will disclose known or reasonably estimable information that will help users of Company's financial statements to understand the impact of Pillar Two income taxes in the Company's financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Noncurrent*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

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

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

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

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Agreement*

  The amendments specify disclosure requirements which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective on or after January 1, 2024, with early adoption permitted.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  On December 15, 2021, the Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the International Accounting Standards Board (IASB).

  PFRS 17 is effective on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21, *Lack of Exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective on or after January 1, 2025, with early adoption permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the FSRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at reporting date.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Operating Lease Commitments - Company as Lessor. Management has determined that the Company retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.

Determining the Lease Term of Contracts with Renewal and Termination Options - Company as Lessee. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating the certainty or possibility of exercising the option to renew or terminate the lease contracts. The Company considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contracts (e.g. construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Company exercises its option to renew.

Classification of Property. In classifying assets as investment property or property and equipment, the Company considers the nature and intended use of each property separately.

- Investment property includes land, building spaces and improvements which are not occupied by or used in the operations of the Company. These are not available for sale in the ordinary course of business. The properties are held primarily to earn rental and for capital appreciation.

- Property and equipment includes properties used in the operations of the Company. These are not available for sale in the ordinary course of business.

See Notes 12 and 13 for related balances.

Classifying Investments in Associates and Subsidiaries. The classification of investments in associates or subsidiaries requires significant judgment. In making this judgment, the Company evaluates whether it has significant influence over or control of the investees.

Management assessed that the Company has significant influence over all its associates by virtue of the Company's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

Control is achieved when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if the Company has:

- Power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

SM Prime Holdings, Inc. (SM Prime) and Subsidiaries. The Company has 50% ownership interest in SM Prime. Management assessed that the Company has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Company the power to direct relevant activities of SM Prime.

BDO and Subsidiaries. The Company has 39% ownership interest in BDO. Management assessed that the Company does not have control of BDO as the Company's voting rights is not sufficient to give it power to direct the relevant activities of BDO.

Premium Leisure Corp. (PLC). The Company has 5% ownership interest in PLC. PLC is a subsidiary of Belle, an associate. Management assessed that the Company has significant influence over PLC through Belle.

YCO Global Cloud Centers Holdings, Inc. (YCO). The Company has 10.1% ownership interest in YCO. Management assessed that the Company has significant influence over YCO through its representation in the YCO's BOD.

See Note 11 for related balances.

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

Provision for ECLs of Receivables. The Company maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for receivable from tenants to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. See Note 8 for related balances.

Impairment of Investments in Subsidiaries and Associates. Impairment review of investments in subsidiaries and associates is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments using key assumptions such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 11 for related balances.

Impairment of Other Nonfinancial Assets. The Company assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties, software and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Company.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges. See Notes 12, 13, 14 and 26 for related balances.

Estimated Useful Lives of Property and Equipment, Investment Properties and Software (except for ROU Assets). The useful life of each item of the Company's property and equipment, investment properties and software is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. See Notes 12, 13 and 14 for related balances.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT over RCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. See Note 25 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.

The Company determines the appropriate discount rate at the reporting date. In determining the discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Company's pension and other pension obligations. See Note 24 for related balances.



Fair Value of Financial Assets and Liabilities. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect the SCI and OCI. See Note 28 for related balances.

Valuation of Unquoted Equity Investments. Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Company's financial assets at FVOCI at fair value in compliance with PFRS 9, *Financial Instruments*, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Company.

Leases - Estimating the IBR. The Company cannot readily determine the interest rate implicit in the lease, therefore, it used its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating). See Note 26 for related balances.

Contingencies. The Company is involved in certain legal and administrative proceedings. The Company, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

Provisions. The Company has present and potential obligations (legal or constructive) as a result of past events. Management believes that it is probable that an outflow of resources will be required to settle the obligation. The Company makes a reliable estimate of the amount to be settled.

Provisions amounted to ₱3,417.9 million and ₱5,024.7 million as at December 31, 2023 and 2022, respectively. Other information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not disclosed as it may prejudice the Company's negotiation with third parties.

5. Corporate Restructuring and Significant Acquisitions

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

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

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

Under the pooling of interests method:

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

Acquisition of AIC Group of Companies Holding Corp. (AIC)
In August 2022, the Company acquired 10,000,002 shares, increasing its equity interest from 35.0% to 51.0% (see Note 11).

6. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand and in banks (Note 23)	**₱106,326,537**	₱822,918,246
Temporary investments (Note 23)	**5,679,826,753**	4,277,717,905
	₱5,786,153,290	₱5,100,636,151

Cash in banks and investments earn interest at the prevailing rates. The tenure of temporary investments varies depending on the immediate cash requirements of the Company.

Interest earned from cash in banks and temporary investments is disclosed in Note 22.

7. Time Deposits

This account consists of:

	2023	2022
U.S. dollar-denominated	**₱19,462,555,000**	₱28,267,785,000
Peso-denominated	**75,515,252**	–
	19,538,070,252	28,267,785,000
Less current portion (Notes 23 and 27)	**158,570,252**	8,753,535,000
Noncurrent portion (Notes 23, 27 and 28)	**₱19,379,500,000**	₱19,514,250,000

The U.S. dollar-denominated time deposits bear interest ranging from 4.5% to 5.5% in 2023 and 4.0% to 4.5% in 2022. The Peso-denominated time deposits bear interest ranging from 4.0% to 5.1% in 2023.

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

8. Receivables

This account consists of:

	2023	2022
Receivables from related parties (Note 23)	**₱13,910,943,950**	₱13,759,174,799
Dividends (Note 23)	**6,498,101,824**	8,107,994,298
Royalty and service fees (Notes 20 and 23)	**4,146,019,407**	2,826,296,025
Receivables from tenants (Note 23)	**356,430,964**	314,887,416
Accrued interest (Notes 6, 7, 14 and 23)	**51,085,816**	120,467,861
Non-trade receivables and others	**1,270,306,172**	1,367,143,084
	₱26,232,888,133	₱26,495,963,483

The terms and conditions of these receivables follow:

- Dividends and non-trade receivables and others are noninterest-bearing and are collectible within the next financial year. Non-trade receivables consist of reimbursement for utilities, communications, repairs and maintenance and others.
- Receivables from tenants and royalty and service fees, mostly from affiliates, are noninterest-bearing and are normally collectible on 30-day to one year terms.
- Accrued interest pertains mostly to interest income earned from time deposits, investment in corporate bonds and long-term notes which pay interest quarterly or semi-annually.
- The terms and conditions relating to related party receivables are discussed in Note 23.

The aging analysis of receivables follow:

	2023		
	Neither Past Due nor Impaired	**Over 31 Days Past Due but not Impaired**	**Total**
Receivables from related parties	**₱13,910,943,950**	**₱–**	**₱13,910,943,950**
Dividends	**6,498,101,824**	**–**	**6,498,101,824**
Royalty and service fees	**4,146,019,407**	**–**	**4,146,019,407**
Receivables from tenants	**321,754,471**	**34,676,493**	**356,430,964**
Accrued interest	**51,085,816**	**–**	**51,085,816**
Non-trade receivables and others	**1,270,306,172**	**–**	**1,270,306,172**
	₱26,198,211,640	**₱34,676,493**	**₱26,232,888,133**

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

9. Financial Assets at FVOCI

This account consists of:

	2023	2022
Shares of stock:		
Listed (Notes 27 and 28)	**₱12,779,576,325**	₱11,923,927,047
Unlisted (Notes 5, 27 and 28)	**3,908,500**	3,908,500
Club shares (Notes 27 and 28)	**24,150,000**	21,400,000
	₱12,807,634,825	₱11,949,235,547

Financial assets at FVOCI pertain to equity investments in shares of stock and club shares which are not held for trading and which the Company has irrevocably designated at FVOCI, as the Company considers these investments to be strategic in nature.

The movements in net unrealized gain (loss) on financial assets at FVOCI follow:

	2023	2022
Balance at beginning of year	**₱87,904,685**	₱2,526,662,228
Net loss due to changes in fair value of financial assets at FVOCI	**(328,283,422)**	(2,438,757,543)
Balance at the end of year	**(₱240,378,737)**	₱87,904,685

10. Prepaid Taxes and Other Current Assets

This account consists of:

	2023	2022
Prepaid taxes and other prepayments	**₱1,985,547,289**	₱2,012,913,638
Derivative assets (Note 28)	**920,838,491**	1,707,743,299
Supplies inventory	**1,787,004**	1,563,748
	₱2,908,172,784	₱3,722,220,685

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

11. Investments in Subsidiaries and Associates

The movements in this account follow:

	2023	2022
Acquisition cost:		
Balance at beginning of year	**₱213,724,074,828**	₱200,903,052,065
Additions (Note 5)	**5,750,154,407**	423,287,897
Disposal	**(2,806,593,694)**	(65,939,999)
Effect of merger (Note 5)	**–**	12,463,674,865
Balance at end of year	**216,667,635,541**	213,724,074,828
Allowance for impairment loss:		
Balance at beginning of year	**5,358,763,046**	4,618,763,046
Additions	**–**	740,000,000
Disposal	**(625,449,243)**	–
Reversal	**(114,550,757)**	–
Balance at end of year	**4,618,763,046**	5,358,763,046
	₱212,048,872,495	₱208,365,311,782

The Company regularly performs tests of impairment of its investments comparing the expected cash flows against the carrying values. In 2023, the Company reversed ₱625.4 million due to disposal of a certain investment and reversed ₱114.6 million due to improvement in the expected cashflow. In 2022, the Company recognized ₱740.0 million of impairment loss due to market conditions.

The subsidiaries and associates of the Company follow:

		Percentage of Ownership			
		2023		2022	
Company	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Subsidiaries					
Property					
SM Prime and Subsidiaries	Real estate development	**50**	**–**	50	–
SM Development Corporation and Subsidiaries	Real estate development	**–**	**100**	–	100
Highlands Prime, Inc. and Subsidiary	Real estate development	**–**	**100**	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	**–**	**100**	–	100
Magenta Legacy, Inc.	Real estate development	**–**	**100**	–	100
Associated Development Corporation	Real estate development	**–**	**100**	–	100

(Forward)

Company	Principal Activities	Percentage of Ownership 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
Prime Metro Estate, Inc. and Subsidiary	Real estate development	–	**100**	–	100
Tagaytay Resort Development Corp	Real estate development	–	**100**	–	100
SM Arena Complex Corporation	Conventions	–	**100**	–	100
MOA Esplanade Port, Inc.	Port terminal operations	–	**100**	–	100
Premier Clark Complex, Inc.	Real estate development	–	**100**	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	–	**100**	–	100
First Asia Realty Development Corp.	Real estate development	–	**74**	–	74
Premier Central, Inc. and Subsidiary	Real estate development	–	**100**	–	100
Consolidated Prime Dev. Corp.	Real estate development	–	**100**	–	100
Premier Southern Corp.	Real estate development	–	**100**	–	100
San Lazaro Holdings Corporation	Real estate development	–	**100**	–	100
Southernpoint Properties Corp.	Real estate development	–	**100**	–	100
First Leisure Ventures Group Inc.	Real estate development	–	**50**	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	**100**	–	100
Springfield Global Enterprises Limited *[BVI]	Real estate development	–	**100**	–	100
Simply Prestige Limited and Subsidiaries *[BVI]	Real estate development	–	**100**	–	100
SM Land (China) Limited and Subsidiaries * [Hong Kong]	Real estate development	–	**100**	–	100
Rushmore Holdings, Inc.	Real estate development	–	**100**	–	100
Prime_Commercial Property Management Corp. and Subsidiaries	Real estate development	–	**100**	–	100
Mindpro, Incorporated	Real estate development	–	**70**	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	**100**	–	100
AD Canicosa Properties, Inc.	Real estate development	–	**100**	–	100
Cherry Realty Development Corporation	Real estate development	–	**100**	–	100
Supermalls Transport Services, Inc.	Real estate development	–	**100**	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	**100**	–	100
Britannia Trading Corp. and Subsidiaries	Trading, importing and exporting of goods	–	**100**	–	100
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	**100**	–	100	–
Intercontinental Development Corporation	Real estate development	**97**	**3**	97	3
Prime Central Limited and Subsidiaries *[BVI]	Investment	**100**	–	100	–
Bellevue Properties, Inc.	Real estate development	**62**	–	62	–
Neo Subsidiaries [(a)]	Real estate development	**95**	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	**100**	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	**71**	–	71	–
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	**77**	–	77	–
Digital Advantage Corp. (DAC)	Investment	–	**94**	–	94
Others					
Primebridge Holdings, Inc. and Subsidiaries	Investment	**100**	–	100	–
Multi-Realty Development Corporation	Investment	**91**	–	91	–
Henfels Investments Corporation	Investment	**100**	–	100	–
Belleshares Holdings, Inc.	Investment	**99**	–	99	–
2GO	Integrated supply chain	**67**	–	53	–
GBI	Bakery products and other food items	**64**	–	74	–
Globalfund Holdings, Inc. (Globalfund)	Investment	**100**	–	100	–
SMIC SG Holdings Pte. Ltd.*[Singapore]	Investment	**100**	–	100	–
Katimak Holdings, Inc.	Investment	**100**	–	100	–
Allfirst Renewables Holdings, Inc.	Investment	**89**	**11**	89	11
PGPC and Subsidiaries	Development and utilization of minerals, geothermal and other products	**60**	**40**	60	40
AIC	Integrated supply chain	**51**	–	51	–
Associates					
BDO and Subsidiaries	Financial Services	**39**	**8**	39	8
China Banking Corporation and Subsidiaries	Financial Services	**23**	–	23	–
Atlas and Subsidiaries	Mining	**34**	–	34	–
Sodexo Benefits and Rewards Services Philippines, Inc.	Retail	**40**	–	40	–
CityMall Commercial Centers, Inc.	Real estate development and tourism	**34**	–	34	–
PLC	Gaming	**5**	–	5	–
Neo Associates [(b)]	Real estate development	**34**	–	34	–

(Forward)

		Percentage of Ownership			
		2023		2022	
Company	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Asia-Pacific Computer Technology Center, Inc.	Investment	**42**	**–**	42	–
YCO	Data center	**10**	**–**	–	–
GPAY Network PH Inc. (GPAY)	Providing electronic money through electronic instruments	**–**	**–**	35	–

*The principal place of business and country of incorporation of the subsidiaries and associates listed in the above table is in the Philippines except for those marked * and as indicated after the company name.*

(a) Neo Subsidiaries include N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.

(b) Neo Associates include N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.

DAC

In April 2022, the Company transferred 65,939,999 shares equivalent to 94.2% equity interest to SM Retail.

2GO

In May 2023, the Company acquired 352,690,680 shares during the tender offer period from March 15, 2023 to April 28, 2023, increasing its equity interest to 67.2%.

GBI

In December 2023, the Company sold 56,117,165 shares, decreasing its equity interest to 64.1%.

Globalfund

In August 2022, the Company acquired additional 100,000 shares, increasing its equity interest to 100.0%.

YCO

In October 2023, the Company subscribed to 5,976,922 shares equivalent to 10.1% equity interest. YCO is a digital infrastructure company developing sustainably built, carrier-neutral, greenfield data centers.

GPAY

In December 2023, the Company executed a Deed of Assignment and Exchange with GP Network Asia Pte. Ltd., to swap its 526,718 GPAY shares, equivalent to 34.5% equity interest, to 6,900,000 Grab Holdings Ltd. shares, equivalent to 0.2% equity interest. Grab Holdings Ltd. is the developer of "Grab" an application for ride-hailing, food delivery and digital payments services on mobile devices that operates in Singapore, Malaysia, Cambodia, Indonesia, Myanmar, the Philippines, Thailand and Vietnam.

12. Property and Equipment

The movements in this account follow:

	Buildings, Condominium Units and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Total
Cost					
Balance as at December 31, 2021	₱107,116,840	₱29,878,349	₱444,485,133	₱1,037,373,226	₱1,618,853,548
Additions	7,369,090	–	–	68,949,417	76,318,507
Balance as at December 31, 2022	114,485,930	29,878,349	444,485,133	1,106,322,643	1,695,172,055
Additions	**–**	**–**	**–**	**284,123,494**	**284,123,494**
Balance as at December 31, 2023	**₱114,485,930**	**₱29,878,349**	**₱444,485,133**	**₱1,390,446,137**	**₱1,979,295,549**

	Buildings, Condominium Units and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Total
Accumulated Depreciation					
Balance as at December 31, 2021	₱73,851,023	₱25,203,681	₱154,779,783	₱891,018,914	₱1,144,853,401
Depreciation (Note 21)	8,403,000	896,261	24,214,414	88,795,140	122,308,815
Balance as at December 31, 2022	82,254,023	26,099,942	178,994,197	979,814,054	1,267,162,216
Depreciation (Note 21)	**8,581,585**	**893,065**	**24,214,414**	**124,390,316**	**158,079,380**
Balance as at December 31, 2023	**₱90,835,608**	**₱26,993,007**	**₱203,208,611**	**₱1,104,204,370**	**₱1,425,241,596**
Net Book Value					
As at December 31, 2023	**₱23,650,322**	**₱2,885,342**	**₱241,276,522**	**₱286,241,767**	**₱554,053,953**
As at December 31, 2022	32,231,907	3,778,407	265,490,936	126,508,589	428,009,839

13. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
Cost					
Balance as at December 31, 2021	₱1,827,590,524	₱3,392,055,905	₱129,489,265	₱27,309,698	₱5,376,445,392
Additions	6,005,051	221,415,924	4,664,348	54,384,683	286,470,006
Write-off	–	(103,189,106)	–	–	(103,189,106)
Balance as at December 31, 2022	1,833,595,575	3,510,282,723	134,153,613	81,694,381	5,559,726,292
Additions	**9,913,831**	**59,119,787**	**13,431,301**	**42,820,619**	**125,285,538**
Balance as at December 31, 2023	**₱1,843,509,406**	**₱3,569,402,510**	**₱147,584,914**	**₱124,515,000**	**₱5,685,011,830**
Accumulated Depreciation					
Balance as at December 31, 2021	₱127,090,174	₱1,740,689,976	₱84,500,056	₱–	₱1,952,280,206
Depreciation (Note 21)	85,285,667	138,569,386	9,917,024	–	233,772,077
Write-off	–	(36,875,743)	–	–	(36,875,743)
Balance as at December 31, 2022	212,375,841	1,842,383,619	94,417,080	–	2,149,176,540
Depreciation (Note 21)	**5,275,305**	**146,977,970**	**11,027,218**	**–**	**163,280,493**
Balance as at December 31, 2023	**₱217,651,146**	**₱1,989,361,589**	**₱105,444,298**	**₱–**	**₱2,312,457,033**
Net Book Value					
As at December 31, 2023	**₱1,625,858,260**	**₱1,580,040,921**	**₱42,140,616**	**₱124,515,000**	**₱3,372,554,797**
As at December 31, 2022	1,621,219,734	1,667,899,104	39,736,533	81,694,381	3,410,549,752

No impairment loss was recognized in 2023 and 2022.

The fair value of the investment properties amounting to ₱38,645.3 million as at December 31, 2023 was determined by an accredited and independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received when the investment properties are sold in an orderly transaction between market participants at the measurement date. The valuation approach used in the appraisal is the market data approach. The fair value of investment properties is categorized under Level 3 as these were based on unobservable inputs with price adjustments ranging from 5.0% to 10.0%.

Rent income from investment properties amounted to ₱1,500.1 million and ₱1,243.6 million in 2023 and 2022, respectively. The corresponding direct operating expenses amounted to ₱1,041.6 million and ₱1,055.0 million in 2023 and 2022, respectively.

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

14. Other Noncurrent Assets

This account consists of:

	2023	2022
Bonds and deposits (Note 27)	**₱1,146,140,127**	₱815,216,249
Derivative assets (Note 28)	**334,506,558**	1,080,764,612
Escrow fund (Note 27)	**130,000,000**	130,000,000
Refundable deposits (Note 27)	**34,509,220**	34,509,220
Software (Note 21)	**–**	119,943
	₱1,645,155,905	₱2,060,610,024

- Bonds and deposits include advances made by the Company to various suppliers and other parties relative to various construction projects and service contracts.

- Escrow fund pertains to funds deposited in the account of an escrow agent as required by the Philippine SEC, in connection with the corporate restructuring in 2013.

- Software includes the cost of computerized accounting system and other computer applications, programs and licenses. Software is carried at cost less accumulated amortization. Amortization is disclosed in Note 21.

- Interest income earned from bonds and deposits, long-term notes and escrow fund is disclosed in Note 22.

15. Bank Loans

This account consists of:

	2023	2022
Peso-denominated loans	**₱4,200,000,000**	₱9,995,000,000
U.S. dollar-denominated loans	**415,275,000**	–
	₱4,615,275,000	₱9,995,000,000

The unsecured Peso-denominated loans bear interest at 5.9% in 2023 and 4.3% to 4.6% in 2022. The unsecured U.S. dollar-denominated loans bear interest at 6.2% in 2023.

Interest expense on bank loans is disclosed in Note 22.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	2023	2022
Subscriptions payable	**₱1,966,477,148**	₱1,966,477,148
Payables to government agencies	**783,541,111**	633,646,035
Accrued interest (Notes 15, 18 and 23)	**747,941,676**	874,194,004
Payables to suppliers	**653,579,120**	630,948,566
Accrued expenses	**311,318,080**	312,852,795
Advance rentals and deposits	**212,807,734**	175,846,489
Payables to related parties (Note 23)	**56,580,754**	83,020,754
Lease liabilities (Notes 23 and 26)	**19,127,754**	21,756,304
Derivative liabilities (Notes 27 and 28)	**3,073,634**	439,824,197
	₱4,754,447,011	₱5,138,566,292

The terms and conditions of the liabilities above follow:

- Subscriptions payable pertain to the unpaid subscriptions of shares of certain companies which is due and demandable.
- Payables to government agencies mainly consists of VAT liability which is normally settled within the next financial year.
- Accrued interest pertains to unpaid interest expense on bank loans and long-term debt, which is normally settled quarterly or semi-annually.
- Payables to suppliers include contractual obligations of the Company with various suppliers for the construction of special projects and are normally settled on 30- to 60-day terms.
- Accrued expenses pertain to costs and expenses incurred in the normal course of business and are normally settled within the next financial year. This account consists of accrual for personnel cost, repairs and maintenance, communication, utilities, taxes and licenses, dues and subscriptions and others.
- Advance rentals and deposits pertain substantially to the advance rental payments from various lessees for the rental of space in the Company's investment properties. The lease agreements provide that the advance rental payments will be applied to rentals within the next financial year. Advance rental is not remeasured at amortized cost.
- The terms and conditions of payable to related parties are discussed in Note 23.

17. Provisions

Provisions are amounts appropriated for potential obligations of the Company. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with third parties.

18. Long-term Debt

This account consists of:

	Availment	Maturity	Security	Interest Rate/Term	2023	2022
U.S. dollar-denominated:						
Fixed rate bonds						
US$350.0 million senior bonds	June 10, 2014	June 10, 2024	Unsecured	Fixed 4.9%; semi-annual	**₱19,379,500,000**	₱19,514,250,000
US$209.2 million five-year term loans*	March 6, 2018 to July 26, 2018	March 6, 2023 to July 26, 2023	Unsecured	Floating three-month LIBOR + margin; quarterly	–	11,661,645,662
US$200.0 million five-year term loans*	June 28, 2019 to July 16, 2019	June 28, 2024	Unsecured	Fixed 6.2%; quarterly	**11,074,000,000**	11,151,000,000
US$80.0 million four-year term loans*	July 7, 2023	July 7, 2027	Unsecured	Floating ROP reference rate + margin; quarterly	**4,429,600,000**	–
Other U.S. dollar bank loans	August 1, 2023	August 1, 2028	Unsecured	Floating three-month SOFR + margin; quarterly	**276,850,000**	–
G.B. pound-denominated						
GB£48.2 million two-year term loans*	April 17, 2023	April 21, 2025	Unsecured	Fixed 4.2%; quarterly	**3,403,059,780**	–
GB£42.5 million five-year term loans*	July 26, 2023	July 26, 2028	Unsecured	Fixed 5.3%; quarterly	**3,000,623,250**	–
Peso-denominated:						
Fixed rate retail bonds						
Series H Bonds	October 2, 2020	April 2, 2024	Unsecured	Fixed 3.4%; semi-annual	**10,000,000,000**	10,000,000,000
Series I Bonds	February 18, 2022	February 18, 2025	Unsecured	Fixed 3.6%; semi-annual	**7,500,000,000**	7,500,000,000
Series J Bonds	February 18, 2022	February 18, 2027	Unsecured	Fixed 4.8%; semi-annual	**7,500,000,000**	7,500,000,000
Other Peso bank loans (Note 23)	April 23, 2013 to March 6, 2023	January 20, 2023 to May 14, 2031	Unsecured	Fixed 3.0% to 5.6%, three-month PHP BVAL + margin and two-year PHP BVAL + margin; quarterly	**40,156,900,000**	51,124,350,000
					106,720,533,030	118,451,245,662
Less debt issue cost					**386,153,322**	547,381,138
					106,334,379,708	117,903,864,524
Less current portion					**44,875,427,888**	28,612,743,250
					₱61,458,951,820	₱89,291,121,274

LIBOR – London Interbank Offered Rate
ROP – Republic of the Philippines
SOFR – Secured Overnight Financing Rate
BVAL – Bloomberg Valuation
** Hedged against interest rate and foreign exchange risks using cross-currency swap contracts (see Notes 27 and 28)*

Interest expense incurred on long-term debt is disclosed in Note 22.

Debt Issue Cost
The movements in unamortized debt issue cost follow:

	2023	2022
Balance at beginning of year	**₱547,381,138**	₱674,223,799
Additions	**128,388,052**	214,929,976
Amortization (Note 22)	**(289,879,029)**	(351,789,030)
Foreign exchange movement	**263,161**	10,016,393
Balance at end of year	**₱386,153,322**	₱547,381,138

Repayment Schedule
The repayment schedule of long-term debt as at December 31, 2023 follows:

	Gross Debt	Debt Issue Cost	Net
Within one year	₱44,913,936,830	₱38,508,942	₱44,875,427,888
Over one year to five years	57,156,596,200	319,480,061	56,837,116,139
Over five years	4,650,000,000	28,164,319	4,621,835,681
	₱106,720,533,030	₱386,153,322	₱106,334,379,708

Debt Covenants
The long-term debt of the Company is covered with certain covenants including adherence to financial ratios namely; (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at December 31, 2023 and 2022, the Company is in compliance with the terms of its debt covenants.

19. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2023	2022
Authorized – ₱10 par value per share	**2,790,000,000**	2,790,000,000
Subscribed		
At beginning of year	**1,226,114,578**	1,204,582,867
Additions	**–**	21,531,711
At end of year	**1,226,114,578**	1,226,114,578
Issued and outstanding		
At beginning of year	**1,222,023,358**	1,204,582,867
Issuance	**–**	21,531,711
Treasury stock	**–**	(4,091,220)
At end of year	**1,222,023,358**	1,222,023,358

As at December 31, 2023 and 2022, the Company is compliant with the minimum public float required by the PSE.

Information on the Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013			
(25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014			
Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015			
Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10

The total number of shareholders of the Company is 1,242 and 1,251 as at December 31, 2023 and 2022, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2023	2022
Authorized - ₱10 par value per share	**10,000,000**	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2023 and 2022.

Retained Earnings

a. Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
Balance as at January 1, 2015		₱27,000,000,000
Reversal	November 4, 2015	(18,000,000,000)
Addition	November 4, 2015	27,000,000,000
Reversal	November 8, 2017	(27,800,000,000)
Addition	November 8, 2017	28,800,000,000
Reversal	November 10, 2021	(37,000,000,000)
Addition	November 10, 2021	37,000,000,000

Retained earnings appropriated as at December 31, 2023 is intended for the payment of certain long-term debts and new investments as follows:

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

b. Unappropriated

The cash dividend declarations in 2023 and 2022 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
April 26, 2023	**May 11, 2023**	**May 25, 2023**	**₱7.50**	**₱9,165,175,185**
April 27, 2022	May 13, 2022	May 26, 2022	6.25	7,528,642,919

The retained earnings of the Company available for dividend declaration amounted to ₱43,802.2 million and ₱34,494.8 million as at December 31, 2023 and 2022, respectively.

20. Royalty and Service Fees

The disaggregation of royalty and service fees follows:

	2023	2022
Retail	**₱5,955,911,991**	₱5,246,043,437
Property	**142,403,758**	113,063,766
Banking and portfolio investments	**112,776,032**	111,898,517
	₱6,211,091,781	₱5,471,005,720

21. Cost and Expenses

This account consists of:

	2023	2022
Provisions (Note 17)	**₱3,417,900,000**	₱3,318,500,000
Personnel cost (Note 23)	**1,692,839,319**	1,653,961,672
Management and service fees and outside services (Note 23)	**459,436,271**	475,958,497
Depreciation and amortization (Notes 12, 13, 14 and 26)	**357,191,383**	395,139,732
Repairs and maintenance	**356,172,938**	348,847,111
Dues and subscription	**326,092,517**	211,893,395
Communication	**242,716,719**	238,655,340
Utilities	**200,032,204**	167,081,368
Taxes and licenses	**189,459,533**	174,458,069
Donations and contributions	**81,270,651**	249,658,624
Advertising and promotions	**68,618,611**	144,424,358
Entertainment, amusement and recreation	**68,343,126**	54,149,986
Insurance	**13,755,742**	14,514,402
Others	**262,590,067**	301,707,373
	7,736,419,081	7,748,949,927
Various reimbursements	**(834,479,366)**	(843,836,466)
	₱6,901,939,715	₱6,905,113,461

Personnel cost consists of:

	2023	2022
Salaries and wages (Note 23)	**₱1,574,496,169**	₱1,525,899,018
Pension benefits (Notes 23 and 24)	**82,913,779**	104,278,268
Other employee benefits	**35,429,371**	23,784,386
	₱1,692,839,319	₱1,653,961,672

Other employee benefits pertain to government-mandated bonuses.

22. Interest Income and Expense

The sources of interest income and interest expense follow:

	2023	2022
Interest income on:		
Time deposits (Notes 7 and 23)	**₱905,104,086**	₱980,185,154
Cash and cash equivalents (Notes 6 and 23)	**73,656,521**	107,948,205
Long-term notes (Notes 14 and 23)	**–**	237,830,117
Others (Note 14)	**7,637,472**	2,933,172
	₱986,398,079	₱1,328,896,648

	2023	2022
Interest expense on:		
Long-term debt (Notes 18 and 23)	**₱5,379,475,332**	₱5,448,450,969
Debt issue cost (Note 18)	**289,879,029**	351,789,030
Bank loans (Notes 15 and 23)	**274,696,875**	294,547,158
Lease liabilities (Notes 23 and 26)	**42,631,412**	43,604,963
Others	**6,072,568**	6,941,712
	₱5,992,755,216	₱6,145,333,832

23. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Company has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

The significant transactions with related parties follow:

a. Dividend Income

The Company earns dividend income from its subsidiaries and associates.

b. Rent

The Company has existing lease agreements for land and office space with subsidiaries and other related companies (retail subsidiaries, bank associates and other affiliates).

The Company has a lease agreement with SM Prime (as lessor) over two parcels of land, where the Company's principal offices are located. Rent payable by the Company is fixed per square meter per month. The Company has the right to construct a commercial building and other improvements on the leased property. SM Prime has the obligation to pay the real estate taxes on the leased property whereas the Company has the obligation to pay the real estate taxes on the improvements (see Note 26).

c. Royalty, Management and Service Fees

The Company pays management fees to Shopping Center Management Corporation (a subsidiary of SM Prime) and service fees to SM Prime and SM Retail for the management of its office premises and of its various commercial properties (see Note 21).

The Company also provides consultancy services and full access to the SM Business System namely, human, relational and structural capital to subsidiaries and other affiliates. As consideration for the services provided, the Company receives royalty and service fees based on a certain percentage of the related companies' net sales as defined in the contracts (see Note 20).

d. Cash Placements and Loans

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

The Company has bank loans and long-term debt from BDO and China Bank subject to interest at prevailing rates (see Notes 15 and 18).

e. Others

The Company, in the normal course of business, has outstanding receivables from and payables to related parties which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

Category	Year	Transaction Amount	Outstanding Amount	Terms	Conditions
		(In Thousands)			
Subsidiaries					
Dividend income	**2023**	**₱14,354,098**	**₱6,173,780**	Noninterest-bearing	Unsecured,
	2022	10,458,384	7,941,536		no impairment
Royalty and service fee income	**2023**	**4,427,117**	**1,355,842**	Noninterest-bearing,	Unsecured,
	2022	3,970,865	662,298	30 to 180 days terms	no impairment
Rent income	**2023**	**730,423**	**77,321**	Noninterest-bearing,	Unsecured,
	2022	599,378	68,294	30 day terms	no impairment
Management and service fee expense	**2023**	**52,778**	**2,831**	Noninterest-bearing	Unsecured
	2022	54,027	2,320		
Interest expense on lease liabilities	**2023**	**42,631**	**–**	Noninterest-bearing	Unsecured
	2022	43,605	–		
Receivable from related parties	**2023**		**13,910,944**	Noninterest-bearing	Unsecured,
	2022		13,759,175		no impairment
Payable to related parties	**2023**		**56,581**	Noninterest-bearing	Unsecured
	2022		83,021		
Lease liabilities	**2023**		**506,471**	Noninterest-bearing	Unsecured
	2022		533,289		
Associates					
Dividend income	**2023**	**8,000,556**	**272,625**	Noninterest-bearing	Unsecured,
	2022	5,384,563	120,450		no impairment
Royalty and service fee income	**2023**	**1,726,682**	**2,783,906**	Noninterest-bearing,	Unsecured,
	2022	1,415,782	2,162,206	30 day to 1 year terms	no impairment
Rent income	**2023**	**49,339**	**26,233**	Noninterest-bearing,	Unsecured,
	2022	47,145	7,900	30 day terms	no impairment
Interest income	**2023**	**825,731**	**49,988**	0.1% to 5.5%,	Unsecured,
	2022	1,159,653	120,148	90 to 180 day terms	no impairment
Interest expense	**2023**	**1,230,319**	**165,503**	Fixed 4.0% to 5.6%	Unsecured
	2022	865,819	172,878	90 to 180 day terms	
Cash and cash equivalents	**2023**		**5,786,054**	Interest-bearing,	Unsecured,
	2022		5,013,820	0.1% to 3.0%	no impairment
Time deposits	**2023**		**19,462,555**	Interest-bearing,	Unsecured,
	2022		19,514,250	4.0% to 5.5%	no impairment
Long-term debt	**2023**		**24,083,900**	Interest-bearing,	Unsecured
	2022		28,135,250	4.0% to 5.6%	

Terms and Conditions of Transactions with Related Parties
Outstanding balances at yearend are unsecured and are normally settled in cash. The Company did not make any provision for doubtful accounts relating to amounts owed by related parties.

Compensation of Key Management Personnel
The aggregate compensation and benefits relating to key management personnel of the Company in 2023 and 2022 consist of short-term employee benefits amounting to ₱532.8 million and ₱520.9 million, respectively, and post-employment benefits amounting to ₱67.8 million and ₱87.1 million, respectively.

24. Pension Benefits

The Company has funded defined benefit pension plan covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The Company had an actuarial valuation done for the December 31, 2023 report.

Changes in defined benefit liability in 2023 follow:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Defined Benefit Liability**
As at December 31, 2022	**₱1,437,649,975**	**₱1,381,114,098**	**₱56,535,877**
Net benefit expense in profit or loss (Note 21):			
Current service cost	**79,838,003**	**–**	**79,838,003**
Net interest	**100,204,203**	**97,128,427**	**3,075,776**
	180,042,206	**97,128,427**	**82,913,779**
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	**–**	**(32,269,454)**	**32,269,454**
Actuarial changes arising from:			
Changes in financial assumptions	**34,747,431**	**–**	**34,747,431**
Changes in demographic assumptions	**(2,360,215)**	**–**	**(2,360,215)**
Actuarial changes due to experience adjustment	**(16,037,787)**	**–**	**(16,037,787)**
	16,349,429	**(32,269,454)**	**48,618,883**
Actual contributions	**–**	**151,790,998**	**(151,790,998)**
Benefits paid	**(107,404,359)**	**(107,404,359)**	**–**
Transfer to the plan	**(19,572,465)**	**(19,572,465)**	**–**
As at December 31, 2023	**₱1,507,064,786**	**₱1,470,787,245**	**₱36,277,541**

Changes in defined benefit liability in 2022 follow:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
As at December 31, 2021	₱1,513,774,795	₱1,236,234,925	₱277,539,870
Net benefit expense in profit or loss (Note 21):			
Current service cost	95,189,582	–	95,189,582
Net interest	72,509,813	63,421,127	9,088,686
	167,699,395	63,421,127	104,278,268

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	₱–	(₱94,135,842)	₱94,135,842
Actuarial changes arising from:			
Changes in financial assumptions	(98,816,987)	–	(98,816,987)
Changes in demographic assumptions	(9,006,184)	–	(9,006,184)
Actuarial changes due to experience adjustment	(108,838,134)	–	(108,838,134)
	(216,661,305)	(94,135,842)	(122,525,463)
Actual contributions	–	202,756,798	(202,756,798)
Benefits paid	(26,796,233)	(26,796,233)	–
Transfer to the plan	(366,677)	(366,677)	–
As at December 31, 2022	₱1,437,649,975	₱1,381,114,098	₱56,535,877

The Company expects to contribute ₱159.3 million to its Pension Plan in 2024.

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

	2023	2022
Discount rate	**6.3%**	7.0%
Future salary increases	**8.0%**	8.0%

The assets of the Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Plan. The carrying value, which approximates the fair value of the Plan assets, follow:

	2023	2022
Cash and cash equivalents	**₱7,196,933**	₱11,818,768
Investment in debt and other securities	**151,273,839**	237,563,565
Investment in common trust funds	**512,928,797**	513,937,138
Investment in equity securities	**–**	5,168,174
Investment in government securities	**788,518,383**	605,824,662
Others	**10,869,293**	6,801,791
	₱1,470,787,245	₱1,381,114,098

- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 3.0% to 7.8% and have maturities from January 2024 to December 2029.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds that bear interest ranging from 2.7% to 8.6% and have maturities from October 2024 to August 2033.
- Others consist primarily of accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with BDO follow:

	2023	2022
Balances:		
Cash and cash equivalents	**₱7,196,933**	₱11,818,768
Investment in common trust funds	**512,928,797**	513,937,138
Transactions:		
Interest income from cash and cash equivalents	**921,958**	61,541
Net income (loss) from investment in common trust funds	**62,820,545**	(40,496,990)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, assuming all other assumptions were held constant:

		Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
2023	**Discount rates**	**50**	**(₱52,438,413)**
		(50)	**58,764,344**
	Future salary increases	**100**	**57,207,399**
		(100)	**(52,100,103)**
	No attrition rate	**–**	**89,459,427**
2022	Discount rates	50	(₱38,372,992)
		(50)	42,498,257
	Future salary increases	100	41,665,459
		(100)	(38,362,752)
	No attrition rate	–	86,460,225

The average duration of the defined benefit obligation as at December 31, 2023 and 2022 is 4 and 3 years, respectively.

The maturity analysis of the undiscounted benefit payments follows:

	2023	2022
Year 1	**₱902,803,502**	₱957,360,345
Year 2	**40,281,494**	74,987,725
Year 3	**37,783,813**	68,190,853
Year 4	**59,346,879**	68,617,516
Year 5	**89,502,972**	83,709,575
Year 6–10	**821,630,129**	638,878,449

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

25. Income Tax

The provision for income tax consists of the following:

	2023	2022
Final tax on interest income	**₱151,888,497**	₱165,827,438
Current income tax	**117,952,650**	78,748,348
Deferred income tax	**3,920,057**	50,408,167
	₱273,761,204	₱294,983,953

The provision for current income tax in 2023 and 2022 represents MCIT.

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

	2023	2022
ROU assets	**₱112,424,429**	₱121,352,321
Cross currency swaps	**88,243,262**	42,468,698
Debt issue cost amortization	**52,858,611**	41,682,297
Cumulative excess of rent income over lease payments	**37,986,998**	36,295,012
Unamortized deferred rent income, net of accretion on tenants' deposits	**768,726**	789,077
	₱292,282,026	₱242,587,405

The Company did not recognize any deferred tax assets as management believes that taxable profit will not be available in future periods against which these deductible temporary differences, and carryforward benefits of excess MCIT over RCIT and unused NOLCO may be applied.

The deductible temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax assets have been recognized follow:

	2023	2022
NOLCO	**₱6,767,598,552**	₱5,398,270,806
Allowance for impairment losses	**4,618,763,046**	5,358,763,046
Net unrealized foreign exchange loss	**231,883,795**	603,051,958
Lease liabilities	**506,470,742**	533,288,790
Unamortized past service cost	**431,113,043**	448,160,356
MCIT	**280,931,829**	243,254,481
Non-refundable advance rentals	**211,442,465**	174,481,220
Defined benefit liability	**36,277,541**	56,535,877

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3,481.8 million and ₱3,386.4 million as at December 31, 2023 and 2022, respectively.



Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)
On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, CREATE Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30.0% to 20.0% for entities with net taxable income not exceeding ₱5.0 million and total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30.0% to 25.0% for all other corporations;
- Reduction in the MCIT rate from 2.0% to 1.0% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10.0% improperly accumulation earnings tax (IAET).

As at December 31, 2023, the Company's NOLCO which can be claimed as deduction from its regular taxable income, follow:

Year Incurred	Availment Period	Amount	Applied in Previous Years	Expired	Applied in the Current Year	Unapplied
2020	2021-2025	₱3,570,422,401	₱–	₱–	₱–	₱3,570,422,401
2021	2022-2026	333,096,627	–	–	–	333,096,627
2022	2023-2025	1,494,751,778	–	–	–	1,494,751,778
2023	2024-2026	1,369,327,746	–	–	–	1,369,327,746
		₱6,767,598,552	₱–	₱–	₱–	₱6,767,598,552

The carryforward benefits of unused MCIT which may be claimed as tax credit against future regular income tax payable, follow:

Year Incurred	Expiry Year	MCIT
2023	2026	₱117,952,650
2022	2025	78,748,348
2021	2024	84,230,831
		₱280,931,829

MCIT amounting to ₱80.3 million expired in 2023.

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

	2023	2022
Statutory income tax rate	**25%**	25%
Income tax effects of reconciling items:		
Dividends exempt from income tax	**(30)**	(34)
Change in unrecognized deferred tax assets	**2**	6
Interest income subjected to final tax	**(1)**	(1)
Nondeductible interest expense	**1**	1
Other nondeductible expenses	**5**	5
Effective income tax rate	**2%**	2%

26. Lease Agreements

The Company as a Lessor

The Company's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

The minimum lease receivables under these non-cancellable operating leases as at December 31 follow:

	2023	2022
Within one year	**₱1,345,326,155**	₱1,509,209,011
Over one year to five years	**3,564,935,930**	1,528,555,587
Over five years	**4,473,359**	67,448,480
	₱4,914,735,444	₱3,105,213,078

Deferred rent income is recognized initially as the difference between the principal amount and the present value of the deposits at lease inception dates and amortized using the straight-line method over the lease term. Deferred rent income amounted to ₱12.7 million and ₱10.3 million as at December 31, 2023 and 2022, respectively.

The Company as a Lessee

The Company has lease contracts for office space and land use rights. Leases of office space generally have lease terms between 3 and 5 years, while land use rights generally have lease terms between 14 and 19 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of parking space and convention center with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of ROU assets follow:

	Land Use Rights	Office Space	Total
Cost			
As at December 31, 2021	₱477,196,842	₱6,747,086	₱483,943,928
Additions	129,215,626	–	129,215,626
As at December 31, 2022 and 2023	**₱606,412,468**	**₱6,747,086**	**₱613,159,554**
Accumulated Depreciation			
As at December 31, 2021	₱85,892,980	₱6,747,086	₱92,640,066
Depreciation (Note 21)	35,110,204	–	35,110,204
As at December 31, 2022	121,003,184	6,747,086	127,750,270
Depreciation (Note 21)	35,711,567	–	35,711,567
As at December 31, 2023	**₱156,714,751**	**₱6,747,086**	**₱163,461,837**
Net Book Value			
As at December 31, 2023	**₱449,697,717**	**₱–**	**₱449,697,717**
As at December 31, 2022	485,409,284	–	485,409,284

The following are the amounts recognized in the SCI:

	2023	2022
Interest expense on lease liabilities (Notes 22 and 23)	**₱42,631,412**	₱43,604,963
Depreciation expense on ROU assets (Note 21)	**35,711,567**	35,110,204
Rent expense related to short-term leases	**1,298,335**	572,620
Rent expense related to leases on low-value assets	**436,453**	300,311
	₱80,077,767	₱79,588,098

The rollforward analysis of lease liabilities follows:

	2023	2022
Balance at beginning of year	**₱533,288,790**	₱424,560,606
Additions	**–**	129,215,626
Interest expense (Notes 22 and 23)	**42,631,412**	43,604,963
Payments	**(69,449,460)**	(64,092,405)
Balance at end of year	**506,470,742**	533,288,790
Less current portion (Notes 16 and 23)	**19,127,754**	21,756,304
Noncurrent portion (Note 23)	**₱487,342,988**	₱511,532,486

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
Within one year	**₱70,663,346**	₱69,448,935
Over one year to five years	**281,747,219**	290,783,109
Over five years	**435,399,787**	497,027,242
	₱787,810,352	₱857,259,286

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, time deposits, financial assets at FVOCI, long-term notes, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Company also enters into derivative transactions, mainly, cross-currency swaps and non-deliverable forwards and swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance.

The main risks arising from the Company's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.

- *Foreign currency risk.* Exposure to foreign currency risk arises as the Company has significant investments and debt issuances which are denominated in U.S. dollars.

- *Liquidity risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.

- *Equity price risk.* The Company's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks. The Company's accounting policies in relation to derivatives are set out in Note 3.

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt obligations (see Note 18).

The Company maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Company enters into cross-currency swaps in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The cross-currency swaps were designated by the Company under cash flow hedge accounting.

As at December 31, 2023 and 2022, after considering the effect of the swaps, approximately 88.9% and 90.2%, respectively, of the Company's borrowings are kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax through the impact of floating rate financial liabilities.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
		(In Millions)
2023	**100**	**(₱123.7)**
	50	**(61.9)**
	(100)	**123.7**
	(50)	**61.9**

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
		(In Millions)
2022	100	(₱125.3)
	50	(62.6)
	(100)	125.3
	(50)	62.3

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

Foreign Currency Risk

The Company aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as cross-currency swaps and non-deliverable forwards and swaps.

The Company's foreign currency-denominated financial assets and liabilities and their Peso equivalents follow:

	2023		2022	
	US$	**Ph₱**	US$	Ph₱
Current assets:				
Cash and cash equivalents	**$1,795,777**	**₱99,432,152**	$549,126	₱30,616,492
Receivables	**902,802**	**49,988,146**	2,154,920	120,147,578
Noncurrent assets:				
Time deposits	**350,000,000**	**19,379,500,000**	350,000,000	19,514,250,000
Bonds and deposits	**–**	**–**	17,000,000	947,835,000
Total foreign currency-denominated assets	**352,698,579**	**19,528,920,298**	369,704,046	20,612,849,070
Current liabilities:				
Bank loans	**7,500,000**	**415,275,000**	–	–
Accounts payable	**1,253,855**	**69,425,961**	1,184,896	66,063,867
Current portion of long-term debt	**349,982,819**	**19,378,548,713**	–	–
Noncurrent liability:				
Long-term debt-net of current portion	**4,966,192**	**274,978,047**	349,458,006	19,484,031,133
Total foreign currency-denominated liabilities	**363,702,866**	**20,138,227,721**	350,642,902	19,550,095,000
Net foreign currency-denominated assets (liabilities)	**($11,004,287)**	**(₱609,307,423)**	$19,061,144	₱1,062,754,070

As at December 31, 2023 and 2022, approximately 37.7% and 33.0%, respectively, of the Company's borrowing are denominated in foreign currency.

The Company recognized ₱11.8 million net foreign exchange loss and ₱26.5 million net foreign exchange gain in 2023 and 2022, respectively. This resulted from the movements of the U.S. dollar against the Philippine Peso. As at December 31, 2023 and 2022, the U.S. dollar to Philippine Peso exchange rate is ₱55.37 and ₱55.755, respectively.

Foreign Currency Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in U.S. dollar to Philippine Peso exchange rate, with all other variables held constant, follow:

	Appreciation (Depreciation) of Peso	Effect on Income Before Income Tax
		(In Millions)
2023	**₱1.50**	**₱16.5**
	1.00	**11.0**
	(1.50)	**(16.5)**
	(1.00)	**(11.0)**

	Appreciation (Depreciation) of Peso	Effect on Income Before Income Tax
		(In Millions)
2022	₱1.50	(₱28.6)
	1.00	(19.1)
	(1.50)	28.6
	(1.00)	19.1

Liquidity Risk

The Company manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consist of internally generated funds, proceeds from debt and equity issues and sales of certain assets.

The Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund raising initiatives including bank loans, debt capital and equity market issues. The Company has available credit facilities wherein funds can be withdrawn in case an immediate settlement is demanded on its current obligations.

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

	2023	2022
Cash and cash equivalents (excluding cash on hand)	**₱5,786,076,190**	₱5,100,559,151
Current portion of time deposits	**158,570,252**	8,753,535,000

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

	2023			
	Within 1 Year	**1 Year to 5 Years**	**More than 5 Years**	**Total**
Bank loans, including interest	**₱4,622,873,539**	**₱–**	**₱–**	**₱4,622,873,539**
Accounts payable and other current liabilities*	**3,735,896,778**	**–**	**–**	**3,735,896,778**
Provisions	**8,442,577,247**	**–**	**–**	**8,442,577,247**
Long-term debt, including interest	**45,663,997,607**	**65,986,178,291**	**6,438,355,000**	**118,088,530,898**
Derivative liabilities	**3,073,634**	**41,572,338**	**–**	**44,645,972**
Lease liabilities	**70,663,346**	**281,747,219**	**435,399,787**	**787,810,352**
Tenants' deposits and others**	**–**	**549,736,194**	**6,754,307**	**556,490,501**
	₱62,539,082,151	**₱66,859,234,042**	**₱6,880,509,094**	**₱136,278,825,287**

**Excluding payables to government agencies, and advance rentals and deposits amounting to ₱996.3 million as at December 31, 2023, the amounts of which are not considered as financial liabilities.*

***Excluding deferred rent income amounting to ₱12.7 million as at December 31, 2023, the amounts of which are not considered as financial liabilities.*

	2022			
	Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Bank loans, including interest	₱10,026,445,313	₱–	₱–	₱10,026,445,313
Accounts payable and other current liabilities*	3,867,493,269	–	–	3,867,493,269
Provisions	5,024,677,247	–	–	5,024,677,247
Long-term debt, including interest	29,239,704,793	82,237,524,342	19,011,411,511	130,488,640,646
Derivative liabilities	439,824,197	–	–	439,824,197
Lease liabilities	69,448,935	290,783,109	497,027,242	857,259,286
Tenants' deposits and others**	–	701,441,977	14,052,696	715,494,673
	₱48,667,593,754	₱83,229,749,428	₱19,522,491,449	₱151,419,834,631

**Excluding payables to government agencies, and advance rentals and deposits amounting to ₱809.5 million as at December 31, 2022, the amounts of which are not considered as financial liabilities.*
***Excluding deferred rent income amounting to ₱10.3 million as at December 31, 2022, the amounts of which are not considered as financial liabilities.*

Credit Risk

The Company trades only with recognized, creditworthy related and third parties. The Company policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Company's diverse customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Company which consist of cash and cash equivalents, time deposits, financial assets, certain bonds and deposits, long-term notes, escrow fund, refundable deposits and certain derivative instruments, the Company's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, 2023 and 2022, the financial assets, except for certain receivables and nonfinancial bonds and deposits, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Company's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies, government agencies and related parties.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

	2023		
	High Quality	**Standard Quality**	**Total**
Cash and cash equivalents (excluding cash on hand)	**₱5,786,076,190**	**₱–**	**₱5,786,076,190**
Time deposits	**19,538,070,252**	**–**	**19,538,070,252**
Financial assets at FVOCI	**12,803,726,325**	**3,908,500**	**12,807,634,825**
Receivables*	**25,972,284,489**	**180,910,939**	**26,153,195,428**
Other noncurrent assets:			
Escrow fund	**130,000,000**	**–**	**130,000,000**
Refundable deposits	**–**	**34,509,220**	**34,509,220**
	₱64,230,157,256	**₱219,328,659**	**₱64,449,485,915**

**Excluding past due receivables amounting to ₱34.7 million and nonfinancial other receivables amounting to ₱45.0 million as at December 31, 2023.*

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

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

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The effect on equity after income tax of a possible change in equity indices with all other variables held constant follows:

	Change in Equity Price	Effect on Equity After Income Tax
		(In Millions)
2023	**+1.6%**	**₱209.8**
	-1.6%	**(209.8)**
2022	+2.4%	₱272.8
	-2.4%	(272.8)

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Accordingly, the Company may adjust the dividend payments to shareholders, secure new and/or pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors its capital gearing by maintaining its net debt at no higher than 50.0% of the sum of net debt and equity.

Net Gearing Ratio

	2023	2022
Bank loans	**₱4,615,275,000**	₱9,995,000,000
Long term debt (including current portion)	**106,334,379,708**	117,903,864,524
Less:		
Cash and cash equivalents (excluding cash on hand)	**(5,786,076,190)**	(5,100,559,151)
Time deposits	**(19,538,070,252)**	(28,267,785,000)
Total net interest-bearing debt (a)	**85,625,508,266**	94,530,520,373
Total equity	**159,769,950,101**	150,687,201,483
Total net interest-bearing debt and equity (b)	**₱245,395,458,367**	₱245,217,721,856
Gearing ratio (a/b)	**35%**	39%

Gross Gearing Ratio

	2023	2022
Bank loans	**₱4,615,275,000**	₱9,995,000,000
Long term debt (including current portion)	**106,334,379,708**	117,903,864,524
Total interest-bearing debt (a)	**110,949,654,708**	127,898,864,524
Total equity	**159,769,950,101**	150,687,201,483
Total interest-bearing debt and equity (b)	**₱270,719,604,809**	₱278,586,066,007
Gearing ratio (a/b)	**41%**	46%

28. Financial Instruments

The Company's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximation of fair values, follow:

	2023				
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets Measured at Fair Value					
Financial Asset at FVPL					
Derivative assets	**₱1,255,345**	**₱1,255,345**	**₱–**	**₱1,255,345**	**₱–**
Financial Assets at FVOCI:					
Listed shares of stock	**12,779,576**	**12,779,576**	**12,779,576**	**–**	**–**
Club shares	**24,150**	**24,150**	**–**	**24,150**	**–**
	14,059,071	**14,059,071**	**12,779,576**	**1,279,495**	**–**
Assets for which Fair Values are Disclosed					
Time deposits (noncurrent portion)	**19,379,500**	**19,674,382**	**–**	**–**	**19,674,382**
	₱33,438,571	**₱33,733,453**	**₱12,779,576**	**₱1,279,495**	**₱19,674,382**
Liabilities Measured at Fair Value					
Financial Liability at FVPL:					
Derivative liabilities	**₱44,646**	**₱44,646**	**₱–**	**₱44,646**	**₱–**
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	**61,458,952**	**60,294,546**	**–**	**–**	**60,294,546**
Tenants' deposits and others*	**556,490**	**536,816**	**–**	**–**	**536,816**
	62,015,442	**60,831,362**	**–**	**–**	**60,831,362**
	₱62,060,088	**₱60,876,008**	**₱–**	**₱44,646**	**₱60,831,362**

**Excluding nonfinancial liabilities of ₱12.7 million.*

	2022				
	Carrying Value	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets Measured at Fair Value					
Financial Asset at FVPL					
Derivative assets	₱2,788,508	₱2,788,508	₱–	₱2,788,508	₱–
Financial Assets at FVOCI:					
Listed shares of stock	11,923,927	11,923,927	11,923,927	–	–
Club shares	21,400	21,400	–	21,400	–
	14,733,835	14,733,835	11,923,927	2,809,908	–
Assets for which Fair Values are Disclosed					
Time deposits (noncurrent portion)	19,514,250	19,672,418	–	–	19,672,418
	₱34,248,085	₱34,406,253	₱11,923,927	₱2,809,908	₱19,672,418
Liabilities Measured at Fair Value					
Financial Liability at FVPL:					
Derivative liabilities	₱439,824	₱439,824	₱–	₱439,824	₱–
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	89,291,121	85,487,922	–	–	85,487,922
Tenants' deposits and others*	715,495	706,417	–	–	706,417
	90,006,616	86,194,339	–	–	86,194,339
	₱90,446,440	₱86,634,163	₱–	₱439,824	₱86,194,339

**Excluding nonfinancial liabilities of ₱10.3 million.*

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2023 and 2022.

Due to minimal amount of the unlisted shares of stock, the fair value approximates the carrying amount as at December 31, 2023 and 2022.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2023	2022
Time deposits (noncurrent portion)	**3.9%**	4.0%
Tenants' deposits and others	**3.9%-6.6%**	3.9%-6.6%

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 0.6% to 6.0% and 3.8% to 6.8% as at December 31, 2023 and 2022, respectively.
Variable Rate	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

Derivative Instruments. The fair value of cross-currency swaps and non-deliverable forwards and swaps are based on quotes obtained from counterparties.

Derivative Instruments Designated as Accounting Hedges

As at December 31, 2023, the Company has outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign-currency denominated debt. Details follow:

	Notional Amount	Agreed Equivalent	Fair Value	Interest Rate	Foreign Exchange Rate	Maturity
Cross currency swap	US$280,000,000	₱14,751,000,000	₱876,192,519	5.4% - 5.8%	₱51.15 – ₱56.20	2024 - 2025
Cross currency swap	GB£90,700,000	6,298,557,000	334,506,558	5.7% - 5.8%	68.20 - 70.4916	2025 - 2028

As the terms of the swaps have been negotiated to match the terms of the hedged loan, the hedges were assessed to be highly effective.

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The Company recognized derivative assets and derivative liabilities amounting to ₱3.1 million as at December 31, 2023 and derivative assets amounting to ₱1,032.3 million and derivative liabilities amounting to ₱439.8 million as of December 31, 2022 from the outstanding forward and swap contracts. The net fair value on settled forward and swap contracts amounted to ₱1,150.1 million loss and ₱319.0 million gain in 2023 and 2022, respectively.

Fair Value Changes on Derivatives

The movements in the fair value of derivative instruments follow:

	2023	2022
Balance at beginning of year	**₱2,348,683,714**	(₱1,265,773,653)
Net changes in fair value during the year	**12,085,288**	3,933,474,065
Fair value on settled derivatives	**(1,150,069,925)**	(319,016,698)
Balance at end of year	**₱1,210,699,077**	₱2,348,683,714

The net changes in fair value on derivatives accounted for as cash flow hedges amounted to ₱41.4 million mark-to-market loss and ₱3,022.0 million mark-to-market gain in 2023 and 2022, respectively, which is included under the "Net unrealized gain on financial assets at FVOCI and others" account. In 2023 and 2022, the mark-to-market gain on derivatives not designated as hedges amounting to ₱53.5 million and ₱911.5 million, respectively, which is included under the "Gain from fair value changes of derivatives - net" account.

29. Change in Liabilities Arising from Financing Activities

	2023		
	Bank Loans (Note 15)	**Long-term Debt (Note 18)**	**Lease Liabilities (Note 26)**
Balance at beginning of year	**₱9,995,000,000**	**₱117,903,864,524**	**₱533,288,790**
Availments	**10,369,025,000**	**16,990,014,823**	**–**
Payments	**(15,745,000,000)**	**(28,578,438,236)**	**(69,449,460)**
Debt issue cost amortization	**–**	**289,879,029**	**–**
Foreign exchange movement	**(3,750,000)**	**(132,051,290)**	**–**
Others	**–**	**(138,889,142)**	**42,631,412**
	₱4,615,275,000	**₱106,334,379,708**	**₱506,470,742**

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

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

30. Supplementary Information Required Under RR No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to financial statements. The Company included the required supplementary tax information as an attachment to its annual income tax return.

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Refer to **Annex A-1** of Annual Report: SM Investments Corporation – Integrated Report

Web link to the report:
https://www.sminvestments.com/2023smicintegratedreport/

This 2023 report, covering the period from January 1 to December 31, 2023, has been prepared under the Integrated Reporting <IR> Framework, originally developed by the International Integrated Reporting Council (IIRC). The IIRC subsequently merged with the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation (VRF). In addition, we have adopted the framework of the Task Force on Climate-Related Financial Disclosures (TCFD) to comprehensively address the impacts of climate change. The report is also aligned with the Global Reporting Initiative Standards for disclosures.

We have ensured that the report presents a balanced reflection of our company's value creation process and the progress we have made in advancing the United Nations Sustainable Development Goals. It is our commitment to transparency and accountability that drives us to provide a comprehensive and accurate representation of our sustainability efforts.

This report is the result of a joint effort by the departments of Finance, Governance and Risk Management, Investor Relations, Human Resources, Corporate Communications and Sustainability, under the guidance of the Board's executive committee.

This report has been prepared in accordance with the Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019.

Contextual Information

Company Details	
Name of Organization	
Location of Headquarters	
Location of Operations	
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	
Business Model, including Primary Activities, Brands, Products, and Services	
Reporting Period	
Highest Ranking Person responsible for this report	

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	**Amount**	**Units**
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		
a. Operating costs		PhP
b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		Php
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

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

[1] See *GRI 102-46* (2016) for more guidance.

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
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Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%
Percentage of employees that have received anti-corruption training		%

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

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

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Identify the opportunity/ies related to material topic of the organization		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

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

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

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

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable		kg/liters

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	**Quantity**	**Units**
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

What is the impact and where does it occur? What is the	**Which stakeholders are affected?**	**Management Approach**

[4] International Union for Conservation of Nature

organization's involvement in the impact?		
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

linked to impacts through its business relationship)		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Air pollutants

Disclosure	Quantity	Units
NO_x		kg
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
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What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Effluents

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

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

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate[6]		rate
Ratio of lowest paid employee against minimum wage		ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			
Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			
Further education support			
Company stock options			
Telecommuting			
Flexible-working Hours			
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

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

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Employee Training and Development

Disclosure	**Quantity**	**Units**
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Labor-Management Relations

Disclosure	**Quantity**	**Units**

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Diversity and Equal Opportunity

Disclosure	**Quantity**	**Units**
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**

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

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries		#
No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

_____

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms,*

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
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Relationship with Community

Significant Impacts on Local Communities

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

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

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

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

Customer Management

Customer Satisfaction

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#
No. of complaints addressed		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
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What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

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

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

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Identify the opportunity/ies related to material topic of the organization	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

ANNEX A-1

SM INVESTMENTS

Committed to Our **Customers**



2023 Integrated Report

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WE ARE SM

Our Vision

It is our vision to build an ecosystem of sustainable businesses that are catalysts for responsible development in the communities we serve.

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

Our Commitment to Our Customers

Serving customers has been at the heart of our business for 65 years. At SM, we are proud to have grown from a single shoe store to where we are today. Millions of Filipinos count on us daily and we look forward to serving more as we continue to expand across the nation.

Our success is based on understanding our customers' wishes and then meeting their every expectation. SM's many stores, wide range of products and dedicated staff all strive to live up to this standard.

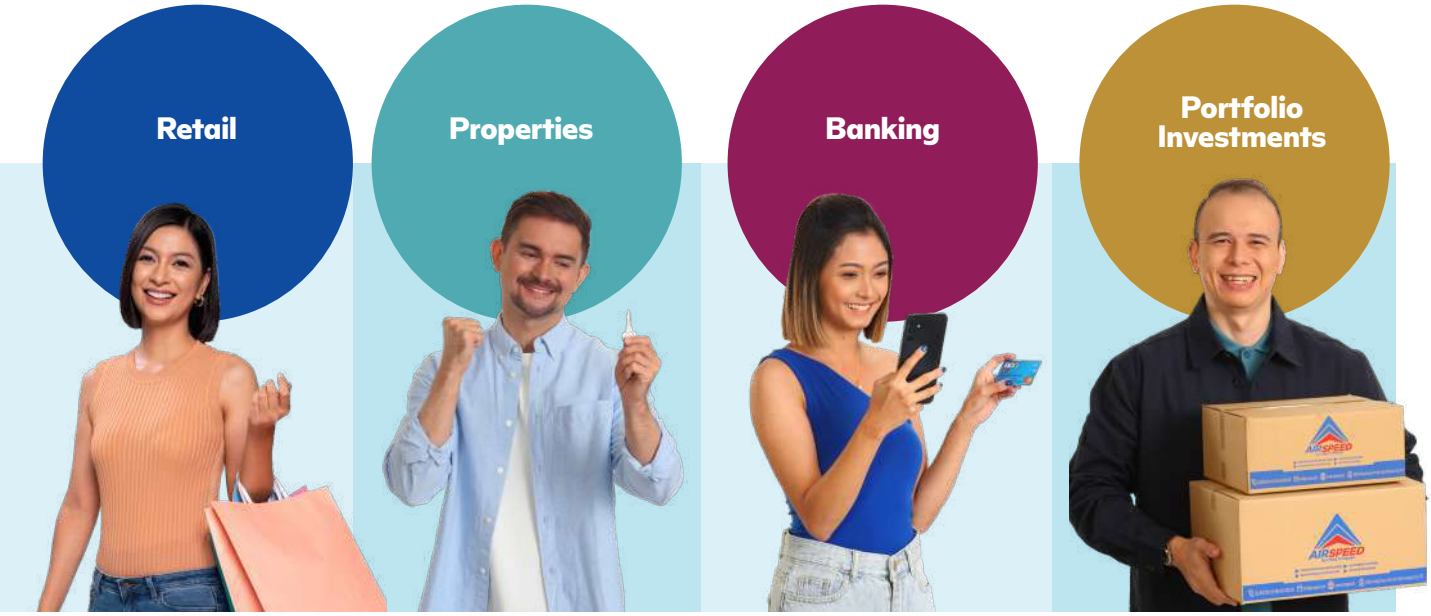
In fulfilling our customers' needs, we improve lives. In turn, we ourselves grow and improve the way we do our businesses.

We never take our customers' loyalty lightly. Instead, we do everything we can to earn it.

SM INVESTMENTS

Founded by Henry Sy, Sr., our company started as a small retailer in 1958 and has since grown to serve millions of Filipinos through our ecosystem of businesses.

Our success is built on our commitment to providing our customers with the best possible experience, making their daily lives more convenient and enjoyable.



Journeying with Our Customers

Our network of retail businesses spans our 74 Department Stores, 1,660 Specialty Stores, 65 Supermarkets, 54 Hypermarkets, 1,692 minimarts and other e-commerce formats, making us one of the largest players in the industry.

This year, The SM Store, SM Markets and Toy Kingdom have been recognized for their exceptional customer service, solidifying our commitment to delivering outstanding experiences. We are grateful for the unwavering support of our customers, who have been with us throughout our journey and continue to appreciate our dedication to serving them.

Aspiring with Our Customers

Tracing our entrepreneurial and customer service roots from retail, we have successfully built our business into various sectors of the property industry. Through our 85 malls and 22 lifestyle cities to 10 hotels, 8 convention centers and trade halls and 18 offices, we continue to innovate and create spaces that meet our customers' evolving needs and aspirations.

In expanding our property portfolio, we remain committed to sustainable development to positively impact the environment and communities we serve. With an extensive landbank of 2,324 hectares strategically located in emerging progressive cities, we are well positioned for future growth.

Partnering with Our Customers

Our banks are committed to partnering with our customers to support them with their financial goals. We take pride in serving the banking needs of Filipinos, particularly small businesses, contributing to the growth of the Philippine MSME sector. We do all these as we strive for financial inclusion by empowering the unbanked and increasing access to financial services.

BDO is the largest bank in the country and has the largest distribution network, with more than 4,800 ATMs nationwide and 1,720 operating branches and offices. BDO Network Bank has 500+ branches in provinces, while Cash Agad has 9,700+ partners in remote areas.

China Bank continues to provide financial assistance to expanding businesses effectively through its 648 branches and 1,069 ATMs nationwide.

Evolving with Our Customers

We make strategic investments in high-growth sectors in the Philippines, in companies that benefit from being part of the SM ecosystem. We aim to deliver substantial value for all stakeholders. Today, our portfolio has evolved through our diverse but related investments in logistics, renewable energy, commercial property, food manufacturing, leisure and mining.

With a commitment to elevating industry standards and contributing to the dynamic growth of our nation, we continue to make an impact across multiple sectors.

Our Board's Report



Amando M. Tetangco, Jr.
Chairman / Independent Director



Teresita T. Sy
Vice Chairperson



Henry T. Sy, Jr.
Vice Chairman

To Our Stakeholders,

We are pleased to report another remarkable year for the SM group in 2023, reflecting the underlying strength of the Philippine economy and the resilience of Filipino consumers.

Our performance reflects the high customer focus present in every one of our businesses and our status as a leading proxy for the country.

In 2023, we experienced steady earnings growth in each of our core businesses of retail, banking and property. Although inflation and interest rates remained elevated, Filipino consumers remained buoyant in their spending, particularly in discretionary categories and we continued to innovate and work hard to meet their needs. Meanwhile our portfolio investments also continued to grow and contribute significantly to our earnings.

This year, our focus remains on responsible growth. Good governance and transparency, looking after our many stakeholders and protecting the environment remain the way we do business.

While global uncertainties continue to exist, we are optimistic about our outlook for 2024 and the continuation of our strong all-round performance.

In 2023, we experienced strong earnings growth in each of our core businesses of retail, banking and property.

Our focus remains on responsible growth. Good governance and transparency, looking after our many stakeholders and protecting the environment remain the way we do business.



Jose T. Sio, Chairman Emeritus, was the Chairman of the Board of SMIC until June 16, 2023

We would like to extend our thanks to Mr. Jose T. Sio, who this year took up the position of Chairman Emeritus of SM Investments after over three decades of service as Chief Finance Officer and, later, Chairman of the holding company. His contributions have been many and invaluable over the years and our thanks to him are both professional and personal.

Lastly, we would like to thank our leadership and our people for their unwavering dedication, our private and public sector partners for their continued support and our customers for their continued loyalty. We would also like to thank our Board members for their guidance and our shareholders for their confidence in us.

Above all, we remain committed to our customers. We look forward to serving more Filipinos.

Amando M. Tetangco, Jr. / Chairman / Independent Director

Teresita T. Sy / Vice Chairperson

Henry T. Sy, Jr. / Vice Chairman

Our President's Report

2023 marked another successful year across the SM group. Each of our business areas contributed to consolidated revenue growth of 11% and earnings growth of 25%, even as we continued to invest in expansion across the country and in new high-growth sectors.



To Our Stakeholders

I am delighted to report that 2023 marked another successful year across the SM group. Each of our business areas contributed to consolidated revenue growth of 11% and earnings growth of 25%, even as we continued to invest in expansion across the country and in new high-growth sectors. We achieved this by staying close to our customers and by working to ensure positive benefits for all our stakeholders.

Philippine GDP grew by 5.6%, supporting strong consumption spending. Filipino consumers benefited from a record-low unemployment rate of 3.1% and ongoing positive growth in overseas Filipino worker remittances of 2.9%.

Inflation averaged 6.0%, ending the year at 3.9%, largely driven by rising energy and food costs. Against this, we worked hard to ensure our products and services continued to meet our customers' needs, whatever their wallet size.

Our banks delivered the largest portion of our earnings last year as they benefited from higher margins and broad economic growth. Meanwhile, our malls experienced high foot traffic and strong consumer activity, especially in F&B, entertainment and services. Similarly, in our retail businesses, discretionary spending was high, particularly in categories such as fashion, footwear, children, pets and health and beauty.

Our long-term policy of financial prudence ensured that, as a group, we were not adversely impacted by high interest rates. Our balance sheets remain strong, with our banks well capitalized and all businesses able to invest in their growth.



PHP616.3bn
Revenues

11%
Revenue Growth

PHP77.0bn
Net Income

Expanding to Serve More Filipinos

In 2023, we opened 419 new retail stores, 78 new bank branches and expanded our mall footprint by three malls in the Philippines. The vast majority of this expansion was outside of Metro Manila, intentionally expanding our presence into new provinces, where economic growth typically exceeds the national average. Many Filipinos today remain underserved by modern retailing, banking services and integrated property development. As one of the largest players in these sectors, our strategy continues to be to expand coverage nationwide and create new markets, even as we deepen how we serve our existing customers.

In this vein, SM Prime, our property arm, announced a goal to achieve a milestone of 100 malls in the Philippines by the end of 2027 from 85 today.

Alfamart, our minimart grocery format, intends to increase its expansion from 250 new stores a year to at least 400 commencing in 2024.

Meanwhile, in BDO, we continued to focus on branch expansion in the Visayas-Mindanao regions through BDO Network Bank. In China Bank, we enhanced financial inclusion by improving the accessibility and convenience of digital banking services.

We also aim to develop our presence in newer and higher growth sectors through active investments by our parent company. Our portfolio of investments now accounts for 9% of the group's earnings, with a medium-term goal to increase this into the mid-teens. Last year, we increased our stake in the leading logistics company, 2GO, to 67.2% after de-listing it from the stock exchange. After several years of investment and business turnaround, 2GO is now profitable. In 2023, the company also acquired two new ships to add to its fleet of 8 ROPAX (roll-on/roll-off passenger) vessels and one freighter, enabling it to serve more routes.

Meanwhile, following our acquisition of Philippine Geothermal Production Company (PGPC) in late 2022, last year we undertook the exploration of six new steam field areas in Northern and Southern Luzon with the aim to double our 300 megawatts of steam production from our two existing fields over the next five years.

We intend to invest more in the logistics and renewable energy sectors going forward and also to look for similarly high growth opportunities in other sectors where there are strong synergies within our ecosystem of SM businesses.

Inclusive and Responsible Growth

Last year SM celebrated its 65th anniversary and it was marked by many events to reconnect with our customers, tenants and the many MSMEs who have grown with our brand over the years. Today, we continue to operate with our Founder's fundamental belief that business growth and the good of our stakeholders go hand in hand. As we grow, we work hard to ensure shared value creation.

To this end, in 2023, we continued to champion workplace inclusivity for our 131,000 people and we deepened our support for the over 100,000 MSMEs among our tenants and suppliers. Through our Foundations, we undertook school building and scholar programs, constructed healthcare facilities nationwide and supported a number of farmer training. Our medical missions achieved the milestone of serving over one million Filipinos.

In our environmental advocacy, we ensured that each of our businesses has a comprehensive long-term sustainability roadmap and is looking to manage their environmental impact. We continue to support the UN Global Compact and 17 Sustainable Development Goals, the UN Women's Empowerment Principles, the Taskforce for Climate-related Financial Disclosures, the Carbon Disclosure Project and the Global Reporting Initiative principles.

In addition to our parent company's investments in renewable energy, our bank, BDO Unibank, is one of the largest funders of the local renewable energy sector, supporting 59 large-scale projects nationwide.

Recognitions

We are grateful to be recognized by a number of leading local and international awards bodies last year. The categories in which we were cited align well with our priorities. Our list of recognitions includes the following:

Several group companies were recognized in the Philippines' Best Customer Service 2023 awards, including the SM Store, Toy Kingdom, BDO Unibank, SM Markets and SM Cinemas.

Forbes magazine recognized SM as one of the World's Best Employers in 2023. Leading ESG rating company, Sustainalytics, again regarded SM Investments as Top Rated both among diversified financial companies globally and among all companies in Asia Pacific.

In governance, 10 SM companies were recognized by the Institute of Corporate Directors last year and as a group, we also garnered six regional awards by the ASEAN Corporate Governance Scorecard.

Our Thanks

On behalf of the SM group, I'd like to extend our thanks to our numerous stakeholders nationwide for their unwavering trust and support. This includes our dedicated people, our many supportive partners, our host communities and, in particular, our millions of customers. Your confidence inspires us to continue to grow, to do so responsibly and to serve more Filipinos.

We look forward to 2024 and the many opportunities ahead.

Thank you.



Frederic C. DyBuncio
President and CEO

Our Businesses

Our businesses work together as an ecosystem that serves our customers' needs. With a diverse portfolio spanning retail, property development, banking and more, we aim to provide a comprehensive range of products and services that cater to their needs, fostering convenience, innovation and sustainable growth.



Our Business Footprint



SM Retail

77.3%
Effective Interest

PHP415.0bn
Revenues

74
The SM Store

219
Savemore

1,660
Specialty Stores

1,692
Alfamart

65
SM Supermarket

54
SM Hypermarket

88
Waltermart

1
MindPro



SM Prime

49.7%
Effective Interest

PHP128.1bn
Revenues

22
Integrated Lifestyle Cities

85
Malls in the Philippines

8
Malls in China

67
Primary Residences

24
Leisure Homes

18
Office Buildings

10
Hotels

6
Convention Centers

2
Trade Halls

1
Arena

BDO Unibank

45.3%
Effective Interest

PHP186.4bn
Net Interest Income

PHP73.4bn
Net Income

1,720
Branches in the Philippines

4,803
ATMs

2
Foreign Branches



China Bank

22.5%
Effective Interest

PHP53.5bn
Net Interest Income

PHP22.0bn
Net Income

648
Branches in the Philippines

1,069
ATMs



Portfolio Investments

26.6%
Belle Corp.

67.2%
2GO Group

34.1%
Atlas Mining

71.3%
PULS

95%
NEO Subsidiaries

34%
NEO Associates

100%
PGPC

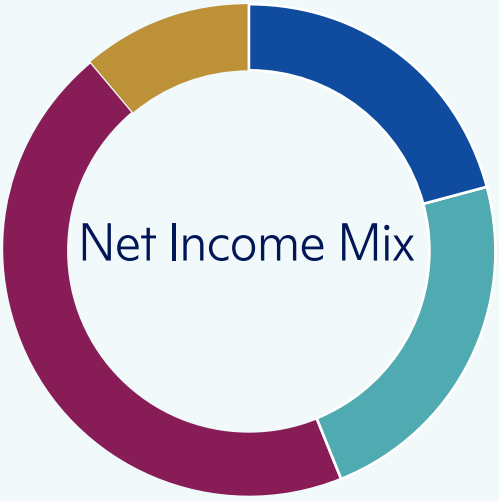
64.1%
Goldilocks

51%
Airspeed



Effective Interest

Our Financial Highlights



19% Retail
25% Property
47% Banking
9% Portfolio Investments

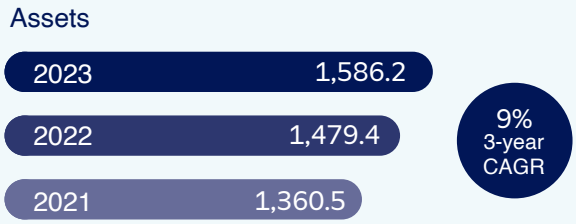
Financial Performance at a Glance

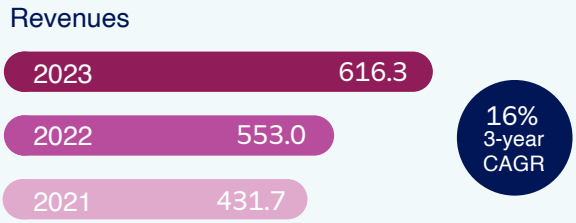
PHP77.0bn
Net Income

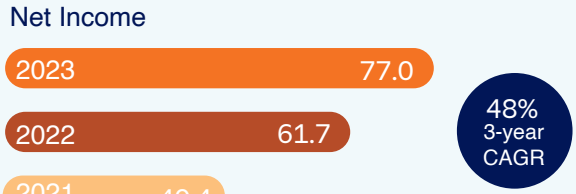
PHP616.3bn
Revenues

Performance Review

in PHP billions







Core Businesses

FY 2023 Performance

	Revenues	% Chg	Net Income	% Chg
SM Retail	PHP415.0bn	10%	PHP19.9bn	11%
SM Prime	PHP128.1bn	21%	PHP40.0bn	33%
BDO	*PHP186.4bn	25%	PHP73.4bn	29%
China Bank	*PHP53.5bn	17%	PHP22.0bn	15%

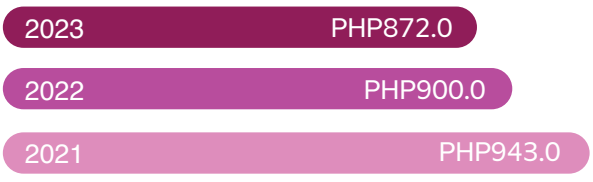
Note: *Net Interest Income

Financial Position (PHP bn)	2023	2022	2021
Revenues	616.3	553.0	431.7
Net Income	77.0	61.7	40.4
Assets	1,586.2	1,479.4	1,360.5
Liabilities	814.0	787.2	736.9
Stockholders' Equity	772.2	692.2	623.6
Financial Ratios			
Current Ratio	1.1	1.2	1.2
Return on Equity	15%	13%	9%
Debt-Equity Ratio (Net)	33:67	35:65	38:62
Dividend Payout Ratio (based on SMIC Parent's net income)	79%	41%	85%
Per Share Data (PHP)			
Earnings per Share	63.0	50.9	33.5
Book Value per Share	455.5	406.6	371.6
Price Earnings Ratio	13.8	17.7	28.1
EBITDA	166.9	141.2	99.9

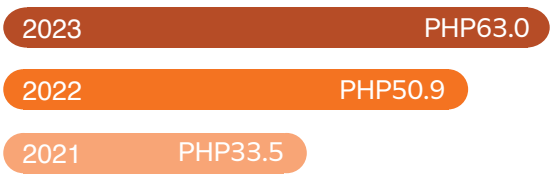
Share Performance

As of December 31, 2023

Share Price



Earnings Per Share



PHP1.6tn
Assets

PHP1.1tn
Market Capitalization

PHP166.9bn
EBITDA

Awards and Recognitions

Corporate Governance

ASEAN Asset Class Top Performing Companies in the Philippines
Awarded to 6 SM Companies

4-Arrow Recognition
ASEAN Corporate Governance Scorecard Golden Arrow Recognition

Strongest Adherence to Corporate Governance #1

Best Senior Management Support #3

Most Organised Investor Relations #1

Best Strategic CSR #5

Employer

4-time Forbes World's Best Employer

Philippines' Best Employers 2023
Awarded to 3 SM Companies

Sustainability

Sustainalytics Regional Top Rated Company (Asia Pacific)

Sustainalytics ESG Industry Top Rated Company

Platinum Award for Excellence in ESG

Asiamoney Best for ESG in the Philippines #1

Bronze – Best Corporate ESG Strategy

Communications

Bronze Award for the 2022 SM Investments Integrated Report

2022 Integrated Report

SM Brand Refresh

SMIC's Digital Communications Strategy

Silver Award for the 2022 SMIC Integrated Report

Customer Service

ESG Strategy
The Philippines' Best Customer Service 2023
Awarded to 5 SM Companies

Reporting

Silver Rank
With Reference to GRI Standards 2021

SM to Our **Customers**

We’ve got it all for you!

For decades, this catchphrase has resonated with our customers, but it means much more than just words. It represents the core of our mission, putting our valued customers at the center of everything we do.





Our Brand of Customer Service

From the very start, SM has embodied a customer-centric approach, recognizing that our relationship with our customers extends beyond individual transactions. We strive to understand the ever-evolving landscape of their lifestyles and preferences, anticipating their aspirations at every stage. With a carefully curated mix of brands, products and services, our unique ecosystem of businesses caters to their unique needs.

In addition to offering a wide range of products, SM has earned a reputation for providing great customer service. Our service culture comes from our retail origins that permeates across the group into our property, banking and portfolio ventures. With our customers' aspirations as our driving force, we strive to create a more personalized customer experience across all our businesses and platforms.

The SM Culture of Service

The SM Culture of Service is a legacy of our founder and has been deeply ingrained in our organization. At the core of this culture is our team members. They embody the values of leadership, teamwork, entrepreneurship, drive, enthusiasm and integrity. This year, five companies within our group, The SM Store, Toy Kingdom, BDO, SM Markets and SM Cinema, have been recognized as the Best in Customer Service by the Philippine Daily Inquirer and Statista. This is an affirmation of our dedication to delivering exceptional customer experiences.

Our Retail Businesses

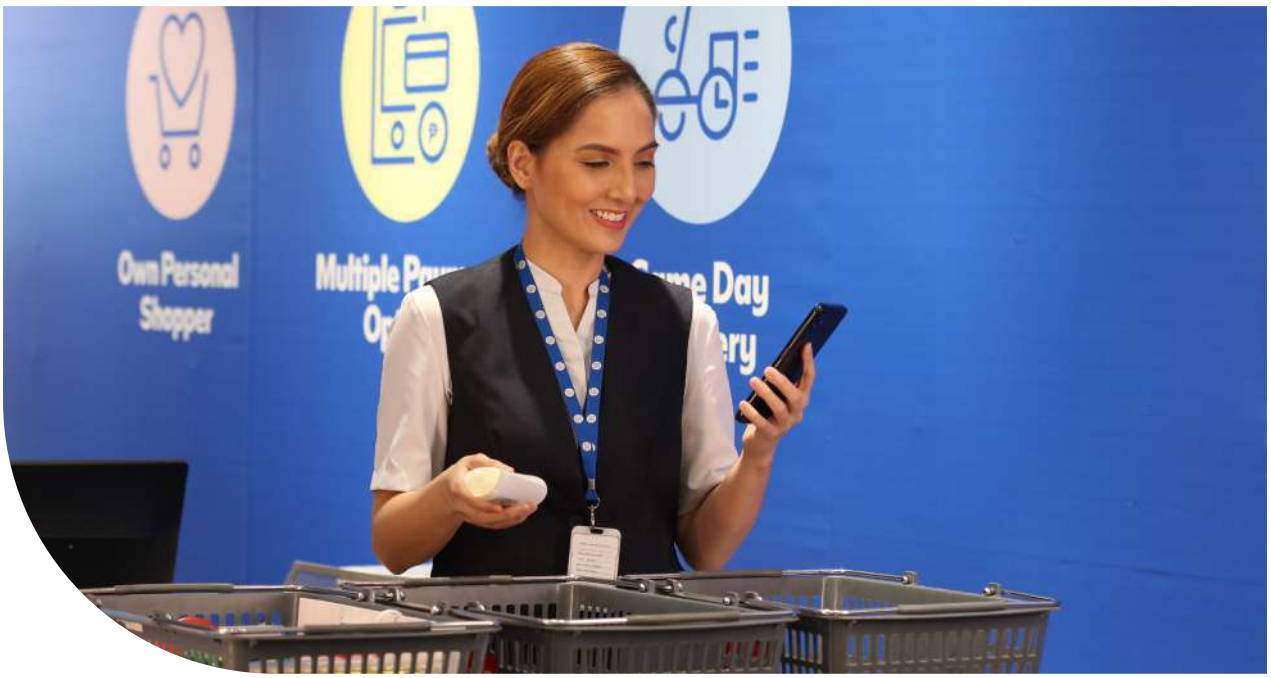
Our retail businesses experienced great success this year as we expanded with 419 new stores, focusing on areas with higher economic growth and aiming to reach more Filipinos.



SM STORE

Personal Shoppers

Adding Fun and Convenience to Shopping



SM Store Personal Shopper takes customers to an in-store experience from the comfort of wherever they may be.

We'll shop for you—and you can receive your items as early as the same day via delivery or in-store pick up.

SM's Personal Shopper program brings the in-store experience right into the comfort of your home in real-time. Your very own designated shopping assistant will guide you as you explore an exciting variety of clothes, beauty, home finds, gifts and more, all within your particular budget.

The best part is that shopping with a Personal Shopper is easy. All you need to do is locate the SM Store branch nearest you. Once you've found the nearest branch, you can get in touch with the Personal Shopper assigned to that store at the contact numbers on the SM Store website through your video messaging app.

Provide your Personal Shopper with your shopping list—along with your selected brand, size and color. Once you've made your choice, confirm your order and choose your payment method: COD, credit or debit cards, bank transfers, or digital wallets like BDO Pay.

After confirming your order and payment method, simply schedule your delivery or in-store pick-up. There's so much fun and convenience in shopping the Personal Shopper way!

798
Personal Shoppers Nationwide

24
SM Stores in Metro Manila

50
SM Stores Outside Metro Manila

SM BEAUTY

The Beauty Playground for Women

With over
1,000
Beauty Brands
Across All SM Stores

We continue to develop SM Beauty as the beauty playground for all ages to discover, experience and experiment. With its wide range of mass to prestige cosmetics, fragrance, skin, and hair care, SM Beauty provides customers the delight of finding authentic products that cater to all of their beauty needs. Expect to find everything from trendy Filipino homegrown beauty brands, K-beauty brands, premium brands to classic favorites in SM Beauty.

To further enhance our in-store experience, SM Beauty is also home to beauty hubs–where customers can enjoy beauty services like hair coloring and makeovers right inside the department store. We also continuously refresh our stores with eye-catching and engaging displays and installations that are relevant and timely. We have also enlisted more beauty advisers who are always ready to assist our customers in their beauty discovery journey. Our beauty advisers are well-equipped with no-fail beauty tips and are knowledgable about the latest beauty trends.

Whether it is browsing for the right product, trying out a new item, or experimenting with new looks, there is space for every one to play and discover beauty in SM Beauty.



SM Beauty continues to elevate in-store experience through new and innovative store designs.



So much to discover at SM Beauty in all seasons.

SM Green Finds
A Sustainable Way of Life

Everyday living goes green with a selection of sustainable and eco-products at the SM Store.

With Green Finds, SM plays a pivotal role in positively impacting consumer behavior. We've created an ecosystem that will bring consumers and suppliers together to shift to a more sustainable way of life—through clean beauty, sustainable fashion and eco-friendly home living.

Clean beauty highlights non-toxic cosmetics and skincare products free from harmful chemicals like parabens, sulfates and synthetic fragrances.

Sustainable fashion involves using eco-friendly materials, contributing to the reduction of water and energy consumption while supporting innovation in the fashion industry.

Eco-friendly homes are low maintenance and have a minimal impact on the environment, with furniture and home furnishings made with natural, durable and recycled materials.

SM Green Finds is part of a larger group-wide initiative called the SM Green Movement, where SM Store and its affiliates make sustainable living accessible for the average Filipino consumer by carrying products made from natural ingredients, support community livelihood and are sustainably sourced and produced.

Today, Green Finds has 12,000 products that qualify as sustainable. We aim to continue expanding and increasing its market share and in-store revenue, which currently accounts for 2% of the overall contribution.



The SM Green Finds collection is prominently displayed inside SM Stores.

SMAC
Making Shopping More Rewarding

A world of rewards awaits you as you shop with SMAC! By simply using your SMAC card while shopping, you can earn points, enjoy discounts and receive exclusive perks from brands that fit your lifestyle.

With over 10 million members, SMAC has become one of the largest and most successful loyalty programs in the Philippines. It has made shopping more rewarding at SM Stores, SM Markets and retail stores like SM Appliance, ACE Hardware, Watsons, Uniqlo, Toy Kingdom and more.

As a SMAC member, you can enjoy exclusive offers while dining out, relaxing, traveling and even refueling. The more you shop with your SMAC Start, SMAC or SMAC Prestige Card, the more points, savings and exciting perks you can enjoy.

Upgrade your shopping experience with the SMAC Prestige Card. Enjoy exclusive shopping offers, access to the SMAC Prestige Lounge, priority fitting rooms at The SM Store and express check-out lanes at SM Markets.

SMAC is not just about rewards; it's about making a difference. Members can participate in various community programs and advocacies supported by SMAC, contributing to positive change in society.



SM MARKETS



A dedicated supermarket staff member, embodying our commitment to exceptional customer care with service-oriented values.

Providing Service with Excellence

In 2023, SM Markets opened 12 new stores across the Philippines, expanding our reach and bringing quality products and exceptional service closer to Filipino homes. Two new SM Cherry branches in Aklan and Rizal further solidified our presence in key areas.

Following the iconic SM Turon (banana spring roll), SM Markets consistently brings innovation by introducing BBQ Master, which quickly became a favorite among our shoppers. Additionally, we expanded our dine-in options with Five Star Coffee, which is available in most stores, and opened 14 United Steak branches for a diverse dining experience.

With over 8,000 international items, including Japanese and Korean products, we proudly serve as the home of imported goods. Through exclusive partnerships, like our collaboration with Australian supermarket brand Coles, we continually expand our selection of high-quality imported goods. Local products and pasalubong (souvenir) items are also prominently featured.

We were honored to be recognized by the Philippine Daily Inquirer and Statista as Best in Customer Service 2023 in the Supermarket category. This award is a testament to our unwavering commitment to providing exceptional service and satisfaction.

Service is at the core of our values. Every interaction, product offering, and innovation is driven by our dedication to serving our customers with excellence. As we grow, SM Markets remain steadfast in delivering top-notch service, ensuring that every shopping experience with us is exceptional.





Our Property Businesses

Our property businesses had a successful year, with notable achievements and progress. Led by SM Prime, our goal is to reach 100 malls in the Philippines by the end of 2027, while also expanding our portfolio of residences and hotels to meet the evolving needs of our customers.



SM SUPERMALLS

Revolutionizing the Mallgoer Experience

The customer experience is at the heart of our mall operations. Whether it's shopping, dining, entertainment, special events and attractions, We've Got it All for mallgoers.

We've innovated and introduced a seamless and enjoyable customer journey, tailored to cater to every family member's experience.

We've elevated mall-going to a whole new level through "fandomination" that brings nationwide pop culture celebrations to life. This features Taylor Swift listening parties, K-Pop activations and concert film series of BTS, NCT, Beyoncé and Taylor Swift at SM Cinemas.

Immersive gaming and e-sports tournaments in our malls, particularly during SM Cyber Month, elevate excitement levels for gamers and gaming content creators. The unveiling of SM Game Park at SM Mall of Asia adds to this thrill, establishing it as an exhilarating sports destination.

Each of our 85 malls embraces the vibe of its community with the aspirations of the Filipino family at its core.



The Philippines' largest inflatable, Snoopy, stands atop SM Megamall.



Larger-than-life corgi, Momo, charms visitors at SM Mall of Asia.

Enabling An Inclusive and Sustainable Economy

Our malls are venues for job seekers to explore career opportunities. We continue to host job fairs in partnership with the Department of Labor and Employment, where we welcome fresh graduates and returning Overseas Filipino Workers.

We enable micro, small and medium enterprises (MSMEs) to thrive, with inclusive opportunities such as the "Womenpreneur Market" and "Kiddo-preneur Fair".

For our communities, especially SuperMoms loyal to SM, we established the now 285,000-strong SuperMoms Club Facebook community, concluding the year with a 76% average active membership rate.

The 100 Days of Christmas Surprises campaign across 80 malls garnered over 20 million views, reaching over 27 million people.

Our sustainability efforts engaged over 17,000 volunteers in the biggest International Coastal Clean-up led by SM Cares, resulting in the removal of 100,432 kilos of trash across 15 malls nationwide, reinforcing our commitment to a greener future through a culture of volunteerism.

Building Premier and Sustainable Lifestyles



SMDC integrates open spaces into their developments, offering sustainable living options conveniently located in main city centers and key provinces.

As the primary residential business unit of the SM group, we remain steadfast in providing Filipinos access to a sustainable and attainable cosmopolitan lifestyle. We build masterfully planned developments, for prospective homeowners to find their dream homes across key cities and emerging growth centers in the Philippines.

We offer diverse real estate options as a partner of choice for residential and investment opportunities in the country.

As of 2023, we have more than 180,000 residential units across our 67 developments in various key areas in the Philippines, including Metro Manila and other emerging growth areas beyond the city center, such as Tarlac, Batangas, Cavite, Laguna, Bulacan, Pampanga, Rizal, Iloilo, Bacolod, Davao and Cagayan de Oro.

We have ventured into the creation of other innovative project formats such as residential office developments, exemplified by projects such as the Ice Residences in Pasay City. This strategic expansion not only diversifies our portfolio, but also addresses the growing demand for integrated living and workspace solutions within the Mall of Asia Complex.

We are venturing into more upscale offerings through the development of The Estate in Makati, a joint venture project with Federal Land. This project features a commanding skyline of Makati City's central business district while offering a luxurious abode close to schools, churches, hospitals and other commercial centers.

Together with SM Prime, we are set to expand our portfolio beyond our current 67 SMDC residential developments across our 22 lifestyle cities. We continue to address the homeowner's journey towards an enhanced and more sustainable living experience.

Key Property Developments

22 Integrated Lifestyle Cities

18 Office Buildings

2 Trade Halls

85 Malls

1 Arena

10 Hotels

67 Primary Residences

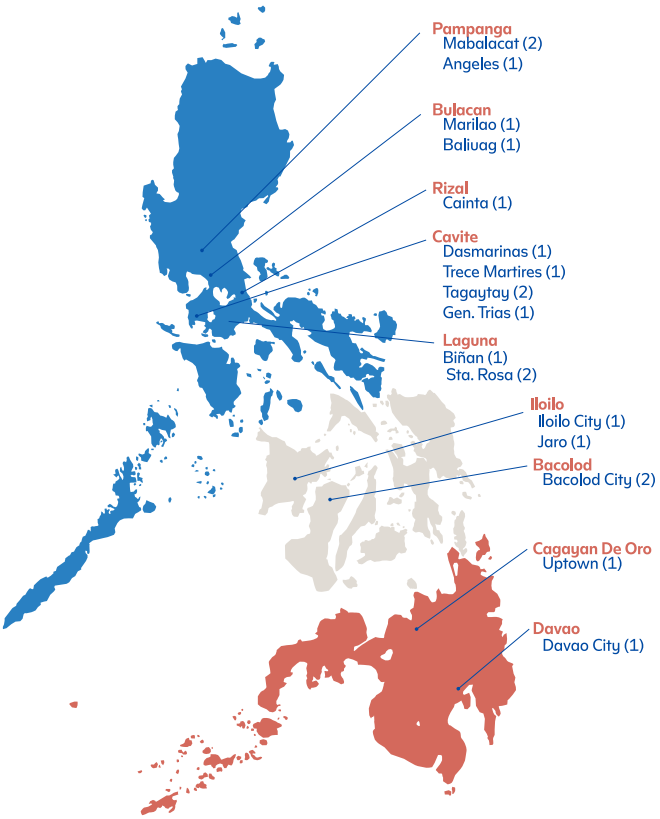
24 Leisure Homes

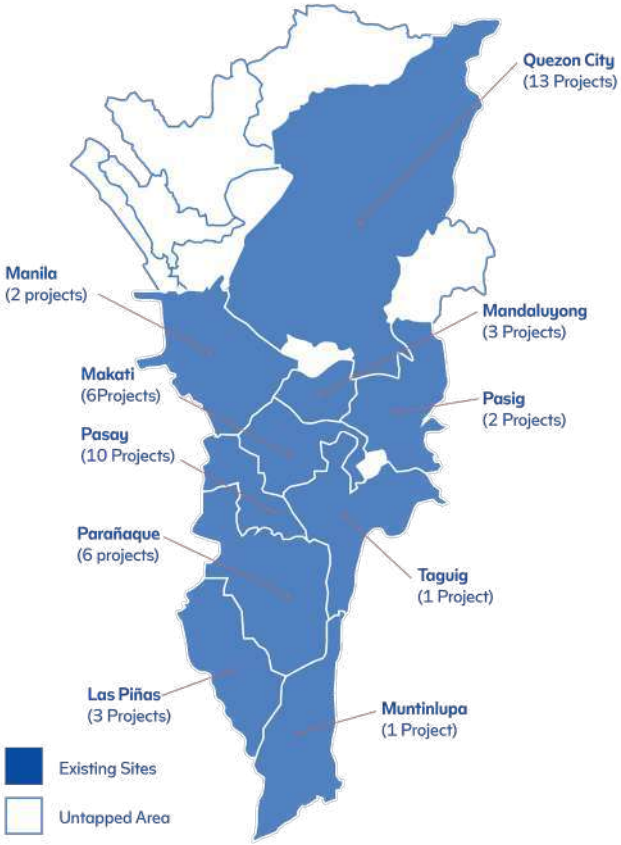
6 Convention Centers

Primary Residences

Provincial **20** Developments

85% of these are mid-rise buildings, while 15% are house & lot developments





Metro Manila **47** Residential Developments

Offices

18 Office Buildings

5 Office Located in in the Mall of Asia Complex

118 Hectares of land for future office developments

SM HOTELS AND CONVENTIONS

An Expansive, Enhanced Hotel Experience

As tourism increases and people travel more, visitors, foreign and locals alike, are looking for spaces where they can experience true Filipino hospitality.

Aiming to serve travelers and guests in areas where no branded hotel has gone before, SM Hotels signed a Master Franchise Agreement with Radisson Hotel Group to build 14 hotels in the country by 2028. This collaboration will introduce the global brand Park Inn by Radisson not only to primary destinations but also to areas where there is a need for good hotels. This complements our integrated property developments, stimulating domestic tourism and enabling greater economic activity.

An excellent addition to our portfolio is Lanson Place Mall of Asia – a hotel and serviced residences property development 15 minutes away from the airport using the Ninoy Aquino International Airport Expressway (NAIAX). Built in partnership with Lanson Place Hospitality Management Limited (LPHML), this is the first property in the Philippines of the Hong Kong-based hospitality brand.

Guests also get to enjoy our great local flavors from our à la carte menus, of which over a third is dedicated to sourcing local ingredients, products, and culture.

We also remain committed to sustainable efforts in support of MSMEs across our properties. More than 80% of our employees are locally hired, and we continue to promote local businesses and culture. These actions and achievements complement the vibrant tourism landscape and set new benchmarks in the local hospitality industry.



Guests can enjoy dishes from our hotels' à la carte menu highlighting locally sourced ingredients.



Radisson Hotel Group (RHG) APAC Chief Development Officer Ramzy Fenianos, RHG Chief Executive Officer Federico González, SM Hotels and Conventions Corp. (SMHCC) President Elizabeth Sy and SMHCC Executive Vice President Peggy Angeles, at the Master Development Agreement (MDA) signing ceremony

Our Banking Businesses

Our banking businesses experienced significant success this year. With higher margins and a thriving economy, our banks delivered impressive earnings and played a leading role in our overall success.



Bringing the Best of Both Worlds with Physical and Digital Banking



At BDO, customers can enjoy personalized service and convenience through our extensive branch network and friendly staff.

Money has seen several transformations over time. It has traditionally been denominated, handled and transferred using physical forms, such as paper notes, coins and even valuable commodities like gold, precious stones or livestock. However, money is inherently numeric and digital, which now enables electronic banking, quick transfers and advancements such as e-wallets, digital-only banks and cryptocurrencies like Bitcoin.

Despite this digital shift, banking still revolves around fundamental principles of trust, integrity and strong foundations. Customers still value the ability to visit nearby branches and discuss their financial needs with familiar faces and to feel at ease when any concerns arise.

BDO aims to provide the best of both worlds by seamlessly integrating traditional and digital banking services. Customers can enjoy personalized service and convenience with our extensive branch network and friendly staff.

PHP73.4bn
Net Income

PHP4.5tn
Total Assets

15.2%
Return on Equity

Additionally, our user-friendly digital banking apps offer a range of features for easy and enjoyable banking, including payments, transactions and investments. Plus, we offer exclusive rewards programs to enhance the overall customer experience.

Finding Ways to Continue Driving Financial Access

BDO champions financial inclusion through BDO Network Bank's presence in provinces and Cash Agad's reach in remote areas and communities.

BDO Network Bank (BDONB) is a leading community bank driving financial inclusion in the Philippines. BDONB provides essential financial services to far-flung regions throughout the country so that more Filipinos can achieve their dreams and goals in life.

With products and services such as Salary Loan, Negosyante (entrepreneur) Loan, Microinsurance and Cash Agad, BDONB supports the aspirations and business needs of the communities that it serves. Together with BDO Foundation and SM Foundation, BDONB helps communities thrive by engaging in financial education, classroom building, medical missions, rural health unit rehabilitation and calamity relief operations.

Guided by the philosophy "abot ang pangarap" (dreams can be reached), BDONB is committed to being where it is needed most, serving communities across the Philippines. The men and women of BDONB are passionate about uplifting lives. For them, working at BDONB is not simply a source of income but a mission to make a difference in the lives of many Filipinos.

Cash Agad Agency Banking is one of BDO's financial inclusion initiatives extending its reach in remote areas where branches and ATM channels are scarce. With a roster of close to 10,000 cash agents nationwide, they cover 100% of provinces and 92% of the municipalities in the Philippines to provide basic services such as cash withdrawals, balance inquiry, bills payment and cash deposits for select partner agents.

To further promote inclusive finance, Agency Banking collaborates with BDO Remit and BDO Network Bank in account solicitation and loans to MSMEs as part of our service to communities around the country.

Expanding Wealth Capabilities

To serve discerning and high-net-worth clients, BDO Private Banking has consolidated its enterprise-wide wealth services through private banking centers strategically situated in Metro Manila (Makati, Ortigas, Greenhills, Quezon City, Binondo and Alabang), provincial cities (Cebu, Davao and Iloilo) and its offshore branches in Singapore and Hong Kong.

With BDO Private Banking, customers can gain access to both local and global investment opportunities and custom investment strategies tailored to their financial needs. We also offer comprehensive wealth structuring plans backed by technology and data-driven solutions to help you achieve your diverse investment goals and preserve your generational wealth.

BDO Private Banking also brings together the most seasoned wealth experts, local and global alliances and partners of BDO, including Relationship Managers, Investment Strategists, Product Specialists and Trust Advisors. Whether you're looking to grow your wealth, invest in quality opportunities or simply secure your future and the future of your family, we will find ways.

9,700
Cash Agad partners

500
Branches
BDO Network
Bank



Our user-friendly digital banking apps offer easy and enjoyable banking, including payments, transactions and investments.

Growing With and for Our Customers



With our dedicated team and a nationwide network of branches, Chinabank delivers seamless in-branch experiences.

In 2023, Chinabank responded to the increased demand for financial services while staying true to its client-centric roots.

Our sharpened customer focus enabled us to sustain our strong growth momentum. We closed the year with 2.6 million customers and a net income of Php 22.0 billion, up 15%, which translated to a return on equity of 15.5% and a return on assets of 1.6%.

Chinabank remains as the 4th largest privately-owned domestic bank with total assets of Php 1.5 trillion, up 11%. Total deposits increased by 11% to Php 1.2 trillion. Our loan portfolio grew by 10% to Php 791 billion, driven by strong demand across client segments.

In 2023, we continued to refine our omnichannel approach, combining the high-touch warmth of personalized service with the high-tech efficiency of automation. We harnessed the power of our 10,662-strong team, our vast nationwide network of 648 branches and 1,069 ATMs and our robust digital platforms to deliver great customer experiences in-branch and online.

PHP22.0bn
Net Income

PHP1.5tn
Total Assets

15.5%
Return on Equity

We implemented product enhancements like instant credit card issuance and client-facing application upgrades on InstaPay and our payment gateway. Meanwhile, our overall IT architecture is undergoing an overhaul, with a new cloud-first policy as part of our ongoing digital transformation.

For making customer-centricity, multi-channel interaction and personalized products and services the key drivers of our digitalization, Chinabank was named by Backbase as The Big Shift Champion of the Year. The award recognizes our successful transition from conventional to engagement banking.

648
Branches

1,069
ATMs



A testament to our commitment to better customer engagement.

To support our business customers, we efficiently allocated resources while upholding credit standards and risk appetite. For consumers, we re-engineered our lending processes to fast-track approvals to three days for home loans and to one day for auto loans. We also launched the Chinabank Destinations World Mastercard, the Chinabank Destinations World Dollar Mastercard and the Chinabank Destinations Platinum Mastercard to make traveling more rewarding.

To serve Filipinos abroad, we expanded our international remittance network, partnering with Singapore's SingX as well as Malaysia's Mobile Money and Thailand's DeeMoney via the RippleNet platform.

To help customers better understand financial and estate planning, as well as the economic developments that impact our clients' financial well-being, we conducted learning sessions and market outlook forums year-round.

Meanwhile, our investment house arm Chinabank Capital continued to be among the top bookrunners for bond and equity transactions in the Philippines. During the year, Chinabank Capital helped raise a total of Php357 billion for the development projects of the national government and Php188 billion for the growth plans of companies.

On the ground, in the cloud and across the Chinabank Group, we are focused on our customers and we will continue to help them achieve their financial goals and build lasting relationships with them.



Through our robust digital platforms, we provide convenient and user-friendly online customer experiences.

Our Portfolio Investments

Our portfolio of investments aims to grow its share in the group's earnings by investing more in the logistics and renewable energy sectors while also exploring high-growth opportunities in sectors that align with our ecosystem of SM businesses.



Giving Customers an Integrated, Convenient and Reliable Transport Experience



2GO continues to be the country's largest end-to-end transportation, logistics and distribution solutions provider.

In 2023, we welcomed aboard more than 1.1 million passengers, a 45% increase from 2022, bringing them to their destinations—the 18 ports of call of 2GO Group. We worked to make the travel for our passengers as convenient as possible, forging partnerships with SM retail affiliates such as Watsons, which is now available on 2GO ships.

To increase weekly capacity for both passenger and cargo, we purchased two new vessels, MV 2GO Masikap and MV 2GO Masigla. We are also adding more premium rooms to MV 2GO Maligaya, increasing passenger capacity from 646 to 800. Passengers can also enjoy Filipino favorites Goldilocks, Brownies Unlimited, Kultura and Miniso onboard.

Extending our services closer to consumers, we have also expanded our retail footprint as we opened our 100th 2GO-owned retail store at Greenhills Shopping Center.

As the lifeblood of trade for our B2B customers, freight shipping is essential to moving goods across the country. 2GO freight revenues increased compared to the previous year as a result of cargo mix upgrading.

Backed by more than 25 years of expertise in project logistics of big moves from origin to destination, we handled custom processing for various industries including energy, telecom and infrastructure.

We have established end-to-end cold chain as 2GO Special Containers and Value Added Services, Inc. (SCVASI) provided consultancy and technical expertise in new projects. Serving commissaries in hubs also expanded our reach to Visayas and Mindanao. Committed to safety and reliability, food and non-food grade liquids are moved in different iso tanks.

E-commerce orders have averaged 65,000 per day, hitting up to 115,000 in a single day. More vessel frequencies opened for Batangas to VisMin lanes, allowing us to cater to the fast-growing vehicle manufacturing industry in Southern Luzon.

Our lead customer, a vehicle manufacturing company, grew its cargo volume by 25%. We continue to support economic activities and trade to foster a more inclusive social and economic development.

Over
3,000
Increase in Weekly Passenger Capacity

35%
Increase in Weekly Container Capacity



Forwarding an Inclusive Economy

Our freight forwarding business continues to serve customers in critical industries that impact the economy.

We continued our support for the healthcare industry, which has grown to be one of our strong niche markets.

In 2023, we invested in a temperature-controlled warehouse facility in Metro Manila, enabling the safe and secure delivery of medical supplies and equipment to local pharmaceuticals.

Aligned with the SM group's focus on enabling businesses in growth regions, we built a warehouse facility in Mandaue, Cebu, to cater to MSMEs in the Visayas and Mindanao. This provides our customers greater access to various local and foreign destinations for their e-commerce businesses.

We are also a partner for businesses needing cross-border logistics solutions. As the global economy grows, the demand for efficient, reliable cross-border logistics solutions increases. We continue to offer comprehensive services including international and domestic freight forwarding via air, sea or land, customs clearance, storage solutions such as e-commerce fulfillment and warehousing and distribution.

We are also focusing on e-fulfillment, a key factor in the success of MSMEs. We offer customized services for e-Commerce companies to ensure their items are delivered online and stored safely, picked up and delivered within a guaranteed timetable.

Together with the government's Negosyo Centers, we are partnering with existing small brick-and-mortar businesses like sari-sari stores which will serve as pick up and drop off (PUDO) points for retail customers with logistics needs in far-flung barangays.



Airspeed 'makes it happen' in building businesses, empowering lives and developing communities.

Creating Joyous Moments with Goldilocks



Goldilocks introduced new cake selections, giving more joy to Filipino celebrations.

At Goldilocks, we have always aspired to bring joy to every celebration by delivering on our commitment to innovation and total customer satisfaction.

We created 10 new types of cakes in 2023 with limited edition flavors such as Mom's Choco Cake and Mango Dream, ensuring celebrations during Mother's Day are extra special. Our Merry Cherry Choco captured the essence of the holidays last Christmas to spruce up the typical Noche Buena spread.

In our dedication to enhance the joy of celebrations, we introduced exciting, new experiences to our customers. Our One-derful Birthday campaign last September allowed families to enjoy their child's first birthday with a Goldilocks-themed party for free. In 2023, we collaborated with notable brands like Mobile Legends, a leading multiplayer battle arena game, to create a custom cake design to celebrate their 7th anniversary. Additionally, we played a role in the enchanting celebration of the union of Enrique Miranda and Ella Pangilinan by crafting a custom cake with Filipiniana theme.

We continue to build on our brand's momentum by mixing modern and trendy concepts that bring to life joyful celebrations stories.

Closer to Our Customers

In 2023, we increased our customer reach by introducing 41 new stores, elevating our nationwide total to 926. We have also expanded responsibly in emerging growth centers in the region, with over 40% of our new locations situated in Visayas and Mindanao. The growth of our franchise network is notable, having reached 360 stores nationwide through collaboration with 70 franchisee partners. Many of these partners were originally Goldilocks customers who transitioned into valuable partners and contributors to our expanding footprint.

We take great pleasure from being the brand Filipino families trust to enhance joy and create lasting memories during their milestone celebrations.

926
Stores Nationwide

41
New Stores in 2023

PHILIPPINE GEOTHERMAL

Exploring a Better and Sustainable Future



PGPC exploration prospects in South Luzon.

Philippine Geothermal Production Company, Inc.'s (PGPC) expansion also demands increase in its steam production and economic opportunities in areas we operate.

PGPC operates the Tiwi and Mak-Ban steam fields that, as of October 2023, have produced 148 billion kWh of clean renewable energy. This is equivalent to 275 million barrels of avoided oil imports and has helped reduce CO2 emissions by at least 58 billion kilograms since the start of its commercial operations in 1979.

Currently, PGPC and its affiliate companies are exploring additional geothermal energy projects in Daklan, Mt. Labo, Mt. Malinao, Cagua and Baua-Sikaw, and Kalinga for a total development potential of about 250 – 400 MW. This is in support of the country's national goal to increase its renewable energy mix to 35% by 2030 and to 50% by 2040.

We also continue to support our established Tiwi Upland Management Areas for Nature-based Agriculture (TUMANA) program for the agricultural training needs of the local communities. The hub that we built together with our partners as part of this program has now become the learning resource center for the Tiwi municipality. It also offers internship programs for the youth who take interest in agriculture and agricultural management.

Partnering with the local government units and academic institutions, we have two adopted plantations under our Kupkop Kabundukan (adopt the mountains) program and continue to collaborate with the Makiling Center for Mountain Ecosystems of the University of the Philippines Los Baños for the conservation and protection of the forest reserve and four of its surrounding watersheds.

We also continue to pursue efforts to rehabilitate forests and mangrove forests along the Bariis River and bay area in Tiwi as part of our Environmental Conservation Sustaining Tiwi's Agri-Aqua Resources (ECO-STAR) Program. These forests also serve as a sanctuary for sea turtles which are considered as keystone species.

SM to Our **Stakeholders**

SM is committed to inclusive and responsible growth, ensuring that the well-being and success of our stakeholders are at the forefront of our operations. Through workplace inclusivity initiatives, support for MSMEs, community outreach programs, and environmental sustainability efforts, we strive to create shared value and make a positive impact on society.



How We Create Shared Value

First, our customers, then, our stakeholders.
By meeting their needs, they embraced our brand.

Our Valued Resources

We take a synergistic approach in managing our assets to deliver sustained returns and foster sustainable development

Manufactured Capital

Our Integrated Developments
A unique mix of malls, residences, office buildings and hotels facilitating urbanization

Intellectual Capital

The SM Brand
The SM brand is one of the most popular and trusted brands in the country

Social Capital

Our Connection to Our Customers
We know our customers and we have a deep understanding of their needs and wants

Our Empowered People
We have a diverse group of people that mirror our diverse customers

Our Inclusive Supply Chain Network
Over the years, we have grown alongside our suppliers, forging enduring partnerships

Our Relationship with Our Communities
Wherever we are present, we help uplift the lives of Filipinos in our host communities

Natural Capital

Geothermal Energy and Environmental Assets
We optimize our environmental assets to help in the just transition to low carbon economies

Financial Capital

One of the Largest Market Capitalization in the Country at Php 1.1tn
- Total Equity **Php 772.2bn**

What We Do and How We Do It

We operate as an ecosystem, with our businesses working together to achieve shared goals in serving and meeting the aspirations of Filipinos. We prioritize our customers, practice financial prudence and ensure good governance while keeping an eye on the future.



What's Important to You and What We Delivered

Manufactured Capital - Supporting Urbanization

Our Integrated Developments

3 new Malls in the Philippines

1 new Hotel

1 new Mall in China

3 new Residential Projects

Intellectual Capital – Businesses/Innovations that Enhance the SM Brand Experience

The SM Brand

- 798 SM Store Personal Shoppers nationwide
- 5 companies within SM have been recognized with the Best in Customer Service award by the Philippine Daily Inquirer and Statista

Social Capital - Meeting the Ever-Evolving Aspirations of our Customer and Stakeholder

We create socio-economic opportunities that promote inclusive prosperity for all

- SM is one of the largest job creators with 131,000 jobs offered in 2023
- SM has the largest MSME community supporting over 100,000 to date
- 58% Women in leadership roles

We create positive community impact

- **1,728** scholarship grants in 2023
- **10,564** scholar graduates to date
- **172** schools donated/constructed
- **372** health centers and medical facilities built/renovated

Natural Capital – Managing Environmental Impacts and Finding Practical Solutions

Geothermal Energy and Environmental Assets

- PGPC's Steam Output generated **2,604.4 GWh** in 2023
- **2.65Mn** trees/ seedlings planted
- **24 hectares** of mangroves protected
- **3** marine protected areas
- **23.3 MWp** capacity of solar panels installed in SM Supermalls
- **2** adopted plantations under PGPC's Kupkop Kabundukan program

Financial Capital – Accelerating Inclusive Economic Growth and Partnerships

- Assets: **Php 1,586.2bn**
- Net Income: **Php 77.0bn**
- Revenues: **Php 616.3bn**
- Sustainable Energy Finance: **Php 119.8bn**
- BDO Loans to National Projects: **Php 73.0bn**
- BDO Loans to SME: **Php 50.1bn**
- China Bank Microfinancing Loans to MSMEs: **Php 19.2bn**

Some Positive Impact We Create



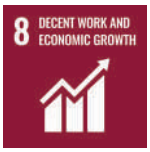
We facilitate responsible urbanization and development

- Through our property arm, SM Prime, we were able to build integrated property developments in Metro Manila and in key provincial cities in the Philippines, contributing to national goals in urbanization



We are pioneering a fully customer-centric Filipino brand incorporating sustainability as brand values

- Our customers can experience the SM Omnichannel







Our Connection to Our Customers

- SMAC loyalty program with **10M members**
- Personalized Customer Service

Our Empowered People

- We established a principles-based Diversity Equity and Inclusion (DEI) Framework in our workplace

Our Inclusive Supply Chain Network

- The leading hub for MSMEs
- Over 12,000 products under SM Green Finds

Our Relationship with Our Communities

- Through our social development programs, we contribute to reducing the gap in accessing social services



We promote natural habitats, environmental stewardship and nature-based solutions

- We contribute to the reforestation and rehabilitation goals of the country and the Department of Energy's targets for renewable energy sources



We generate profits with purpose, contributing to national growth and partnerships

79% dividend pay-out

10 SM companies received Golden Arrow Awards from the ICD

6 SM companies received ACGS regional awards

Our Valued Resources

Intellectual Capital

Embracing the Aspirations of Those We Serve

Over the past decades, the SM brand has emerged as one of the strongest in the country. Through the targeted integration of products and services, we are able to help jumpstart economic activities in the communities we serve. We support businesses, build sustainable cities, provide financing and promote social equity through education, healthcare and food security, creating jobs and opportunities. In this manner, as we work to meet the needs of those we serve, we have become a partner for Filipino families in achieving their aspirations.

Social Capital

Why Connecting with Our Customers is Good Business

As a wave of new customers gravitated towards our malls, we recognized their readiness and eagerness to engage in new social experiences. Many seek a healthier lifestyle, new entertainment platforms, immersive experiences and more convenience. With this, we've expanded our range of services to provide immersive omni-platforms, engaging our customers as active curators of these experiences.



A Country of Budding Sustainable Enterprises

We have established ourselves as a leading hub for MSMEs, directly engaging with over 100,000 and accommodating 20,615 tenants in our malls. Our comprehensive startup programs offer financing, mentorship and a marketplace for aspiring entrepreneurs. Furthermore, we use our influence to encourage our supply chain partners to prioritize sustainability in their product development to be able to offer our customers environmentally-friendly choices.

Growing with Our Communities

Wherever we are present, we work alongside our host communities. While our business naturally creates value by creating jobs, promoting entrepreneurship and facilitating financing, we acknowledge that some members of our communities need additional support. That's why our Foundations are dedicated to providing quality education, universal healthcare and agricultural skills training for food sufficiency. Through these programs, we empower communities to aspire, grow, and look toward a brighter future.

Manufactured Capital

Sustainability and Resiliency Define Filipino Cities of the Future

About half of Filipinos live in urban areas and we are committed to supporting their rapid urbanization needs. Our integrated lifestyle cities, centered around malls that serve as community hubs, offer the convenience of a 15-minute city model. Within walking distance, residents can access SMDC residential units, hotels, convention centers and offices. We also prioritize sustainability and resiliency in all our developments, allocating 10% of our capital expenditure to incorporate water catchments, clean energy, waste management and recycling.



Natural Capital

Materials for Smart Natural Resource Management

We have adopted a group-wide strategy to address our plastic waste, aiming for plastic-free operations or responsible plastic waste management. In 2023, our group has successfully reduced our plastic usage by 20%, with 2GO achieving net-zero non-biodegradable plastic usage. Our ultimate goal is to completely eliminate the use of plastics by exploring alternative materials and collaborating with partners for waste conversion.

Human Capital

Embracing Diversity

Delivering our promise of "having it all" for our customers is a diverse workforce that mirrors the diversity of those we serve. Under the leadership of Lizanne C. Uychaco, our Group Diversity Officer, we have established a principles-based Diversity Equity and Inclusion (DEI) Framework within our organization. Our goal is to create a workplace where everyone feels valued and included—a space where they can also thrive and make meaningful contributions to our business objectives and values.

63%
women in our workforce

58%
leadership positions occupied by women



Lizanne C. Uychaco,
Group Diversity Officer

Financial Capital

Delivering Purpose-Driven Profits

As a company committed to community and nation-building, our fiscal practices are guided by our vision of building sustainable businesses that drive responsible development. We prioritize sustainable returns, maintain strong balance sheets and adhere to prudent financial practices. These measures support our ability to deliver long-term growth and financial success.

To ensure financial stability and growth, we have implemented thorough controls and risk management programs tailored to each business unit's needs. These measures also take into account environmental, social and governance (ESG) related financial risks.

Although our businesses operate independently, we focus our collective resources on growth investments that benefit both our business expansion and social development.

Scan here to know more about Our Capitals

Summary of Survey and Materiality

We Value What Matters to Our Stakeholders

We apply a dual materiality approach to understand what matters to our business and also assess our ability to create shared value that our stakeholders could feel. This approach involves assessing both impact materiality and conducting risk assessments.

Who are Our Stakeholders?

- Our People
- Our Customers
- Our Suppliers & Business Partners
- Our Communities
- Our Investors

How did we engage them?

Our Inputs

- Our Board Strategy
- Our Stakeholder Expectations
- Our Operating Context
- Our Risk Assessment

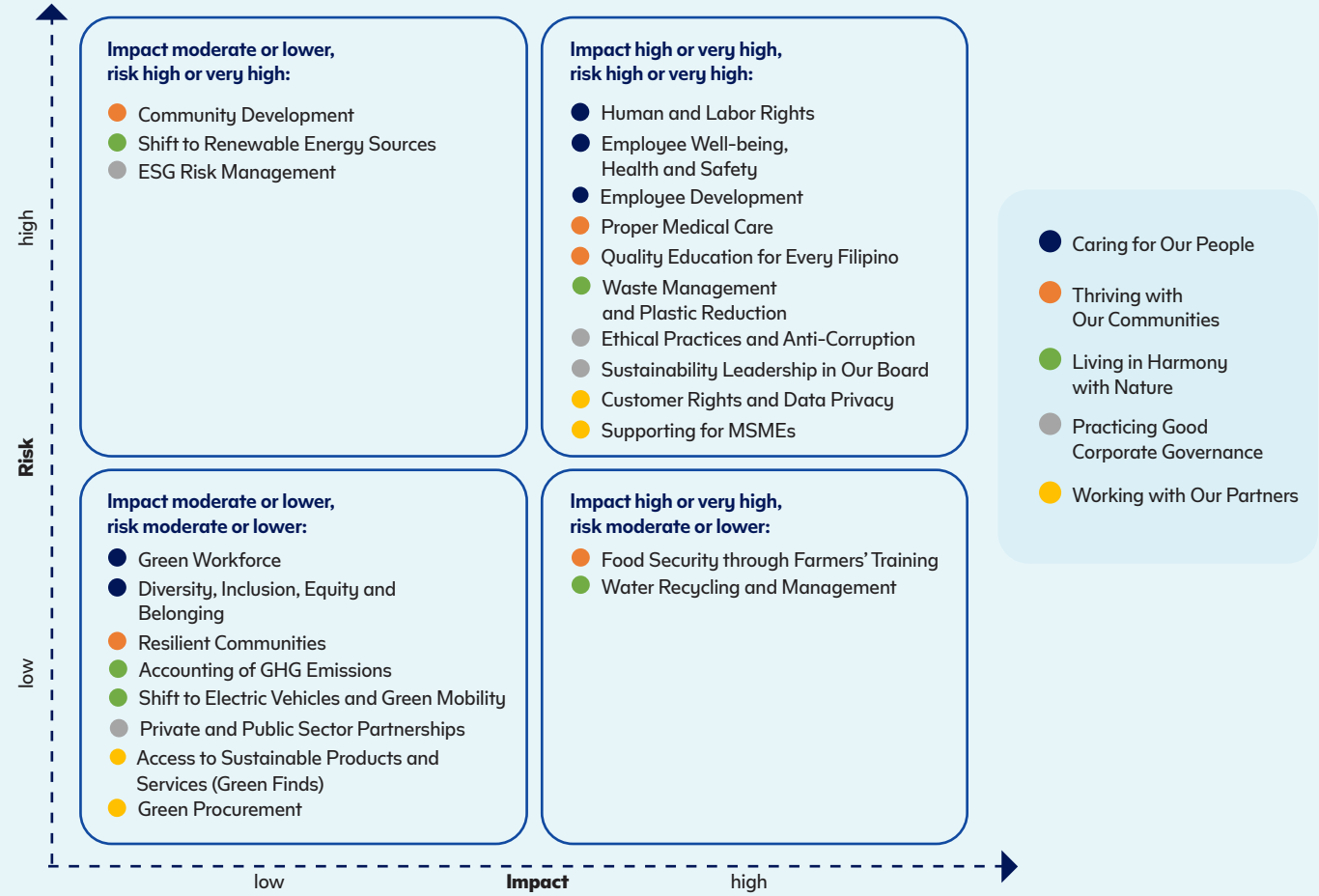
1 Identification
We identify the topics that are relevant to our governance and operation in the context of economic, social and environment.

2 Validation
We conduct a survey to determine how our activities impact our stakeholders and what potential risks are involved.

3 Approval
Our Board deliberates on these relevant topics and incorporates in our business strategy and sustainability initiatives.

What did they tell us?

Our stakeholders identified where we create the most impact for them and which topics pose as risk in our ability to serve them.



Our Reports

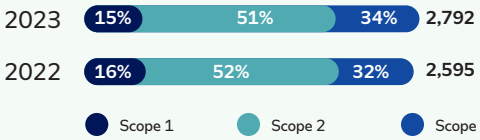
UN Global Compact	We are a signatory of the UN Global Compact, upholding the 10 Principles clustered in Human Rights, Labor Rights, the Environment and Anti-Corruption. This year, we expanded our Sustainability Policy and established a Sustainability Management System to ensure the implementation of the 10 Principles within our businesses and served as co-lead of the Prosperity Pillar in UNGC Philippines and now appointed as the lead of the said pillar. We developed an ESG Risk Management Framework aligned to ISO 31000, COSO and WBCSD.
Task Force on Climate-Related Financial Disclosure (TCFD)	We are a signatory of the TCFD, assessing the risks and opportunities we face with climate change. This year, we partnered with the World Wide Fund for Nature (WWF) Philippines in their advocacy for Corporates for a Better Planet Initiative (CBPI). This is part of our commitment to TCFD in order to report our efforts in (a) Establishing Mitigation Strategies by measuring our GHG and finding opportunities for reduction; and (b) Creating Adaptation Strategies incorporated in our Business Continuity Plans by understanding scenario analysis results to our business. Our implementation phases: Phase 1: Gap analysis in 2022: SM Prime Holdings (SMPH), BDO, Atlas, SMIC Phase 2: CBPI Measure Phase (Assessment of the climate resiliency and sustainability of BUs) Pilot: SMPH Batch 1: 2GO, PGPC, Airspeed Batch 2: SMIC Parent, Goldilocks, NEO Batch 3: SM Retail, Belle Group, Atlas Mining
UN Sustainable Development Goals	We identified focus SDGs where our group can create the most impact of which we report our yearly progress: • SDG 3: 1.3mn patients served in medical missions to date • SDG 4: 12,292 scholars supported to date • SDG 5: A principles-based Diversity Equity and Inclusion (DEI) Framework • SDG 8: 131,000 jobs created and over 100,000 MSMEs supported • SDG 11: 22 integrated lifestyle cities • SDG 13: SM Prime's net zero commitment • SDG 17: Php73.0bn loans disbursed by BDO to national projects, airports and road networks
UN ARISE	We are a signatory of the UN ARISE, promoting resiliency as part of good business practices. This year, ARISE PH, our affiliate group for resilience under SM Prime conducted resilience programs through five webinars with over 600 participants.
UN WOMEN	As a signatory, we proudly uphold the UN Women Empowerment Principles. We established a principles-based Diversity Equity and Inclusion (DEI) Framework in our workplace: Principle 1: We are an equal opportunity provider, giving equal employment opportunities for all applicants and employees, regardless of race, religion & beliefs, gender, national or regional origin, age and marital status. Principle 2: We provide facilities that support the unique needs of our diverse people, providing ease in mobility and comfort. Principle 3: We promote a work culture of meritocracy and respect for universal human rights – treating everyone with dignity and respect regardless of race, religion, gender, national or regional origin, age, background, work role and marital status - aligned to the Principles of the UN Global Compact.

Please scan this QR Code for our detailed Reports: Materiality Process, Stakeholder Definitions, Materiality Assessment, Stakeholder Progress Report, UN Global Compact Communication on Progress Report, UN ARISE Progress Report, UN Sustainable Development Goals Report, UN Women Progress Report and TCFD Report. The TCFD report is also discussed in the ESG Risk Management Framework.

Our Sustainability Performance

OUR ENVIRONMENT

Total GHG Emissions By Scope
in '000 MT CO_2e



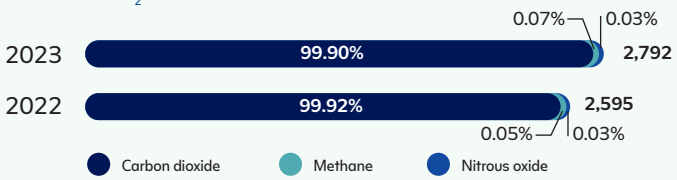
Scope 1 - Emissions arising from the use of fuel and chemicals in facilities fully owned and controlled by the company, including generator sets and transport vehicles.

Scope 2 - Emissions arising from the use of purchased electricity in facilities that are fully owned and controlled by the company using the location-based emission factors (25% of Scope 2 emissions are from renewable energy sources)

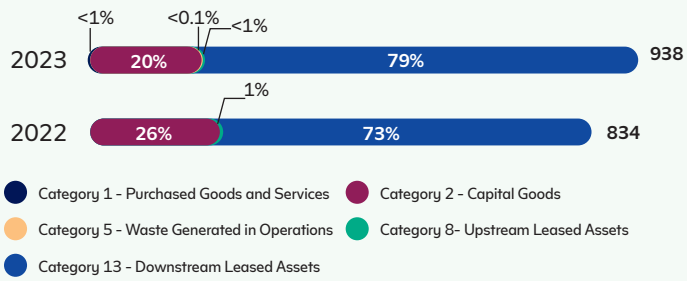
Scope 3 - Emissions arising from sources that are neither owned nor controlled by the company not included in Scope 1 or Scope 2 such as purchased goods and services, capital goods, waste generated in operations and upstream/downstream leased assets

Calculated following the operational approach of the Greenhouse Gas Protocol. Moreover, emissions were computed using the Emission Factors from Cross Sector Tool and Global Warming Potential Values (AR5) from GHG Protocol, the 2015-2017 National Grid Emission Factors provided by DOE, the 2022 Grid Electricity Emission Factors provided by Carbon Footprint, the IGES List of Grid Emission Factors and EPA's GHG Emission Factors Hub.

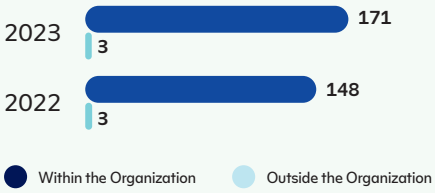
Total GHG Emissions By Greenhouse Gas
in '000 MT CO_2e



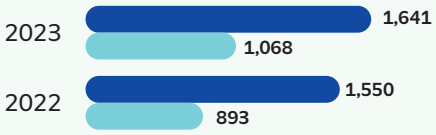
Total Scope 3 GHG Emissions By Category
in '000 MT CO_2e



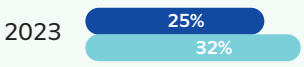
Fuel Consumption
in million liters



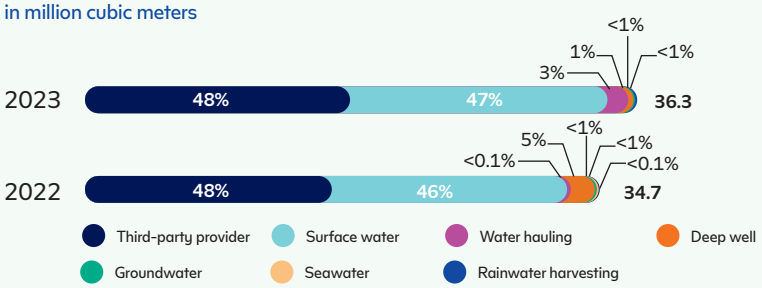
Electricity Consumption
in million kWh



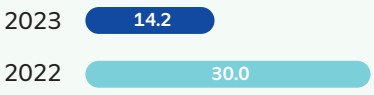
Percentage of Electricity Consumption from Renewable Energy
in million kWh



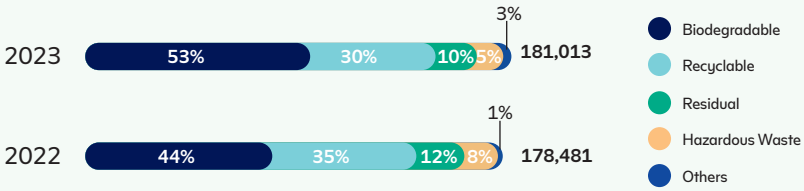
Water Withdrawal
in million cubic meters



Water Recycled
in million cubic meters



Waste Generated
in tonnes



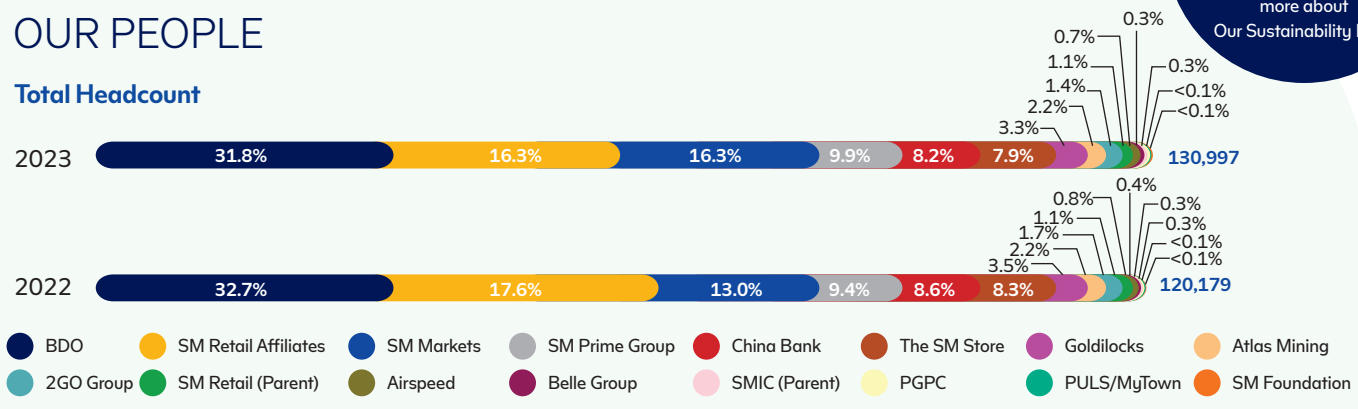
Our environment data includes the following organizations:

- SMIC (Parent)
- SMIC Retail (Parent)
- The SM Store
- SM Markets
- SM Prime Group
- BDO
- China Bank
- 2GO Group
- Belle Group
- Atlas Mining
- NEO Group
- Airspeed
- Goldilocks
- PGPC
- PULS/ MyTown

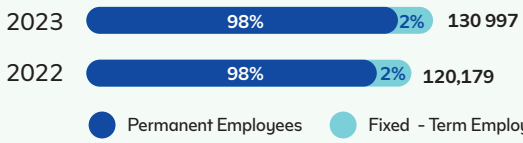
Scan here to know more about Our Sustainability Data

OUR PEOPLE

Total Headcount

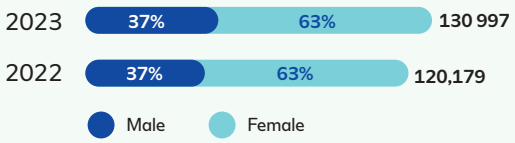


By Contract

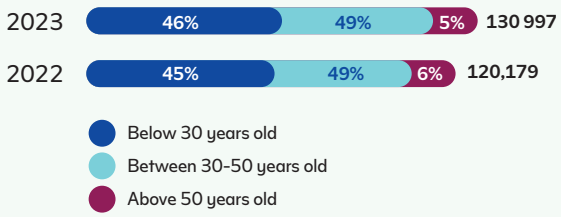


Permanent Employees - include regular and probationary status
Fixed-Term Employees - include project-based and seasonal contract status

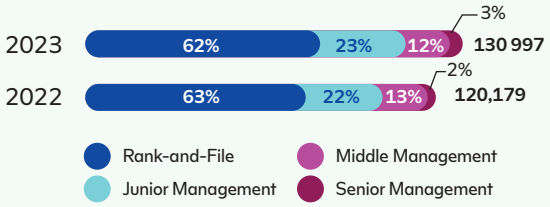
By Gender



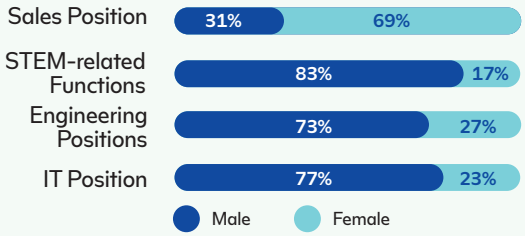
By Age Group



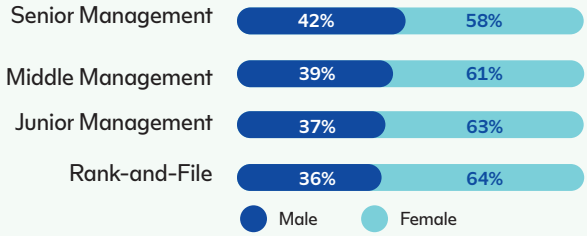
By Level



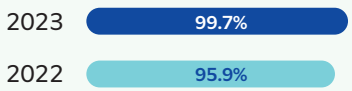
By Job Function and Gender (2023)



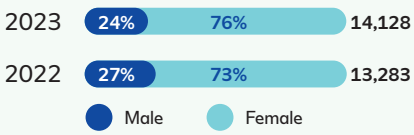
By Level and Gender (2023)



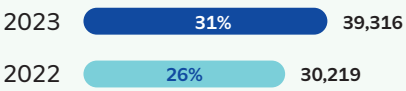
Appraisal Rate



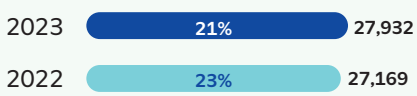
Promotion



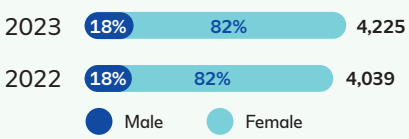
Hiring Rate



Employees Covered by Collective Bargaining Agreement



Employees Who Availed Parental Leaves



Employee Training Hours

in million hours



Our **Corporate Governance**

Our commitment to strong corporate governance practices benefits our customers by ensuring fairness and integrity, transparency, accountability and ethical behavior alongside stakeholder engagement in all our operations. This helps build trust, foster long-term relationships, and strengthen our reputation as a responsible and sustainable business.



Our Board



Amando M. Tetangco, Jr.
Chairman, Independent Director

Amando M. Tetangco, Jr., 71, first elected on 16 June 2023, is the Chairman and Independent Director of the Board of SMIC. He is also the Vice Chairman and Independent Director of the Board of Directors of SM Prime Holdings, Inc. He is concurrently an independent Director of Belle Corporation, Converge ICT Solutions, Inc. and Shell Pilipinas Corporation, and currently holds directorship in Manila Hotel, Toyota Motor Philippines, and CIBI Information, Inc., and is a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served from July 2005 to July 2017. He was a career central banker, having joined the Central Bank of the Philippines in March 1974. He held other government positions such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center, Vice Chair of the Agriculture Credit Policy Council, and was a member of the Capital Markets Development Council and the Export Development Council. Prior to his appointment in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP, and was an Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. He worked at the Management Services Division of SGV and Co. from 1973 to 1974. He was the Philippines' representative to the ASEAN Central Bank Forum, the Executives' Meeting of East Asia and Pacific Central Banks, the South East Asia Central Banks, the South East Asia, New Zealand and Australia, and the Center for Latin American Monetary Studies, and was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies, and also chaired various international committees such as the Alliance for Financial Inclusion Steering Committee, among others.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He received multiple recognition by several international organizations as one of the best central bank governors and was chosen as MAP Management Man of the Year in 2015.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar.

He was conferred the Honorary Doctorate in Management by the Asian Institute of Management in 2023. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

Directorship/s in other publicly listed companies
SM Prime Holdings, Inc., Belle Corporation, Converge ICT Solutions, Inc., and Shell Pilipinas Corporation



Teresita T. Sy
Vice Chairperson,
Non-Executive Director

Teresita T. Sy, 73, first elected in May 1979, is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM group. She is also the Chairperson of BDO Unibank, Inc. ("BDO") and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc., and Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and a Bachelor of Science degree in Commerce, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

Directorship/s in other publicly listed companies
BDO Unibank, Inc.



Henry T. Sy, Jr.
Vice Chairman,
Non-Executive Director

Henry T. Sy, Jr., 70, first elected in May 1979, is the Vice Chairman of SMIC, and Chairman of SM Prime Holdings, Inc. and Synergy Grid & Development Phils., Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM group, which include the identification, evaluation, and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.

Directorship/s in other publicly listed companies
SM Prime Holdings, Inc., and Synergy Grid & Development Phils., Inc.



Harley T. Sy
Executive Director

Harley T. Sy, 64, first elected in May 1993, is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM group, and an Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail, Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

Directorship/s in other publicly listed companies
China Banking Corporation



Frederic C. DyBuncio
President and Chief Executive Officer,
Executive Director

Frederic C. DyBuncio, 64, first elected in April 2017, is the President and Chief Executive Officer of SMIC. He is the Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Concurrently, he is the Chairman, President and Chief Executive Officer of 2GO Group, Inc. He was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During this time, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities globally. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.

Directorship/s in other publicly listed companies
Atlas Consolidated Mining and Development Corporation



Tomasa H. Lipana
Lead Independent Director

Tomasa H. Lipana, 75, first elected in April 2016, is the Lead Independent Director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an Independent Director and Audit Committee Chairperson of Flexo Manufacturing Corporation and Rural Bank of Silay City Inc. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines, and an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency). She is a Fellow and Trustee of the Institute of Corporate Directors and a Trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations.

Ms. Lipana took up Executive Education/ Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She was bestowed the Accountancy Centenary Recognition of Service Excellence by the Professional Regulation Commission - Board of Accountancy, and received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is a CPA Board placer.

Ms. Lipana has no other directorship in other publicly listed companies.



Robert G. Vergara
Independent Director

Robert G. Vergara, 63, first elected in April 2019, is an Independent Director of SMIC. He also sits as an Independent Director of Metro Pacific Hospital Holdings, Inc., STI Education Systems Holdings, Inc., and AIG Insurance Philippines, Inc., and Chairman and Director of Cabanatuan Electric Corporation. He was appointed President of the Manila Polo Club in August 2023 and is currently the President of Vergara Advisory Management, Inc. From September 2010 to October 2016, he served as the President and General Manager and Vice Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. He was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. He was a Director of Lionhart (Hong Kong) Ltd. and a Principal in Morgan Stanley Asia Ltd. He also served as the Managing Director of IFM Asia Ltd. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated magna cum laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

Directorship/s in other publicly listed companies
STI Education Systems Holdings, Inc.



Ramon M. Lopez
Independent Director

Ramon M. Lopez, 64, first elected in August 2022, is currently an Independent Director of SMIC. He also currently serves as an Independent Director of the AIC Group of Companies Holding Corporation, and a Board Trustee and Vice Chairman of the Valenzuela City Technological College (ValTech). Mr. Lopez is also a Member of the Board of Advisors in Packworks Venture PTE. LTD., a start-up venture that provides a digital operations systems for micro-entrepreneurs, and a Board Trustee in Bayan Family of Foundations, a non-profit organization providing entrepreneurship education and SMEs/social enterprise development. Mr. Lopez was recently appointed as Chairman of the Governing Board of the Economic Research Institute for ASEAN and East Asia (ERIA).

Mr. Lopez was the former Secretary of the Philippine Department of Trade and Industry (DTI) and served for the full term of the administration of former President Rodrigo Roa Duterte where he chaired various ad hoc committees and councils. He is recipient of several awards including the Order of Sikatuna, with a rank of Datu in 2018, one of People Asia's 2020 People of the Year, and the Presidential Medal of Merit alongside The Asia CEO Awards 2022 "Lifetime Contributor of the Year Award" in 2022. He also served as Independent Director in the Boards of New Marketlink Pharmaceutical Corporation, Seedbox Securities Inc., and Asian Consulting Group (ACG).

Mr. Lopez has a Master's Degree in Development Economics 1988 class at Williams College, Massachusetts USA and an AB Degree in Economics (1981) from the University of the Philippines School of Economics.

Mr. Lopez has no other directorship in other publicly listed companies.

Board Advisers



Herbert T. Sy



Hans T. Sy



Elizabeth T. Sy



Gregory L. Domingo



Roberto G. Manabat



Joseph Phi

Corporate Governance

SM Investments Corporation (SMIC) practices good corporate governance in all its dealings with all stakeholders, investors, business partners, creditors, customers and employees because SMIC believes that good corporate governance will provide the long-term growth, sustainability and success to the Company. SMIC's good corporate governance framework and practices are part of the Company's core values that are anchored on the principles of fairness, integrity, accountability, transparency and stakeholder engagement.

Our Company is recognized for practicing good corporate governance through the ASEAN Corporate Scorecard alongside various awards and recognition identified in this Report. We aim to create value in all our businesses we operate, not just with our customers but as well as in the communities and the environment to ensure sustainable growth and development.

THE BOARD OF DIRECTORS

SMIC's Board of Directors is at the helm of our governance structure. The Company's directors possess the necessary qualifications, competencies and skills to effectively participate and help secure the achievement of the Company's vision, mission and corporate objectives. The Company adheres to a board diversity policy that ensures a diverse composition of Board of Directors, which assists in advancing SMIC's strategic objectives. By virtue of the said policy, the Company commits to having a diverse organization in terms of age, competency, experience, business background, ethnicity, culture, skill, knowledge and gender, among others. To monitor progress in achieving the Board's diversity, the relevant board committee utilizes a board matrix, which provides for the mix of attributes, skills, competencies, experience and affiliations the members of the Board currently possess vis-a-vis the needs to complement its existing composition. Both the board diversity policy and board matrix may be found in the Company website.

Our Board is composed of eight (8) highly qualified directors, four (4) or fifty percent (50%) of whom are independent directors including our Chairman of the Board. In accordance with the Company's Manual on Corporate Governance, the Board shall always have at least three (3) independent directors. Independent directors are directors that are free from management responsibilities, substantial shareholdings and material relations, which could be perceived to impede the performance of independent judgment. Independent directors are tasked to encourage impartial discussions at board meetings, monitor and provide feedback on Management's performance, and safeguard the interests of the Company's various stakeholders.

In addition to fostering the Company's culture of corporate governance, the Board is tasked to do the following in accordance with the Manual on Corporate Governance:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Company's purpose, vision, mission and strategies to carry out its objectives and review it annually, or sooner should the need arise.
- Oversee the development of and approve the Company's business objectives and strategy, and monitor Management's implementation of such.
- Ensure that the Company complies with all relevant laws, rules and regulations and adopt industry best practices.
- Identify the Company's major and other stakeholders and formulate a clear policy on communicating or relation with them through an effective investors relations program.
- Adopt a system of internal checks and balances.
- Identify and monitor key risk areas and key performance indicators, and ensure that a sound Enterprise Risk Management framework is in place.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.
- Ensure that an effective succession planning program for directors, key officers and management is in place.
- Ensure that each elected director, before assumption of office, be required to attend a seminar on corporate governance conducted by a duly recognized private or governance institution.
- Ensure that each director annually attends continuing education programs conducted by an accredited training provider of relevant government agencies.
- Ensure that directors with material interest in any transaction affecting the Company abstain from taking part in the deliberations for the same.
- Formulate and implement group-wide policies to ensure the integrity of related party transactions, especially those which pass certain thresholds of materiality, between and among the Company and its related companies, business associates, major shareholders, officers, directors and their spouses, children, dependent siblings and parents, and of interlocking director relationships.
- Ensure that the Company's Code of Ethics, which provides the standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings, is properly disseminated to the Board, Management and employees, and is available to the public via the Company's website.
- Establish and maintain an alternative dispute resolution system to settle conflicts between the Company and its shareholders or other third parties, including regulatory authorities.

Board Performance and Attendance

Per our Manual on Corporate Governance, the Board should meet at least six (6) times annually. For the year 2023, there were nine (9) meetings conducted of which 100% attendance was achieved. The Board meetings are scheduled a year in advance to encourage higher participation. Special board meetings may be called by the Chairman, the President or Corporate Secretary at the request of any two (2) directors. A director's absence or non-participation for whatever reason in more than 50% of all meetings, both regular and special, in a year may be a ground for temporary disqualification in the succeeding election. Furthermore, non-executive directors meet at least once annually, without any executive directors or representatives of Management present. Board papers and other materials to be used during Board meetings are distributed to the relevant parties at least five (5) business days before the actual meeting.

2023 Meetings & Attendance										
Director	(1) 1/18	(2) 2/28	(3) 3/6	Regular (4) 4/26	Organizational (5) 4/26	(6) 5/10	(7) 6/16	(8) 8/9	(9) 11/8	Percentage Present %
Jose T. Sio*	√	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	√	100
Tomasa H. Lipana	√	√	√	√	√	√	√	√	√	100
Ramon M. Lopez	√	√	√	√	√	√	√	√	√	100
Robert G. Vergara	√	√	√	√	√	√	√	√	√	100
Amando M. Tetangco, Jr.*	-	-	-	-	-	-	-	√	√	100

** Mr. Amando M. Tetangco, Jr. was elected as Independent Director and appointed as Chairman on June 16, 2023.*

BOARD COMMITTEES

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

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

The Executive Committee

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

Office	Name
Chairperson (NED)	Teresita T. Sy
Member (ED)	Harley T. Sy
Member (ED)	Frederic C. DyBuncio
Adviser	Jose T. Sio

The Audit Committee

The Audit Committee exercises the Board's oversight of the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws, rules and regulation. The Committee is composed of three (3) independent directors, including the Chairperson. The Committee members each possess relevant background, knowledge, skills and/or experience in areas of accounting, auditing and finance. The Chairperson of the Audit Committee, Ms. Tomasa H. Lipana, is a certified public accountant and does not serve as the chairperson of any of the other board committees. More information on the Committee's roles and activities is discussed in the Audit Committee Report included in this Report.

Office	Name	2023 Meetings and Attendance 2/24	4/24	5/10	8/3	11/7
Chairperson (ID)	Tomasa H. Lipana	●	●	●	●	●
Member (ID)	Ramon M. Lopez	●	●	●	●	●
Member	Jose T. Sio*	●	●	●	—	—
Member (ID)	Amando M. Tetangco, Jr.*	—	—	—	●	●

** Mr. Amando M. Tetangco, Jr. was elected as Independent Director and appointed as Chairman on June 16, 2023. He was also elected as member of the Audit Committee on the same date.*

The Related Party Transactions Committee

The Related Party Transaction Committee reviews all material related party transactions of the Company and ensures that said transactions are conducted reasonably and at arms' length. The Committee is composed entirely of independent directors, including the Chairperson.

Office	Name	2023 Meetings and Attendance
		11/7
Chairperson (ID)	Ramon M. Lopez	●
Member (ID)	Robert G. Vergara	●
Member (ID)	Amando M. Tetangco, Jr.	●

The Compensation Committee

The Compensation Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee is composed of three (3) directors, two (2) of whom are independent directors.

Office	Name	2023 Meetings and Attendance	
		4/26	11/7
Chairperson (NED)	Teresita T. Sy	●	●
Member (ID)	Ramon M. Lopez	●	●
Member	Jose T. Sio*	●	—
Member (ID)	Amando M. Tetangco, Jr.*	—	●

** Mr. Amando M. Tetangco, Jr. was elected as Independent Director and appointed as Chairman on June 16, 2023. He was also elected as member of the Compensation Committee on the same date.*

Board Remuneration

The annual compensation paid to each director is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting. For compensation as Director, each member of the Board received Php 5,400,000 annually except for the outgoing and newly elected Director whose remuneration is pro-rated.

The Risk Management Committee

The Risk Management Committee is responsible for the oversight of the Company's Enterprise Risk Management (ERM) system. The Committee is composed of three (3) independent directors, including the Chairperson. Per the Committee's charter, at least one (1) of its members must have relevant knowledge and experience on risk and risk management. The Committee Chairman, Mr. Robert G. Vergara does not serve as the chairman of any of the other board committees.

Office	Name	2023 Meetings and Attendance	
		8/3	11/7
Chairperson (ID)	Robert G. Vergara	●	●
Member (ID)	Ramon M. Lopez	●	●
Member (ID)	Amando M. Tetangco, Jr.	●	●

Enterprise Risk Management (ERM)

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

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

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

The Company's approach to other risks such as environmental risk starts with an assessment of the potential impact it has to the community where it operates. The Sustainability Team regularly reports the group's sustainability road map and progress to the Steering Committee, headed by the President of the Company. The Company is committed to protect the environment by implementing effective and efficient resource utilization measures in its daily operations.

The Company was registered with the Anti-Money Laundering Council (AMLC) as a Designated Non-Financial Business and Profession (DNFBP) on December 1, 2021. As such, SMIC is also committed to strict adherence with the Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) rules, laws and regulations and ensures that the Company will not be used as a conduit for the proceeds of unlawful activity to help prevent the country from being used as a money laundering/terrorism financing site.

The Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in its corporate governance related responsibilities, such as but not limited to, climate change, anti-money laundering act, information technology. Risk and social impacts in terms of sustainability reporting. The committee also performed the review and evaluation of the qualifications of all candidates nominated to the Board of Directors, and those nominated to positions that require Board approval under the Company's By-Laws. The Committee is composed entirely of independent directors, including the Chairperson.

Office	Name	2023 Meetings and Attendance		
		3/13	6/16	8/3
Chairperson (ID)	Ramon M. Lopez	●	●	●
Member (ID)	Tomasa H. Lipana	●	●	●
Member (ID)	Robert G. Vergara	●	●	●

Nomination and Election of Directors

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

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

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

In addition to the aforementioned qualifications, the Corporate Governance Committee also identifies qualifications of directors that are aligned with the Company's strategic direction. Likewise, the Committee ensures that those nominated to the Board possess none of the disqualifications enumerated in the Manual on Corporate Governance. Further to this, the Committee ensures that nominees have attended an orientation or training program related to corporate governance before assuming office pursuant to pertinent regulatory requirements. The committee also recommends continuing education/ training programs for directors and key officers with training providers that are duly accredited by the Securities and Exchange Commission (SEC). In 2023, the members of the Board of Directors and key officers participated in various training programs such as the 2023 CG Seminar on October 16 conducted by the Institute of Corporate Directors in partnership with UBS Global Wealth Management, Leechiu Property Consultants (LPC), Wunderman Thompson Intelligence, and Gartner, Inc. Topics included Global Economic and Geopolitical Outlook, Business trends, Retail and Outlook, and Generative Artificial Intelligence and Cybersecurity. Members of the Board also attended the 2023 Annual CG Seminar conducted by BDO Unibank, Inc. with topics that included Global Trends in Banking and Generative Artificial Intelligence. Attendance of the members of the Board to these seminars and training programs are disclosed.

The Corporate Governance Committee also determines the number of directorships which a member of the Board may hold simultaneously with their SMIC board seats. No individual independent director holds more than five directorships in other publicly listed companies.

Evaluation of the Board

Through the Corporate Governance Committee, the Board conducts an annual performance evaluation of the collective Board, Board Committees, individual directors, the Company's Chairman of the Board, President and selected officers. The evaluation criteria are based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors, Chairman of the Board, President and the heads of the control functions (Chief Audit Executive, Chief Risk Officer and Chief Compliance Officer) as provided for by SMIC's By-Laws, Manual on Corporate Governance and respective Board Committee Charters.

Directors are asked to rate the annual performance of the respective bodies and individuals, as well as identify areas for improvement, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings, their accessibility to Management, the Corporate Secretary and Board Advisors as well as training/continuing education programs or any other forms of assistance that they may need in the performance of their duties. The Board then reviews the results of the evaluation and agree on action plans to address the issues raised. The forms used for the evaluation may be viewed via the Company's website.

Every three (3) years, the annual board evaluation is conducted by a third-party facilitator. SMIC engaged the services of the Institute of Corporate Directors (ICD), an accredited provider, to facilitate our board evaluation in 2021.

CORPORATE GOVERNANCE RELATED POLICIES

SMIC regularly reviews and enhances its Manual on Corporate Governance, Code of Ethics, and other corporate governance related policies and programs to promote the continued development of its corporate governance culture. All corporate governance related policies and information are available to the public through the Company's website at www.sminvestments.com.

The Manual on Corporate Governance

The Manual on Corporate Governance institutionalizes the principles and best practices of good corporate governance in the organization and remains a testament to the belief that good corporate governance is a critical component of sound strategic business management. In addition to the provisions relating to the Board of Directors and Management, the Manual also contains the Company's policies on disclosure and transparency, and mandates the conduct of communication, and training programs on corporate governance. It also outlines the rights of all stakeholders, and the protection of the interests of minority stockholders. There have been no deviations from the Manual since it was adopted. SMIC certifies that the Company, its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by the Manual.

The Code of Ethics

SMIC's Code of Ethics provides the Company with the backbone for its culture of corporate governance. All directors, officers and employees are required to adhere to the Code in the performance of their duties and responsibilities. The Code highlights the importance of integrity in all the dealings with investors, creditors, customers, contractors, suppliers, regulators, co-employees, and the Company's other various stakeholders. It also highlights the Company's duties to its employees, shareholders, and the importance of corporate social responsibility.

The Sustainability Policy

SMIC is committed and complies with all applicable laws and regulations in all aspects of its operations pertaining to human and labor rights and environmental responsibility. It also aims to minimize the Company's risks and impacts through the development of a robust and documented system of implementation, measurement, monitoring, dissemination and evaluation of globally accepted standards of social development and environmental sustainability performance both within its scope of operations and to the broader community. We are focused on enhancing the sustainability of our business ecosystem and are actively addressing the climate adaptability of our business, our cities and communities. Our Sustainability Policy guides our efforts, which we divided into two initiatives, namely the SM For Social Good and SM Green Movement. SMIC's Sustainability policy and programs are publicly accessible through our Company website.

Other CG Related Policies	Brief Description
Insider Trading Policy	Directors, officers and employees are prohibited from trading in the Company's shares during the period within which a material non-public information is obtained, five (5) trading days before and two (2) trading days after the disclosure of any material, stock price-sensitive information. SMIC issues reminders of the "trading ban", before the release of financial reports or the disclosure of other material information to ensure compliance with the policy. All directors, officers and employees are required to report their dealings in company shares within three (3) business days of the transaction. Reports indicate the date of the trade/s and number of shares traded, at least, and should be submitted to the Company's Compliance Officer.
Related Party Transactions Policy	SMIC discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports. The Company ensures that its related party transactions are conducted at fair market prices and at arms' length. The full policy may be found in SMIC's website and describes the process by which the Company handles its related party transactions, particularly those that cross the Company's materiality threshold.
Conflict of Interest Policy	SMIC's Conflict of Interest Policy defines a conflict of interest as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him/ her from acting in the best interests of the Company. Any director, officer or employee involved in an actual or potential conflict of interest is required to immediately disclose annually said conflict to the Company.
Guidelines on Gifts/ Hospitality and Entertainment	Based on the provisions of the Code of Ethics, SMIC's directors, officers and employees are prohibited from soliciting or accepting gifts, hospitality, and/ or entertainment in any form from any business partner. The term gift covers anything of value, such as but not limited to cash or cash equivalent. The guidelines provide exceptions such as corporate giveaways, tokens or promotional items of nominal value. In the same manner, accepting travel sponsored by any current or prospective business partner is prohibited.

Guidelines on Placement of Advertisements	SMIC issued a policy to prohibit the placement of advertisements in publications that solicit for such ad placement prior to the release of the official results of an awarding process conducted by the publication and where an SM company or director, officer or employee is one of the nominees vying for the award. SMIC may consider placing advertisements in such publications as part of its over-all marketing strategy, but only after the release of the results of the awarding process and where it will not create reasonable doubt that such ad placement influenced in any way an award given to an SM company or director, officer or employee.
Policy on Accountability, Integrity, and Vigilance (Whistleblowing Policy)	SMIC's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any SMIC director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management investigates on its merit, subject to due process and applicable penalties and sanctions thereafter. Furthermore, the policy invokes a "No Retaliation" section for those that have reported in good faith.
Policy for Vendor Selection and Purchase of Goods and Services	Existing and potential vendors and suppliers are required to conform to the Company's Code of Ethics as a pre-requisite for the accreditation process.
Alternative Dispute Resolution System	Ensures that the Company maintains an alternative dispute resolution system to settle conflicts between the Company and its stockholders or other third parties, including regulatory authorities.
Human Rights Policy	SMIC respects and promotes human rights in accordance with the International Bill of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. We are committed to the principles that all persons should be treated with respect.
Anti-Bribery and Anti-Corruption Policy	SMIC is committed to conducting business in an ethical and honest manner. We are committed to acting professionally, fairly, and with integrity in all our business dealings and relationships.
Anti-Discrimination and Anti-Harassment Policy	SMIC is committed to providing a working environment that is safe and free from harassment (including sexual harassment) for all its employees and will not tolerate any form of behavior that is based upon an individual's sex, sexual orientation, race, ethnicity, national origin, age and religion.
Operational Health and Safety Policy	SMIC is committed to the protection of health, safety and wellbeing of all members of the organization including its subsidiaries. The Company strives to promote a strong and sustainable culture that will facilitate the awareness of risk and the prevention of injury and illness.
Privacy Policy	Our Company collects, uses, protects or otherwise handles our data subjects' personal data in accordance with Republic Act No. 10173, or the Data Privacy Act of 2012, and its Implementing Rules and Regulations and other issuances (collectively known as "Data Privacy Act")

DISCLOSURE AND TRANSPARENCY

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

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

The Company also uses non-financial performance indicators discussed in this Report.

The Investor Relations Department

SMIC's Investor Relations (IR) Department is the main avenue of communication between the Company and its various stakeholders. The IR Department arranges regular teleconferences and site visits for investors, participates in investor conferences, and conducts annual roadshows with stops in various locations throughout the world. In 2023, the IR Department and senior management conducted roadshows across Asia, Europe and North America. The SMIC IR Department also coordinates with the different IR departments of the Company's subsidiaries and affiliates, as well as participates in various investor fora and conducts regular briefings with analysts, investors and members of public media alongside other capital market participants and stakeholders. The Company's IR Department ensures that the Company has constant engagement with its shareholders, including minority shareholders, and all other stakeholders. SMIC's shareholders or other various stakeholders may reach out to the Company for information or details on the Company, its operations, directors and/ or officers, to provide feedback and/or make other relevant suggestions/recommendations to the Company:

Investor Relations Department
10th Floor, OneE-Com Center
Ocean Drive, Mall of Asia Complex
Pasay City, 1300 Philippines
ir@sminvestments.com

The Annual Stockholders' Meeting

The Annual Stockholders' Meeting (ASM) provides SMIC shareholders, including minority shareholders, the opportunity to raise concerns, give suggestions, and vote on relevant issues. Voting methods are clearly defined and explained to shareholders before the ASM to ensure the observance of their voting rights and continued participation in the voting process in accordance with pertinent regulatory requirements and CG standards.

Under the Company's By-Laws and Manual on Corporate Governance, and in accordance with applicable law and pertinent regulations, shareholders may cumulatively vote for the election or replacement of members of the Board of Directors. Prior to the ASM, shareholders are furnished a copy of the annual report, including financial statements, and all relevant information about the current and nominated directors and key officers. Elected directors hold office for one (1) year until their successors are elected following the procedures set forth in SMIC's By-Laws. SMIC also includes rationales and explanations for each agenda item which requires shareholder approval in the Notice of the Annual Stockholders' Meeting. Furthermore, the Company appoints an independent party to count and validate votes made during the ASM.

Proxy voting is permitted and facilitated through proxy forms, which are distributed to shareholders prior to the ASM. Proxy forms may also be downloaded from the Company's website. To encourage shareholders to exercise their right to vote through the proxy forms, notarization of such is not required. Shareholders are also given the opportunity to vote on certain corporate acts in accordance with the law. These resolutions, along with shareholder questions and the corresponding responses are recorded in the minutes of the ASM, which are posted on the Company's website immediately following the ASM. To ensure that all shareholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairpersons and Members, Management, the Corporate Secretary, Compliance Officer, Internal Auditor and the External Auditors are always present during the ASM.

RIGHTS, ROLES AND PROTECTION OF STAKEHOLDERS

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

Rights of Shareholders

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

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

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

Dividend Policy

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

Employee Welfare

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

SMIC encourages good health and wellness through its various sports and fitness programs. There are courts and fitness facilities in the workplace where the employees can use and participate in HRD supported aerobic and dance activities. The pandemic from 2020 to 2021 temporarily suspended these activities, which were resumed in 2022.

Work from home arrangement is being implemented for the health and safety of the employees. SMIC provides a fully functioning clinic and employs the services of a 24-hour roving ambulance service in case of an emergency.

The Company continues to conduct seminars and various learning sessions via online platform, such as training on Integration of New Employees in SM, the use of Microsoft word, Excel and PowerPoint and various technological applications, health and wellness seminars, proper business email writing skills to name a few. The Company believes that a happy and healthy workforce promotes business sustainability.

Emergency Preparedness Program

As part of its Enterprise Risk Management, SMIC implements an emergency preparedness program that aims to safeguard its workforce, operations, and customers against emergencies, and natural and manmade disasters. Led by its Emergency Preparedness Committee, and in coordination with fire and security agents, the Company conducts regular safety drills throughout the SMIC workplace. These drills, along with emergency management related orientations and training are conducted to ensure a competent, composed and efficient response from SMIC's workforce in the event of an emergency.

The Company has implemented an emergency text blast system for emergency announcements and a hotline where employees can call for an update or/and instruction.

The company has also developed Business Continuity Planning that will be activated in case of an emergency in order that business operations can be carried out as usual. Critical functions of each departments are identified to prevent business disruption. Regular table top exercises are conducted to ensure preparedness and that the protocols will be implemented as planned when the need arises.

Training and Employee Development

Awareness and understanding of the principles of good corporate governance are essential to the continued development of SMIC's corporate governance culture. Through the Orientation for New Employees of SM (ONE SM), new employees are given an overview of SMIC's corporate governance framework, including all the different corporate policies and its various components. A substantial portion of the orientation is devoted to the discussion of SM's core values and the Code of Ethics, and highlights the roles that each individual can play in the overall development of the corporate governance culture. Skills and Leadership development courses are also conducted regularly, covering topics such as Basics of Customer Service, Effective Listening, Guidelines for Writing Effective Business Emails and Value Formations.

For issues or concerns, all stakeholders may refer to:

Ms. Maria Virginia A. Tolentino-Uy
SAVP – Head of Compliance
Governance, Risk and Compliance
10th Floor, OneE-Com Center
Ocean Drive, Mall of Asia Complex Pasay City, 1300 Philippines
+63 2 8570100
marvi.tolentino-uy@sminvestments.com

Financial Statements



Statement of Management's Responsibility for Financial Statements

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines are necessary, to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

AMANDO M. TETANGCO, JR.
Chairman of the Board

FREDERIC C. DYBUNCIO
President and
Chief Executive Officer

ERWIN G. PATO
Treasurer and
Executive Vice President

Signed this 28th day of February 2024

Report of the Audit Committee

The Audit Committee ("Committee") assists the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of SM Investments Corporation's (SMIC or the ''Company") financial reporting, internal control system, internal and external audit processes, and compliance with relevant laws and regulations. Likewise, the Committee oversees special investigations as may be necessary.

The Committee is composed of three (3) independent directors including the Committee Chairperson. The Committee members have relevant background, knowledge, skill and/or experience in the areas of finance and accounting, audit, risk management, information technology, and corporate governance. In 2023, they attended an annual corporate governance training program approved by the Securities and Exchange Commission (SEC). The Committee also performed the annual self-assessment/ evaluation and reviewed its performance against its Charter and other regulatory mandates to ensure its satisfactory performance.

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

- **Tomasa H. Lipana** (Chair) is a Lead Independent Director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation and Rural Bank of Silay City Inc. Previously, she was an independent director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), the entity in-charge of the government guarantee system, for more than 5 years. She is a Fellow and Trustee of the Institute of Corporate Directors, and a Trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/ Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She was bestowed the Accountancy Centennial Award for Excellence by the Professional Service Commission – Board of Accountancy. She also received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.

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

- **Amando M. Tetangco, Jr.** is an Independent Director and Chairman of the Board of SMIC (effective June 16, 2023). He is also an Independent Director and Vice Chairman of the Board of Directors of SM Prime Holdings, Inc. He is concurrently an independent Director of Belle Corporation, Converge ICT Solutions, Inc. and Shell Pilipinas Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines, and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity. Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He was conferred the Honorary Doctorate in Management by the Asian Institute of Management in 2023. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance. Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

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

Audit Committee						
Office	**Name**	**2023 Meetings and Attendance**				
		2/24	**4/24**	**5/10**	**8/3**	**11/7**
Chairperson (ID)	Tomasa H. Lipana	√	√	√	√	√
Member (ID)	Ramon M. Lopez	√	√	√	√	√
Member	Jose T. Sio*	√	√	√	-	-
Member (ID)	Amando M. Tetangco, Jr.**	-	-	-	√	√

**Mr. Sio retired as Chairman of the Board of Directors effective June 16, 2023. **Mr. Tetangco was appointed as Chairman of the Board effective June 16, 2023. He was also appointed as member of the Audit Committee on the same date.*

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

Internal Audit

1. The Committee provided oversight of the Internal Audit.

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

   To maintain the independence of the Internal Audit, the Chief Audit Executive (CAE) functionally reports to the Board of Directors, through the Audit Committee.

   The CAE has direct and free access to communicate with the Management and Audit Committee. The entire Internal Audit Team has full and unrestricted access to all records, documents, systems, and information required for the effective and efficient audit process.

2. The Committee reviewed and approved the 2023 Internal Audit plan, including the scope, methodology, organization structure and staffing.

3. The Committee monitored the implementation of the Internal Audit plan and reviewed the periodic reports of the CAE, summarizing the overall assessment of the Company's control environment, significant audit findings and areas of concern as well as the corresponding management responses and action plans.

External Audit

The Audit Committee has the primary responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the External Auditor.

The External Auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements.

4. The Committee reviewed/discussed with the External Auditor, SGV & Co., the following:

   - The annual audit plan for 2023, including scope, approach, risk-based methods, focus areas and time table;
   - The results of its examination and action plan to address pending audit issues; and
   - The assessment of internal controls and quality of financial reporting.

5. The Committee reviewed/discussed the report of SGV & Co. on significant accounting issues, changes in accounting policies/standards, and major pending tax legislations, which would impact the Company and its subsidiaries.

6. The Committee discussed with SGV & Co. the matters required to be disclosed under the prevailing applicable Auditing Standards, and obtained from said Firm a letter confirming its independence, as required by prevailing applicable Independence Standards.

7. The Committee reviewed and approved all audit and non-audit services provided by SGV & Co. to the Company. The Committee also reviewed the significance of non-audit related fees in relation to the annual fees.

Financial Statements

8. The Committee assessed the internal control system of the Company based upon the review and evaluation done and reported by the internal and external auditors and noted that the system is generally adequate to generate reliable financial statements.

9. The Committee reviewed and endorsed to the Board for approval the unaudited consolidated financial statements of SM Investments Corporation and its subsidiaries for the first quarter ended March 31, 2023, second quarter ended June 30, 2023, and third quarter ended September 30, 2023.

10. Based on its review and discussion, and subject to the limitations on the roles and responsibilities referred to above, the Committee recommended for Board approval, and the Board approved, the audited consolidated financial statements of SM Investments Corporation and its subsidiaries for the year ended December 31, 2023.

11. The Committee reviewed and discussed the performance, independence and qualifications of the External Auditor, SGV & Co., in the conduct of their audit of the consolidated financial statements of SM Investments Corporation and its subsidiaries for the year. Based on the review of their performance and qualifications, the Committee also recommended the re-appointment of SGV & Co. as the Company's External Auditor for 2024.

28 February 2024

Tomasa H. Lipana	**Ramon M. Lopez**	**Amando M. Tetangco, Jr.**	**Atty. Elmer B. Serrano**
Chairperson	Member	Member	Corporate Secretary

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 21 and 28)	**₱103,745,558**	₱106,561,072
Time deposits (Notes 8, 21 and 28)	**602,466**	8,788,848
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	**747,840**	534,865
Receivables and contract assets (Notes 10, 21 and 28)	**79,209,522**	84,320,589
Inventories (Note 11)	**117,474,980**	106,368,038
Other current assets (Notes 12, 21 and 28)	**57,690,959**	54,975,998
Total Current Assets	**359,471,325**	361,549,410
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	**26,317,778**	25,369,850
Investments in associate companies and joint ventures (Note 13)	**361,324,800**	328,271,536
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	**22,324,681**	24,130,581
Property and equipment (Note 14)	**52,851,633**	47,881,014
Investment properties (Note 15)	**537,067,223**	485,982,301
Right-of-use assets (Note 27)	**48,540,412**	44,138,808
Intangibles (Note 16)	**40,275,568**	40,277,349
Other noncurrent assets (Notes 16, 21 and 28)	**138,045,093**	121,824,791
Total Noncurrent Assets	**1,226,747,188**	1,117,876,230
	₱1,586,218,513	₱1,479,425,640
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 17, 21, 28 and 31)	**₱13,414,239**	₱20,811,524
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	**200,169,027**	181,961,708
Income tax payable	**3,649,923**	3,204,714
Current portion of long-term debt (Notes 19, 21, 28 and 31)	**113,528,791**	87,047,213
Total Current Liabilities	**330,761,980**	293,025,159
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	**374,758,859**	397,849,704
Lease liabilities - net of current portion (Notes 27 and 31)	**32,342,279**	32,236,621
Deferred tax liabilities (Note 26)	**18,129,316**	16,797,862
Tenants' deposits and others (Notes 25, 27, 28 and 29)	**58,025,874**	47,326,283
Total Noncurrent Liabilities	**483,256,328**	494,210,470
Total Liabilities	**814,018,308**	787,235,629

(Forward)

	December 31	
	2023	2022
Equity Attributable to Owners of the Parent Company		
Capital stock (Note 20)	**₱12,261,146**	₱12,261,146
Additional paid-in capital	**71,837,361**	75,839,217
Treasury stock	**(40,912)**	(40,912)
Equity adjustments from common control transactions (Note 20)	**(6,660,472)**	(6,660,472)
Cost of Parent common shares held by subsidiaries	**(25,386)**	(25,386)
Cumulative translation adjustment	**1,587,205**	2,102,782
Fair value changes on cash flow hedges and others	**809,143**	1,610,364
Unrealized gain on financial assets at FVOCI (Note 9)	**11,075,393**	11,823,413
Remeasurement loss on defined benefit asset/obligation (Note 25)	**(3,150,991)**	(1,721,868)
Share in other comprehensive loss of associate companies and joint ventures - net	**(11,376,601)**	(10,763,209)
Retained earnings (Note 20):		
Appropriated	**37,000,000**	37,000,000
Unappropriated	**443,288,813**	375,463,837
Total Equity Attributable to Owners of the Parent	**556,604,699**	496,888,912
Non-controlling Interests	**215,595,506**	195,301,099
Total Equity	**772,200,205**	692,190,011
	₱1,586,218,513	₱1,479,425,640

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2023	2022	2021
REVENUES			
Sales:			
Merchandise	**₱401,725,529**	₱367,318,577	₱294,694,316
Real estate	**42,124,088**	39,046,514	45,116,570
Rent (Notes 15, 21 and 27)	**61,784,742**	49,167,565	29,642,244
Equity in net earnings of associate companies and joint ventures (Note 13)	**44,945,113**	35,825,734	26,768,811
Others (Note 22)	**65,672,415**	61,640,188	35,511,568
	616,251,887	552,998,578	431,733,509
COSTS AND EXPENSES (Notes 11 and 23)	**474,083,864**	435,430,927	352,812,922
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 24)	**(24,084,744)**	(21,547,070)	(19,138,771)
Interest income (Notes 21 and 24)	**4,048,278**	3,042,370	2,203,351
Investment impairment reversal (provision) (Note 13)	**320,206**	(787,166)	–
Gain (loss) from fair value changes on derivatives - net	**(30,731)**	866,500	317,743
Foreign exchange gain (loss) - net and others (Note 28)	**396,174**	(2,092)	1,347,350
	(19,350,817)	(18,427,458)	(15,270,327)
INCOME BEFORE INCOME TAX	**122,817,206**	99,140,193	63,650,260
PROVISION FOR INCOME TAX (Note 26)			
Current	**16,209,025**	14,248,182	7,224,482
Deferred	**423,118**	546,638	1,782,037
	16,632,143	14,794,820	9,006,519
NET INCOME	**₱106,185,063**	₱84,345,373	₱54,643,741
Attributable to			
Owners of the Parent (Note 30)	**₱76,989,043**	₱61,653,665	₱40,411,896
Non-controlling interests	**29,196,020**	22,691,708	14,231,845
	₱106,185,063	₱84,345,373	₱54,643,741
Basic/Diluted Earnings Per Common Share Attributable to Owners of the Parent (Note 30)	**₱63.00**	₱50.88	₱33.55

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱106,185,063**	₱84,345,373	₱54,643,741
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	**(1,035,219)**	27,928	2,166,840
Fair value changes on cash flow hedges	**(1,758,911)**	4,608,383	2,014,960
	(2,794,130)	4,636,311	4,181,800
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	**(2,503,907)**	(1,274,242)	593,126
Net unrealized gain (loss) on financial assets at FVOCI (Note 9)	**(599,993)**	(2,478,988)	391,870
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	**344,024**	(269,602)	(178,295)
	(2,759,876)	(4,022,832)	806,701
Share in other comprehensive loss of associate companies and joint ventures - net (Note 13)	**(641,624)**	(4,336,268)	(4,184,715)
TOTAL COMPREHENSIVE INCOME	**₱99,989,433**	₱80,622,584	₱55,447,527
Attributable to			
Owners of the Parent	**₱72,881,710**	₱56,987,529	₱40,265,811
Non-controlling interests	**27,107,723**	23,635,055	15,181,716
	₱99,989,433	₱80,622,584	₱55,447,527

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(Amounts in Thousands Except Per Share Data)

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2023	**₱12,261,146**	**₱75,839,217**	**(₱40,912)**	**(₱6,660,472)**	**(₱25,386)**	**₱2,102,782**
Net income	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(515,577)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(515,577)**
Transactions with non-controlling interests	**–**	**(4,001,856)**	**–**	**–**	**–**	**–**
Cash dividends - ₱7.50 per share (Note 20)	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividends received by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**
Increase in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**
As at December 31, 2023	**₱12,261,146**	**₱71,837,361**	**(₱40,912)**	**(₱6,660,472)**	**(₱25,386)**	**₱1,587,205**
As at January 1, 2022	₱12,045,829	₱75,827,181	₱–	(₱6,298,551)	(₱25,386)	₱2,253,475
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	–	(150,693)
Total comprehensive income	–	–	–	–	–	(150,693)
Effect of business combination (Note 5)	215,317	–	(40,912)	(361,921)	–	–
Transactions with non-controlling interests	–	12,036	–	–	–	–
Cash dividends - ₱6.25 per share (Note 20)	–	–	–	–	–	–
Cash dividends received by non-controlling interests	–	–	–	–	–	–
Increase in non-controlling interests	–	–	–	–	–	–
As at December 31, 2022	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,660,472)	(₱25,386)	₱2,102,782

Equity Attributable to Owners of the Parent								
Fair Value Changes on Cash Flow Hedges	**Unrealized Gain on Financial Assets at FVOCI**	**Remeasurement Loss on Defined Benefit Asset/ Obligation**	**Share in Other Comprehensive Loss of Associates - Net**	**Appropriated Retained Earnings**	**Unappropriated Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
₱1,610,364	**₱11,823,413**	**(₱1,721,868)**	**(₱10,763,209)**	**₱37,000,000**	**₱375,463,837**	**₱496,888,912**	**₱195,301,099**	**₱692,190,011**
–	**–**	**–**	**–**	**–**	**76,989,043**	**76,989,043**	**29,196,020**	**106,185,063**
(801,221)	**(748,020)**	**(1,429,123)**	**(613,392)**	**–**	**–**	**(4,107,333)**	**(2,088,297)**	**(6,195,630)**
(801,221)	**(748,020)**	**(1,429,123)**	**(613,392)**	**–**	**76,989,043**	**72,881,710**	**27,107,723**	**99,989,433**
–	**–**	**–**	**–**	**–**	**–**	**(4,001,856)**	**174,174**	**(3,827,682)**
–	**–**	**–**	**–**	**–**	**(9,164,067)**	**(9,164,067)**	**–**	**(9,164,067)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(7,459,930)**	**(7,459,930)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**472,440**	**472,440**
₱809,143	**₱11,075,393**	**(₱3,150,991)**	**(₱11,376,601)**	**₱37,000,000**	**₱443,288,813**	**₱556,604,699**	**₱215,595,506**	**₱772,200,205**
(₱1,201,352)	₱14,289,319	(₱1,026,650)	(₱6,597,174)	₱37,000,000	₱321,337,891	₱447,604,582	₱176,003,603	₱623,608,185
–	–	–	–	–	61,653,665	61,653,665	22,691,708	84,345,373
2,811,716	(2,465,906)	(695,218)	(4,166,035)	–	–	(4,666,136)	943,347	(3,722,789)
2,811,716	(2,465,906)	(695,218)	(4,166,035)	–	61,653,665	56,987,529	23,635,055	80,622,584
–	–	–	–	–	–	(187,516)	239,695	52,179
–	–	–	–	–	–	12,036	21,245	33,281
–	–	–	–	–	(7,527,719)	(7,527,719)	–	(7,527,719)
–	–	–	–	–	–	–	(5,273,377)	(5,273,377)
–	–	–	–	–	–	–	674,878	674,878
₱1,610,364	₱11,823,413	(₱1,721,868)	(₱10,763,209)	₱37,000,000	₱375,463,837	₱496,888,912	₱195,301,099	₱692,190,011

	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Fair Value Changes on Cash Flow Hedges
As at January 1, 2021	₱12,045,829	₱75,823,506	(₱6,299,797)	(₱25,386)	₱876,050	(₱2,623,849)
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	1,377,425	1,422,497
Total comprehensive income	–	–	–	–	1,377,425	1,422,497
Effect of business combination (Note 5)	–	–	1,246	–	–	–
Realized loss on sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–
Transactions with non-controlling interests	–	3,675	–	–	–	–
Cash dividends - ₱4.25 per share (Note 20)	–	–	–	–	–	–
Cash dividends received by non-controlling interests	–	–	–	–	–	–
Increase in non-controlling interests	–	–	–	–	–	–
As at December 31, 2021	₱12,045,829	₱75,827,181	(₱6,298,551)	(₱25,386)	₱2,253,475	(₱1,201,352)

See accompanying Notes to Consolidated Financial Statements.

Equity Attributable to Owners of the Parent							
Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/ Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
₱13,627,808	(₱1,639,759)	(₱2,629,722)	₱37,000,000	₱286,298,019	₱412,452,699	₱160,895,255	₱573,347,954
–	–	–	–	40,411,896	40,411,896	14,231,845	54,643,741
408,336	613,109	(3,967,452)	–	–	(146,085)	949,871	803,786
408,336	613,109	(3,967,452)	–	40,411,896	40,265,811	15,181,716	55,447,527
–	–	–	–	–	1,246	3,073,712	3,074,958
253,175	–	–	–	(253,175)	–	–	–
–	–	–	–	–	3,675	25,466	29,141
–	–	–	–	(5,118,849)	(5,118,849)	–	(5,118,849)
–	–	–	–	–	–	(3,816,245)	(3,816,245)
–	–	–	–	–	–	643,699	643,699
₱14,289,319	(₱1,026,650)	(₱6,597,174)	₱37,000,000	₱321,337,891	₱447,604,582	₱176,003,603	₱623,608,185

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱122,817,206**	₱99,140,193	₱63,650,260
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	**(44,945,113)**	(35,825,734)	(26,768,811)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	**24,706,691**	23,653,863	20,936,405
Interest expense (Note 24)	**24,084,744**	21,547,070	19,138,771
Provisions (reversal of provisions) - net (Notes 10 and 23)	**4,400,289**	5,099,217	(3,982,227)
Interest income (Note 24)	**(4,048,278)**	(3,042,370)	(2,203,351)
Dividend income (Note 21)	**(911,619)**	(1,177,340)	(586,703)
Investment impairment provision (reversal) (Note 13)	**(320,206)**	787,166	–
Gain on disposal of investments and properties - net	**(66,131)**	(209,206)	(579,680)
Unrealized foreign exchange loss (gain) - net	**44,431**	1,132,078	(484,756)
Loss (gain) on fair value changes on derivatives - net	**30,731**	(866,500)	(317,743)
Income before working capital changes	**125,792,745**	110,238,437	68,802,165
Decrease (increase) in:			
Receivables and contract assets	**(16,882,660)**	(7,501,824)	(5,230,950)
Inventories	**(24,275,052)**	(40,685,904)	(37,303,043)
Other current assets	**(1,436,571)**	(635,950)	(8,465,803)
Increase in:			
Accounts payable and other current liabilities	**14,194,998**	34,081,718	36,543,695
Tenants' deposits and others	**9,233,692**	2,544,753	972,808
Net cash generated from operations	**106,627,152**	98,041,230	55,318,872
Income tax paid	**(15,747,502)**	(13,356,765)	(7,583,481)
Net cash provided by operating activities	**90,879,650**	84,684,465	47,735,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties	**74,855**	84,863	914,962
Property and equipment	**52,738**	241,913	365,861
Investment in associate companies and joint ventures	**–**	50,000	–
Additions to:			
Investment properties (Note 15)	**(68,205,952)**	(33,990,435)	(42,155,574)
Property and equipment (Note 14)	**(12,361,763)**	(9,678,003)	(13,286,055)
Financial assets at FVOCI	**(692,125)**	–	(1,427)
Investments in associate companies and joint ventures (Note 13)	**(288,227)**	(73,500)	(358,120)
Decrease (increase) in:			
Time deposits	**9,857,111**	(27,518,818)	(2,829,397)
Other noncurrent assets	**14,679,276**	8,794,846	14,938,709
Dividends received	**11,240,255**	8,136,996	5,180,690
Interest received	**4,289,389**	2,846,341	2,021,177
Purchase consideration net of cash, from acquisition of subsidiaries (Note 5)	**–**	(88,608)	(5,684,648)
Net cash used in investing activities	**(41,354,443)**	(51,194,405)	(40,893,822)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	**₱107,590,529**	₱100,256,801	₱129,529,420
Bank loans	**45,599,966**	66,878,421	53,296,257
Payments of:			
Long-term debt	**(103,343,041)**	(72,630,533)	(92,624,775)
Bank loans	**(52,906,823)**	(73,264,105)	(53,509,929)
Interest	**(22,834,339)**	(19,909,588)	(18,412,696)
Dividends	**(17,335,101)**	(12,714,420)	(9,653,454)
Lease liabilities	**(5,219,712)**	(4,853,925)	(4,692,207)
Acquisition of non-controlling interest in a subsidiary	**(5,169,476)**	–	–
Partial sale of shares in a subsidiary	**1,294,623**	–	–
Net cash provided by (used in) financing activities	**(52,323,374)**	(16,237,349)	3,932,616
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,798,167)**	17,252,711	10,774,185
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,347)**	(44,273)	(82,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	**106,561,072**	89,352,634	78,660,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱103,745,558**	₱106,561,072	₱89,352,634

See accompanying Notes to Consolidated Financial Statements.

The complete Audited Financial Statements and accompanying Notes to Consolidated Financial Statements may be downloaded or viewed at **https://www.sminvestments.com/2023smicintegratedreport/financial_report_2023**

Report Index

Our report aligns with the Integrated Reporting <IR> Framework and the Global Reporting Initiative (GRI) standards for disclosures.

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		2-26 Mechanisms for seeking advice and raising concerns	56
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	GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported for this report
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4H Basis of Preparation and Presentation			
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		2-30 Collective bargaining agreements	43 – see QR Code
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		2-3 Reporting period, frequency and contact point	January 1 - December 31, 2023 Annual ir@sminvestments.com or sustainability@sminvestments.com
		2-4 Restatements of information	74 – see QR Code
		2-5 External assurance	No external assurance

Restatement of Our Sustainability Performance

In Pursuit of Excellence and Transparency

Every year, we improve our standard level of excellence in data management, collection and validation. Through the years, we expand our scope as we continue to grow as a group. This allows us to have an evidence-based understanding of our impact on our communities and the environment which will continue to a science-based approach to setting our internal goals and objectives. This also promotes the culture of evidence-based decision making, not only for day-to-day business activities, but in making long-term strategic decision as well.

GRI Disclosure	2022 Data Disclosed in 2022 Integrated Report	2022 Restatement
2-7 Employees	Total Headcount: **140,029** By Business Unit BDO: **28.1%**; SM Retail Affiliates: **15.1%**; SM Markets: **25.3%**; SM Prime: **8.1%**; China Bank: **7.3%**; The SM Store: **7.2%** Goldilocks: **3.0%**; Atlas Mining: **1.9%** 2GO: **1.5%**; SM Retail Parent: **1.0%** Airspeed: **0.7%**; Belle: **0.3%**; PGPC: **0.2%** By Contract Permanent Employees: **99%** Fixed-Term Employees: **1%**	Total Headcount: **120,179** By Business Unit BDO: **32.7%**; SM Retail Affiliates: **17.6%** SM Markets: **13.0%**; SM Prime: **9.4%** China Bank: **8.6%**; The SM Store: **8.3%** Goldilocks: **3.5%**; Atlas Mining: **2.2%** 2GO: **1.7%**; SM Retail Parent: **1.1%** Airspeed: **0.8%**; Belle: **0.4%**; PGPC: **0.3%** By Contract Permanent Employees: **98%** Fixed-Term Employees: **2%**
2-30 Collective bargaining agreements	Employees Covered by Collective Bargaining Agreement **19%**	Employees Covered by Collective Bargaining Agreement **23%**
401-1 New employee hires and employee turnover	Hiring Rate **41% (56,916)**	Hiring Rate **26% (30,219)**
404-1 Average hours of training per year per employee	Employee Training Hours Ave. Training Hours Per Employee: **17** Ave. Amount Spent on Training Per Employee: **769.7 PHP**	Employee Training Hours Ave. Training Hours Per Employee: **20** Ave. Amount Spent on Training Per Employee: **936 PHP**
404-3 Percentage of employees receiving regular performance and career development reviews	Appraisal Rate **96%** Promotion **13,182**	Appraisal Rate **95.9%** Promotion **13,283**
405-1 Diversity of governance bodies and employees	By Gender Male: **38%** Female: **62%** By Age Group Below 30 years old: **53%** Between 30-50 years old: **42%** Above 50 years old: **5%** By Level Rank-and-File: **68%** Junior Management: **19%** Middle Management: **11%**	By Gender Male: **37%** Female: **63%** By Age Group Below 30 years old: **45%** Between 30-50 years old: **49%** Above 50 years old: **6%** By Level Rank-and-File: **63%** Junior Management: **22%** Middle Management: **13%**
302-1 Energy consumption within the organization	Electricity Consumption (in million kWh) **1,948** Fuel Consumption (in million liters) **131**	Electricity Consumption (in million kWh) **1,550** Fuel Consumption (in million liters) **148**
302-2 Energy consumption outside of the organization	Electricity Consumption (in million kWh) **869**	Electricity Consumption (in million kWh) **893**
303-1 Interactions with water as a shared resource	Water Recycled (in million cubic meters) **42.5**	Water Recycled (in million cubic meters) **30.0**
303-3 Water withdrawal	Water Withdrawal (in million cubic meters) **115.1** By Source Type Third-party providers: **84%** Surface water: **14%** Water hauling: **<1%** Deep well: **2%** Groundwater: **<1%**	Water Withdrawal (in million cubic meters) **34.7** By Source Type Third-party providers: **48%** Surface water: **46%** Water hauling: **<0.1%** Deep well: **5%** Groundwater: **<0.1%**
305-1 Direct (Scope 1) GHG emissions **305-2 Energy indirect (Scope 2) GHG emissions** **305-3 Other indirect (Scope 3) GHG emissions**	Scope 1 **17%** Scope 2 **56%** Scope 3 **27%** Total GHG Emissions (in '000 **MT CO2e**) **2,418**	Scope 1 **16%** Scope 2 **52%** Scope 3 **32%** Total GHG Emissions (in '000 **MT CO2e**) **2,595**
306-3 Waste generated	Waste Generated (in tonnes) **177,594**	Waste Generated (in tonnes) **178,481**

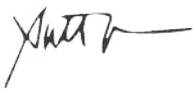
Our Report Framework

This 2023 report, covering the period from January 1 to December 31, 2023, has been prepared under the Integrated Reporting <IR> Framework, originally developed by the International Integrated Reporting Council (IIRC). The IIRC subsequently merged with the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation (VRF). In addition, we have adopted the framework of the Task Force on Climate-Related Financial Disclosures (TCFD) to comprehensively address the impacts of climate change. The report is also aligned with the Global Reporting Initiative Standards for disclosures.

We have ensured that the report presents a balanced reflection of our company's value creation process and the progress we have made in advancing the United Nations Sustainable Development Goals. It is our commitment to transparency and accountability that drives us to provide a comprehensive and accurate representation of our sustainability efforts.

This report is the result of a joint effort by the departments of Finance, Governance and Risk Management, Investor Relations, Human Resources, Corporate Communications and Sustainability, under the guidance of the Board's executive committee

On behalf of the Board, the Executive Committee approved and authorized the issuance of this report in April 2024.



Amando M. Tetangco, Jr.
Chairman



Frederic C. DyBuncio
President and CEO

List of Member Associations

Asia Business Council

Asia Society Philippine Foundation, Inc.

Association of Certified Public Accountants in Commerce and Industry

Employers Confederation of the Philippines

Financial Executives Institute of the Philippines

Good Governance Advocates and Practitioners of the Philippines

Institute of Corporate Directors

Internet and Mobile Marketing Association of the Philippines

Makati Business Club

Management Association of the Philippines

NextGen Organization of Women

People Management Association of the Philippines

Philippine Alliance for Recycling and Materials Sustainability

Philippine Association of Management Accountants

Philippine Association of National Advertisers

Philippine Business for Social Progress

Philippine Chamber of Commerce and Industry

Philippine Institute of Certified Public Accountants

Tax Management Association of the Philippines

The Conference Board, Inc.

United Nations Global Compact Network Philippines

US Philippine Society, Inc.

World Economic Forum

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Pasay City, 1300 Philippines

Stockholder Inquiries

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

BDO Unibank, Inc.
Trust and Investments Group – Securities Services (Stock Transfer)
46th Floor, BDO Corporate Center Ortigas, East Tower
12 ADB Avenue, Ortigas Center, Mandaluyong City
Trunk Line: 8840-7000 local 57050
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Sustainability Inquiries

Inquiries regarding SM Investments Corporation's sustainability programs or this Integrated Report may be addressed to: ir@sminvestments.com or sustainability@sminvestments.com

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