





**SM INVESTMENTS**

**Notice of Annual Stockholders' Meeting  
April 24, 2024 at 2:30 p.m.  
Forbes Ballroom 1 and 2, Conrad Manila  
Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City**

To all Stockholders:

The 2024 Annual Stockholders' Meeting (**ASM**) of **SM INVESTMENTS CORPORATION** (the **Company** or **SMIC**) will be held on **April 24, 2024 (Wednesday), 2:30 p.m.** at **Forbes Ballroom 1 and 2, Conrad Manila, Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City**, and will be livestreamed for stockholders participating remotely. The agenda of the meeting is set forth below:

**A G E N D A**

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on April 26, 2023
4. Approval of Annual Report for 2023 (Open Forum)
5. Ratification of the acts of the Board of Directors, Board Committees and the Management from the date of the last annual Stockholders' meeting up to the date of this meeting
6. Election of Members of the Board of Directors for 2024-2025
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Attached are the rationale for the above agenda items for reference.

The Board of Directors has fixed the end of trading hours of The Philippine Stock Exchange, Inc. (**PSE**) on **March 25, 2024** as the record date for the determination of Stockholders entitled to notice of, to participate, and to vote *in absentia*, at such meeting and any adjournment thereof.

Stockholders who wish to participate in the meeting remotely must register at the SMIC 2024 ASM registration portal <https://asmregister.sminvestments.com> and submit the required information on or before **April 15, 2024**. All information received will be subject to verification by the Company.

Stockholders who wish to appoint a proxy may accomplish the attached proxy form (which need not be notarized) and submit the original to the Office of the Corporate Secretary on or before **April 15, 2024** at No. 1105 Tower 2 High Street South Corporate Plaza, 26<sup>th</sup> Street Bonifacio Global City, Taguig City 1634, as provided in the By-laws.

Validation of proxies will be conducted on **April 17, 2024** at the Office of the Corporate Secretary.

Stockholders participating remotely can then cast their votes in *absentia* through the Company's secure online voting facility and will be provided access to the live streaming of the meeting. For the detailed registration and voting procedures, please refer to the "***Guidelines for Remote Participation and Voting in Absentia***" appended to the Information Statement to be posted on the Company's website and PSE EDGE.

A copy of the Information Statement, Annual Report (once available) with the Audited Financial Statements of the Company for the period ended December 31, 2023 and other pertinent materials related to the 2024 ASM shall be posted on the Company's website and PSE EDGE.

For further information, please visit [www.sminvestments.com/asm2024](http://www.sminvestments.com/asm2024).

Thank you.

**BY THE ORDER OF THE BOARD OF DIRECTORS**



**ELMER B. SERRANO**  
Corporate Secretary  
**SM INVESTMENTS CORPORATION**

## **Rationale for Agenda Items:**

### **Agenda Item 3: Approval of the Minutes of the Annual Stockholders' Meeting (ASM) held on April 26, 2023.**

The minutes were also posted on the website of SM Investments Corporation (**SMIC**) within the period prescribed by pertinent rules and regulations. The Board of Directors recommends that the stockholders consider subject minutes for approval on April 24, 2024.

### **Agenda Item 4: Approval of the Annual Report of the Company for 2023.**

The Company's 2023 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (**AFS**) of the Company for the year ended 2023. The AFS, which have been audited by the external auditors who expressed an unqualified opinion thereon, have been reviewed and recommended for approval by the Audit Committee and the Board of Directors. Any stockholder who would like to receive a hard copy of the 2023 Annual Report may request for a copy from the Investor Relations Office.

### **Agenda Item 5: Ratification of all the acts of the Board of Directors, Board Committees and Management from the date of the last ASM to the date of this meeting.**

The Company's performance in 2023, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors and the Board Committees which were effectively executed and complied with by Management in conformity with good corporate governance and ethical best practices. The ratification of the acts undertaken by the Board of Directors, Board Committees, and Management is sought for this meeting.

### **Agenda Item 6: Election of the Members of the Board of Directors for 2024 to 2025.**

Qualifications of the nominated Directors have been reviewed and the nominated Directors were determined to be qualified and are being recommended by the Company's Corporate Governance Committee for election. Their proven competence, expertise, and qualifications based on current regulatory standards and the Company's own norms, will help sustain the Company's solid performance for the benefit of all its stockholders.

### **Agenda Item 7: Appointment of External Auditor.**

Based on the recommendation of the Audit Committee, the Board approved the reappointment of SyCip Gorres Velayo & Co. (**SGV & Co.**) as the Company's external auditor for 2024. SGV & Co. is one of the top auditing firms in the country duly accredited by the Securities and Exchange Commission.

Taguig City, February 28, 2024.

(SAMPLE PROXY FORM FOR INDIVIDUALS)

**PROXY**

The undersigned stockholder of SM Investments Corporation (the **Company**) appoints \_\_\_\_\_ or in his/her absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote \_\_\_\_\_ shares registered in his/her name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 24, 2024 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous annual stockholders' meeting  
\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Approval of 2023 Annual Report  
\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

3. Ratification of all acts and resolutions of the Board of Directors, Board Committees and Management  
\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

4. Election of Directors  
\_\_\_ a) Vote for all nominees listed below:

- 1. Amando M. Tetangco, Jr. (Independent)
- 2. Teresita T. Sy
- 3. Henry T. Sy, Jr.
- 4. Harley T. Sy
- 5. Frederic C. DyBuncio
- 6. Tomasa H. Lipana (Lead Independent)
- 7. Robert G. Vergara (Independent)
- 8. Ramon M. Lopez (Independent)

5. Appointment of SyCip Gorres Velayo & Co. as external auditor for 2024  
\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting  
\_\_\_ Yes \_\_\_ No \_\_\_ Abstain

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Signature of Stockholder/ Authorized Signatory

\_\_\_\_\_  
Date

\_\_\_ b) Withhold authority for all nominees listed above

\_\_\_ c) Withhold authority to vote for the nominees listed below:

**THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE APRIL 15, 2024 (MONDAY), THE DEADLINE FOR SUBMISSION OF PROXIES.**

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED.

(SAMPLE PROXY FORM FOR CORPORATIONS)

**SECRETARY'S CERTIFICATE**

I, \_\_\_\_\_, Filipino, of legal age and with office address at \_\_\_\_\_, certify that:

1. I am the duly appointed Corporate Secretary of \_\_\_\_\_ (the **Company**), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at \_\_\_\_\_;
2. As of record date, the Company holds \_\_\_\_\_ (\_\_\_\_\_) shares in SM Investments Corporation;
3. Based on the records, during the lawfully convened meeting of the Board of Directors of the Company held on \_\_\_\_\_, the following resolution was passed and approved:

“RESOLVED, That \_\_\_\_\_ be authorized and appointed, as he/she is hereby authorized and appointed, as the Company’s proxy (the **Proxy**) to attend all meetings of the stockholders of SM Investments Corporation (**SMIC**) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Company held in SMIC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Company.

“RESOLVED, FINALLY, That SMIC be furnished with a certified copy of this resolution and SMIC may rely on the continuing validity of this resolution until receipt of written notice of its revocation.”

4. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Company presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in \_\_\_\_\_ on \_\_\_\_\_.

\_\_\_\_\_  
Printed Name and Signature of  
the Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on \_\_\_\_\_ in \_\_\_\_\_ . Affiant exhibited to me his/her Competent Evidence of Identity by way of \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of \_\_\_\_\_.

## PROFILES OF THE BOARD OF DIRECTORS

### **AMANDO M. TETANGCO, JR.**

*Chairman & Independent Director*



Member, Audit Committee  
 Member, Compensation Committee  
 Member, Related Party Transaction Committee  
 Member, Risk Management Committee

#### **EDUCATION/EXPERIENCE**

**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 (the predecessor of BSP) 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 Service Sector, Economic Research and Treasury of the BSP. He was also the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973 to 1974. Overseas, he was the country's 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 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. 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.

<b>BOARD ATTENDANCE</b>	100%; 2 of 9 meetings
<b>DATE OF FIRST APPOINTMENT</b>	June 2023
<b>NO. OF YEARS ON THE BOARD</b>	8 months

<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	SM Prime Holdings, Inc. Belle Corporation Converge ICT Solutions, Inc. Shell Pilipinas Corporation	Vice Chairman / Independent Director Independent Director Independent Director Independent Director
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	

<b>TERESITA T. SY</b> <i>Vice Chairperson of the Board</i>		
Chairperson, Compensation Committee Chairperson, Executive Committee		
<b>EDUCATION/EXPERIENCE</b>	<b>Teresita T. Sy</b> 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 Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.	
<b>BOARD ATTENDANCE</b>	100%; 9 of 9 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	May 1979	
<b>NO. OF YEARS ON THE BOARD</b>	45 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	BDO Unibank, Inc.	Chairperson of the Board
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	

<b>HENRY T. SY, JR.</b> <i>Vice Chairman of the Board</i>		
<b>EDUCATION/EXPERIENCE</b>	<b>Henry T. Sy, Jr.</b> 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.	

<b>BOARD ATTENDANCE</b>	100%; 9 of 9 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	May 1979	
<b>NO. OF YEARS ON THE BOARD</b>	45 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	SM Prime Holdings, Inc. Synergy Grid & Development Phils, Inc.	Chairman of the Board Chairman of the Board
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	

<b>FREDERIC C. DYBUNCIO</b>		
<i>President/CEO</i>		
Member, Executive Committee		
<b>EDUCATION/EXPERIENCE</b>	<p><b>Frederic C. DyBuncio</b> 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.</p>	
<b>BOARD ATTENDANCE</b>	100%; 9 of 9 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	April 2017	
<b>NO. OF YEARS ON THE BOARD</b>	7 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	2GO Group, Inc. Atlas Consolidated Mining and Development Corporation	President/CEO/Director Chairman of the Board
<b>OTHER INFORMATION</b>	No legal dispute in the past five(5) years; No conflict of interest transactions in the past year.	

**HARLEY T. SY**  
*Executive Director*



Member, Executive Committee

**EDUCATION/EXPERIENCE**

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

**BOARD ATTENDANCE** 100%; 9 of 9 meetings

**DATE OF FIRST APPOINTMENT** May 1993

**NO. OF YEARS ON THE BOARD** 31 years

**DIRECTORSHIP/S IN OTHER REPORTING COMPANIES** China Banking Corporation Director

**OTHER INFORMATION** No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.

**TOMASA H. LIPANA**  
*Lead Independent Director*



Chairperson, Audit Committee  
Member, Corporate Governance Committee

**EDUCATION/EXPERIENCE**

**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. She is a Fellow and Trustee of the Institute of Corporate Directors. She is also a Trustee of the Shareholders' Association of the Philippines, Inc. 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.

**BOARD ATTENDANCE** 100%; 9 of 9 meetings



**RAMON M. LOPEZ**  
*Independent Director*



Chairman, Corporate Governance Committee  
 Chairman, Related Party Transactions Committee  
 Member, Audit Committee  
 Member, Compensation Committee  
 Member, Risk Management Committee

**EDUCATION/EXPERIENCE**

**Ramon M. Lopez** is currently an Independent Director of SM Investments Corporation (SMIC). 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.

<b>BOARD ATTENDANCE</b>	100%; 9 of 9 meetings
<b>DATE OF FIRST APPOINTMENT</b>	August 2022
<b>NO. OF YEARS ON THE BOARD</b>	1 year
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	Currently no directorships in other reporting companies.
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- [  ] Preliminary Information Statement  
[  ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **SM INVESTMENTS CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **0000016342**

5. BIR Tax Identification Code: **000-169-020-000**

6. Address of principal office: **10<sup>th</sup> Floor, OneE-com Center, Harbor Drive  
Mall of Asia Complex, Pasay City**  
Postal Code: **1300**

7. Registrant's telephone number, including area code: **(632) 8857-0100 /  
(632) 8857-0132 (Fax)**

8. Date, time, and place of the meeting of security holders: **April 24, 2024, 2:30 p.m.**  
**The meeting shall be held at Forbes Ballroom 1 and 2, Conrad Manila, Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City, with livestreaming via Zoom for stockholders participating remotely.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **March 25, 2024**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common shares</b>	<b>1,222,023,358</b>

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**The Philippine Stock Exchange, Inc.**

**Common shares**

**PART I**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**D. BUSINESS AND GENERAL INFORMATION**

**ITEM 1. Date, Time, and Place of Meeting of Security Holders**

- (a) Date : April 24, 2024
- Time : 2:30 p.m.
- Place : The meeting will be held at Forbes Ballroom 1 and 2, Conrad Manila, Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City, with livestreaming via Zoom for stockholders participating remotely.
- Mailing : SM Investments Corporation
- Address of Registrant : 10<sup>th</sup> Floor, OneE-com Center  
Harbor Drive, Mall of Asia Complex  
Pasay City 1300
- (b) The approximate date on which the Information Statement will be sent or given to the stockholders is on March 25, 2024.

**Statement that proxies are not solicited**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.**

**Voting Securities**

The record date for purposes of determining the stockholders entitled to vote is March 25, 2024. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 1,222,023,358 shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Revised Corporation Code.

**ITEM 2. Dissenters' Right of Appraisal**

SM Investments Corporation (**SMIC** or the **Company**) respects the inherent rights of stockholders under the law. SMIC recognizes that all stockholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation; and,
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The procedure for the exercise by a dissenting stockholder of his/her appraisal right is as follows:

- (a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
- (b) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within the 30-day period shall be deemed a waiver on his appraisal right;
- (c) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 85), the fair value thereof; and
- (d) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

No matter will be presented for stockholders' approval during the stockholders' meeting that may give rise to the exercise of the right of appraisal.

**ITEM 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.
- (b) No director of the Company has informed in writing that he/she intends to oppose any action to be taken by the Company at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**ITEM 4. Voting Securities and Principal Holders Thereof**

**(a) Voting Securities**

As of January 31, 2024, the total number of common shares outstanding and entitled to vote in the stockholders' meeting is 1,222,023,358 shares. Out of the aforesaid outstanding common shares, 405,835,734 shares or 33.21% are held by foreigners. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

**(b) Record Date**

The record date for purposes of determining the stockholders entitled to notice and to vote is March 25, 2024.

**(c) Voting Rights**

Each stockholder holding common shares as of Record Date (each, a **Voting Share**) shall have one vote for each share of stock entitled to vote and recorded in the stockholder's name in the books of the Corporation except in the election of directors where one share is entitled to as many votes as there are directors to be elected. Thus, if there are eight (8) directors to be elected, each Voting Share is entitled to 8 votes. Such stockholder shall be entitled to cumulate his/her votes in

the manner prescribed by Title III, Section 23 of the Revised Corporation Code of the Philippines.

Stockholders may nominate directors, subject to prequalification by the Corporate Governance Committee, within the period of nomination set forth in the Company's By-laws and relevant regulations. Stockholders as of Record Date may then vote for nominees in accordance with the above rule.

At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person, by proxy, through remote communication or *in absentia* and entitled to vote thereat, a quorum being present, except in cases where a greater number is required by law.

Unless required by law or demanded by a stockholder present in person or by proxy at any meeting and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his/her name, by proxy, if there be by proxy, and shall state the number of shares voted by him/her.

The Company, through its Board of Directors, has adopted a resolution to allow stockholders to participate remotely and to vote *in absentia* if unable to attend physically. SMIC maintains a secure online voting facility where registered stockholders can cast their votes.

Stockholders of record who intend to participate in the meeting remotely and to vote *in absentia* are required to register at the SMIC 2024 ASM registration portal <<https://asmregister.sminvestments.com>> on or before April 15, 2024, subject to the verification and validation by the Corporate Secretary. Stockholders who participate in the meeting through remote communication or *in absentia* shall be deemed present for purposes of quorum for the meeting.

Stockholders of Record Date who wish to appoint a proxy may accomplish the proxy form (which need not be notarized) and submit the originals to the Office of the Corporate Secretary at No. 1105 Tower 2 High Street South Corporate Plaza, 26<sup>th</sup> Street Bonifacio Global City, Taguig City 1634 on April 15, 2024 pursuant to the By-laws.

*The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Remote Participation and Voting in Absentia" appended to this Information Statement.*

Voting procedures are further detailed in Item 19.

**(d) Security Ownership of Certain Record and Beneficial Owners as of January 31, 2024**

- (i) As of January 31, 2024, 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	Citizenship	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%

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
-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 PCD Participants <sup>1</sup>	Filipino	144,624,116	11.83%
-do-	PCD Nominee Corp. (Non-Filipino)	Various PCD Participants <sup>1</sup>	Foreign	405,606,542	33.19%

<sup>(1)</sup> PCD Nominee Corp. (PCD) is a nominee company which holds legal title to shares lodged in the Philippine Depository & Trust Corp. The Company has no information as to the beneficial owners of the shares of stocks held by PCD. Beneficial owners have the power to decide how their shares are to be voted.

#### Security Ownership of Management as of January 31, 2024

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct / (I) indirect	Citizenship	Percent of Class
Common	Teresita T. Sy	P859,476,850.00 D	Filipino	7.03%
Common	Henry T. Sy, Jr.	768,783,700.00 D	Filipino	6.29%
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	Tomas 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.

**(ii) 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 5. Directors and Executive Officers of the Registrant**

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

<b>Officers</b>	<b>Name</b>	<b>Age</b>	<b>Citizenship</b>
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	Tomas 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 (the predecessor of BSP) 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 Service Sector, Economic Research and Treasury of the BSP. He was also the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973 to 1974. Overseas, he was the country's 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 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. 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 Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

**Henry T. Sy, Jr.** is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. 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 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. She is a Fellow and Trustee of the Institute of Corporate Directors. She is also a Trustee of the Shareholders' Association of the Philippines, Inc. 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 (SMIC). 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**

<b><u>Name</u></b>	<b><u>Period Served</u></b>
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. Belle Corporation Converge ICT Solutions, Inc. Shell Pilipinas Corporation	Vice Chairman/ Independent Director Independent Director Independent Director 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 Corporate Governance Committee created by the Board under its Manual on Corporate Governance will review the credentials of, and qualify nominees for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting. The final list of candidates shall be determined after the end of the nomination period.

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 must 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 procedure for nomination of directors shall be as follows:

- Any stockholder of record as of Record Date may be nominated for election to the Board of Directors of SMIC.
- 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 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:

<b>Members</b>	<b>March 13, 2023</b>	<b>June 16, 2023</b>
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**

**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. 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., Prime 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**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Period Served</u></b>
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, 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:

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

**(e) Involvement in Legal Proceedings**

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.
- (5) 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.

**ITEM 6. 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)**

	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
* 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:

<u>Name</u>	<u>Total (PHP)</u>
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 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:

<b>Members</b>	<b>April 26, 2023</b>	<b>Nov. 7, 2023</b>
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 7. 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 ₱ 2.7 million for 2023 and ₱ 2.6 million for 2022. Fees amounting to ₱ 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 ₱ 0.3 million in 2022 and none in 2023. Fees amounting to ₱ 1.1 million was also paid to SGV & Co. for vulnerability assessment in 2023. 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.

#### **ITEM 8. Compensation Plans**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **ITEM 9. Authorization or Issuance of Securities Other than for Exchange**

No action will be presented for stockholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

#### **ITEM 10. Modification or Exchange of Securities**

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of SMIC's securities, or the issuance of one class of SMIC's securities in exchange for outstanding securities of another class.

**ITEM 11. Financial and Other Information**

The Management Report and Audited Financial Statements of SMIC are incorporated herein by reference.

Representatives of SMIC's external auditor, SGV & Co., will be present at the annual 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 from the stockholders. SMIC has had no material disagreement with SGV & Co. on any matter of accounting principle or practices or disclosures in SMIC's financial statements.

**ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action will be presented for stockholders' approval at this year's annual meeting in respect of (1) the merger or consolidation of SMIC into or with any other person, or of any other person into or with SMIC, (2) acquisition by SMIC or any of its stockholders of securities of another person, (3) acquisition by SMIC of any other going business or of the assets thereof, (4) the sale or transfer of all or any substantial part of the assets of SMIC, or (5) liquidation or dissolution of SMIC.

**ITEM 13. Acquisition or Disposition of Property**

The Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

No action will be presented for stockholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of SMIC.

**ITEM 14. Restatement of Accounts**

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of SMIC's assets, capital or surplus account.

**D. OTHER MATTERS**

**ITEM 15. Action with Respect to Reports**

There is no action to be taken with respect to any report of SMIC or of its directors, officers, or committees, except for the approval of the minutes of the previous annual meeting of SMIC.

The following matters with respect to minutes of the stockholders' meeting of the Company and resolutions adopted by its Board of Directors will be presented for approval during the stockholders' meeting:

- a) Minutes of the annual meeting of stockholders held on April 26, 2023, appended to this Information Statement as **Annex "A"**. These minutes fully reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code, including:
  - 1) a description of the voting and vote tabulation procedures used in the previous meeting, including the engagement and presence of external auditor SGV & Co., which was especially engaged as third-party validator for the meeting;
  - 2) a description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given;

- 3) the matters discussed and resolutions reached;
- 4) a record of the voting results for each agenda item; and
- 5) the list of directors and officers and a description of stockholders who participated in the meeting, duly certified to by the Corporate Secretary, verified by the Company's Stock Transfer Agent, BDO Stock Transfer, and validated by SGV & Co.

These minutes were posted in the Company's website within twenty-four (24) hours from adjournment of the meeting. In compliance with the rules of the SEC, the Company's Definitive Information Statement (DIS) for the 2023 Annual Meeting were uploaded via PSE EDGE on March 23, 2023 and posted on the Company's website and published in the Business Sections of The Manila Times and BusinessWorld, in print and online formats prior to the 2023 Annual Meeting. The DIS contained detailed discussions on the material information on the current stockholders, and their voting rights. The same information is found in this Information Statement on Item 1 (Voting Securities), Item 4 (Voting Securities and Principal Holders Thereof), and Item 19 (Voting Procedures).

The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in the 2023 Annual Stockholders' Meeting. The list of stockholders entitled to vote at the upcoming Meeting will also be available for inspection at the Company's principal office on business days within reasonable hours.

- b) General approval and ratification of the acts of the Board of Directors, its Committees, and the Management during their term of office commencing from the date of the last annual stockholders' meeting up to the date of this year's meeting.

These are covered by Resolutions of the Board of Directors and were entered into or made in the ordinary course of business, the significant acts or transactions which are covered by appropriate disclosures with the Securities and Exchange Commission and The Philippine Stock Exchange, Inc., including:

- 1) Approval of projects;
- 2) Election of director to fill vacancy and appointment of officer/s;
- 3) Treasury matters related to opening of accounts and transactions with banks;
- 4) Appointments of signatories and amendments thereof.

There are no other matters that would require approval of the stockholders.

For the period ended December 31, 2023, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

All stockholders as of Record Date are entitled to vote *in absentia* for this meeting by registering and voting through the Company's secure online voting facility. For the detailed discussion of stockholders' voting rights and voting procedures, please refer to Item 19 (Voting Procedures) and the "**Guidelines for Remote Participation and Voting in Absentia**" appended to this Information Statement.

**ITEM 16. Matters Not Required To Be Submitted**

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

**ITEM 17. Amendment of Charter, By-Laws or Other Documents**

There is no action to be taken with respect to any amendment of charter, by-laws or other documents required to be submitted to a vote of the stockholders.

**ITEM 18. Other Proposed Action**

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

**ITEM 19. Voting Procedures**

**Vote required for approval**

At each stockholders' meeting, holders of a majority of SMIC's issued and outstanding voting shares that are present in person, through remote communication, by proxy or voted *in absentia*, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the stockholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part I. B, Item 4(c) of this Information Statement.

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person, by proxy, by remote communication, or *in absentia* and entitled to vote thereat, a quorum being present.

**Methods by which votes will be cast and counted**

SMIC's By-Laws does not prescribe a specific manner of voting. However, election of directors may be conducted by ballot if so requested by voting stockholders.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

Stockholders may vote by personally attending the meeting or through their proxies.

*Proxies*

Pursuant to the Company's By-Laws, duly accomplished proxy forms must be submitted to the Corporate Secretary at least seven (7) business days before the date of the stockholder's meeting, or until April 15, 2024, at the Office of the Corporate Secretary at No. 1105 Tower 2 High Street South Corporate Plaza, 26<sup>th</sup> Street Bonifacio Global City, Taguig City 1634. A sample format of the proxy form for individual and corporate stockholders are here attached and are also available at the Company website at <http://www.sminvestments.com/asm2024>.

*Voting in Absentia*

Stockholders may also vote *in absentia* and pre-cast their votes through the Company's secure online voting facility for this meeting. *The detailed guidelines for participation*

and voting for this meeting are set forth in the “**Guidelines for Remote Participation and Voting in Absentia**” appended to this Information Statement.

Stockholders as of Record Date who have successfully registered their intention to participate remotely and to vote *in absentia*, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the Company’s voting portal. Stockholders or their proxies can then cast their votes on specific matters for approval via the online voting portal, including the election of directors.

#### *Tabulation of Votes*

SMIC’s Corporate Secretary is tasked and authorized to validate, count and tabulate votes on any matter properly brought to the vote of the stockholders. The external auditor of the Company, SGV & Co., has been appointed to independently count and validate the tabulation of stockholder votes for this meeting. Pre-casted votes will be automatically tabulated and counted at the close of registration and *in absentia* voting periods.

The Corporate Secretary will lead the validation of proxies, in coordination with SMIC’s stock and transfer agent, and attended by SGV & Co. as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary’s decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

Stockholders holding SMIC common shares as of March 25, 2024 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

### **1. Approval of the minutes of the Annual Meeting of Stockholders held on April 26, 2023**

The stockholders’ approval of the minutes of the meeting held on April 26, 2023 will be sought at this year’s annual meeting. The following was the agenda of the said meeting.

- Call to order
- Certification of Notice and Quorum
- Approval of Minutes of the Annual Meeting of Stockholders held on April 27, 2022
- Approval of 2022 Annual Report and 2022 Audited Financial Statements
- Announcement of Cash Dividends
- Ratification of the acts of the Board of Directors, Board Committees and Management
- Election of Directors for 2023-2024
- Appointment of External Auditor
- Open Forum
- Other Matters
- Adjournment

Required vote: A majority vote of stockholders present or represented at the meeting.

### **2. Approval of 2023 Annual Report and Audited Financial Statements as of December 31, 2023**

SMIC's Audited Financial Statements as of December 31, 2023 is attached as **Annex "B"** to this Information Statement for review of the stockholders. This will enable the stockholders to assess the financial performance of SMIC for the period covered by said financial statements. Stockholders' approval of the financial statement will be sought at this year's annual meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

### **3. Approval and ratification of acts of the Board of Directors, Board Committees and Management during their term of office**

During their term, the Board approved resolutions and authorized actions in connection with their mandate to direct, manage and supervise the affairs and operations of SMIC. The acts of the Board of Directors, its Committees and management listed in Part D, Item 15, during their term of office, will be presented to the stockholders for approval and ratification. In compliance with the PSE Disclosure Rules, the Securities Regulation Code and its implementing rules, and in keeping with the policy on transparency as embodied in SMIC's Manual on Good Corporate Governance, SMIC regularly and promptly discloses actions taken by its Board and management. While stockholders' approval of such acts is not required under the Corporation Code and regulatory issuances, SMIC believes it to be sound corporate governance to present these to the stockholders for approval and ratification.

Required vote: A majority vote of stockholders present or represented at the meeting.

### **4. Election of Directors**

At the annual meeting, stockholders will be asked to elect the directors for the ensuing year. As stated in Section 3 of Article IV of the Company's By-Laws, "At each meeting of the stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors."

Section 23 of the Revised Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock... entitled to vote".

Required vote: Candidates receiving the highest number of votes shall be declared elected.

### **5. Appointment of External Auditor**

Pursuant to SMIC's By-laws, Manual on Corporate Governance, and Audit Committee Charter, the Board, upon the recommendation of the Board Audit Committee, shall recommend to the stockholders, appointment of an external auditor to undertake independent audit and provide objective assurance that the Company's financial reports are in compliance with pertinent accounting standards and regulatory requirements.

At the annual meeting, the stockholders will be requested to approve the re-appointment of SGV & Co. as external auditor of SMIC for the ensuing fiscal year.

Required vote: A majority vote of stockholders present or represented at the meeting.

**PART III**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Taguig City on February 28, 2024.

By: **SM INVESTMENTS CORPORATION**



**ELMER B. SERRANO**  
Corporate Secretary

<b>MANAGEMENT REPORT</b>
--------------------------

**A.i Audited Consolidated Financial Statements**

The Company's audited consolidated financial statements for the year ended December 31, 2023 are incorporated herein by reference.

**A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

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

**A.iii Management's Discussion and Analysis or Plan of Operation**

**Calendar Years Ended December 31, 2023 and 2022**

**Results of Operation**  
*(amounts in billion pesos)*

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

*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:

	<b>Revenues</b>		<b>Net Income</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Retail</b>	<b>67%</b>	68%	<b>19%</b>	21%
<b>Property</b>	<b>19%</b>	18%	<b>25%</b>	23%
<b>Banks</b>	<b>7%</b>	6%	<b>47%</b>	45%
<b>Portfolio</b>	<b>7%</b>	8%	<b>9%</b>	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 ₱40.0 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 Ventures* 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%
<b>Total Assets</b>	<b>₱ 1,586.2</b>	<b>₱ 1,479.4</b>	<b>7.2%</b>
Current Liabilities	₱ 330.8	₱ 293.0	12.9%
Noncurrent Liabilities	483.2	494.2	-2.3%
<b>Total Liabilities</b>	<b>814.0</b>	<b>787.2</b>	<b>3.4%</b>
<b>Total Equity</b>	<b>772.2</b>	<b>692.2</b>	<b>11.6%</b>
<b>Total Liabilities and Equity</b>	<b>₱ 1,586.2</b>	<b>₱ 1,479.4</b>	<b>7.2%</b>

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 ( <i>In Billions of Pesos</i> )	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  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio  $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio  $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio  $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
  - a. Gross Basis  $\frac{\text{Total Interest-Bearing Debt}}{\text{Total Equity + Total Interest-Bearing Debt}}$
  - b. Net Basis  $\frac{\text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth  $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin  $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth  $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets  $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA Income from Operations + Depreciation & Amortization
12. Interest Cover  $\frac{\text{EBITDA}}{\text{Interest Expense}}$

### **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.

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

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
<b>Retail</b>	<b>68%</b>	71%	<b>21%</b>	17%
<b>Property</b>	<b>18%</b>	19%	<b>23%</b>	23%
<b>Banks</b>	<b>6%</b>	5%	<b>45%</b>	49%
<b>Portfolio</b>	<b>8%</b>	5%	<b>11%</b>	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 Ventures* 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%
<b>Total Assets</b>	<b>₱ 1,479.4</b>	<b>₱ 1,360.5</b>	<b>8.7%</b>
Current Liabilities	₱ 293.0	₱ 261.6	12.0%
Noncurrent Liabilities	494.2	475.3	4.0%
<b>Total Liabilities</b>	<b>787.2</b>	<b>736.9</b>	<b>6.8%</b>
<b>Total Equity</b>	<b>692.2</b>	<b>623.6</b>	<b>11.0%</b>
<b>Total Liabilities and Equity</b>	<b>₱ 1,479.4</b>	<b>₱ 1,360.5</b>	<b>8.7%</b>

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 P47.9 billion due mainly to additions to machinery and equipment of PGPC in 2022.

*Time Deposits (current and noncurrent)* increased by 681% to P32.9 billion due mainly to the reclassification of time deposits from other noncurrent assets in 2022.

*Investment Properties* increased by 4.8% to P486.0 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 P505.7 billion due mainly to SM Prime's debt availments in 2022.

*Accounts Payable and Other Current Liabilities* increased by 8.0% to P182.0 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 P16.8 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 P47.3 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 P692.2 billion.

*Equity Attributable to Owners of the Parent* increased by 11.0% to P496.9 billion. This increase resulted mainly from the P61.7 billion net income and reduced by P7.5 billion dividends declared in 2022 that is reflected in *Retained Earnings*. *Fair Value Changes on Cash Flow Hedges* increased to gain of P1.6 billion. The increase is partly offset by the 17.3% decrease in *Unrealized Gain on Financial Assets at FVOCI* to P11.8 billion due to lower market valuation of certain investments, 68% increase in *Remeasurement Loss on Defined Benefit Asset/Obligation* to P1.7 billion, 6.7% decrease in *Cumulative Translation Adjustment* to P2.1 billion, and 63% increase in *Share in Other Comprehensive Loss of Associates – net* to P10.8 billion.

*Non-controlling Interests* increased by 11.0% to P195.3 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 ( <i>In Billions of Pesos</i> )	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 P45.7 billion increase in cash and cash equivalents and time deposits which resulted to a decrease in net debt of P12.5 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 P38.6 billion increase in income from operations and P2.7 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  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio  $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio  $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio  $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
  - a. Gross Basis  $\frac{\text{Total Interest-Bearing Debt}}{\text{Total Equity + Total Interest-Bearing Debt}}$
  - b. Net Basis  $\frac{\text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth  $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin  $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth  $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets  $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA Income from Operations + Depreciation & Amortization
12. Interest Cover  $\frac{\text{EBITDA}}{\text{Interest Expense}}$

### **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.

### **A.iv Brief Description of the General Nature and Scope of the Company's Business, Its Subsidiaries and Associates**

#### **Business Development**

SM Investments Corporation 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 Mero 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 57<sup>th</sup> 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.

#### **A.v Company's Directors and Executive Officers**

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company's directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

## A.vi Market Price, Stockholder and Dividend Information

### Market Information

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

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

As of February 27, 2024, the closing price of the Company's shares of stock is P921.00/share.

### Stockholder and Dividend Information

The number of stockholders of record as of January 31, 2024 was 1,241. 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 January 31, 2024 are as follows:

	<b><u>Name</u></b>	<b><u>No. of Shares Held</u></b>	<b><u>% to Total</u></b>
1	PCD Nominee Corp (Non-Filipino)	405,606,542	33.19%
2	PCD Nominee (Filipino)	144,624,116	11.83%
3	Hans T. Sy	104,915,706	8.59%
4	Herbert T. Sy	99,093,995	8.11%
5	Harley 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.

## **A.vii Corporate Governance**

### **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-learning 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.

**A.viii Undertaking to provide without charge a copy of the Company's Annual Report**

**The Company will provide, without charge, a copy of the Company's Annual Report or SEC Form 17-A to its stockholders upon receipt of a written request addressed to the Investor Relations Department at 10<sup>th</sup> Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300.**

**SM INVESTMENTS**

<p><i>Note: Pending stockholders' approval at the 2024 Annual Stockholders' Meeting</i></p>
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MINUTES OF THE ANNUAL MEETING OF THE  
STOCKHOLDERS

**SM INVESTMENTS CORPORATION**

On April 26, 2023, 2:30 p.m.  
Held In-Person at the Function Room 1, SMX Convention Center Manila,  
Seashell Lane, Mall of Asia Complex, Pasay City,  
with Livestreaming via Zoom

PRESENT:

**DIRECTORS**

<b>JOSE T. SIO</b>	Chairman Adviser, Executive Committee Member, Audit Committee Member, Risk Management Committee Member, Compensation Committee Member, Related Party Transaction Committee
<b>TERESITA T. SY</b>	Vice-Chairperson Chairperson, Executive Committee Chairperson, Compensation Committee
<b>HENRY T. SY, JR. HARLEY T. SY</b>	Vice-Chairman Executive Director Member, Executive Committee
<b>FREDERIC C. DYBUNCIO</b>	President and Chief Executive Officer Member, Executive Committee
<b>TOMASA H. LIPANA</b>	Lead Independent Director Chairperson, Audit Committee Member, Corporate Governance Committee
<b>ROBERT G. VERGARA</b>	Independent Director Chairman, Risk Management Committee Member, Corporate Governance Committee Member, Related Party Transaction Committee
<b>RAMON M. LOPEZ</b>	Independent Director Chairman, Corporate Governance Committee Chairman, Related Party Transaction Committee Member, Audit Committee Member, Compensation Committee Member, Risk Management Committee

ALSO PRESENT:

<b>ELIZABETH T. SY</b>	Adviser to the Board
<b>HANS T. SY</b>	Adviser to the Board
<b>HERBERT T. SY</b>	Adviser to the Board
<b>GREGORY L. DOMINGO</b>	Adviser to the Board
<b>ROBERTO G. MANABAT</b>	Independent Adviser
<b>FRANKLIN C. GOMEZ</b>	Corporate Information Officer SVP – Finance
<b>ATTY. ELMER B. SERRANO</b>	Corporate Secretary
<b>ATTY. ARTHUR A. SY</b>	Assistant Corporate Secretary SVP – Legal
<b>TIMOTHY DANIELS</b>	Consultant, Investor Relations

Stockholders present via remote attendance or represented by proxy	1,064,737,807 shares (87.13% of Outstanding Shares) (Please see Record of Attendance attached as Annex A)
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**1. Call to Order**

The meeting opened with the Philippine National Anthem. The host, Mr. Timothy Daniels, then acknowledged the presence of all directors and key officers of SM Investments Corporation (SMIC or the Company).

Mr. Jose T. Sio, Chairman of the Board, welcomed the stockholders and guests to the Annual Stockholders' Meeting of the Company. The Chairman then called the meeting to order. Atty. Elmer B. Serrano, Corporate Secretary, recorded the minutes of meeting.

**2. Certification of Notice and Quorum**

Before proceeding with the meeting, the Chairman requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Company's "Guidelines for Registering, Participating via Remote Communication and In-Person, and Voting in Absentia" were uploaded via PSE EDGE and posted on the Company's website beginning March 23, 2023. Further, the Corporate Secretary certified that the same notice of meeting was published on March 27 and 28, 2023, both in print and online format, in the Business Section of the Manila Times and Business World.

The Corporate Secretary also certified that based on record of attendance, stockholders participating in the meeting in person and by proxy represent 1,064,737,807 common shares, representing 87.13% of the issued and outstanding capital stock of the Company as of record date of March 27, 2023. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that SyCip Gorres Velayo & Co. has been engaged as third-party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

**3. Approval of Minutes of the Annual Stockholders' Meeting held on April 27, 2022**

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of stockholders held on April 27, 2022. A copy of the minutes was posted on the Company's website soon after last year's annual meeting adjourned. The minutes have also been appended to the Definitive Information Statement for this meeting.

The Corporate Secretary stated for the record that unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes:

In Favor		Against		Abstain	
No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting
1,064,594,912	99.99%	0	Nil	142,895	0.01%

With the above votes in favor, the following resolution was passed and adopted:

**"RESOLVED**, that the minutes of the annual meeting of stockholders held on April 27, 2022 are approved."

#### **4. Approval of 2022 Annual Report and 2022 Audited Financial Statements**

The Chairman then requested Mr. Frederic C. DyBuncio, President, to render his report on the results of operations for 2022.

The President first welcomed the shareholders to the SMX Convention Center as they resume the stockholders' meeting in-person, after three years of virtual meetings. He reported that 2022 has been an exceptional year for SMIC and proceeded to share the milestones of the Company for the past year.

The President first reported that 2022 was a year of remarkable growth, sustained benefits to our communities, impact towards the Company's key advocacies, and record results. He noted that Philippine GDP grew by 7.6%, remittances by overseas Filipino workers grew by 3.6% and unemployment fell to 4.3%, all of which created an environment of economic activity, active growth, and strong consumer confidence.

The President stated that the Company was conscious of inflationary risks and adapted business operations and customer offerings accordingly. As a result, all the Company's businesses participated in the reopening of the economy and delivered good growth. He added that the strong financial performance last year was driven by all three core businesses—retailing, banking and property — as well as a significant contribution to the consolidated earnings by the Company's portfolio investments. He reported that Banking contributed 45% to net income, with property accounting for 23%, retail contributing 21% and portfolio investments the remaining 11%. He also reported that the Company was able to improve operating margins across its businesses due to the rigorous review of efficiencies and cost saving actions taken over the last two years. Overall, SM grew consolidated revenues by 28% to PHP554 billion and earnings by 53% to PHP62 billion in 2022 which exceeded pre-pandemic performance.

The President then discussed that the Company continues to build its asset base and maintain a conservative balance sheet. The total assets increased 9% to PHP1.5 trillion. The Company's gearing improved to 35% net debt to 65% total equity.

On Banking, the President reported that banks started the year from a position of strength, having already recovered from the pandemic in 2021. In 2022, they showed revenue growth across their core activities, with lower non-performing loans than provided for and strong balance sheets in place.

BDO's non-performing loan (NPL) ratio dipped to 1.95% while NPL coverage strengthened to 167%. Rising interest rates helped improve margins, and positive business sentiment helped deliver profit growth. BDO's net income increased by 33% to PHP57.1 billion, driven by robust growth across its core businesses. Gross customer loans went up by 9% year-on-year on broad-based growth due to the economic re-opening. Total deposits and net interest income both grew by 14%.

He then discussed that China Bank also posted better than expected financial results on the back of robust operating income and effective cost management. Consolidated net income grew by 27% to PHP19.1 billion. Total revenues increased by 14% to PHP55.7 billion, driven by the 17% jump in net interest income to PHP45.6 billion. Its net loans rose by 15% on brisk business and consumer lending. It recorded better than industry NPL ratio and NPL coverage ratio of 2.3% and 123%, respectively. Total deposits also reached PHP1.1 trillion, 24% higher on sustained growth across deposit products.

On Retail, the President then proceeded to report that normalized movement and social activity resumed from the second quarter onwards and resulted in strong growth in the Company's retailing businesses, particularly in non-food formats. He added that there was pent up 'revenge spending' as consumers resumed shopping and going out. This sustained spending that benefited the Company's wide portfolio of brands as customers returned to higher earnings and daily social activity. As a result, SM Retail grew revenues by 24% to PHP378.2 billion. Net income increased 86% to PHP17.9 billion.

On Property, the President discussed that the optimism in the economy also enabled the Company's malls to return to full rental arrangements with their tenants by the mid-year. The Company's property arm, SM Prime, delivered strong growth with high tenant occupancy and foot traffic above pre-pandemic levels. SM Prime Holdings reported growth of 38% in consolidated net income to PHP30.1 billion and an increase in consolidated revenues by 29% to PHP105.8 billion. Philippine mall business revenues more than doubled to PHP49.8 billion. With the resumption of full rental fees in the second half of 2022, SM Prime's local mall rental income grew 92% to PHP44.1 billion. SM Prime's residential arm led by SM Development Corp. reported PHP40.1 billion in revenues while its reservation sales slightly grew to PHP102.0 billion. SM Prime's office and hotel and convention center businesses also grew 59% in revenues to PHP10.5 billion with the resumption in tourism activities.

On new businesses, the President also reported that the Company has invested in several related businesses in recent years, identifying where it can add value to the Company's partners from synergies within the SM ecosystem. This is part of SMIC's strategy to participate in emerging high growth sectors and create market leaders in them. He added that in 2022, SMIC increased its involvement in the logistics sector, bringing its stake in Airspeed to 51%. The Company also hiked its stake in geothermal steam for renewable energy generation, acquiring 100% of Philippine Geothermal Production Company (PGPC). Meanwhile 2GO, the Company's end-to-end logistics partner, delivered turnaround profits last year, and other partner businesses continued to innovate and grow.

He added that the Company is particularly optimistic about these opportunities and that all companies active in SMIC's portfolio investments are currently profitable. They collectively contributed 11% of consolidated earnings last year and it is expected to increase over time.

The President then proceeded to discuss the Company's business expansion. He reported that SMIC was able to focus on the Company's long-term strategy of expanding its footprint nationwide. He stated that the Company opened new stores, malls, residences and bank branches, allowing SMIC to reach and serve more Filipinos. He reported that upon seeing economic growth strengthen in the provinces, new malls and retail stores were opened in Roxas, Tanza, Sorsogon, and Tuguegarao last year. The expansion efforts resulted in the addition of 348 new retail stores, with especially strong expansion of over 200 new stores by Alfamart, 300,000 square meters of mall floor area and over 100 new bank branches. Most of this new footprint was outside Metro Manila last year.

The President then discussed that as the Company grows, it works to create and share value with its partners and its communities. Last year, SMIC carried on with its key social advocacies. The Company provided access to food security through farmer's training, quality education through school building and scholar programs, and healthcare through facilities building and medical missions. SM Supermalls was also the biggest private sector partner of the government to vaccinate Filipinos in the country. It administered more than 10.5 million doses of COVID-19 vaccines nationwide in 2022, using its nationwide mall network as vaccination centers. The Company also continues to champion inclusive societies. He added that within SMIC's workplace, the first Group Diversity Officer was appointed to develop and ensure a group-wide approach in promoting diversity, equity, inclusion and belonging among its people. This mirrors the same inclusivity offered to customers and other stakeholders.

The President then discussed the Company's environmental advocacies. He reported that they partnered with WWF to host a conference for private and public sector action towards climate change last year and to launch a private sector climate alliance. The Philippines' unique exposure as one of the most at-risk countries to climate change calls for concerted efforts. This

is both towards reducing emissions and towards critical adaptation efforts, where SM remains a leading advocate. SMIC took actions on both fronts.

The President also reported that SMIC published its Climate Position this year as a part of its commitments under TCFD, the Task Force on Climate-related Financial Disclosures. The group made a number of moves towards using, funding and driving renewable energy growth in the Philippines. Among these, SM Prime notably achieved at least 50% of its energy use in its malls coming from renewable sources last year. BDO continues to be a leader in funding the development of renewable energy, a national priority with a portfolio of 58 projects being funded. BDO also issued the first private sector Blue Bond in Southeast Asia, providing funding for projects to preserve clean water resources, help prevent marine pollution and support the country's climate goals.

On the Company's Climate Advocacy, the President discussed that Retail is working towards consumer awareness and advocacy of green choices through the launch of the Green Finds program. He added that they also continued to plant trees. The Company has so far planted and nurtured over 2.6 million trees and saplings through SM Foundation, Belle, Hamilo Coast and Carmen Copper. Last year, the Company launched the Grow Trees Community through SM Foundation working with Fast Retailing Foundation. The program focuses on the development of long-term reforestation by involving an ecosystem of partners to care for the trees, especially after they are planted as seedlings.

The President also reported that the Company was recognized by leading awards bodies for efforts in a number of areas. The President reported that SMIC was Top Rated by Sustainalytics ESG rating agency in two categories last year – top among diversified financial companies globally, and top among all companies in Asia Pacific. Forbes Magazine included SM among its World's Best Employers. Meanwhile 6 companies within the group were highly recognized by the ASEAN Corporate Governance Scorecard awards. He added that SMIC remains committed to advancing the principles of the UN Global Compact and taking action towards delivering the UN Sustainable Development goals.

He stated that heading into 2023, SMIC remains optimistic as a group. The Company is focused on expansion around the country especially in emerging regional centers and on ensuring that its ecosystem of businesses work together to create shared value for all our stakeholders. The majority of the Company's expansion is focused on the regions outside of Metro Manila. This is spurred by improvements in employment and the increasing quality of education and connectivity in these areas. A large chunk of the OFW remittances in the Philippines are also going to the provinces, driving revenues and growth. Continued BPO expansion is also providing employment in the regions. BPO revenues are now equal to the OFW remittances in amounts that are estimated at over USD30 billion. There are also companies that are beginning to look at the Philippines on the light manufacturing side. Given these, opportunities for growth in the Philippines remain high. The Company's businesses are well-positioned and have clear strategies to participate in this strong growth.

To close his report, the President recognized and expressed gratitude to the Company's customers, its people, its partners in both business and in the public sector, as well as the many stakeholders across the country for continuing to trust in and support SMIC in its ambitions to grow and help serve communities nationwide.

The Chairman thanked the President for his report and asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes:

<b>In Favor</b>		<b>Against</b>		<b>Abstain</b>	
No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting
1,062,968,310	99.83%	290,735	0.03%	1,478,762	0.14%

With the above votes in favor, the following resolution was passed and adopted:

**"RESOLVED**, that the 2022 Annual Report and the 2022 Audited Financial Statements are approved."

#### 5. Announcement of Cash Dividends

The Chairman then announced that at the recently adjourned regular meeting of the Board of Directors, the Board approved a cash dividend amounting to approximately Php9.2Billion or Php7.50 per share in favor of all stockholders of record as of May 11, 2023, and payable on May 25, 2023.

#### 6. Approval and Ratification of the Acts of the Board of Directors, Board Committees and Management

The next item in the agenda is the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors, Board Committees and carried out by Management during their term, or from the date of the last annual stockholders' meeting up to this meeting. These corporate acts are detailed in the Definitive Information Statement provided to all stockholders of record.

The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting
1,062,408,715	99.78%	799,454	0.08%	1,529,638	0.14%

With the above votes in favor of approval, the following resolution was passed and adopted:

**"RESOLVED**, that the acts of the Board of Directors, Board Committees and Management during their term or from the date of the last annual stockholders' meeting up to this meeting are ratified and approved."

#### 7. Election of Directors for 2023-2024

The next item in the agenda is the election of directors for the year 2023-2024. The Chairman requested the Mr. Ramon M. Lopez, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Mr. Lopez stated that the Corporate Governance Committee has pre-qualified and short-listed candidates qualified to be elected to the Board of Directors. He then announced the names of the following qualified nominees to the Board for 2023-2024:

1. Mr. Jose T. Sio
2. Ms. Teresita T. Sy
3. Mr. Henry T. Sy, Jr.
4. Mr. Harley T. Sy
5. Mr. Frederic G. DyBuncio
6. Ms. Tomasa H. Lipana as Independent Director
7. Mr. Robert G. Vergara as Independent Director
8. Mr. Ramon M. Lopez as Independent Director

The Corporate Secretary thereafter presented the percentage of votes garnered by each of the nominees:

Nominee	No. of Votes
Mr. Jose T. Sio	1,041,035,859
Ms. Teresita T. Sy	1,039,701,327
Mr. Henry T. Sy, Jr.	1,055,428,244
Mr. Harley T. Sy	1,057,774,108
Mr. Frederic C. DyBuncio	1,059,069,755
Ms. Tomasa H. Lipana	1,053,311,942
Mr. Robert G. Vergara	1,063,578,299
Mr. Ramon M. Lopez	1,063,279,440

The Corporate Secretary then announced that since there are only eight (8) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was therefore passed and adopted:

**"RESOLVED**, that following are elected to the Board of Directors of SM Investments Corporation for 2023-2024, to serve as such directors until their successors have been duly qualified and elected:

1. Mr. Jose T. Sio
2. Ms. Teresita T. Sy
3. Mr. Henry T. Sy, Jr.
4. Mr. Harley T. Sy
5. Mr. Frederic G. DyBuncio
6. Ms. Tomasa H. Lipana as Independent Director
7. Mr. Robert G. Vergara as Independent Director
8. Mr. Ramon M. Lopez as Independent Director

#### 8. Appointment of External Auditor

The next item in the agenda is the appointment of the Company's external auditor for 2023. The Chairman informed the stockholders that the Audit Committee processed and screened the nominees for external auditor and recommended, as confirmed by the Board of Directors, the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2023.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting	No. of Shares	% of Total Number of Shares Represented at the Meeting
1,063,081,788	99.84%	1,513,103	0.14%	142,916	0.01%

With the above votes in favor of approval, the following resolution was passed and adopted:

**"RESOLVED**, that the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2023 is approved."

#### 9. Open Forum

The Chairman then proceeded with the Question-and-Answer portion of the meeting. The host explained that the floor will be first open to persons attending in-person. He then added that all stockholders of record were allowed to submit questions via email to

<asm@sminvestments.com> not later than April 24, 2023. The Chairman thanked the stockholders for sending their questions and comments. Shareholders were also allowed to send their questions or comments through the chat box of the livestream.

The first question was “After such good results last year, what will be the company’s strategy to keep growing in 2023 and beyond?”

The President answered that the Company’s strong performance in 2022 was the result of good market conditions and all of the Company’s businesses performing well as the economy improved. In 2023, the Company remains cautiously optimistic about good economic conditions continuing. He added that all of the Company’s businesses are leaders in their sectors. But as a country, the retail, banking and property sectors are all still at an early stage of development. There is tremendous opportunity to expand to serve more Filipinos, especially in the provinces. This will be the core driver of the Company’s future growth, even as GDP rises and more Filipinos become active consumers. He stated that SMIC’s investments in other businesses give the Company exposure to new high growth sectors – in areas like logistics, to join up the regions, and in renewable energy, to meet national needs. In 2022, these businesses contributed 11% of group earnings, and they hope to increase this contribution.

The next question was “What is SM doing about climate change?”

The President answered that the Company takes climate change seriously as an urgent global priority and that it has many programs in place across the group to address climate change.

He discussed that SMIC measures and reports its carbon footprint and that it is working with WWF to understand how to put realistic science-based targets in place in each of the Company’s businesses to reduce footprint. Some of businesses of the Company, like SM Prime and NEO, are already well advanced in this. They optimize their operations, minimize their energy use, and use renewable energy as much as is possible. All businesses are looking for solutions. The Philippines needs more clean energy, though, which is why BDO is funding 58 renewable energy projects. It is also why SM Investments recently acquired PGPC, a provider of clean geothermal steam for electricity generation. He added that as one of the most at-risk countries, the Philippines also needs to prioritize how to adapt to a future of likely worse weather patterns. SMIC is a leader in this and dedicate 10% of our capex to disaster resilience – for SMIC and for the communities around IT.

The Chairman noted how the country has been experiencing the effects of climate change recently and emphasized the relevance of addressing this issue. He stated that, for this reason, SMIC continues to take action in minimizing its effects.

The Chairman thanked the shareholders for their questions and the President for answering the questions.

#### **10. Other Matters**

The Chairman inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

#### **11. Adjournment**

There being no further business to transact, the Chairman thanked everyone who joined the meeting wished everyone good health. Thereafter, the meeting was adjourned.

**CERTIFIED CORRECT:**

**ELMER B. SERRANO**  
*Corporate Secretary*

ATTESTED BY:

**JOSE T. SIO**  
*Chairman*

**Annex A**

**SM Investments Corporation**  
Annual Stockholders' Meeting  
April 26, 2023, 2:30 p.m.

**Record of Attendance**

Total number of voting shares outstanding	1,222,023,358
Total number of shares present or represented by proxy	1,064,737,807
<b>Attendance percentage</b>	<b>87.13%</b>

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

**Consolidated Financial Statements**

A.		Attached
B.		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**

	Report on Supplementary Schedules	Attached
	<b>Revised SRC Rule 68 Annex 68-J Schedules</b>	
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**

	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.

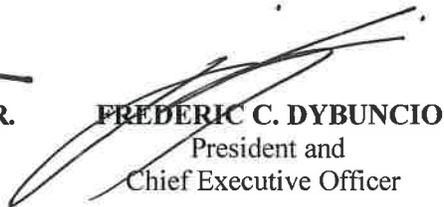
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the 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 28<sup>th</sup> day of February 2024

**SM INVESTMENTS**

10/F OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300, Philippines  
Telephone: +63 2 8857 0100

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY \_\_\_\_\_ )

SUBSCRIBED AND SWORN to before this FEB 28 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

DOC No. 54  
PAGE No. 12  
BOOK No. II  
SERIES of 2024

  
**JESSE JOHN M. HEHMOSO**  
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 2022

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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

**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													
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A	A	C	F	S											

**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
-	<b>8857-0100</b>	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
<b>1,242</b>	<b>04/26</b>	<b>12/31</b>

**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
<b>Mr. Franklin C. Gomez</b>	-	<b>8857-0100</b>	-

**CONTACT PERSON'S ADDRESS**

<b>10<sup>th</sup> Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300</b>
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**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.



## 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 P350.8 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
<b>ASSETS</b>		
<b>Current Assets</b>		
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
<b>Noncurrent Assets</b>		
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
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
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
<b>Noncurrent Liabilities</b>		
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
<b>Equity Attributable to Owners of the Parent Company</b>		
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	<b>556,604,699</b>	496,888,912
<b>Non-controlling Interests</b>	<b>215,595,506</b>	195,301,099
Total Equity	<b>772,200,205</b>	692,190,011
	<b>₱1,586,218,513</b>	₱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
<b>REVENUES</b>			
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
	<b>616,251,887</b>	<b>552,998,578</b>	<b>431,733,509</b>
<b>COSTS AND EXPENSES</b> (Notes 11 and 23)	<b>474,083,864</b>	<b>435,430,927</b>	<b>352,812,922</b>
<b>OTHER INCOME (CHARGES)</b>			
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
	<b>(19,350,817)</b>	<b>(18,427,458)</b>	<b>(15,270,327)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>122,817,206</b>	<b>99,140,193</b>	<b>63,650,260</b>
<b>PROVISION FOR INCOME TAX</b> (Note 26)			
Current	16,209,025	14,248,182	7,224,482
Deferred	423,118	546,638	1,782,037
	<b>16,632,143</b>	<b>14,794,820</b>	<b>9,006,519</b>
<b>NET INCOME</b>	<b>₱106,185,063</b>	<b>₱84,345,373</b>	<b>₱54,643,741</b>
<b>Attributable to</b>			
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
	<b>₱106,185,063</b>	<b>₱84,345,373</b>	<b>₱54,643,741</b>
<b>Basic/Diluted Earnings Per Common Share</b>			
<b>Attributable to Owners of the Parent</b> (Note 30)	<b>₱63.00</b>	<b>₱50.88</b>	<b>₱33.55</b>

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
<b>NET INCOME</b>	<b>₱106,185,063</b>	<b>₱84,345,373</b>	<b>₱54,643,741</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that will be reclassified to profit or loss in subsequent periods</b>			
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
	<b>(2,794,130)</b>	<b>4,636,311</b>	<b>4,181,800</b>
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
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)
	<b>(2,759,876)</b>	<b>(4,022,832)</b>	<b>806,701</b>
Share in other comprehensive loss of associate companies and joint ventures - net (Note 13)	(641,624)	(4,336,268)	(4,184,715)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱99,989,433</b>	<b>₱80,622,584</b>	<b>₱55,447,527</b>
<b>Attributable to</b>			
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
	<b>₱99,989,433</b>	<b>₱80,622,584</b>	<b>₱55,447,527</b>

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													Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of 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		
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	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	-	-	-	-	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)**

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



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

See accompanying Notes to Consolidated Financial Statements.



# SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

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### 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:

Company	Principal Activities	Percentage of Ownership			
		2023		2022	
		Direct	Indirect	Direct	Indirect
<b>Property</b>					
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		2022	
		Direct	Indirect	Direct	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 <sup>(a)</sup>	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	–
<b>Retail</b>					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
<b>Others</b>					
Primebridge Holdings, Inc. and Subsidiaries	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	100	–	99	–
Belleshare 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*

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

*Statements of Income*

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



*Cash Flows*

	<b>Years Ended December 31</b>		
	<b>2023</b>	2022	2021
	<i>(In Thousands)</i>		
Net cash provided by operating activities	<b>₱61,941,386</b>	₱34,933,212	₱30,667,161
Net cash used in investing activities	<b>(66,714,473)</b>	(52,244,301)	(44,113,678)
Net cash provided by (used in) financing activities	<b>(5,513,232)</b>	19,685,743	22,623,545
Effect of exchange rate changes on cash and cash equivalents	<b>43,039</b>	(90,424)	(62,790)
Net increase (decrease) in cash and cash equivalents	<b>(₱10,243,280)</b>	₱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 market place 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 sale 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 before considering any credit enhancements held by the Group.

#### *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.

Amortized cost is calculated by considering 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” 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 improvements	5–40 years
Building equipment, furniture and others	3–15 years
Building and leasehold improvements	5 years or term of the lease, whichever is shorter

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 Sale 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 sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale 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 sale 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 sale 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 sale 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 is 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 Amusement 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 multinationals 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.

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#### 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 sale 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.

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## 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 <i>(In Thousands)</i>
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
<b>Total identifiable liabilities</b>	<b>16,556,427</b>
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
<b>Purchase consideration transferred</b>	<b>₱4,693,040</b>

The cash flows from this acquisition follow:

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

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
	<i>(In Thousands)</i>
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
<b>Total identifiable assets</b>	<b>6,753,214</b>
Accrued payable and other current liabilities	2,233,095
Deferred tax liabilities	338,599
Other noncurrent liabilities	1,435,383
<b>Total identifiable liabilities</b>	<b>4,007,077</b>
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
<b>Purchase consideration transferred</b>	<b>₱4,039,571</b>

The cash flows from this acquisition follow:

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

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
	<i>(In Thousands)</i>						
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)						
<b>Segment results:</b>							
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
<b>Net income attributable to:</b>							
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
<b>Year Ended December 31, 2022</b>							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
	(In Thousands)						
<b>Revenues:</b>							
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
<b>Segment results:</b>							
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
<b>Net income attributable to:</b>							
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
<b>Year Ended December 31, 2021</b>							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
	(In Thousands)						
<b>Revenues:</b>							
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
<b>Segment results:</b>							
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
<b>Net income attributable to:</b>							
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
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	<b>₱22,918,721</b>	₱26,887,562
Temporary investments (Note 21)	<b>80,826,837</b>	79,673,510
	<b>₱103,745,558</b>	₱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
	<i>(In Thousands)</i>	
Current	<b>₱602,466</b>	₱8,788,848
Noncurrent	<b>22,324,681</b>	24,130,581
	<b>₱22,927,147</b>	₱32,919,429

The time deposits bear interest ranging from 1.3% to 5.8% 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
	<i>(In Thousands)</i>	
Shares of stock		
Listed	<b>₱25,505,874</b>	₱25,146,102
Unlisted	<b>1,534,894</b>	736,813
Club shares	<b>24,850</b>	21,800
	<b>27,065,618</b>	25,904,715
Less current portion	<b>747,840</b>	534,865
Noncurrent portion	<b>₱26,317,778</b>	₱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
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	<b>₱132,187,696</b>	₱114,017,297
Third-party tenants	<b>10,714,323</b>	11,254,451
Shipping and logistics**	<b>2,753,168</b>	4,212,664
Related-party tenants (Note 21)	<b>533,448</b>	511,274
Others	<b>2,922,100</b>	3,299,623
Royalty and service fees (Note 21)	<b>2,980,499</b>	2,277,578
Dividends (Note 21)	<b>1,003,114</b>	708,809
	<b>153,094,348</b>	136,281,696
Less allowance for ECL	<b>3,284,523</b>	3,031,584
	<b>149,809,825</b>	133,250,112
Less noncurrent portion of receivables from real estate buyers (Note 16)	<b>70,600,303</b>	48,929,523
Current portion	<b>₱79,209,522</b>	₱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 ₱397.0 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
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱3,031,584</b>	₱2,237,119
Provisions - net of writeoff (Note 23)	<b>252,939</b>	794,465
Balance at end of year	<b>₱3,284,523</b>	₱3,031,584

The aging of receivables follows:

	2023	2022
	<i>(In Thousands)</i>	
Neither past due nor impaired	<b>₱138,195,908</b>	₱121,546,146
Past due but not impaired:		
Less than 30 days	<b>3,804,623</b>	4,199,730
31-90 days	<b>3,299,648</b>	2,327,871
91-120 days	<b>1,197,760</b>	1,707,216
Over 120 days	<b>3,311,886</b>	3,469,149
Impaired	<b>3,284,523</b>	3,031,584
	<b>₱153,094,348</b>	₱136,281,696

Receivables other than those identified as impaired, are assessed as good and collectible.

## 11. Inventories

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Real estate inventories	<b>₱77,892,908</b>	₱70,506,503
Merchandise inventories	<b>38,869,576</b>	34,653,094
Processed food and others	<b>712,496</b>	1,208,441
	<b>₱117,474,980</b>	₱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
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱34,653,094</b>	₱29,026,924
Purchases	<b>298,618,735</b>	276,234,410
Total goods available for sale	<b>333,271,829</b>	305,261,334
Less cost of merchandise sales	<b>294,402,253</b>	270,608,240
Balance at end of year	<b>₱38,869,576</b>	₱34,653,094



Real Estate Inventories

The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
<i>(In Thousands)</i>			
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
<b>Balance as at December 31, 2022</b>	<b>₱43,780,861</b>	<b>₱26,725,642</b>	<b>₱70,506,503</b>
Development cost incurred	<b>22,141,007</b>	–	<b>22,141,007</b>
Cost of real estate sold	<b>(13,166,921)</b>	<b>(3,494,522)</b>	<b>(16,661,443)</b>
Transfers	<b>(1,902,929)</b>	<b>1,902,929</b>	–
Reclassifications (Notes 15 and 27)	<b>1,807,712</b>	–	<b>1,807,712</b>
Translation adjustment and others	<b>98,608</b>	<b>521</b>	<b>99,129</b>
<b>Balance as at December 31, 2023</b>	<b>₱52,758,338</b>	<b>₱25,134,570</b>	<b>₱77,892,908</b>

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
<i>(In Thousands)</i>			
Cost of sales:			
Merchandise	<b>₱294,402,253</b>	₱270,608,240	₱222,300,384
Real estate	<b>16,661,443</b>	16,898,568	18,687,157
Processed food and others	<b>11,601,340</b>	15,401,706	7,993,598
Cost of shipping, logistics and other services	<b>13,646,560</b>	12,743,249	6,271,009
	<b>₱336,311,596</b>	₱315,651,763	₱255,252,148



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## 12. Other Current Assets

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	<b>₱20,539,740</b>	₱19,881,090
Bonds and deposits	<b>10,845,768</b>	11,143,581
Input tax	<b>7,226,317</b>	5,846,949
Receivables from banks	<b>7,207,447</b>	5,732,802
Nontrade receivables	<b>6,233,033</b>	8,296,364
Derivative assets (Note 29)	<b>3,167,911</b>	1,617,864
Uniform and supplies inventory	<b>1,724,324</b>	1,573,029
Accrued interest receivable (Note 21)	<b>325,863</b>	566,974
Others	<b>420,556</b>	317,345
	<b>₱57,690,959</b>	₱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
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱328,271,536</b>	₱305,072,026
Additions	<b>288,227</b>	73,500
Disposal	<b>(1,186,682)</b>	(13,742)
Business combination (Note 5)	-	(535,945)
Equity in net earnings	<b>44,945,112</b>	35,825,734
Dividends received and others	<b>(10,622,941)</b>	(7,089,942)
Share in other comprehensive loss of associate companies	<b>(641,624)</b>	(4,336,268)
Reversal of (provision for) impairment loss	<b>320,206</b>	(740,000)
Translation adjustment	<b>(49,034)</b>	16,173
<b>Balance at end of year</b>	<b>₱361,324,800</b>	₱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				Principal Activities
	2023		2022		
	Gross	Effective	Gross	Effective	
<b>Associates</b>					
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 <sup>(a)</sup>	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
<b>Joint Ventures</b>					
Kerry Logistics (Phils), Inc.	63	33	63	26	Integrated supply chain
ST 6747 Resources Corporation	50	25	50	25	Real estate development
Walmart Mall <sup>(b)</sup>	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) Walmart Mall consists of Winsome Development Corporation, Willin Sales, Inc., Williamson, Inc., Walmart 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
	<i>(In Millions)</i>		
Interest income	<b>₱240,196</b>	₱169,071	₱144,879
Interest expense	<b>(53,809)</b>	(19,839)	(13,533)
Other expenses - net	<b>(112,827)</b>	(91,998)	(88,491)
Net income after tax	<b>73,560</b>	57,234	42,855
Other comprehensive loss	<b>(1,798)</b>	(9,861)	(5,810)
<b>Total comprehensive income</b>	<b>₱71,762</b>	₱47,373	₱37,045
<b>Group's share in net income</b>	<b>₱34,314</b>	₱26,684	₱20,019
Group's share in other comprehensive loss	<b>(₱843)</b>	(₱5,599)	(₱5,405)

The aggregate comprehensive income of associates and joint ventures that are not individually material follows:

	2023	2022	2021
	<i>(In Millions)</i>		
Share in net income	<b>₱10,631</b>	₱9,142	₱6,750
Share in other comprehensive income	<b>201</b>	1,263	1,220
<b>Share in total comprehensive income</b>	<b>₱10,832</b>	₱10,405	₱7,970

The fair value of investments in associate companies which are listed in the PSE follows:

	2023	2022
	<i>(In Thousands)</i>	
BDO	<b>₱344,083,211</b>	₱278,929,105
China Bank	<b>18,685,792</b>	16,626,418
Belle	<b>3,047,547</b>	3,177,784
Atlas	<b>4,279,075</b>	4,412,417
PLC	<b>16,669,846</b>	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
<i>(In Thousands)</i>												
<b>Cost</b>												
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)
<b>As at December 31, 2023</b>	<b>₱1,718,794</b>	<b>₱20,772,693</b>	<b>₱2,963,308</b>	<b>₱11,853,449</b>	<b>₱12,782,090</b>	<b>₱24,406,386</b>	<b>₱32,822,651</b>	<b>₱1,722,921</b>	<b>₱15,353,882</b>	<b>₱1,603,710</b>	<b>₱6,123,951</b>	<b>₱132,123,835</b>
<b>Accumulated Depreciation and Amortization</b>												
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)
<b>As at December 31, 2023</b>	<b>₱–</b>	<b>₱8,154,403</b>	<b>₱2,121,935</b>	<b>₱9,010,930</b>	<b>₱10,207,267</b>	<b>₱13,489,312</b>	<b>₱24,822,293</b>	<b>₱1,308,054</b>	<b>₱8,721,642</b>	<b>₱1,436,366</b>	<b>₱–</b>	<b>₱79,272,202</b>
<b>Net Book Value</b>												
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
<i>(In Thousands)</i>						
<b>Cost</b>						
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)
<b>As at December 31, 2023</b>	<b>₱88,195,475</b>	<b>₱101,659,155</b>	<b>₱338,934,803</b>	<b>₱60,247,366</b>	<b>₱83,503,331</b>	<b>₱672,540,130</b>
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>						
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)
<b>As at December 31, 2023</b>	<b>₱–</b>	<b>₱3,047,630</b>	<b>₱93,506,840</b>	<b>₱38,918,437</b>	<b>₱–</b>	<b>₱135,472,907</b>
<b>Net Book Value</b>						
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.

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## 16. Intangibles and Other Noncurrent Assets

### Intangible Assets

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Goodwill	<b>₱34,320,712</b>	₱34,320,712
Less accumulated impairment loss	<b>172,213</b>	172,213
Net book value	<b>34,148,499</b>	34,148,499
Trademarks, brand names and copyright	<b>6,127,069</b>	6,128,850
	<b>₱40,275,568</b>	₱40,277,349

Goodwill is attributable mainly to SM Prime, Supervalu, 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
	<i>(In Thousands)</i>	
Receivables from real estate buyers* (Note 10)	<b>₱70,600,303</b>	₱48,929,523
Bonds and deposits	<b>50,388,596</b>	53,671,037
Deferred tax assets (Note 26)	<b>6,462,108</b>	5,209,746
Derivative assets (Note 29)	<b>3,611,478</b>	8,508,965
Deferred input VAT	<b>1,559,521</b>	1,941,985
Escrow fund (Notes 12 and 21)	<b>843,732</b>	621,490
Land use rights	<b>282,333</b>	324,770
Defined benefit asset (Note 25)	<b>110,831</b>	129,034
Others	<b>4,186,191</b>	2,488,241
	<b>₱138,045,093</b>	₱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
	<i>(In Thousands)</i>	
Parent Company:		
U.S. dollar-denominated loans	₱415,275	₱—
Peso-denominated loans	4,200,000	9,995,000
Subsidiaries:		
Peso-denominated loans	6,510,000	8,394,000
China yuan renminbi-denominated loans	2,288,964	2,422,524
	<b>₱13,414,239</b>	<b>₱20,811,524</b>

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
	<i>(In Thousands)</i>	
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
	<b>₱200,169,027</b>	<b>₱181,961,708</b>

\* Includes unearned revenues from shipping and logistics of ₱108.6 million and ₱48.9 million as at December 31, 2023 and 2022, respectively, and unearned revenues from sale 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:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Payable to contractors	<b>₱9,400,962</b>	₱7,979,543
Marketing and advertising and others	<b>9,941,645</b>	10,765,314
Utilities	<b>3,089,636</b>	2,495,739
Co-loading termination cost	<b>896,956</b>	713,297
Salaries and wages	<b>449,218</b>	451,244
	<b>₱23,778,417</b>	₱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	
<i>(In Thousands)</i>							
<b>Parent Company</b>							
U.S. dollar-denominated*	June 2014 - August 2023	June 2024 - August 2028	Fixed 4.9%; ROP reference rate + margin; Three-Month SOFR + margin; semi-annual and quarterly	Unsecured	<b>₱35,159,950</b>	₱42,326,896	
GBP-denominated*	April 2023 - July 2023	April 2025 - July 2028	Fixed 4.2%-5.3%; quarterly	Unsecured	<b>6,403,683</b>	—	
Peso-denominated	September 2017 - March, 2023	April 2024 - May 2031	Fixed 3.4%-7.0%; Three-Month PHP BVAL + margin; semi-annual and quarterly	Unsecured	<b>65,156,900</b>	76,124,350	
<b>Subsidiaries</b>							
U.S. dollar-denominated*	April 2019 - June 2022	February 2024 - June 2027	LIBOR + spread; semi-annual and quarterly; SOFR + spread; quarterly	Unsecured	<b>₱84,350,144</b>	₱91,062,847	
China yuan renminbi-denominated**	May 2021 - December 2023	April 2026 - June 2037	Fixed 3.7%; LPR; annually	Secured	<b>10,590,461</b>	9,665,493	
Peso-denominated***	September 2014 - December 2023	April 2024 - April 2032	Fixed 3.9%-7.0%; BVAL + margin	Unsecured/Secured	<b>288,983,232</b>	268,425,993	
					<b>490,644,370</b>	487,605,579	
Less debt issue cost					<b>2,356,720</b>	2,708,662	
					<b>488,287,650</b>	484,896,917	
Less current portion					<b>113,528,791</b>	87,047,213	
					<b>₱374,758,859</b>	₱397,849,704	

BVAL – Bloomberg Valuation

ROP – Republic of the Philippines

LIBOR – London Interbank Offered Rate

LPR – China Loan Prime 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
<i>(In Thousands)</i>		
Balance at beginning of year	<b>₱2,708,662</b>	₱2,672,016
Additions	<b>829,466</b>	1,134,632
Amortization and others	<b>(1,181,408)</b>	(1,097,986)
Balance at end of year	<b>₱2,356,720</b>	₱2,708,662



Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2023 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
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
	<b>₱490,644,370</b>	<b>₱2,356,720</b>	<b>₱488,287,650</b>

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	<b>2,790,000,000</b>	2,790,000,000
Issued and subscribed	<b>1,226,114,578</b>	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
		<i>(In Thousands)</i>
Balance as at January 1, 2015		₱27,000,000
Reversal	November 4, 2015	(18,000,000)
Addition	November 4, 2015	27,000,000
Reversal	November 8, 2017	(27,800,000)
<i>(Forward)</i>		



	Date of BOD Approval	Amount
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 <i>(In Thousands)</i>
Debt service	2023 - 2024	₱27,000,000
Investments	2023 - 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 <i>(In Thousands)</i>
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.



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## 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 management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to management and 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		Terms	Conditions
	2023	2022	2021	2023	2022		
<i>(In Thousands)</i>							
<b>Banking Group</b>							
Cash placement and investment in marketable securities	₱-	₱-	₱-	<b>₱112,090,550</b>	₱121,312,088	Interest-bearing	Unsecured; no impairment
Interest receivable	-	-	-	<b>122,166</b>	242,663	-	-
Interest income	<b>3,115,199</b>	2,084,329	1,186,798	-	-	-	-
Interest-bearing debt	-	-	-	<b>63,521,896</b>	67,368,704	Interest-bearing	Unsecured
Interest payable	-	-	-	<b>365,746</b>	352,951	-	-
Interest expense	<b>3,045,964</b>	2,753,606	2,388,269	-	-	-	-
Rent receivable	-	-	-	<b>162,982</b>	148,221	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>1,307,951</b>	1,142,575	692,948	-	-	-	-
Receivable financed	<b>4,130,907</b>	-	358,861	<b>4,130,907</b>	-	Without recourse	Unsecured
Dividends receivable	-	-	-	<b>40,386</b>	150,403	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee receivable	-	-	-	<b>8,458</b>	8,441	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	<b>116,740</b>	124,260	47,481	-	-	-	-
Escrow fund	-	-	-	<b>841,272</b>	621,490	Interest-bearing	Unsecured; no impairment
<b>Retail and Other Entities</b>							
Rent receivable	-	-	-	<b>370,466</b>	363,053	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>2,378,131</b>	1,945,309	1,062,811	-	-	-	-
Royalty and service fee receivable	-	-	-	<b>2,851,529</b>	2,234,281	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	<b>2,468,686</b>	2,056,294	1,642,340	-	-	-	-
Nontrade receivable	-	-	-	<b>87,007</b>	142,128	Noninterest-bearing	Unsecured; no impairment
Nontrade payable	-	-	-	<b>1,166,297</b>	941,000	Noninterest-bearing	Unsecured
Interest income	-	237,830	352,192	-	-	-	-
Dividends receivable	-	-	-	<b>746,019</b>	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
	<i>(In Thousands)</i>		
Sales - processed food and others	<b>₱19,964,099</b>	₱24,604,593	₱12,810,015
Shipping, logistics and other services	<b>16,725,516</b>	14,111,385	5,656,887
Cinema, ticket sales, amusement and others	<b>9,027,668</b>	4,216,516	498,924
Royalty and service fees	<b>7,756,655</b>	5,520,394	4,537,522
Food and beverage	<b>2,339,039</b>	1,786,358	611,751
Dividends	<b>911,619</b>	1,177,340	586,703
Others	<b>8,947,819</b>	10,223,602	10,809,766
	<b>₱65,672,415</b>	₱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
	<i>(In Thousands)</i>		
Cost of sales and services (Note 11)	<b>₱336,311,596</b>	₱315,651,763	₱255,252,148
Personnel cost (Note 21)	<b>34,201,813</b>	29,580,662	25,176,009
Depreciation and amortization (Notes 14, 15, 16 and 27)	<b>22,745,157</b>	21,740,973	19,799,590
Utilities	<b>15,133,643</b>	13,491,008	10,002,523
Taxes and licenses	<b>10,759,774</b>	8,442,897	8,664,108
Outside services	<b>10,521,569</b>	7,178,570	6,538,377
Marketing and selling	<b>9,517,534</b>	7,279,896	6,763,396
Supplies	<b>5,552,948</b>	2,565,154	1,938,985
Provisions (reversal of provisions) – net	<b>4,400,289</b>	5,099,217	(3,982,227)
Rent (Note 27)	<b>3,716,298</b>	3,323,087	1,200,679
Repairs and maintenance	<b>2,767,583</b>	2,410,096	1,769,627
Pension (Note 25)	<b>1,489,654</b>	1,270,890	1,253,169
Transportation and travel	<b>1,273,496</b>	1,127,112	772,406
Insurance	<b>1,107,341</b>	1,030,217	877,686
Data processing	<b>1,097,338</b>	1,089,862	827,128
Professional fees	<b>761,705</b>	720,865	277,106
Communications	<b>556,082</b>	480,584	364,341
Entertainment, representation and amusement	<b>494,347</b>	433,405	434,988
Donations	<b>363,177</b>	422,070	208,482
Management and royalty fees (Note 21)	<b>360,897</b>	371,672	173,467
Remeasurement loss (Note 5)	–	310,152	7,358,144
Others	<b>10,951,623</b>	11,410,775	7,142,790
	<b>₱474,083,864</b>	₱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
	<i>(In Thousands)</i>		
Interest income on:			
Time deposits and other noncurrent assets (Notes 8 and 16)	<b>₱840,991</b>	₱1,174,464	₱797,300
Cash in banks and temporary investments (Note 7)	<b>2,878,312</b>	1,664,890	933,399
Others (Note 12)	<b>328,975</b>	203,016	472,652
	<b>₱4,048,278</b>	₱3,042,370	₱2,203,351
Interest expense on:			
Long-term debt (Note 19)	<b>₱20,939,063</b>	₱18,330,649	₱16,210,283
Lease liabilities (Note 27)	<b>1,999,342</b>	2,029,583	2,002,343
Bank loans (Note 17)	<b>1,076,593</b>	1,152,710	859,702
Others	<b>69,746</b>	34,128	66,443
	<b>₱24,084,744</b>	₱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
	<i>(In Thousands)</i>		
Current service cost	<b>₱1,360,559</b>	₱1,301,442	₱1,330,146
Net settlement loss (gain)	<b>(241)</b>	(238)	2,573
Net interest cost	<b>286,686</b>	211,071	120,256
Past service cost - curtailment	<b>10,245</b>	(1,931)	(14,120)
	<b>₱1,657,249</b>	₱1,510,344	₱1,438,855
Pension expense (Note 23)	<b>₱1,489,654</b>	₱1,270,890	₱1,253,169
Cost of sales and services (Note 23)	<b>167,595</b>	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)
<i>(In Thousands)</i>				
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 loss	(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 loss	(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
<b>As at December 31, 2023</b>	<b>₱17,983,646</b>	<b>₱11,048,895</b>	<b>₱24</b>	<b>₱6,934,775</b>



## 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)
<i>(In Thousands)</i>				
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)
<b>As at December 31, 2023</b>	<b>₱289,481</b>	<b>₱433,964</b>	<b>₱33,652</b>	<b>(₱110,831)</b>

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
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱279,604</b>	₱203,812
Investment in debt and other securities	<b>1,378,149</b>	1,806,677
Investment in common trust funds	<b>4,123,140</b>	4,089,437
Investment in equity securities	<b>337,371</b>	480,191
Investment in government securities	<b>5,287,958</b>	3,314,714
Others	<b>76,637</b>	44,075
	<b>₱11,482,859</b>	₱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
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	<b>₱279,604</b>	₱203,812
Investment in common trust funds	<b>4,123,141</b>	4,089,437
Transactions:		
Interest income from cash and cash equivalents	<b>6,010</b>	1,005
Net income (loss) from investment in common trust funds	<b>216,672</b>	(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 <i>(In Thousands)</i>
<b>2023</b>		
Discount rates	<b>50</b>	<b>(₹2,165,326)</b>
	<b>(50)</b>	<b>2,408,090</b>
Future salary increases	<b>100</b>	<b>2,623,065</b>
	<b>(100)</b>	<b>(2,356,199)</b>
No attrition rate	-	<b>2,025,162</b>
<b>2022</b>		
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:

	<b>2023</b>	<b>2022</b>
	<i>(In Thousands)</i>	
Year 1	<b>₹3,638,125</b>	<b>₹3,905,116</b>
Year 2	<b>1,265,115</b>	1,260,971
Year 3	<b>1,313,298</b>	1,672,538
Year 4	<b>1,351,925</b>	1,898,062
Year 5	<b>1,848,886</b>	1,915,450
Year 6 -10	<b>15,029,376</b>	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
	<i>(In Thousands)</i>	
Deferred tax assets:		
Lease liabilities	<b>₱9,514,938</b>	₱10,107,139
Provision for doubtful accounts and others	<b>1,595,198</b>	1,246,439
Unamortized past service cost and defined benefit liability	<b>2,246,111</b>	1,660,618
NOLCO	<b>2,025,739</b>	1,083,853
Excess of fair values over cost of investment properties	<b>973,652</b>	723,543
MCIT	<b>589,637</b>	544,532
Accrued leases	<b>78,715</b>	195,576
	<b>17,023,990</b>	15,561,700
Deferred tax liabilities:		
ROU assets	<b>8,059,156</b>	8,680,073
Unrealized gross profit on sale of real estate	<b>11,190,690</b>	8,896,471
Appraisal increment on investment property	<b>4,326,473</b>	4,494,557
Capitalized interest	<b>3,169,365</b>	3,259,706
Trademarks and brand names	<b>1,470,771</b>	1,470,771
Excess of fair values over cost of equity instruments	<b>55,262</b>	39,368
Unamortized past service cost and defined benefit asset	<b>13,467</b>	38,371
Others	<b>406,014</b>	270,499
	<b>28,691,198</b>	27,149,816
Net deferred tax liabilities	<b>₱11,667,208</b>	₱11,588,116

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2023	2022
	<i>(In Thousands)</i>	
Deferred tax assets (Note 16)	<b>₱6,462,108</b>	<b>₱5,209,746</b>
Deferred tax liabilities	<b>18,129,316</b>	<b>16,797,862</b>
	<b>(₱11,667,208)</b>	<b>(₱11,588,116)</b>

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	<b>25%</b>	25%	25%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	<b>(9)</b>	(9)	(11)
Interest income subjected to final tax	<b>(1)</b>	(1)	(1)
Others	<b>(1)</b>	-	1
Effective income tax rate	<b>14%</b>	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
	<i>(In Millions)</i>	
Within one year	<b>₱9,454</b>	₱13,150
Over one year to five years	<b>19,239</b>	23,231
Over five years	<b>4,078</b>	6,310
	<b>₱32,771</b>	₱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		
	Retail Stores, Office Spaces, Warehouses and		
	Land Use Rights	Others	Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
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
<b>Accumulated Depreciation and Amortization</b>			
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
<b>Net Book Value</b>	<b>₱29,100,541</b>	<b>₱19,439,871</b>	<b>₱48,540,412</b>

	December 31, 2022		
	Retail Stores, Office Spaces and Warehouses		
	Land Use Rights		Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
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
<b>Accumulated Depreciation and Amortization</b>			
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
<b>Net Book Value</b>	<b>₱24,548,616</b>	<b>₱19,590,192</b>	<b>₱44,138,808</b>



The rollforward analysis of lease liabilities follows:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
As at beginning of year	<b>₱35,389,448</b>	₱33,691,435
Additions	<b>3,572,284</b>	4,848,225
Interest expense (Note 24)	<b>1,999,342</b>	2,029,583
Concessions	-	(6,098)
Terminations	<b>(491,683)</b>	(319,772)
Payments	<b>(5,219,712)</b>	(4,853,925)
Reclassification and others	<b>70,057</b>	-
As at end of year	<b>35,319,736</b>	35,389,448
Less current portion (Note 18)	<b>2,977,457</b>	3,152,827
Noncurrent portion	<b>₱32,342,279</b>	₱32,236,621

Following are the amounts recognized in the consolidated statements of income:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Depreciation of ROU assets	<b>₱4,084,604</b>	₱4,082,635
Interest expense on lease liabilities	<b>1,999,342</b>	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:

	<b>2023</b>	2022
	<i>(In Millions)</i>	
Within one year	<b>₱5,047</b>	₱4,920
Over one year to five years	<b>12,484</b>	13,641
Over five years	<b>40,606</b>	43,729
	<b>₱58,137</b>	₱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.



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## 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 <i>(In Millions)</i>
<b>2023</b>	<b>100</b>	<b>(₱190.2)</b>
	<b>50</b>	<b>(95.1)</b>
	<b>(100)</b>	<b>190.2</b>
	<b>(50)</b>	<b>95.1</b>
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\$	PhP	US\$	PhP
	<i>(In Thousands)</i>			
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
<b>Total assets</b>	<b>375,144</b>	<b>20,771,750</b>	<b>475,002</b>	<b>26,483,738</b>
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
<b>Total liabilities</b>	<b>366,511</b>	<b>20,293,723</b>	<b>439,108</b>	<b>24,482,463</b>
<b>Net</b>	<b>\$8,633</b>	<b>₱478,027</b>	<b>\$35,894</b>	<b>₱2,001,275</b>

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
<b>December 31, 2023</b>	<b>₱55.370</b>
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 <i>(In Millions)</i>
<b>2023</b>	<b>₱1.50</b>	<b>₱12.9</b>
	<b>1.00</b>	<b>8.6</b>
	<b>(1.50)</b>	<b>(12.9)</b>
	<b>(1.00)</b>	<b>(8.6)</b>
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:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Cash and cash equivalents (excluding cash on hand)	<b>₱101,671,685</b>	₱104,545,323
Current portion of time deposits	<b>602,466</b>	8,788,848



The maturity profile of the Group's financial liabilities follows:

	2023			Total
	Less than 1 Year	1 to 5 Years	More than 5 Years	
	(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
	<b>₱345,912,115</b>	<b>₱418,311,702</b>	<b>₱48,640,239</b>	<b>₱812,864,056</b>

\*Excluding nonfinancial liabilities of ₱10.0 billion.

\*\*Based on estimated future cash flows.

\*\*\*Excluding nonfinancial liabilities amounting to ₱20.8 billion.

	2022			Total
	Less than 1 Year	1 to 5 Years	More than 5 Years	
	(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
	<b>₱279,792,066</b>	<b>₱302,724,275</b>	<b>₱173,170,944</b>	<b>₱755,687,285</b>

\*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 sale 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
<i>(In Thousands)</i>						
Cash and cash equivalents (excluding cash on hand)	<b>₱101,671,685</b>	<b>₱-</b>	<b>₱101,671,685</b>	₱104,545,323	<b>₱-</b>	₱104,545,323
Time deposits including noncurrent portion	<b>22,927,147</b>	<b>-</b>	<b>22,927,147</b>	32,919,429	<b>-</b>	32,919,429
Financial assets at FVOCI	<b>25,530,724</b>	<b>1,534,894</b>	<b>27,065,618</b>	25,167,902	736,813	25,904,715
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	<b>86,090,325</b>	<b>7,966,598</b>	<b>94,056,923</b>	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)**	<b>24,377,006</b>	<b>-</b>	<b>24,377,006</b>	25,535,428	<b>-</b>	25,535,428
Escrow fund	<b>843,732</b>	<b>-</b>	<b>843,732</b>	621,490	<b>-</b>	621,490
Derivative assets (including noncurrent portion)	<b>6,779,389</b>	<b>-</b>	<b>6,779,389</b>	10,126,829	<b>-</b>	10,126,829
	<b>₱268,220,008</b>	<b>₱9,501,492</b>	<b>₱277,721,500</b>	₱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
		<i>(In Millions)</i>
<b>2023</b>	<b>+1.63%</b>	<b>₱507.6</b>
	<b>-1.63%</b>	<b>(507.6)</b>
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*

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Bank loans	<b>₱13,414,239</b>	₱20,811,524
Long-term debt (current and noncurrent)	<b>488,287,650</b>	484,896,917
Less:		
Cash and cash equivalents (excluding cash on hand)	<b>(101,671,685)</b>	(104,545,323)
Time deposits (current and noncurrent)	<b>(22,927,147)</b>	(32,919,429)
Net interest-bearing debt (a)	<b>377,103,057</b>	368,243,689
Total equity	<b>772,200,205</b>	692,190,011
Net interest-bearing debt and total equity (b)	<b>₱1,149,303,262</b>	₱1,060,433,700
Gearing ratio - net (a/b)	<b>33%</b>	35%

*Gross Gearing Ratio*

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Bank loans	<b>₱13,414,239</b>	₱20,811,524
Long-term debt	<b>488,287,650</b>	484,896,917
Total interest-bearing debt (a)	<b>501,701,889</b>	505,708,441
Total equity	<b>772,200,205</b>	692,190,011
Total interest-bearing debt and total equity (b)	<b>₱1,273,902,094</b>	₱1,197,898,452
Gearing ratio - gross (a/b)	<b>39%</b>	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)
<i>(In Thousands)</i>					
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	-
	<b>33,845,007</b>	<b>33,845,007</b>	<b>25,505,874</b>	<b>6,804,239</b>	<b>1,534,894</b>
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	22,324,681	23,369,261	-	23,369,261	-
	<b>₱56,169,688</b>	<b>₱57,214,268</b>	<b>₱25,505,874</b>	<b>₱30,173,500</b>	<b>₱1,534,894</b>
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
	<b>411,700,299</b>	<b>397,923,783</b>	<b>-</b>	<b>-</b>	<b>397,923,783</b>
	<b>₱412,017,380</b>	<b>₱398,240,864</b>	<b>₱-</b>	<b>₱317,081</b>	<b>₱398,240,864</b>

\*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)
<i>(In Thousands)</i>					
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	-
	<b>36,031,544</b>	<b>36,031,544</b>	<b>25,146,102</b>	<b>10,148,629</b>	<b>736,813</b>
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	24,130,581	24,301,426	-	24,301,426	-
	<b>₱60,162,125</b>	<b>₱60,332,970</b>	<b>₱25,146,102</b>	<b>₱34,450,055</b>	<b>₱736,813</b>
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
	<b>429,442,056</b>	<b>417,718,215</b>	<b>-</b>	<b>-</b>	<b>417,718,215</b>
	<b>₱430,195,779</b>	<b>₱418,471,938</b>	<b>₱-</b>	<b>₱753,723</b>	<b>₱417,718,215</b>

\*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:

	<b>2023</b>	2022
Time deposits (noncurrent portion)	<b>2.2% - 3.9%</b>	3.1% - 4.0%
Tenants' deposits	<b>2.1% - 6.9%</b>	2.7% - 6.9%

*Long-term Debt.* The fair value of long-term debt is estimated based on the following assumptions:

<u>Debt</u>	<u>Fair Value Assumptions</u>
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:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱9,373,106</b>	(₱1,709,480)
Net changes in fair value during the year	<b>(1,194,648)</b>	11,819,742
Fair value on settled derivatives	<b>(1,716,150)</b>	(737,156)
	<b>₱ 6,462,308</b>	₱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
<i>(In Thousands)</i>						
<b>Parent</b>						
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
<b>SM Prime</b>						
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
<i>(In Thousands Except Per Share Data)</i>			
Net income attributable to owners of the Parent (a)	<b>₱76,989,043</b>	₱61,653,665	₱40,411,896
Weighted average number of common shares outstanding (b)	<b>1,222,023</b>	1,211,846	1,204,583
<b>Basic/Diluted EPS (a/b)</b>	<b>₱63.00</b>	₱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)
	<i>(In Thousands)</i>					
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
<b>Balance at end of year</b>	<b>₱13,414,239</b>	<b>₱488,287,650</b>	<b>₱35,319,736</b>	<b>₱20,811,524</b>	<b>₱484,896,917</b>	<b>₱35,389,448</b>

There are no non-cash changes in accrued interest and dividends payable. Others include debt accretion and debt issue cost amortization.



## **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



## **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 A – FINANCIAL ASSETS**  
**AS AT DECEMBER 31, 2023**  
**(Amounts in Thousands Except Per Share Data)**

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Balance Sheet</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Interest and Dividend Income Received and Accrued</b>
<b>Temporary investments*</b>		<b>₱80,826,837</b>	<b>-</b>	<b>₱2,696,113</b>
<b>Time deposits – current*</b>		<b>602,466</b>	<b>-</b>	<b>17,618</b>
<b>Financial Asset at FVOCI:</b>				
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	-
		<b>747,840</b>	<b>747,840</b>	<b>55,283</b>
<b>Total Current Financial Assets</b>		<b>₱82,177,143</b>	<b>₱747,840</b>	<b>₱2,769,014</b>

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Balance Sheet</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Interest and Dividend Income Received and Accrued</b>
<b>Financial Asset at FVOCI- noncurrent:</b>				
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)

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Balance Sheet</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Interest and Dividend Income Received and Accrued</b>
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	-
		<b>26,317,778</b>	<b>26,317,778</b>	<b>856,336</b>
<b>Time Deposits – noncurrent*</b>		<b>22,324,681</b>	<b>-</b>	<b>823,373</b>
<b>Total Noncurrent Financial Assets</b>		<b>₱48,642,459</b>	<b>₱26,317,778</b>	<b>₱1,679,709</b>

*\*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)**

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
<b><u>Accounts receivable – Tenants</u></b>							
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
<b>Total Accounts Receivable-Tenants</b>	<b>₱2,850,504</b>	<b>₱15,643,404</b>	<b>(₱15,619,600)</b>	<b>₱–</b>	<b>₱2,874,308</b>	<b>–</b>	<b>₱2,874,308</b>

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
<b><u>Due From Related Parties</u></b>							
Allfirst Renewables Holdings, Inc.	₱16,000	₱ –	(₱16,000)	₱ –	₱ –	₱ –	₱ –
Belleshare 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
<b>Total Due From Related Parties</b>	<b>₱13,759,175</b>	<b>₱322,861</b>	<b>(₱171,092)</b>	<b>₱–</b>	<b>₱13,910,944</b>	<b>₱–</b>	<b>₱13,910,944</b>

<b>Accounts receivable–royalty, management and service fees</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
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
<b>Accounts receivable–royalty, management and service fees</b>	<b>₱664,543</b>	<b>₱4,718,055</b>	<b>(₱4,068,615)</b>	<b>₱–</b>	<b>₱1,313,983</b>	<b>₱–</b>	<b>₱1,313,983</b>

<b>Dividends Receivable</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
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)	–	–	–	–
<b>Total Dividends Receivable</b>	<b>₱7,941,536</b>	<b>₱13,970,917</b>	<b>(₱15,738,671)</b>	<b>₱–</b>	<b>₱6,173,782</b>	<b>₱–</b>	<b>₱6,173,782</b>

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**AS AT DECEMBER 31, 2023**

<b>Title of Issue</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Outstanding</b>	<b>Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights</b>	<b>Number of Shares Held by</b>		
				<b>Affiliates</b>	<b>Directors, Officers and Principal Stockholders</b>	<b>Others</b>
Common Stock	2,790,000,000	1,222,023,358	-	102,878,781	537,413,179	581,731,398

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT DECEMBER 31, 2023 AND 2022**  
**(AMOUNTS IN THOUSANDS)**

		<b>December 31, 2023</b>		<b>December 31, 2022</b>	
i.	Current ratio	<u>Total current assets</u> 359,471,325	1.09 : 1	<u>361,549,410</u>	1.23 : 1
		<u>Total current liabilities</u> 330,761,980		<u>293,025,159</u>	
ii.	Acid test ratio	<u>Total current assets less inventories and other current assets</u> 184,305,386	0.56 : 1	<u>200,205,374</u>	0.68 : 1
		<u>Total current liabilities</u> 330,761,980		<u>293,025,159</u>	
iii.	Solvency ratio*	<u>Net income after tax + Depreciation and amortization</u> 130,891,754	16.1%	<u>107,999,236</u>	13.7%
		<u>Total liabilities</u> 814,018,308		<u>787,235,629</u>	
iv.	Debt-to-equity ratio	<u>Total interest-bearing debt</u> 501,701,889	39 : 61	<u>505,708,441</u>	42 : 58
		<u>Total equity + Total interest-bearing debt</u> 1,273,902,094		<u>1,197,898,452</u>	
	Net debt-to-equity ratio	<u>Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits</u> 377,103,056	33 : 67	<u>368,243,689</u>	35 : 65
		<u>Total equity + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits</u> 1,149,303,261		<u>1,060,433,700</u>	
v.	Asset to equity ratio	<u>Total assets</u> 1,586,218,513	2.05	<u>1,479,425,640</u>	2.14
		<u>Total equity</u> 772,200,205		<u>692,190,011</u>	
vi.	Return on assets	<u>Net income after tax</u> 106,185,063	7.0%	<u>84,345,373</u>	5.9%
		<u>Average assets</u> 1,523,561,263		<u>1,432,480,364</u>	
vii.	Return on equity	<u>Net income attributable to equity holders of the parent</u> 76,989,043	14.5%	<u>61,653,665</u>	13.1%
		<u>Average equity attributable to equity holders of the parent</u> 530,460,556		<u>471,448,447</u>	

*(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**

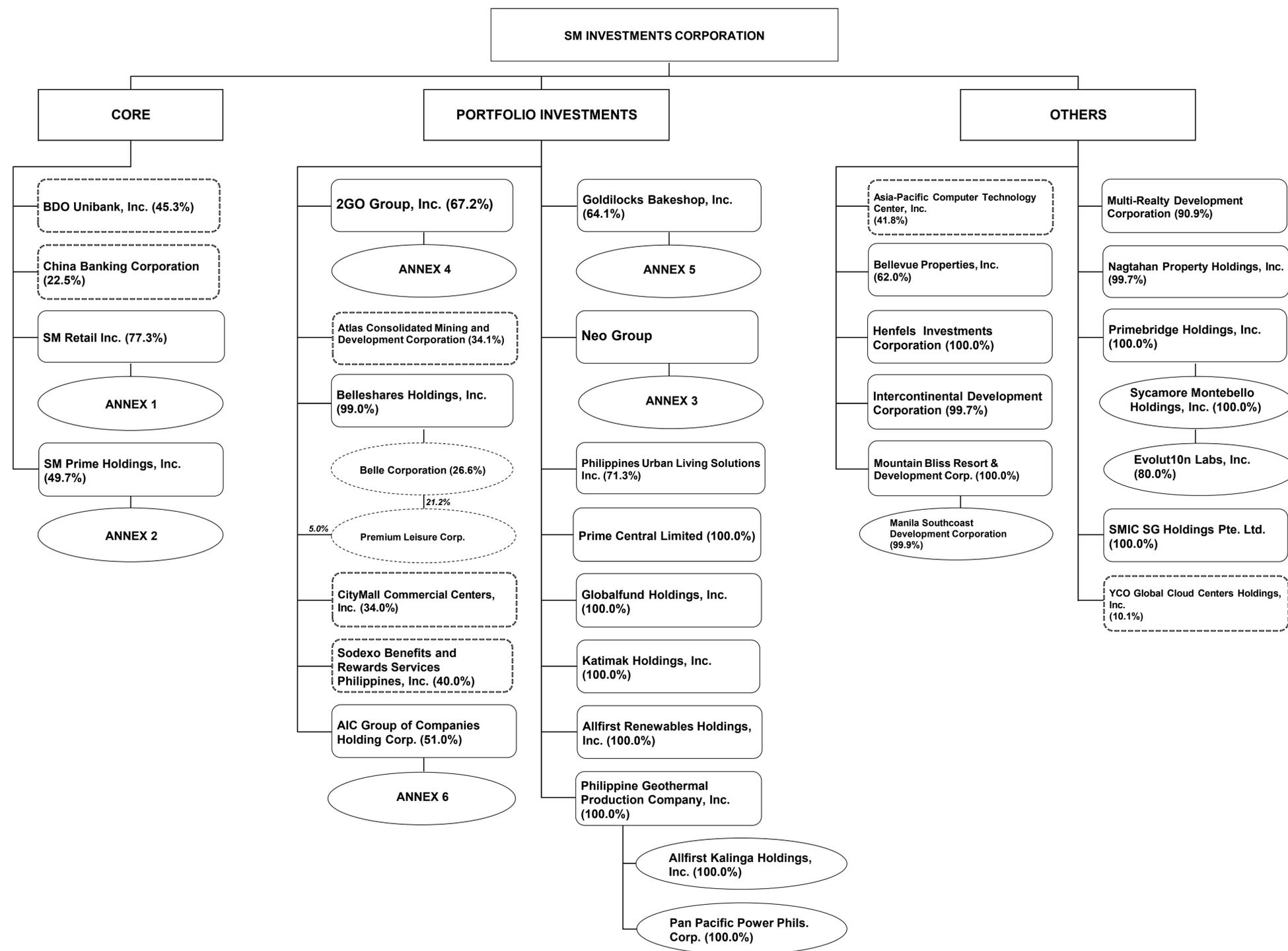
**As at December 31, 2023  
(Amounts in Thousands)**

**SM Investments Corporation**

10<sup>th</sup> Floor, OneE-Com Center, Harbor Drive,  
Mall of Asia Complex, CBP-1A, Pasay City 1300

<b>Unappropriated RE, December 31, 2022</b>		₱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)
<b>Unappropriated RE, as adjusted to available for dividend distribution, beginning</b>		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)	
	<u>(5,707)</u>	
<b>Net income actually earned during the period</b>		18,472,520
Less: Cash dividends declared during the period		(9,165,175)
<b>Unappropriated RE, as adjusted to available for dividend distribution, December 31, 2023</b>		<u>₱43,802,194</u>

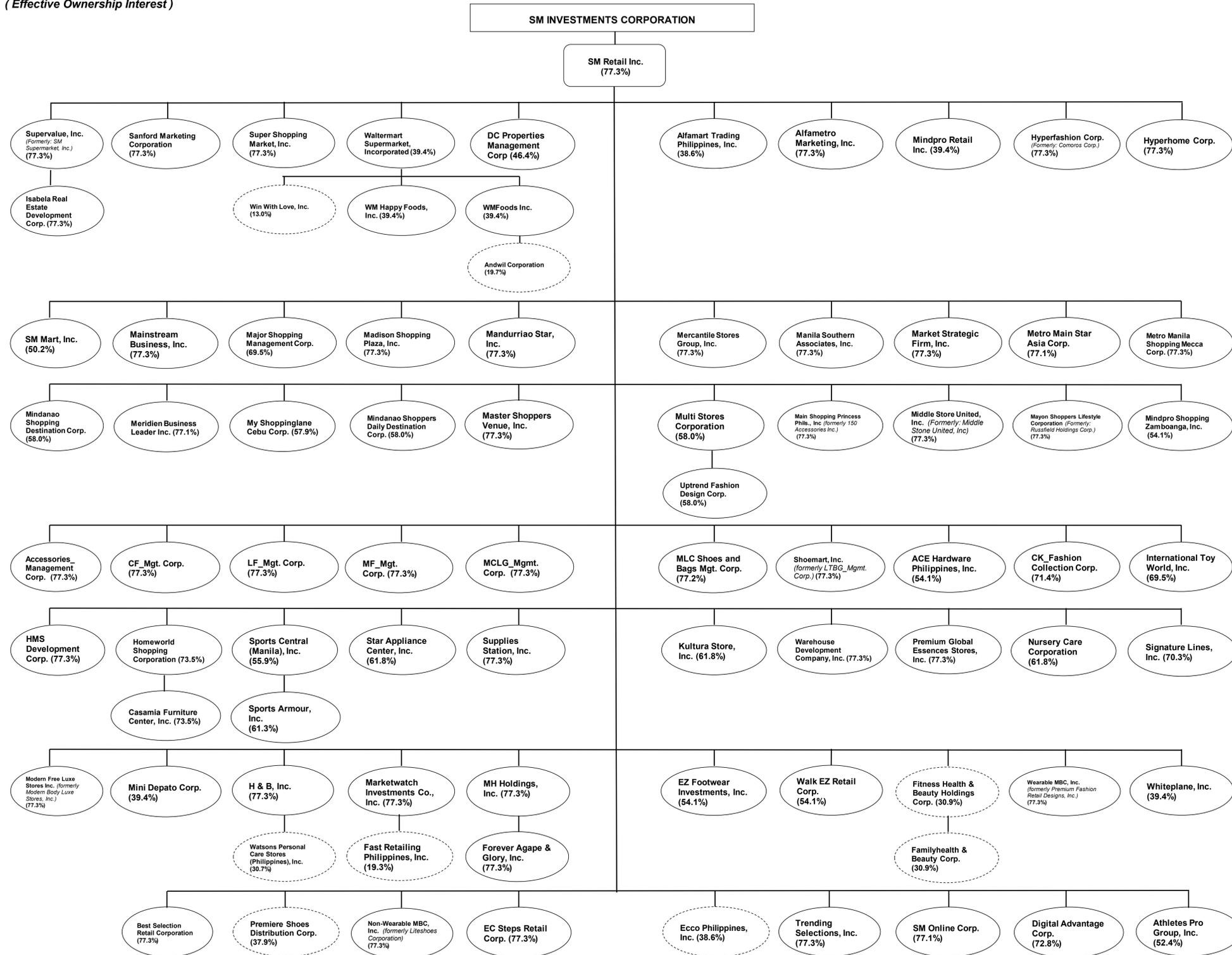
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest )**



**Legend:**



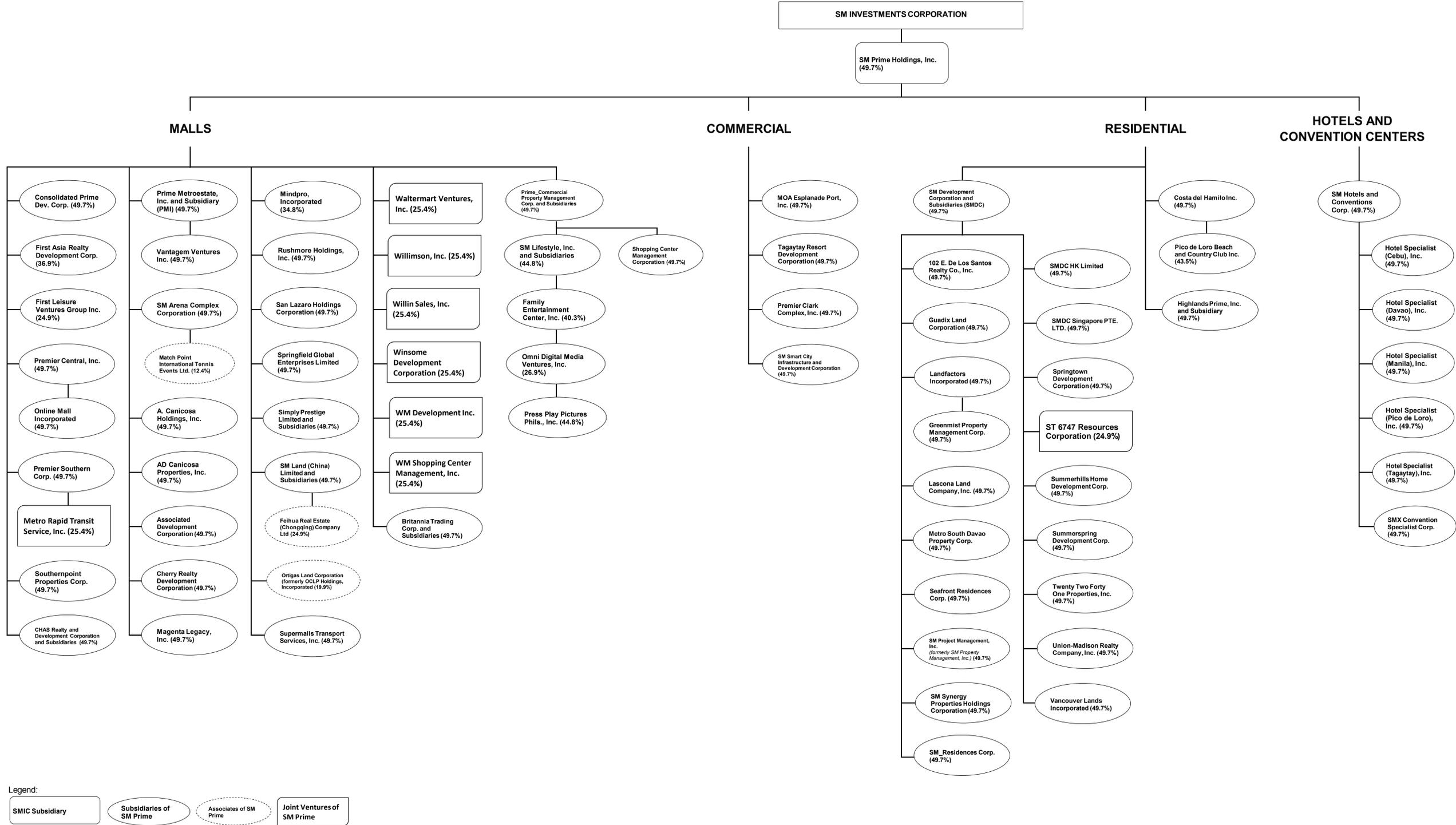
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest )**



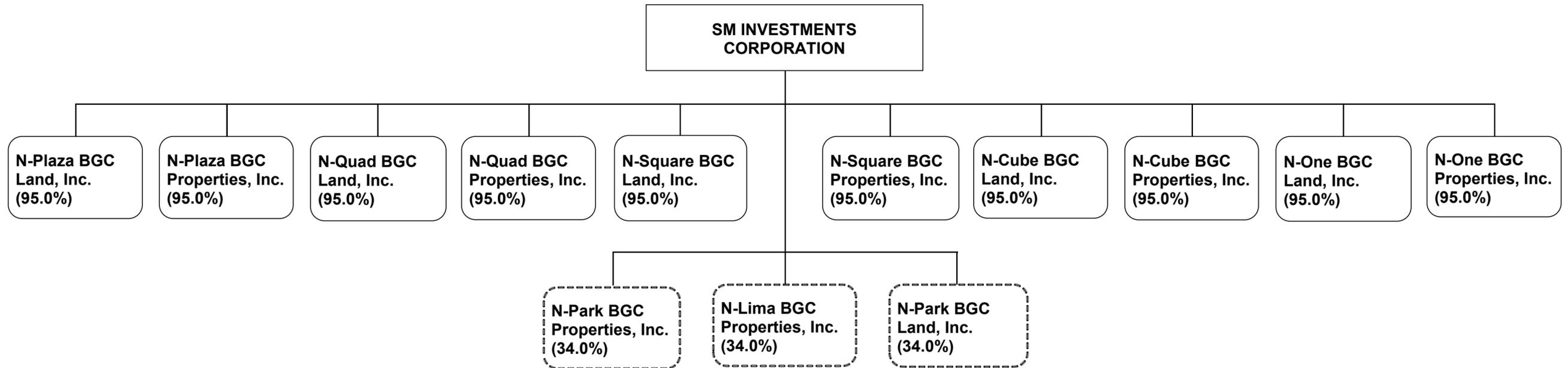
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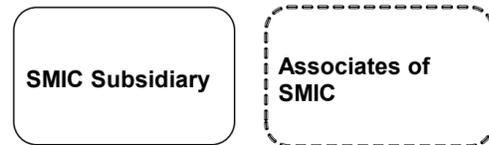
SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2023  
 ( Effective Ownership Interest )



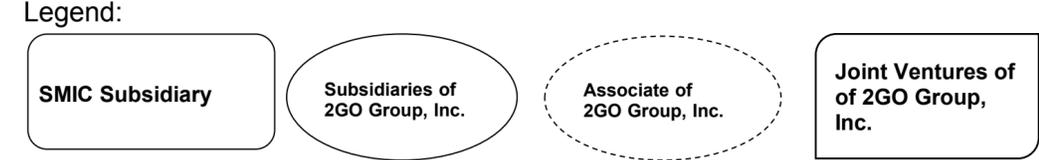
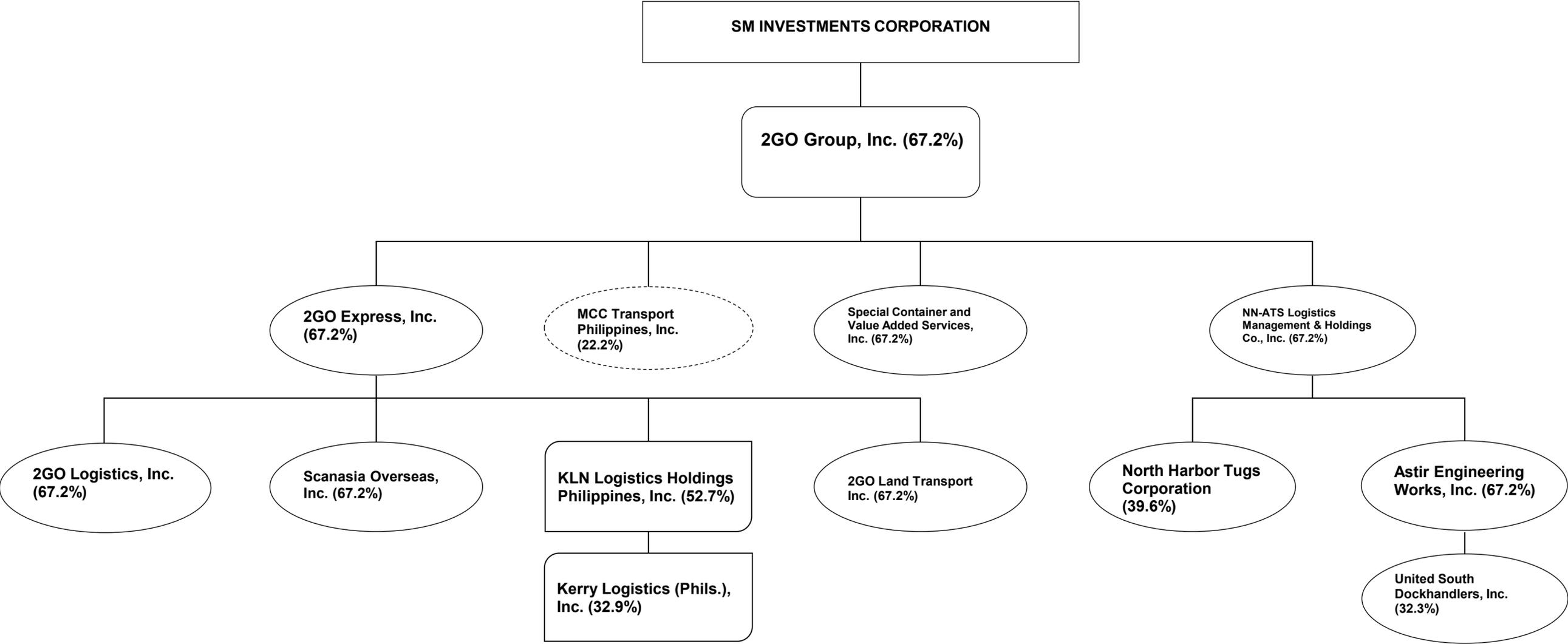
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2023  
 ( Effective Ownership Interest )**



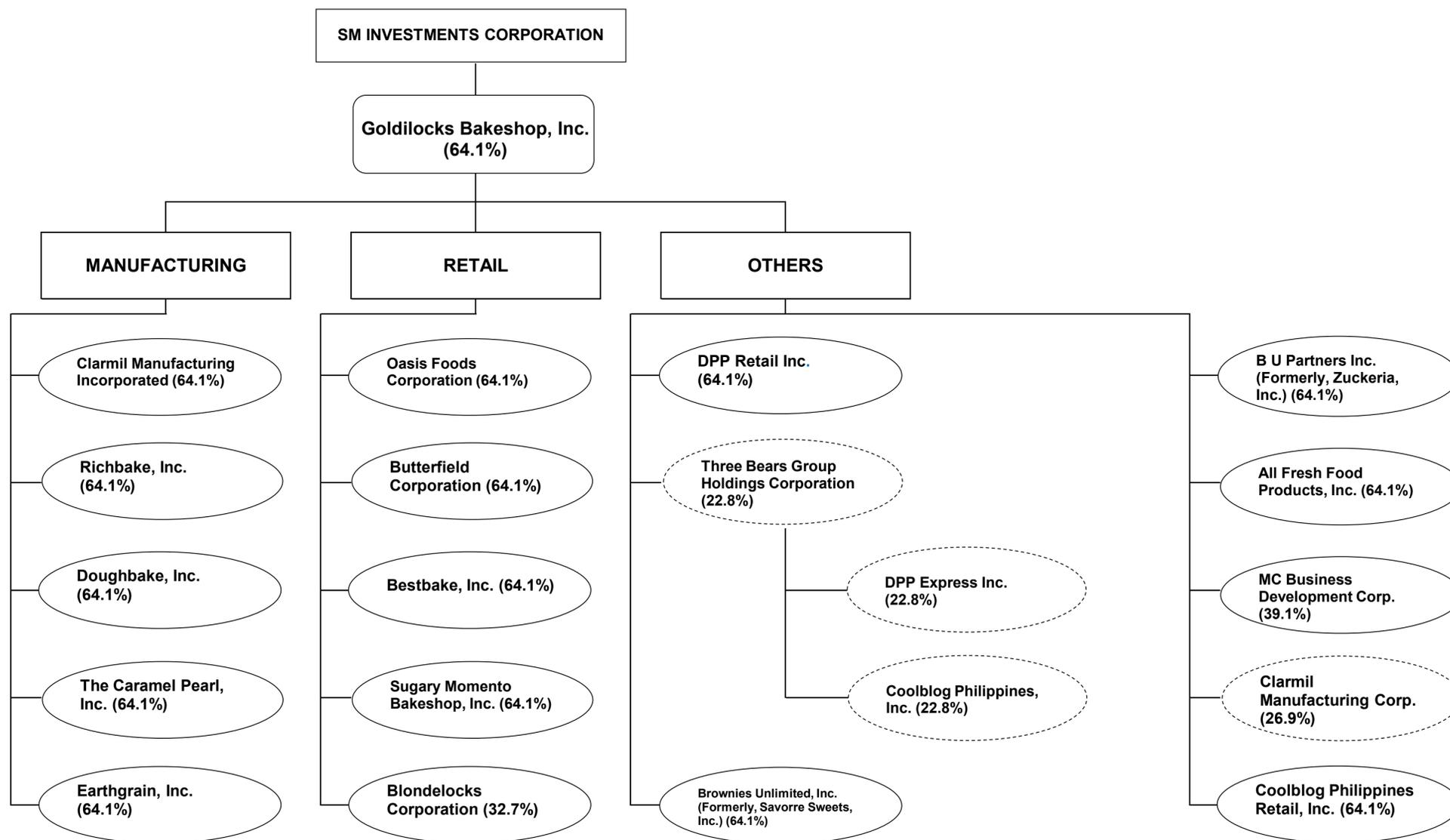
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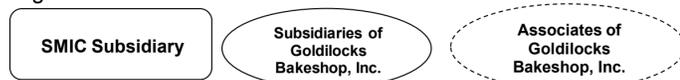
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2023  
 ( Effective Ownership Interest )**



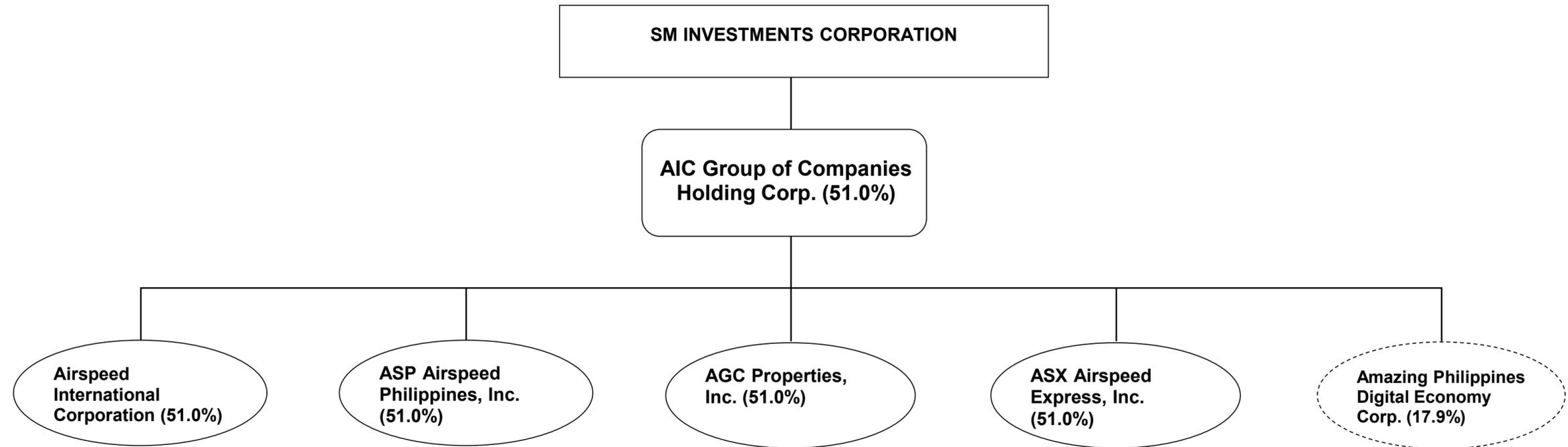
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest )**



Legend:



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest )**



Legend:

