



PRIME
HOLDINGS



SUSTAINABILITY PERFORMANCE
REPORT 2013

THE SUSTAINABLE WORLD OF





PRIME
HOLDINGS



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REPORT 2013

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sustainable
energetic resilient
responsible progressive



Statement GRI Application Level Check

GRI hereby states that **SM Prime Holdings, Inc.** has presented its report "The Sustainable World of SM – Sustainability Performance Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 27 March 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

The "+" has been added to this Application Level because **SM Prime Holdings, Inc.** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 7 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.



ABOUT THIS REPORT

This is the 6th annual Sustainability Report of SM Prime Holdings, Inc. (SM Prime), following the Global Reporting Initiative (GRI) 3.1 Guidelines for the second consecutive year. While last year's report earned a certification for Application Level C+ with 16 fully disclosed indicators, we are proud to announce that we have *attained a B+ by reporting on a total of 37 indicators this year*.

As with last year's report, data and information reflect the economic, social, and environmental performance of our malls in the Philippines and in China, including our newly opened malls in 2013 – SM Aura Premier and SM City BF Parañaque. Performance indicators of other SM Prime Business Units will be discussed in future reports.

This report aims to provide a comprehensive illustration of the company's sustainable operations, in accordance with our sustainability framework. The topics and indicators discussed are those deemed most relevant and material to the organization and its stakeholders. SM Prime has undergone a comprehensive consultation process to seek a credible and reputable external assurer with no other affairs or partnerships with the company for the verification of a transparent and viable Sustainability Report.

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Standard Disclosures

SM Prime 2013 Sustainability Report, "The Sustainable World of SM" is a remarkable achievement in the company's sustainability reporting and in demonstrating its commitment to continuously disclose and communicate the economic, environmental and social performance in the conduct of business in a sustainable manner. Last year, SM Prime produced a Sustainability Report Level C+ GRI Checked. This year, SM Prime utilized a B+ application level.

The purpose of this assurance engagement was to:

- Review and assure the 2013 results of the SM Prime GRI profile disclosures, disclosures on management approach, and performance indicators contained in the report including both qualitative and quantitative data
- Review the 2013 Report to ensure SM Prime has employed the GRI G3.1 sustainability reporting framework to achieve a B+ application level

With the exception of the application level and standard disclosures, the period covered by the Report is essentially the same as in the previous reports.

As committed in last year's report to produce an Application Level B+, SM has reported more indicators following the compliance checking GRI in its Application Level. Protocols used in defining the selected indicators were adequately observed and provided with sufficient data in the course of doing business. This is the second year that SM Prime has embarked on having an external review and assurance of its Sustainability Report.

Review Process

- Limited interviews with the SM Prime Sustainability Group for the scope of the 2013 Report Challenging of statements and claims made in the report to ensure accuracy, complete and balance reporting
- Testing of a representative sample of data from all sections of the report excluding financial information, which were lifted from the audited Financial Statement. References to supporting documentation and data collection were likewise considered in the review
- Checks of contents for compliance with the requirements of GRI G3.1 Application Level B+
- Review of final content of the report

Comments and Opinion on the Review and Assurance

On the basis of work performed, the following were observed:

- The report has been prepared according to the GRI Reporting Framework including reporting principles e.g. profile and management disclosures including
- SM has systematic and documented reporting process in place
- Where there are assumptions or estimations in the protocols, such assumptions or estimations must be clearly stated in the report in order to provide traceability of the quantitative estimates, as required by the protocols in each of the selected indicators
- The report presents a reasonable presentation of performance and the veracity of the representative data and the selection of indicators covered in the report
- The company's experience in disaster risk reduction and resilience is one to learn from

In my opinion, the SM Prime 2013 Sustainability Report, "The Sustainable World of SM", has satisfactorily applied the GRI sustainability reporting framework. It addresses the required GRI profile disclosures and disclosures on management approach and meets requirements of the GRI Sustainability Reporting Guidelines 3.1 Application Level B+.

Moving Forward

As in the past year's external review and assurance, SM Prime needs to disclose any potential areas of concern, either environmental or social concerns, and how such was resolved, e.g. complaints arising out of the developing new projects, stakeholder concerns, among others. Whilst there are customer surveys implemented in a periodic basis, a more focused stakeholder engagement to include the environmental and social performance of the SM Prime needs to be included in the consultation process in place.

To highlight its initiatives in disclosing its economic, environmental and social performance, the training on the understanding and appreciation of sustainability reporting among its employees, especially the data and process owners, is suggested. Lastly, SM Prime's journey in business continuity, disaster and risk management is an area where they can lead and learn from their experiences.

Jose Reynato M. Morente

24 March 2014

Mr. Jose Reynato M. Morente served as the External Assurer for SM Prime's Sustainability Performance Report 2013. He is currently the Co-Chair of the Philippine Chamber of Commerce and Industries Environment Committee, a member of the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) Environment Impact Assessment External Review Committee and also a member of the Department of Environment and Natural Resources - Steering Committee (representing the Industry Sector) for the implementation of the Clean Development Mechanism in the country.

PRESIDENT'S MESSAGE



"SM Prime will continue to innovate its sustainability approaches, disaster resilience initiatives and corporate social responsibilities."

The year 2013 was an eventful journey for SM Prime. With the opening of SM Aura Premier and SM City BF Parañaque, we now have 48 malls in the Philippines and five malls in China.

Increasing Leverage

Our overall revenue grew by 11% to PHP34.45 billion from last year's PHP30.83 billion. This notable increase was primarily due to the full-year effect of new malls opened in 2012, namely SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos, SM Lanang Premier, and the opening of SM Aura Premier in May 2013.

The financial results of 2013 were within the company's expectations. We expect the Philippine economy to sustain its growth momentum in 2014 and create more demand for our property offerings. We will continue to pursue our expansion plans and look for new growth opportunities.

In May 2013, SM initiated a corporate restructuring exercise to consolidate the SM Group's property companies and real estate assets under SM Prime Holdings Inc. The Securities and Exchange Commission approved the reorganization in October of the same year. The consolidation has created an integrated property company with a bigger financial capacity, increasing opportunity to undertake much larger projects.

Steady Growth and Increasing Resilience

The Philippines witnessed unprecedented adversities that affected citizens and businesses alike. However, through ample preparation and resilient investments, SM Prime surpassed its performance targets as its malls continue to serve as relevant social and financial assets to neighboring communities.

SM Prime actively pursues and contributes to projects that make significant positive impact to the company's various

stakeholders while exceeding targets on resource efficiency and disaster resilience.

For SM, this means conducting business with minimal resource consumption and prudent operating costs without compromising service to customers, relationships with business partners and profitability. This strategy allows SM to proactively secure its capacity to generate high returns of investment for shareholders and to finance community development projects toward nation-building.

SM Prime, in partnership with the United Nations Office for Disaster Risk Reduction (UNISDR), held the second Top Leaders Forum in November 2013. Attended by top executives from the country and the Asia-Pacific Region, the importance of disaster resiliency within the private sector was discussed focusing on incentives for resilient investments, development of metrics and standards, and sustainability reporting.

SM Prime continues to lead the country's private sector in advocating disaster resilience and business continuity. Our malls are characterized by disaster risk reduction features including the recently opened SM City BF Parañaque's water holding tank that aims to displace surface runoff and prevent flooding.

With a rich history of collaboration between local government and other organizations during extreme weather conditions, SM malls have become a symbol of safety and security during times of disaster for all its communities.

Giving Back

As consciousness for social and environmental welfare is trending within the Philippine private sector, SM Prime proactively commits to strengthening the communities in which it operates through the holistic approach of its SM Cares Program.

After the country suffered massive damages from the Bohol Earthquake in October and Super Typhoon Haiyan in November, SM Prime and its business partners have committed to building 1,000 disaster resilient homes to help in rebuilding the lives of fellow citizens in the affected Visayan region under the SM Cares Housing Program for Yolanda (Haiyan) survivors.

An Enduring Commitment to Sustainability

SM Prime plans to open a total of three new malls in the Philippines and in China by 2014. Building from the company's tradition of responsible development, the design and operations of these new malls are guided by the latest international standards, such as LEED, satisfying shareholders and stakeholders alike.

For the next five years, SM Prime will strive to keep its leadership position in the development and operations of malls and continue to expand its presence in China. As more malls

PRESIDENT'S MESSAGE

open under the SM Supermalls brand, SM Prime will continue to innovate its sustainability approaches, disaster resilience initiatives and corporate social responsibilities. We shall further enhance efforts to serve persons with disabilities, women and breastfeeding mothers, overseas Filipino workers, children, youth, senior citizens and the environment.

SM Prime emphasizes its commitment as a sustainable world-class developer through the talent and diligence of our people coupled by the relentless support of management.

This year's Sustainability Report aims to deliver on our pledge for transparency as we report on the economic, social, and environmental performance of the company for the benefit of all stakeholders.

On behalf of our people, we sincerely thank our stakeholders, partners, and benefactors for contributing to SM Prime's achievements in sustaining our reputation as a world-class Filipino brand and as we continue working towards enrichment in the lives of the Filipino people.



HANS T. SY
President
SM Prime Holdings, Inc.

2013 Financial Highlights

	AMOUNT (PHP)
Direct Economic Value Generated	
Revenues	34,472,804,163
Direct Economic Value Distributed	
Operating Costs	14,284,882,636
Employee Wages and Benefits	2,233,028,188
Payments to Providers of Capital	2,389,093,228
Payments to Government (PH)	4,808,446,655
Payments to Government (CN)	1,009,199,108
Community Investments	89,926,800
Economic Value Retained	
Economic Value Retained	9,658,227,547
Capitalization by Debt	106,312,989,396
Capitalization by Equity	163,266,539,248

More information on SM Prime's financial performance is available in the SM Prime Annual Report 2013. Copies of the report may be downloaded from the company website at www.smprime.com.



Vision

SM Prime aspires to be the world-class Filipino brand in the integrated property development industry that acts as a catalyst for economic growth, committed to deliver innovative and sustainable lifestyle cities, enriching the quality of life of millions of people

Mission

- To constantly meet the ever-changing needs of the customer
- To increase shareholder value and to deliver sustainable long-term growth
- To be the employer of choice
- To nurture communities where we serve
- To act as a catalyst for economic growth

Values

- Focus
- Hard Work
- Innovation
- Integrity
- Prudence



SM Prime Holdings, Inc. was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SM Prime and its subsidiaries initially developed, conducted, operated, and maintained the business of modern commercial shopping centers involving the management of leasable spaces, amusement centers, and cinemas/theaters within the compound of the shopping centers.

In October 2013, the reorganization of the SM Group meant the inclusion of the other land property companies and real estate assets under SM Prime. The expanded SM Prime is an integrated property developer engaged in malls, residences, commercial offices, hotels and convention centers and the MOA Arena.

The subsidiaries of the malls are as follows: First Asia Realty Development Corporation (FARDC), Premier Central, Inc., Consolidated Prime Development Corporation (CPDC), Premier Southerm Corporation (PSC), San Lazaro Holdings Corporation (SLHC), First Leisure Ventures Group, Inc. (FLVGI), Southernpoint Properties Corporation (SPC), Mega Make Enterprises Limited and Subsidiaries, Affluent Capital Enterprises Limited and Subsidiaries, SM Land (China) Limited and Subsidiaries, and Springfield Global Enterprises Limited (Springfield), among others.

Creating the Property Development Benchmark in the Philippines

From a business model that started in 1958 sprang a bigger aspiration inspired by an increasing population of mall goers, an expanding middle class, and the evolving desires of global Filipinos.

After making a name as the country's largest mall developer, SM took on a bigger challenge – to compete in a wider market and meet the growing demands of Filipino consumers. To achieve this,

SM Prime needed to bring its related businesses together. This led to the merger of all of SM's real estate and property units under one corporate umbrella: SM Prime Holdings, Inc.

Giant Steps

Behind this consolidation was the task of steering the five SM firms in one direction. The first step entailed an exchange offer: between SM Land Inc. and two listed entities – SM Development Corp. and Highlands Prime Inc.

The second step involved merging SM Land with SM Prime, with the latter as the surviving entity. The final step called for SM Prime to acquire specific real estate companies and assets that SMIC held in exchange for new SM Prime shares.

The Securities and Exchange Commission approved these transactions on October 10, 2013, less than five months after the merger plan was publicly unveiled.

The landmark deal won the "Most Innovative Deal" by financial magazine Alpha Southeast Asia.

Growing Opportunity

SM has long mulled the merger of its property units and last year proved to be the right time. The merger enables SM to cast its net wider on opportunities that could arise from the ASEAN economic integration by 2015.

While bigger and more mature competition looms large, the merger thrusts SM Prime into a better position to ride on the region's stellar economic growth. With a growing array of malls and properties, land-banking activities and a strong presence in two of the fastest-growing economies in Asia and the world, SM Prime is destined to become an even more formidable player in the years to come.

PROFILE OF SM PRIME

PROFILE OF SM PRIME

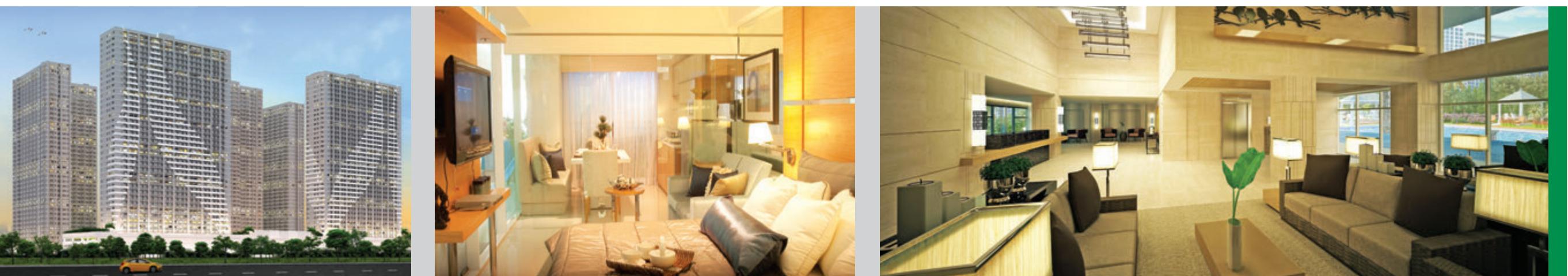


Malls

48 Malls in the Philippines

5 Malls in China

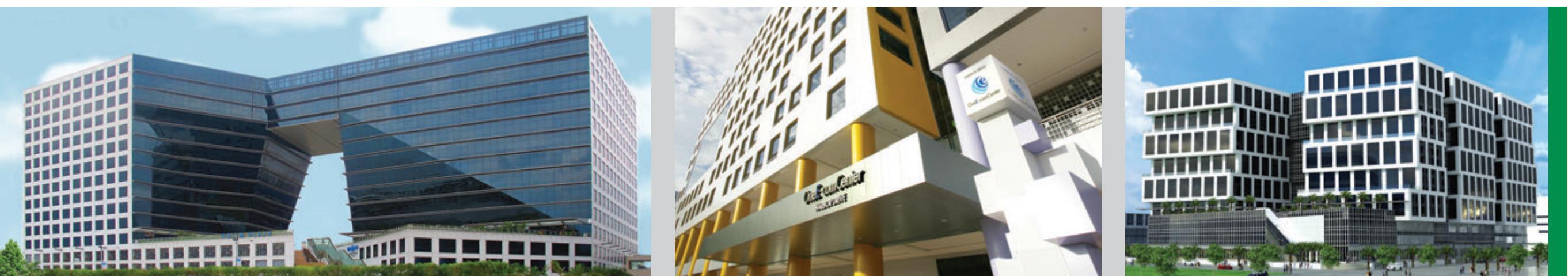
6.2 million sqm Total Gross Floor Area



Residences

22 Condominium Projects

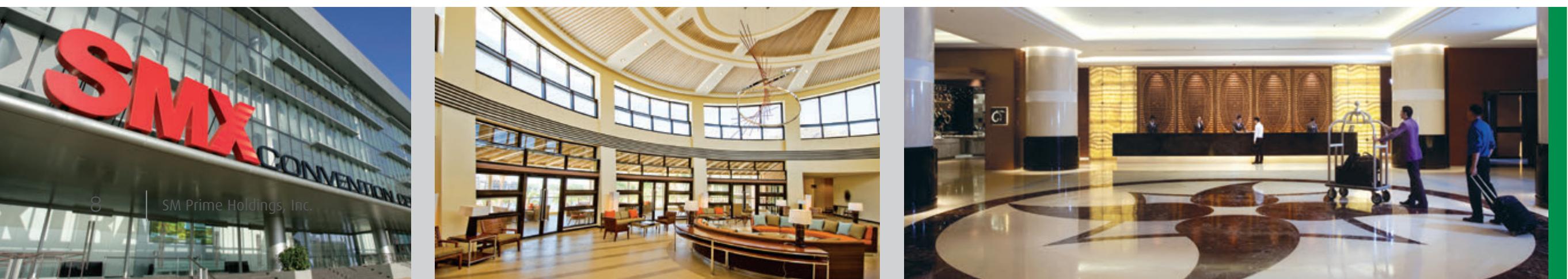
63,892 Units (Total)



Offices

3 Office Buildings

146,779 sqm Total Gross Floor Area



Hotels and Convention Centers

4 Hotels

1,015 Hotel Rooms

3 Convention Centers

PROFILE OF SM PRIME



2013 Awards and Accolades

Golden Mall Awards 2013 – Mall China Design Innovation Award

- SM City Xiamen Solar Panel Project

China Charity Festival – 2013 China Public Benefit Award

- SM City Xiamen Solar Panel Project

United Nations Office for Disaster Risk Reduction (UNISDR) – Sasakawa Award for Disaster Risk Reduction - Finalist

- SM Prime Holdings, Inc.

Earth Day Network Philippines, Inc. and the Philippine Business for Social Progress – Zero Basura Olympics

- Candidate Master Award
SM City Baguio
SM City Naga
- Special Citation
SM City Baliwag
SM City North EDSA
SM City San Lazaro

International Council of Shopping Centers Foundation – The Albert Sussman International Community Support Award

- SM Prime Holdings, Inc. –
“Operation Sendong”
- Citation Award
SM City Pampanga
SM Savemore Nagtahan
SM City Iloilo
SM City Novaliches
Special Award
SM City Rosario
SM Molino
SM City Clark
SM City North EDSA
SM City Bicutan

Department of Energy - The Don Emilio Abello Energy Efficiency Awards

- Outstanding Award
SM City Davao
SM City Lipa
SM City Naga
SM City Batangas
SM City Lucena
SM City Sta. Mesa
- Citation Award
SM City Pampanga
SM Savemore Nagtahan
SM City Iloilo
SM City Novaliches
Special Award
SM City Rosario
SM Molino
SM City Clark
SM City North EDSA
SM City Bicutan

The Presidential Apolinario Mabini Award - Disabled-Friendly Establishment of the Year

- Gold Award
SM Megamall
SM Lanang Premier
Silver Award
SM City Marikina
MOA Arena
- Blue Rating
SM City Fairview
SM Center Muntinlupa
SM City Sta. Rosa
SM City Taytay
SM City Manila
SM Mall of Asia
SM Center Pasig
- Bronze Award
SM City Consolacion
SM City General Santos
SM City Fairview
SM City Olongapo
SM Southmall
SM Center Las Pinas
- “Mapagmahal sa may Kapansanan”
Special Award
SM Cares Program on Disability Affairs

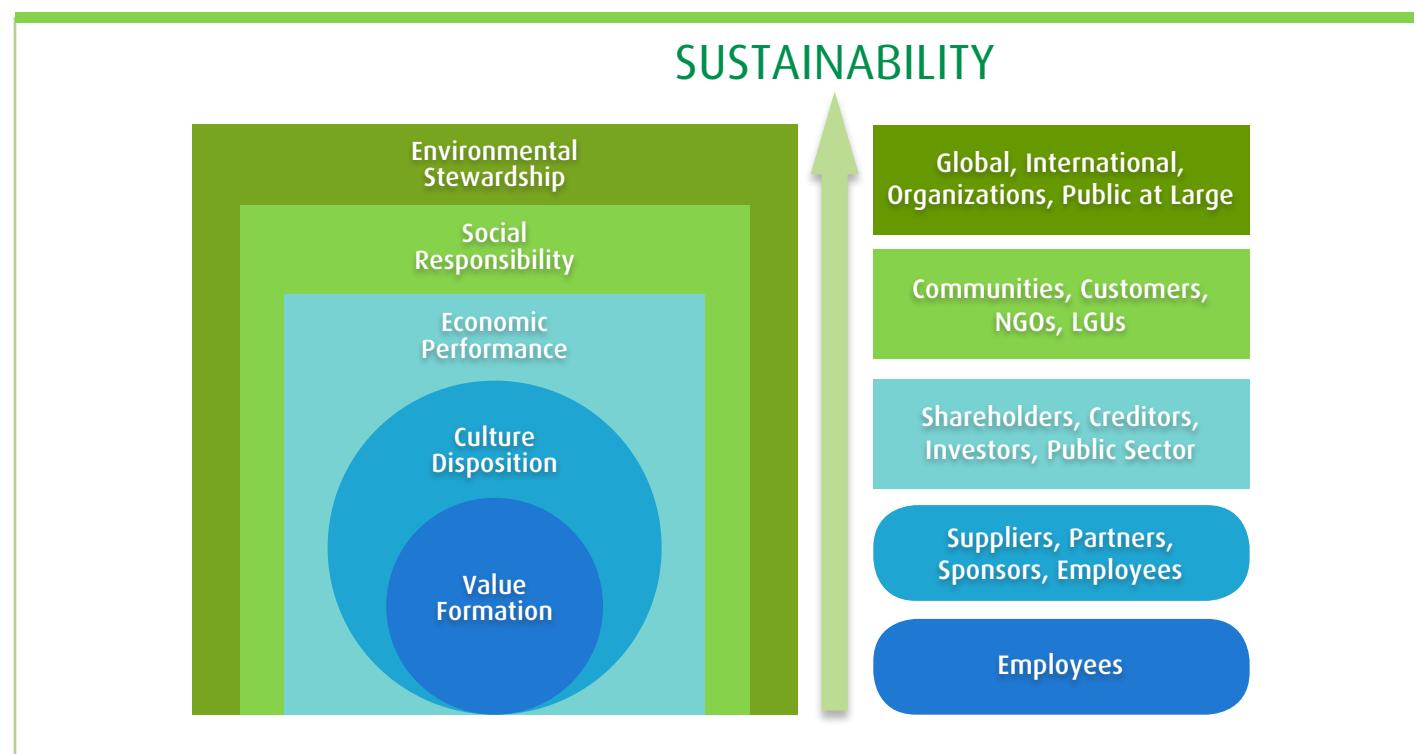
Laguna Lake Development Authority – The Diwang Lawa Awards

- Green Rating
SM City San Lazaro
- Blue Rating
SM City Fairview
SM Center Muntinlupa
SM City Sta. Rosa
SM City Taytay
SM City Manila
SM Mall of Asia
SM Center Pasig
- Special Recognition
SM City Rosario
SM City Pampanga

Department of the Environment and Natural Resources – Solid Waste Management Champion

- Champion
SM City Molino
SM City Dasmariñas
SM City Baliwag
SM City Tarlac
- Special Recognition
SM City Rosario
SM City Pampanga

SUSTAINABILITY FRAMEWORK



The SM Prime Sustainability Framework is the company's guide to integrate sustainability and risk management into the existing management system to meet the company's specific context. The governing body puts high importance on risk management and sustainability through its triple bottom line initiatives. By definition, sustainability creates long term stakeholder value by embracing the opportunities and managing the organization's risks involving the three responsibilities: economic, social and environmental.

Sustainability must meet the needs of the organization and its stakeholders while also protecting, sustaining, and enhancing the environmental, social, and economic resources needed for the future which affects all stakeholders.

Each principle of the sustainability framework is bounded by the context and reach of stakeholders. Each level engages with a wider array of stakeholders which holistically provides a foundation of the sustainability management system of the company.

The internal context principles of value formation and cultural diversity engages the internal stakeholders which includes the employees and business partners. The external context principles start with the economic performance of the company which engages the investors, shareholders, creditors and the public sector.

The corporate social responsibility principle engages with a wider network which includes the community, the customers,

Non-Governmental Organizations, and Local Government Units. The widest network of engagement is the environmental stewardship which includes partnerships with multilateral organizations and participation of the global community which includes all types of stakeholders. This type of engagement anticipates how the company's actions will affect the environment.

For SM Prime, sustainability management relies heavily on stakeholder engagement which correlates with risk management. Each principle works together with different stakeholders which in turn addresses the company's advocacy for the triple bottom line or the responsibilities of sustainability.

Materiality

The materiality framework of SM Prime is formed with the utmost urgency to address the internal and external context issues such as employee development, customer experience through tenant diversity and service, profitability and concern for the community. We have prepared for our report through the relevant outcomes to our Sustainability Framework and our unparalleled advocacy for disaster resiliency and risk management. Through our teams and structures in corporate governance and risk management, we are able to ensure moral and ethical values through our commitment to compliances and laws of the country.

Every year, SM Prime conducts a comprehensive and in-depth stakeholder consultation for their concerns across all business units especially the SM Supermalls. These include financial, social and sustainability concerns and performance as evidenced in the last Annual Stockholders Meeting. The issues were mostly confined to business operations, profitability, customer service, safety and security and regulatory procedures. The environmental and social issues were confined to suggestions on individual activities and advocacies in which the company should adhere to. Therefore, the success and sustainability of our company relies heavily on the support, feedback and contribution of all the stakeholders. In order for our sustainability framework to be tangible, the company's actions must revolve around the engagement of stakeholders.

Shareholders

The first level of engagement we have with our shareholders is the Annual Stockholders Meeting. We are committed to deliver and disseminate accurate and precise relevant information to our shareholders, investors and the public about the Company. SM Prime utilizes the Annual Stock Holders Meeting as an avenue to address and protect the shareholders' rights and interests.

Customers

We continuously work to strengthen our operations and customer service to build confidence, trust and satisfaction. We strive to provide them with innovative service, upgraded facilities, and an unparalleled tenant mix in all of our malls. Through our customer satisfaction survey and the various social media communication tools, we are able to identify key opportunities to improve all aspects of our business including sustainability and operations.

Business Partners

We are one with our business partners towards creating long term and mutually beneficial relationships. We adhere with the company's values in promoting impartial dealings, equitable moral and ethical conduct, transparency and the rule of law. We promote a culture of equal and fair opportunities to all our partners free from discrimination, child labor, forced labor, and respect the rights of indigenous people. We have a preferred option to engage the services of local suppliers in malls both in the Philippines and in China.

Employees

Our employees are the heart of the Company. We continuously promote a harmonious stress-free environment for the unparalleled learning and development of our people. We

STAKEHOLDER ENGAGEMENT

constantly improve on the development of our people by providing avenues for self-development, entertainment, and various training modules. We conduct regular forums to address various points of discussion and feedback for the knowledge and decisions of the governing bodies. These channels promote internal and external context for each employee within the company.

Communities

Through SM Foundation and SM Cares, we are dedicated to improve the quality of life of our fellow citizens. We understand our responsibility as the leading mall developer in the country and the impact our projects have where we operate. Our malls hold regular SM Cares events tailor-fit to the programs and initiatives of the community. Details of our activities can be found in the SM Cares section of this report and in the SM Foundation Report.

Media

Advocating for transparency, we provide accurate information regarding initiatives and activities of the Company to our partners in media.

Government

SM Prime is an apolitical and non-partisan organization. We constantly partner with government through various development projects to further address environmental and social issues. We understand the sense of urgency for the public and private sector to work together as one for the progress of the nation and its people.

Non-Government Organizations

We strive to promote long-lasting relationships with our NGO partners for an effective engagement to address the needs of the communities, social groups and the advocacies we serve.

International Organizations

Partnerships with multilateral organizations provide opportunities to strengthen the Company's comprehensive nation-building initiatives. In turn, the Company becomes a partner towards a global thrust that is deeply rooted through a bottom-up approach towards development.

Our partnership with the United Nations Office for Disaster Risk Reduction has allowed the Company to become a private-sector leader on disaster resiliency and risk management. Our continuous engagement with international organizations provides us direction in the global context of sustainability and economic development.

CORPORATE GOVERNANCE

Corporate governance in SM Prime is guided by the company's Manual on Corporate Governance and Code of Ethics. These documents are regularly reviewed and enhanced to remain at par with corporate governance best practices in pursuit of SM Prime's mission and vision to serve the best interests of its stakeholders. The company is in full compliance with the Code of Corporate Governance, the rules of the Philippine Stock Exchange, and regulations of the Securities and Exchange Commission.

The Manual on Corporate Governance institutionalizes the principles of good corporate governance including the responsibilities of the Board of Directors, the rights of all shareholders, compliance and penalty systems, as well as policies on disclosure and transparency.

The Code of Ethics sets guidelines for the directors, officers, and employees in the performance of their duties and responsibilities and in the manner that they deal with investors, creditors, customers, contractors, suppliers, regulators and the public. The Code emphasizes the importance of integrity in the relationships and dealings with business partners, the company's duties regarding employee welfare, the rights of shareholders, the protection of company information assets, and the promotion of corporate social responsibility.

Board of Directors

SM Prime's corporate governance culture emanates from its Board of Directors. It is the Board's responsibility to ensure the long term financial success of the business in a manner that upholds the principles of fairness, accountability and transparency, and ensures that the best interests of the company, its shareholders, and various stakeholders are adequately promoted and protected.

The Board, with a mean age of 62.6 years, is comprised of ten members with two advisers. Majority of the Board members are male except for its Compliance Officer and the two advisers. There are three independent directors. It is noteworthy that there are no other indicators of diversity within the board.

Under SM Prime's Manual on Corporate Governance, an independent director must possess all of the qualifications and none of the disqualifications of a regular director. He must also be independent of the management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment. Furthermore, none of SM Prime's independent directors have served the company as a regular director, officer or employee.

The Board has established three committees to aid in the performance of its duties. Each committee has adopted a Charter which defines its composition, roles, and responsibilities based on the provisions found in the Manual on Corporate Governance.

Audit and Risk Management

The Audit and Risk Management Committee is composed of six members, three of whom are independent directors. The Committee directly works with the internal and external auditors as they perform their duties and responsibilities. Its mandate includes the review of the company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews the company's internal control systems, audit plans, auditing processes, and related party transactions. It also reviews and assesses the effectiveness of the company's risk management system in the mitigation of financial and non-financial risks.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is tasked with the oversight of policies pertaining to salaries and benefits, as well as promotions and other forms of career advancement. The Committee is composed of three members, two of whom are independent directors.

Board of Directors			
Name	Position	Name	Position
Henry Sy, Sr.	Chairman	Joselito H. Sibayan	Independent Director
Jose L. Cuisia, Jr.	Vice Chairman and Independent Director	Gregorio U. Kilayko	Independent Director
Hans T. Sy	Director and President	Atty. Corazon I. Morando	Compliance Officer
Henry T. Sy, Jr.	Director	Jeffrey C. Lim	Corporate Information Officer
Herbert T. Sy	Director	Teresita Sy-Coson	Adviser to the Board
Jorge T. Mendiola	Director	Elizabeth T. Sy	Adviser to the Board

CORPORATE GOVERNANCE

Nomination Committee

The Nomination Committee is composed of three members, two of whom are independent directors. They review and evaluate the qualifications of all candidates nominated to the Board of Directors, and those nominated to positions that require Board approval under the Company's By-Laws. The Committee ensures that those nominated to the Board meet the requirements set forth by the Manual on Corporate Governance. Furthermore, the Committee facilitates the annual performance evaluation of the Board as a whole, its respective Board Committees, the individual directors and the President. In compliance with applicable laws and regulations, SM Prime requires that all newly elected directors have undergone corporate governance training.

Board and President Evaluation

The Board conducts an annual self-evaluation as well as an evaluation of the President. Each director is given a form to rate his performance and the Board's collective performance for the past year, in terms of independence, leadership, expertise and adherence to corporate governance. Meanwhile, the President is evaluated by the Board on the basis of his leadership, integrity and diligence.

The evaluation also includes a rating of the support services given to the Board, such as the quality and timing of information given to the Board, and the frequency and conduct of meetings. The directors are also requested to identify trainings, programs or any other assistance they may need in the performance of their duties as director, as well as to indicate any other comments they have in relation to the annual evaluation.

Annual Stockholders' Meeting

The Annual Stockholders' Meeting (ASM) gives SM Prime's shareholders an opportunity to raise concerns, give suggestions, and vote on relevant issues. Shareholders are welcome to write or contact the Board and the company at any time.

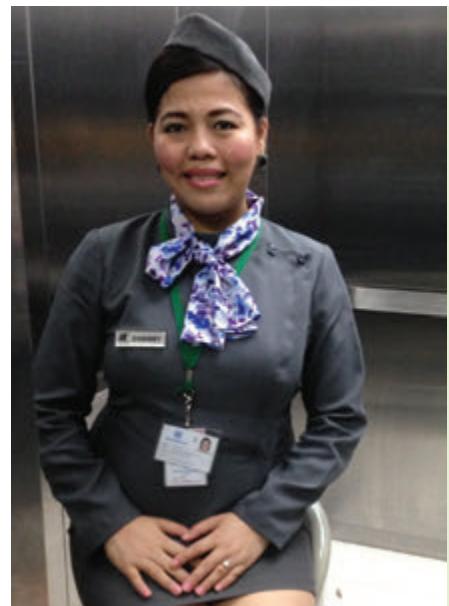
Insider Trading Policy

Directors, officers, and employees who have access to material, confidential and stock price-sensitive information (i.e., information on business transactions that have not yet been disclosed to the public) are prohibited from trading in the Company's shares, five trading days before and two trading days after the disclosure of quarterly and annual financial results and any other material information. To ensure compliance with the policy, SM Prime issues reminders to everyone in the organization before the release of financial reports and the disclosure of material information.

In fulfilment of its commitment to provide its shareholders and the public, timely and accurate information on the company and its business, SM Prime regularly updates its website and practices full and prompt disclosure of all material information. The materials presented at briefings and meetings with investors, analysts, and the press, as well as the Company's SEC and PSE reports and annual reports, may be viewed and downloaded from the website. SM Prime conducts regular meetings with these stakeholders to keep them updated on the company's various projects, financial, and operational results.

For more information, including policies, programs, and other documents on corporate governance, visit the SM Prime website at www.smprime.com.

Board Committees				
Name	Audit and Risk Management	Compensation and Remuneration	Nomination	
Chairman	Jose L. Cuisia, Jr.	Hans T. Sy	Herbert T. Sy	
Member	Gregorio U. Kilayko	Gregorio U. Kilayko	Jose L. Cuisia, Jr.	
Member	Joselito H. Sibayan	Joselito H. Sibayan	Gregorio U. Kilayko	
Member	Jose T. Sio	-	-	
Member	Serafin U. Salvador	-	-	
Member	Atty. Corazon I. Morando	-	-	

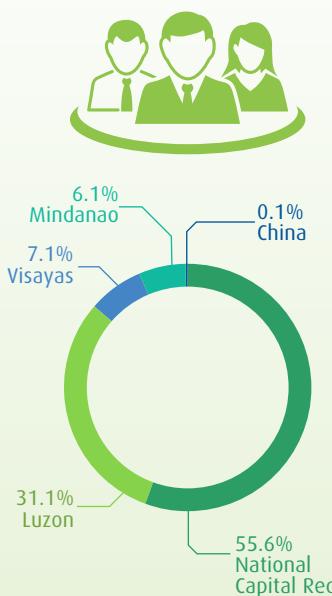


The Elevator Girl

Cherry Alejandrino, or Cheridel, became an instant social media sensation in 2013 when a customer filmed her inside an elevator at SM Olongapo doing what she does best – pushing buttons, providing customer service and entertaining everyone she comes in contact with. The talented 27-year old cheerfully greets her customers as they enter the elevator and names all the mall tenants by rote in her upbeat voice. The short video of her work was uploaded to YouTube and in less than a week it garnered over 800,000 views. Her love and passion for her job has given inspiration to thousands of Filipinos.

Social Development

TOTAL WORKFORCE BY REGION



The core of SM Prime's Sustainability Framework is value formation of the employees. And in line with its mission and vision, SM Prime strives to be an employer of choice that gives importance for the health, safety and welfare of its employees. This is why SM Prime is in continuous innovation of its policies and programs in order to provide the employees a safe and healthy work environment and support their growth beyond their respective functions, in pursuit of work-life balance.

Demographics

The growth of the company contributes in the increase of jobs especially for local communities where these new projects are located. In 2013, SM Prime increased its total employee headcount by about 7% to 6,547 from last year's 6,109.

The bulk of the workforce is employed by the Shopping Center Management Corporation (SCMC), the management company in-charge of the overall operation and administration of all

malls, at 60% or 3,925 employees. The distribution of employees among each company is consistent with last year.

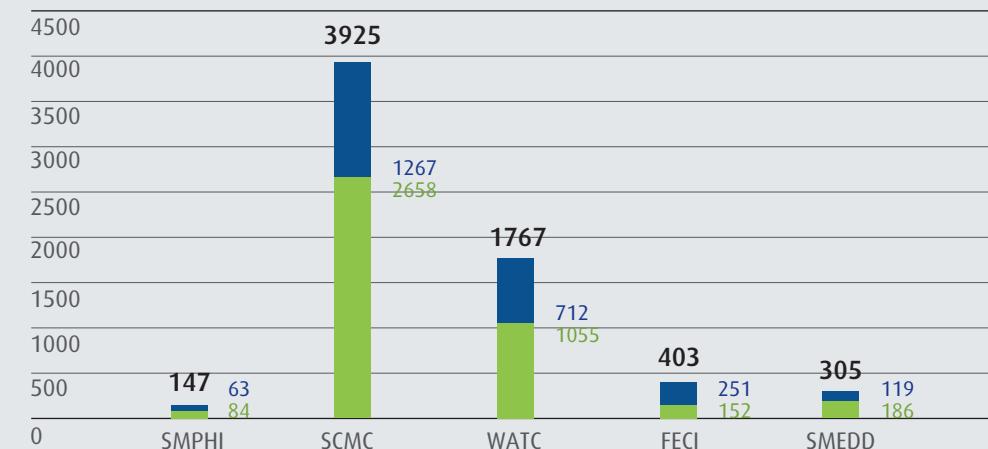
While SM Prime has no preference between genders, there are more female employees than male employees for all management companies except for Family Entertainment Center, Inc. (FECI). FECI is in charge of the management and operation of leisure and learning facilities within the mall such as the SM Bowling Center, SM Ice Skating Rinks, SM Storyland, and the Science Discovery Center.

The ratio of the basic salary of women to men is approximately 1:1. The salary entry rates and all salary adjustment applications are equally applicable to all, regardless of gender, employee category and location. There were no reports of discrimination including incidents against indigenous people's rights during the year.

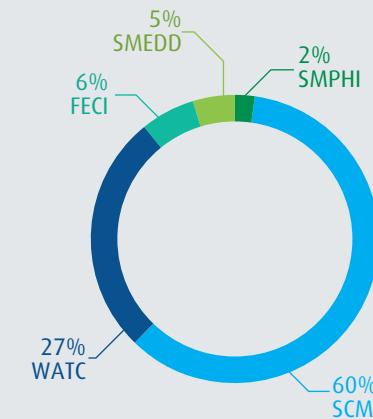
There are no collective bargaining agreements in SM Prime. The company provides countless avenues for employees to raise their concerns and

WORKFORCE HEADCOUNT

Female ■ Male ■



TOTAL WORKFORCE BREAKDOWN PER COMPANY



freedom of speech through timely forums on company policies and other relevant matters. All significant operational changes that affect employment require at least 15 days to 30 days notice.

Holistic Development

Benefits provided to regular employees include vacation, sick, and parental leave benefits, health and group life insurance, gratuity pay, merit increases, and bereavement assistance, among others. A total of 4,969 employees or 76% of the total headcount are entitled to parental leaves. Only 6% of these availed of this benefit, all of whom returned to work after.

The Parent Company is a participant in the SM Corporate and Management Companies Employer Retirement Plan. The plan is a funded, non-contributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and

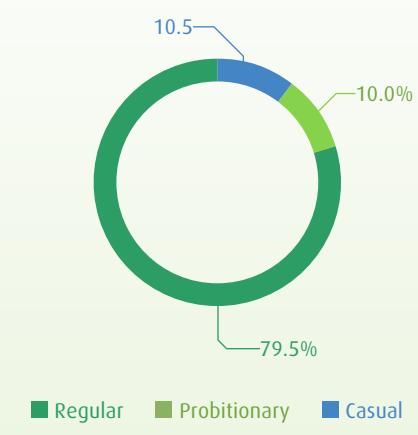
incorporates assumptions concerning the employees' projected salaries.

All malls and office buildings have an assigned company nurse on duty in a designated clinic with regular visits from doctors. Other health-related services provided to employees include annual physical examinations, access to discounted vaccines and flu shots, regular advisories on wellness and diseases through email blasts, the bulletin board, internal portals, as well as talks on relevant health issues.

All regular employees receive semi-annual performance reviews while regular SM Prime employees receive annual appraisals. A checklist is used by supervisors during the rating process. The appraisal is discussed with the employee, and allows immediate feedback for the benefit of both parties.

SM Prime understands the importance of programs that support each employee's holistic development. All employees are enlisted in a curriculum-based training program, which offers various modules per level of employment. The Human Resource Division engages and invests in the services of international trainers. It

WORKFORCE BY EMPLOYMENT TYPE





GOVERNMENT PARTNERS

Some SM malls are home to some satellite government offices



DFA



LTO



POEA



OWWA



SSS



PhilHealth
Your Partner in Health

aims to provide the employee with management and personal skills and techniques that will support them as they progress in their careers.

In 2013, actualized training hours reached 109,687.5 hours for both the Philippines and China. This is equivalent to about 16.7 hours of training per employee. The security and janitorial personnel are trained by their respective agencies.

Managing Impact on the Community and the Environment

Before implementation, all SM Prime projects secure permits and comply with other requirements and laws of the different government agencies including the Department of Environment and Natural Resources. For some municipalities, a Multi-Partite Monitoring Team is also required, which is comprised of mall administration representatives, members of the local government, the community, and other stakeholders.

While majority of SM Prime's projects are located in highly urbanized areas, some expansion projects reach out with

their own developing initiatives to nearby towns and communities. Prevention and mitigation measures implemented in processes of operations with significant potential or actual negative impacts on local communities include engaging local businesses to become tenants of the mall and preference for hiring locally.

All business partners (suppliers, contractors, service providers, etc.) are screened based on quality of service, cost efficiency, moral standing and compliance with related laws. SM Prime has a preference for engaging the services of local suppliers for its malls in the Philippines and in China. For malls in the Philippines, about 98% of business partners are based within the country.

SM Prime is an apolitical and non-partisan organization. The Company partners with government agencies and associations as representative of the private sector in endeavors related to stakeholder and industry consultation, capacity-building and the promotion of shared advocacies.

Many malls are home to some satellite government offices like the Department of Foreign Affairs (DFA),

Automated Weather Stations in SM Malls

SM Prime has taken another step forward in promoting disaster risk reduction by helping monitor the country's weather conditions through Automated Weather Stations (AWS). These weather stations collect data on temperature, humidity, amount of rainfall, wind speed and wind direction. Weather forecasts derived from these information are made available to the public through www.weather.com.ph.

The project was initiated by Weather Philippines Foundation, Inc. (WPFI) with the intention of delivering critical and accurate weather forecasts to the Filipino community to help improve nationwide disaster preparedness and timely response to variable weather conditions. As of 2013, a total of 42 AWS have been installed in SM malls and standalone SM Department Stores across the Philippines. The remaining will be completed in 2014.



Land Transportation Office (LTO), National Statistics Office (NSO), Philippine Overseas Employment Administration (POEA), Overseas Workers Welfare Administration (OWWA), Philippine Health Insurance Corporation (PhilHealth), Social Security System (SSS), among others. The malls also support the government's information dissemination efforts by providing maximum exposure as a venue for caravans or mobile exhibits for government projects and services.

SM Prime takes it upon itself to subject its operations to regular assessments for constant improvement of product and services. These include regular security audits, solid and hazardous waste management audits, drills and trainings for the emergency response teams, as well as continuous dialogue and review of the company's business continuity and risk management plan. SM Prime aims to go beyond the standards provided by government ordinances to secure the longevity of the Company's operations and with great consideration of the community at large.

In its second year since the signing of the Memorandum of Agreement with the Department of Environment and Natural Resources last July 2012, SM Prime has followed through with its commitment to support the rehabilitation of the San Juan River under the Adopt-an-Estero Program.

The project is managed by a team from SM City Sta. Mesa, which is located along a portion of the San Juan River. The team met with San Juan City Department of Education Superintendent Ms. Marilou Cacanindin and principals of schools within the city to inform, educate, and communicate ways to keep the San Juan River free from pollution.

Cleaning materials and safety gear were donated to the San Juan River Warriors through the San Juan City Environment and Natural Resources Office. SM Prime also donated trash traps, which were installed in Barangay Salapan. The trash traps' collection of floating garbage coming from upstream was supported by a surface clean-up along the riverbanks.





Solar Panels in SM City Xiamen

In July 2013, SM City Xiamen launched its 1.1-megawatt rooftop solar power project featuring 3,740 solar panels with an area covering more than 10,000 square meters on its roofs. This makes SM City Xiamen the first Building Integrated Photovoltaic (BIPV) shopping mall in Xiamen and the only one in Fujian province that has received national capital support in 2013. Including Phase 2 of the project in SM Lifestyle Center, total investment was about RMB 13.2 million or USD 2 million.

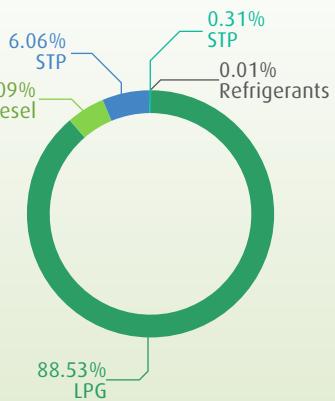
The project generates an estimated 1.1 million kilowatt-hours per year. During its 25-year service period, its total generating capacity is about 27.5 million kWh, which means it can supply power for more than 137,500 bulbs lighting up together for 8 hours. This makes it as both an economical and an effective alternative to traditional energy generation. On the basis of the current power generation practices of China's coal-fired power plants, this project can reduce about 385 tons of standard coal consumption every year. During its 25-year service period, about 9,625 tons of standard coal can be saved.

ELECTRICAL CONSUMPTION

kWh/sqm



Direct Emissions (scope 1)



Sustainable Operations

One approach to sustainably operating our malls is the constant monitoring of resource consumption. With the ultimate goal of attaining maximum feasible efficiency, regular audit of the Company's operations allows it to identify best practices and determine areas for further improvement.

With the continuous growth of the business, the demands of economy, and priority concern for the stakeholders, SM Prime reaffirms and strengthens its commitment to environmental stewardship as the Company finds more ways to practice sustainable operations.

Greenhouse Gas Emissions

SM malls in the Philippines and in China generated a total of 586,131 metric tons CO₂ emissions in the year 2013 with only 8% as direct emissions and 92% from indirect emissions, mainly comprised of electrical consumption.

Despite the opening of two new malls, SM Aura Premier and SM City BF Parañaque, and the renovation of SM Megamall, SM City Pampanga, SM City

San Lazaro, SM Southmall, and SM City Sta. Mesa, among others, emissions increased by only 16,116 metric tons of CO₂ or a mere 2.83% from 570,015 metric tons CO₂ emissions in 2012.

Basic consumption of mall operations and its tenants include LPG for food preparation, diesel and gasoline for generators and vehicles, refrigerants for cooling towers, among others. Consumption patterns for these items have been categorized under the Greenhouse Gas Protocol's definition of scopes.

For Scope 1 emissions or those from sources that are owned or controlled by the company, LPG had the most substantial contribution at 88.53%. Fugitive emissions from the treatment of sewage water make up 6.06%, diesel and gasoline consumption have a combined total share of 5.4%, while refrigerants contributed only 0.01% to the total emissions.

Scope 2 emissions refer to emissions from purchased electricity. Electrical consumption across all malls make up 91.57% of the company's total CO₂

emissions, with an equivalent worth of 1,073 gigawatt-hours.

Scope 3 emissions are the consequence of the activities of the Company but occur at sources owned or controlled by another entity. One such example for SM Prime is the mall logistics program wherein tenants subscribe to company accredited courier services. Internal analysts have found that greenhouse gas related to mall operations may be reduced by eliminating redundant emissions such as the delivery of goods from tenants' warehouses to the different SM malls. Emissions generated from the mall logistics program amount to 176.15 metric tons of CO₂.

Energy Efficiency

Proactive efficiency strategies take advantage of modern and innovative technology to boost savings in energy consumption for new malls and for the development of existing malls. SM Prime believes in investing to achieve maximum reductions without compromising productivity. This is done in partnership with local utility companies, source vendors and government agencies, and international institutions and consultants.

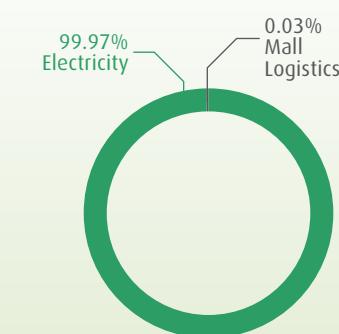
In spite of the 2.14% increase in electrical consumption and the opening of two new malls equivalent to 370,062 square meters of gross floor area, average electrical consumption was reduced from 172 kilowatt-hour per square meters in 2012 to 153 kilowatt-hour per square meters in 2013 or 11.16% decrease.

SM Prime has preference for LED lighting and energy efficient office equipment. Regular meetings between malls across Luzon, Visayas, and Mindanao, and even China are now made more convenient. The use of video-conferencing does not only mean reduced cost for travel but also less emissions.

Utilizing vestibules for entrances in new malls relieves stress on the air-conditioning system because infiltration of warmer air from the outside is avoided.

The malls feature an online air-conditioning management system that help monitor and control real-time temperature in the building for optimal energy efficiency. This also translates to improved equipment reliability and lifespan as well as increased staff productivity through quicker responses to HVAC related concerns.

Indirect Emissions (scope 2)



SUSTAINABLE OPERATIONS



SM City Jinjiang uses an efficient ice-based cooling system rather than traditional air-conditioning called "Thermal Energy Storage" that results to reduced energy consumption and operational cost.

Thermal Energy Storage in SM City Jinjiang

How does it work?

Overnight during off-peak hours, saline solution or brine is frozen by chillers and stored in an insulated tank. The stored coolness is then used during the daytime using only energy for circulating pumps and fans. During the hours when the brine is turned to ice, the cost of energy is 50% less than the daytime energy rate and the lower external temperature surrounding the chillers means less power is required to freeze water. Consequently, this system not only utilizes less expensive energy but also allows energy efficiency during mall hours and reduces the overall operating cost.

RECYCLED WATER

In 2013, SM malls recycled



3,090,271 cubic meters of water

or 30% of the total volume of water consumed from their water provider

This is equivalent to:

1,236 Olympic-sized swimming pools

Air handling units and chilled water pumps are installed with Variable Speed Drives that control the fan speed for the air handling units and water flow for the chilled water pumps. Sensors are installed in tenant spaces for a more accurate analysis of the space temperature condition. Control of the air conditioning equipment parameters are done remotely and centrally through the enhancement building management system according to requirements for optimal temperature ranges, and not at a pre-determined schedule. The program also helps the Company know when to replace air-conditioning machines, how much it will cost, and the return on investment.

SM Prime follows standards in treating sewage water before discharge to the public sewer line and have been acknowledged for excellent compliance through the Laguna Lake Development Authority's Diwang Lawa Award.

The wide range of activities in the mall may translate to a large amounts of trash if not managed properly. Being a large scale developer, SM Prime highlights waste management as a priority in its operational sustainability program. The malls constantly monitor waste generation and the implementation of policies on proper waste disposal.

The Tenant Solid Waste Management Program requires tenants to segregate their waste prior to collection and storage in the materials recovery facility prior to collection by government certified haulers and recyclers.

Water Management

With a total of three million customers a day, water consumption for the year 2013 reached 11,234,157 cubic meters. Faucet aerators installed in all comfort rooms help conserve water consumption by about 20%. The malls have recycled 3,090,271 cubic meters of water or 30% of the total volume of water consumed from the water provider. This is equivalent to 1,236 Olympic-sized swimming pools.

The malls are equipped with a sewage treatment plant to recycle water. Treated water is reused for cooling towers, comfort room flushing, irrigation, and grounds keeping. The treatment plants feature sequential batch reactors that reduce power consumption in the processing of waste water treatment.

The malls also provide recycling trash bins to encourage the practice of waste management among tenants and shoppers. SM Prime has been promoting the use of reusable bags for the past 5 years with the release of its own line of fashionably designed Eco Bags, even before the release of plastic ordinances in cities across the country.

In February 2007, a recycling market entitled "Trash to Cash" was launched to raise awareness in the community on the environment efforts of the mall. This event is participated in by customers and the rest of the community and is held simultaneously in all malls every first Friday and Saturday of the month.

Through these collective efforts, Philippine-based malls have recycled 48% of solid waste generated with the remainder being delivered to government-accredited landfills.

Air Quality Management

SM malls have implemented a no-smoking campaign to reduce pollution and improve air quality within the mall for both customers and employees. There are designated isolated smoking areas to cater to smoking patrons.

SUSTAINABLE OPERATIONS



SOLID WASTE RECYCLED



84.64%
Cardboard/
Cartons/Paper



8.00%
Plastics



4.12%
Cans



3.24%
Bottles



32.61%
Other Waste

A timeline on the SM Prime's disaster resiliency initiatives.



MAY 2006

SM Mall of Asia was built in the reclaimed area of Manila Bay with the main mall structure at 4.5 meters above mean lower low water. It is 1.5 meters above building code to avoid possible floods.



SEP 2008

Designed without wall enclosures, SM City Marikina allows for the free flow of flood water to the Marikina River through its two-level basement parking.



OCT 2009

Much of Northern Luzon, including Pangasinan where SM City Rosales is located, was devastated by the onslaught of Typhoon Pepeng (Parma).



SEP 2012

Together with the UNISDR, SM Prime hosted the first Top Leaders Forum. During the forum, Mr. Hans Sy was invited to become part of the UNISDR Private Sector Advisory Group.

NOV 2013



The second Top Leaders Forum focused on incentives for resilient investments, development of metrics and standards, and sustainability reporting. Special Representative for the Secretary-General Ms. Margareta Wahlström and PSAG Chair Ms. Sandra Wu, President and CEO of Kokusai Kogyo Holdings, Inc. graced the event.



NOV 2007

SM Center Muntinlupa opens, standing within a five-meter buffer zone from two fault exposures. It features a two-way slab system to minimize the effects of earthquakes exceeding a magnitude of 7 in the Richter scale.



SEP 2009

Typhoon Ondoy (Ketsana) dumped over a month's volume of rain, causing severe flooding in Metro Manila. Due to investments in disaster resilience for SM City Marikina, SM Prime avoided a loss of almost 1 billion Pesos.



NOV 2009

SM City Rosales in Pangasinan reopened its doors to the public less than two months after the onslaught of Typhoon Pepeng (Parma). The successful implementation of SM Prime's business continuity plan allowed business and employment opportunities to immediately return in the area and in time for the Christmas holidays.



MAY 2013

Mr. Hans Sy presented two of SM Prime's disaster resilient malls – SM City Marikina and SM Center Muntinlupa – at the Global Platform for Disaster Risk Reduction in Geneva, Switzerland. SM Prime was also included in the Top 5 Finalists for the prestigious Sasakawa Awards.



NOV 2013

Typhoon Yolanda (Haiyan) destroyed 1.1 million houses and displaced more than 4 million residents of some of the country's poorest provinces of Samar and Leyte. SM malls nationwide immediately activated the Operation Tulong Express by setting up donation booths.



2014

In the coming year, SM Prime will open SM Center Angono and SM City San Mateo with their respective disaster resilient features including expansion joints and a rainwater catchment basin.

The SM Group initiated a campaign called the SM Cares Housing Project that aims to build 1,000 disaster resilient homes for the displaced Haiyan survivors.



Green Retail Agenda

The Green Retail Agenda 2013, an annual symposium hosted by SM Supermalls for all tenants, suppliers, contractors, and business partners, was held last July 24, 2013 at the SMX Convention Center with over 400 attendees. The symposium acted as a means for both public and private institutions to address the steadily increasing threat of natural calamities due to climate change.

The forum carried the theme “Business Continuity Amidst Climate Change” and covered topics on the latest technology, processes, and innovations in sustainable business operations, as well as current environmental issues.

Guest speakers included His Excellency Bill Tweddell, Australian Ambassador to the Philippines and His Excellency Toshinao Urabe, Japanese Ambassador to the Philippines, who gave insights on disaster prevention and survival strategies from their respective countries.

“We believe that promoting awareness about sustainability and business continuity, especially among tenants and the society in general, is a very good investment” said SM Prime President Hans T. Sy.

Top Leaders Forum

Following the first successful Top Leaders Forum in Manila, Philippines, another private sector conference organized by SM Prime Holdings Inc., in partnership with the United Nations Office for Disaster Risk Reduction, led by Ms. Margareta Wahlström, Special Representative of the Secretary General for Disaster Risk Reduction, was held last November 21-22, 2013.

While the Top Leaders Forum in 2012 focused on the concrete measures that would make Asian businesses more resilient against disasters, the 2013 Forum discussed possible approaches to increase private sector resilience by optimizing and developing incentives for risk-informed business practices and resilient investments.

With the growing number of global disasters and the disturbing effects of climate change, it has become crucial for business owners to invest in disaster resilience—not only to protect commercial interests, but also to contribute to the economic sustainability of the communities beyond their corporate walls.

Mr. Hans Sy, President of SM Prime Holdings Inc. and member of the UNISDR Private Sector Advisory Group, has called this the private sector’s “humanitarian imperative.”

More than 150 business leaders and top managers from all over the Philippines attended the Forum, which was held on the heels of the devastation brought by Typhoon Yolanda (Haiyan) in early November 2013.

In her opening remarks, Ms. Margareta Wahlström, Special Representative of the Secretary General for Disaster Risk Reduction, stressed the importance of the 2013 Top Leaders Forum, as it is “linked to the global efforts of building the resilience to disasters of communities and of nations.” Ms. Wahlström added that the Forum is part of the UNISDR’s “very intensive consultative process” with the business and private sector, which would eventually shape the Global Post-2015 Risk Management Framework.



Working with the UNISDR

UNISDR – Private Sector Advisory Group (PSAG)

The 2012 Top Leaders Forum, led by United Nations Office for Disaster Risk Reduction (UNISDR) Private Sector Advisory Group and SM Prime Holdings, aimed to discuss measures to build an Asian private partnership to make corporations safer against disasters. The UNISDR-Private Sector Advisory Group is an invitation-only group. The PSAG represents the wider private sector and works with UNISDR to address disaster risk reduction in the sector. During this event, Ms. Sandra Wu Wen-Hsiu of the UNISDR-PSAG, formally invited Mr. Hans Sy to join the Private Sector Advisory Group. He was recognized for his advocacy for disaster resiliency and risk management through various mall designs and business continuity management initiatives. This strengthened the partnership between the UNISDR and SM Prime and their shared advocacy for disaster resiliency and risk management. SM Prime also became a member of the UNISDR Private Sector Partnership group.

Engaging Private Sector representatives of the Asia Pacific Region

On April 18, 2013, SM Supermalls President Ms. Annie Garcia gave a speech at a special session with the private sector organized by the United Nations Office for Disaster Risk Reduction (UNISDR) Asia Pacific Region in Bangkok, Thailand. The aim was to encourage more private sector partners in Asia to join the initiative of disaster risk reduction, in preparation for the 6th Asian Ministerial Conference in 2014 and the World Conference on Disaster Risk Reduction in Japan in 2015.

SM Prime at the UNISDR Global Platform in Geneva, Switzerland

On May 21, 2013, SM Prime Holdings President Mr. Hans Sy, shared how “Investing in Disaster Risk Reduction is Good for Business” in his keynote speech at the recent Global Platform on Disaster Risk Reduction at the United Nations in Geneva, Switzerland.

The Global Platform for Disaster Reduction, organized by the UNISDR, was established in 2007 as a biennial forum across sectors, with the goal to improve implementation of disaster risk reduction through better communication and coordination among stakeholders.

A record 3,500 people and representatives from 172 governments attended what is considered the world's foremost gathering of stakeholders committed to reducing disaster risk and building the resilience of communities and nations.

A member of the UNISDR Private Sector Advisory Group, Mr. Hans Sy discussed how SM Prime safeguards the communities surrounding its malls by investing on disaster resilience. He highlighted the concept of resilient investment by discussing case studies of two malls, SM Marikina and SM Muntinlupa. These are cases of innovative partnerships, close collaboration between the public and private sector, and examples of responsible mall development and management practices.

Post-2015 Hyogo Framework for Action

In 2015, the United Nations will hold the World Conference on Disaster Risk Reduction in Sendai City, Japan. The world conference, hosted by the United Nations Office for Disaster Risk Reduction, will be discussing the Post-2015 Hyogo Framework for Action.



SM Cares all started out with a child with special needs getting lost at an SM Supermarket and SM employees on their own, did everything to find this lost child. This one incident has turned into a long-term advocacy aimed at serving the Filipino community through countless initiatives on different advocacy platforms.

Through SM Cares, the company's holistic program towards social responsibility through different committees: Disability Affairs, Children and Youth, OFWs, Women and Breastfeeding, Senior Citizens, and the Environment.



SM Cares Program on Disability Affairs

The SM Cares Program on Disability Affairs is a multi-awarded CSR program. For the last five years, SM Supermalls have championed the issues of Persons with Disabilities (PWDs) longing to be heard, by giving them a venue to host their events and spread their cause, and a second home where they can feel welcome and secure.

All SM Supermalls are built to be PWD-friendly, with more than the required ramps, parking lots, and Braille signage. The theatres and dining rooms have designated wheelchair areas, so PWDs are able to enjoy a day out with their family. Utilities of the malls are built within an accessible height and someone from SM is always available to lend a helping hand.

SM Prime made it a regular part of the company culture to train tenants and staff on how to deal with PWDs. The Company does this yearly, so that a mall manager or a janitor is capable of dealing with a person or family with special needs.

The program raises awareness and highlights the ability over the disability by reaching out beyond the SM community to enlighten the public and to provide understanding on various PWD causes.

SM Treats Children with Special Needs to World-Class Magic Show

The SM Cares Program on Disability Affairs together with the Mall of Asia Arena treated children with special needs to the Disney Live! Presents Mickey's Magic Show at the Mall of Asia Arena as an early Christmas gift.

Accompanied by their respective parents and guardians, the children were from different organizations namely Life Haven, Tahanang Walang Hagdanan, Kythe Philippines, Autism Society of the Philippines and Down Syndrome Association of the Philippines, Inc.

Malou Arevalo, one of the parents, is thankful for the opportunity given to her child. "I was really touched with the special attention given to our children. Their excitement during the magic show really shows that they enjoyed every moment of this one-of-a-kind experience," she said in Filipino.



SM Cares Program on Children and Youth

Every day, more than 1.2 million children enter SM malls nationwide. That is a lot of tiny feet, and a big responsibility for the Company.

The goal of SM Cares Program on Children and Youth is to make sure that every child who enters any SM mall has a happy, safe, and inspiring experience.

The malls are built and routinely updated to include the latest child proof technology. This includes guard rails in escalators and step guides throughout the buildings. There are kiddie sizes for facilities – from lavatories, to emergency buttons and payphones.

All front liners and tenants go through child management seminars. Everyone from the mall manager down to the janitor is fully capable of dealing with a child with special needs, or a family in distress.

SM also celebrates the National Children's Book Reading Day across all the 48 malls in the Philippines and the 6 malls in China. Children from both public and private schools are invited to the malls for a day of book reading and storytelling. The children also get to bring home their own books donated by SM Foundation and event partners.

The Global Youth Summit, an annual gathering of student leaders all over the Philippines and from other countries, gives an opportunity for the youth to hone their creativity and leadership skills. Inspirational speakers also share their wisdom and experience to the thousands of attendees.



SM Cares Program on Women and Breastfeeding

The program celebrates the Filipina by championing women's issues and empowering them by giving a venue to advance and further their causes.

All SM Supermalls encourage the interaction of mothers and their babies by allowing breastfeeding anywhere in the malls. Alternatively, mothers may choose to use the breastfeeding stations located in every SM Mall fitted for their privacy and extra comfort.

SM ensures a safe nurturing environment, where precious memories of the mother and her child are made.



SM Cares Program on Overseas Filipino Workers (OFW): SM Global Pinoy

The Global Pinoy Center (GPC) was created to keep OFW families connected by offering them a place to communicate with their relatives for free. SM has seen how 15 minutes could change their lives and having seen this, the Company decided to include BDO remittance and foreign exchange services. The families were taught how to use various chat and voice application programs, as well as social networking sites to keep in touch with their relatives overseas.

To further improve their plight, the Company partnered with various agencies to benefit the OFWs and their families, including NGOs that give seminars on how to manage their money and start a business.

In December 2013, as a way of giving back to the Filipino overseas worker, SM Global Pinoy and SM Cinema launched the SM Global Pinoy Free Movie Day, an initiative that is part of SM Supermalls' nationwide event "Pamaskong Handog sa OFW".

SM Cares Program on Senior Citizens

Initially created as a service initiative, the SM Cares Program on Senior Citizens has grown into a fun and pro-active program.

Initiatives that were started for the seniors included courtesy lanes in the malls, complimentary health and fitness classes, and computer literacy sessions.

During the 2013 barangay elections, the Commission on Elections (Comelec) identified four SM malls as the pilot-polling locations for senior citizens. The voters' proximity to the communities also made it convenient for senior citizens to exercise the right to vote.

To support the government's thrust, SM gave them the opportunity to be casually employed as mall greeters and ushers.

Through the Senior Citizens program, SM shows that life does not slow down after retirement. It just gets better.

SM Hosts Fun Day for the Children of Bantay Bata and Child Hope Asia Philippines

SM's Family Entertainment Group treated kids from Bantay Bata and Child Hope Asia Philippines to a day of fun at the SM Mall of Asia. It was their way of extending true family entertainment and leisure to everyone.

The kids enjoyed a unique movie experience as they tried out the new Digistar 5 planetarium of the Nido Fortified Science Discovery Center. It was also a day of firsts when they got their first bowling and ice skating lessons. More fun followed at the Party Pod where an exciting bash, games, and mascots awaited the kids. The final stop of the day was at the SM by the Bay Amusement Park with the kids trying our fun rides such as the Bumper Cars and the MOA Eye.



SM Cares Program on Environment

The SM Cares Program on Environment not only works towards increased operational sustainability, but also educates the public and provides support for various environmental causes. The program focuses on Energy Efficiency, Solid Waste Management, Air Quality and Water Recycling.

SM initiated the Trash-to-Cash recycling market. This widely celebrated program is open every first Friday and Saturday of the month allowing anyone to exchange their recyclable materials and household items for cash. The program paid out PHP47 million worth of recycled goods to the participating public.

Working with the WWF-Philippines, SM malls annually switch off their lights to participate in Earth Hour, the largest celebration in raising awareness for global environmental concerns.

SM continues to raise awareness and educate on environmental issues with the annual Green Retail Agenda, a forum conducted for SM Prime's mall tenants and business partners in the public and private sector.





SM Cares Housing for Yolanda Survivors



After Super Typhoon Yolanda swept the Visayas region in November 2013, displaced survivors were relentless to rise up from the horrible devastation.

Some sought shelter in evacuation centers while others were left to fend for themselves for nights on end.

Fully aware of the dire living conditions in the typhoon-stricken areas, the SM Group saw the need to go beyond immediate relief assistance and embark on providing long-term rebuilding and reconstruction efforts. This led to the SM Cares Housing Program for Yolanda Survivors. The initial seed money of PHP20 million has grown into a PHP200 million commitment for the communities affected by the typhoon.

Through SM Cares, a division of SM Foundation and the Corporate Social Responsibility (CSR) arm of SM Prime, disaster-resilient homes for Yolanda survivors will be built on government certified areas in the affected areas in the Visayas.

On December 22, 2013, a ground-breaking ceremony was held for the first SM Cares Village, located in Bogo, Cebu. More disaster-resilient homes are expected to rise in areas such as Cebu, Iloilo, Leyte and Samar.

Rebuilding Lives

Rebuilding hope, more than just rebuilding houses, was the idea behind SM Cares Village. This is why it will also feature a community center, a playground, and a basketball court so that residents can start going back to their normal lives in their new community.

Every hectare of land will have 200 houses, each with a floor area of 20.25 square meters and a lot area of 23.25 square meters, ensuring a decent living space for every family.

The houses are designed to be disaster-resilient with concrete ceilings and proper ventilation and composed of 5,000 psi re-cast walls to accelerate the conventional building method. It

can withstand any kind of typhoon with maximum wind velocity of 250kph without major damage. It is crucial to note that these provisions are above the requirements of the Building Code and are designed to exceed mandated standards.

Recognizing that it needs the help of an entire community for the rebuilding effort, SM has also engaged its various stakeholders to benefit more survivors.

The SM Foundation will provide values formation, sustainable livelihood training, and community building seminars and workshops, as well as assistance in organizing cooperatives, with the help of partner NGOs.

A Community Paying Forward

To ensure a fair process, beneficiaries of the SM Cares Villages will be carefully selected through the help of the local government unit of the towns. SM Cares will give priority to those who cannot afford to buy their own housing unit.

The process, however, is not just a one-way street. Housing beneficiaries will also be given the opportunity to pay

it forward to the community through various means. They can plant trees or mangroves in nearby areas, offer help in the rehabilitation of local public establishments, become active members of the local cooperative to be organized, implement a waste segregation scheme, and attend the values formation and livelihood seminars.

To help raise more funds and build more homes, SM Prime has also called on its stakeholders for donations. All 48 SM Supermalls have SM Cares Housing Program booths where customers can donate. Tenants can also participate by collecting small monetary contributions from the customers through the 30,000 tin cans distributed in all point-of-sale counters. SM employees nationwide also pitch in by dipping into their pockets for personal donations.

As more stakeholders get involved in the rebuilding efforts, the faster the target 1,000 houses can be built and with these, normalcy in the lives of Typhoon Yolanda survivors.

To know more about the project, visit www.smcareshousingproject.com.





Obtaining Our GRI Rating

As a responsible mall developer, SM Prime deemed it necessary to comply with the sustainability reporting guidelines of the Global Reporting Initiative (GRI). The GRI Guidelines aim to set a benchmark in transparency and best practices, and to build on corporate value.

In its continued pursuit of excellence, SM Prime has operationalized sustainability in its business model to achieve its maximum potential for its stakeholders, business partners and the communities that it serves.

The Sustainability Report reflects the company's advocacy to share awareness in its progress and vision to achieve its sustainability objectives. Last year's report had 16 fully disclosed indicators with majority under the category of environmental performance. This year's report included 37 full disclosures with a variety of economic, environmental, and social performance indicators.

Its progress in operationalizing sustainability in its business model garnered SM Prime a B+ rating for this year's sustainability report.

About GRI

Founded in 1997 in Boston, the Global Reporting Initiative (GRI) is a network-based, non-profit, international organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide.

The GRI guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental and social performance. GRI's mission is to make sustainability reporting standard practice for all companies and organizations. Its Framework is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance.

PAGE
PROFILE DISCLOSURES
GRI INDICATOR AND DESCRIPTION
STRATEGY AND ANALYSIS
1.1 Statement from the most senior decision-maker of the organization. 4 to 5
1.2 Description of key impacts, risks, and opportunities. 4 to 5
ORGANIZATIONAL PROFILE
2.1 Name of the organization. 7
2.2 Primary brands, products, and/or services. 8 to 9
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. 7
2.4 Location of organization's headquarters. 41
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. 7
2.6 Nature of ownership and legal form. 7
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). 7
2.8 Scale of the reporting organization. 8 to 9
2.9 Significant changes during the reporting period regarding size, structure, or ownership. 1
2.1 Awards received in the reporting period. 10 to 11
REPORT PARAMETERS
3.1 Reporting period (e.g., fiscal/calendar year) for information provided. 1
3.2 Date of most recent previous report (if any). 1
3.3 Reporting cycle (annual, biennial, etc.) 1
3.4 Contact point for questions regarding the report or its contents. 41
3.5 Process for defining report content. 12 to 13
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance. 1
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). 1
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. 1
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols. 12 to 13
3.1 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods). None

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	PAGE
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	1
3.12 Table identifying the location of the Standard Disclosures in the report.	34 to 39
3.13 Policy and current practice with regard to seeking external assurance for the report.	1
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT	
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	14 to 15
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	14 to 15
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	14 to 15
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	14 to 15
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Not reported
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	14 to 15
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	14 to 15
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	14 to 15
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	14 to 15
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	14 to 15
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.	12 to 13
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	34 to 39
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	24 to 27
4.14 List of stakeholder groups engaged by the organization.	13
4.15 Basis for identification and selection of stakeholders with whom to engage.	13
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	13
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	13

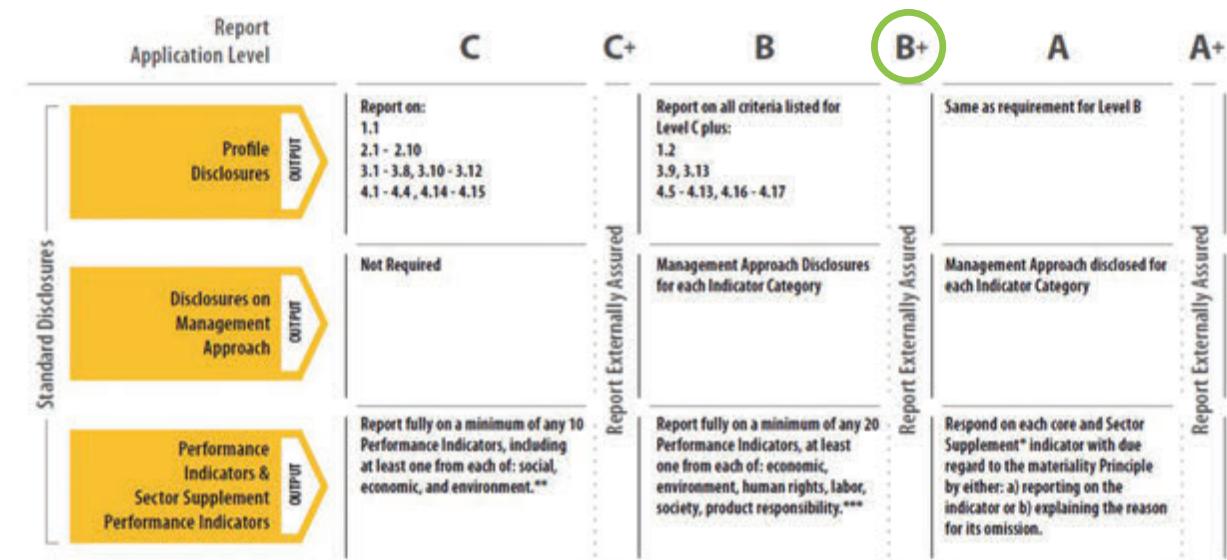
ECONOMIC PERFORMANCE INDICATORS	
GRI INDICATOR AND DESCRIPTION	
DMA	Disclosure on Management Approach
ECONOMIC PERFORMANCE	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.
MARKET PRESENCE	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
ENVIRONMENTAL PERFORMANCE INDICATORS	
GRI INDICATOR AND DESCRIPTION	
DMA	Disclosure on Management Approach
ENERGY	
EN4	Indirect energy consumption by primary source.
EN5	Energy saved due to conservation and efficiency improvements.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.
WATER	
EN8	Total water withdrawal by source.
EN9	Water sources significantly affected by withdrawal of water.
EN10	Percentage and total volume of water recycled and reused.
BIODIVERSITY	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
EMISSIONS, EFFLUENTS AND WASTE	
EN16	Total direct and indirect greenhouse gas emissions by weight.
EN17	Other relevant indirect greenhouse gas emissions by weight.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.
EN21	Total water discharge by quality and destination.
EN22	Total weight of waste by type and disposal method.
EN23	Total number and volume of significant spills.
COMPLIANCE	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

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SOCIAL PERFORMANCE INDICATORS		PAGE
GRI INDICATOR AND DESCRIPTION		
DMA	Disclosure on Management Approach	13 and 16
	EMPLOYEE	
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	17
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	17
LA15	Return to work and retention rates after parental leave, by gender.	17
	LABOR AND MANAGEMENT RELATIONS	
LA4	Percentage of employees covered by collective bargaining agreements.	17
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	17
	OCCUPATIONAL HEALTH AND SAFETY	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	17
LA9	Health and safety topics covered in formal agreements with trade unions.	17
	TRAINING AND EDUCATION	
LA10	Average hours of training per year per employee by gender, and by employee category.	18
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	17 to 18
	DIVERSITY AND EQUAL OPPORTUNITY	
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	14
	EQUAL REMUNERATION FOR MEN AND WOMEN	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	17
	NON-DISCRIMINATION	
HR4	Total number of incidents of discrimination and actions taken.	16
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	13
	CHILD LABOR	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	13
	FORCED AND COMPULSORY LABOR	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	13
	SECURITY PRACTICES	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	13

INDIGENOUS RIGHTS		PAGE
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	13
	LOCAL COMMUNITIES	
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	18 to 19, 29 to 33
S09	Operations with significant potential or actual negative impacts on local communities.	18 to 19, 29 to 33
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	18 to 19, 29 to 33
	PUBLIC POLICY	
S05	Public policy positions and participation in public policy development and lobbying.	13
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	13
	CUSTOMER HEALTH AND SAFETY	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	20 to 23
	PRODUCT AND SERVICE LABELLING	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	20 to 23



* Sector supplement in final version
 ** Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines
 *** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines



“Beyond profits,
a company’s success
is also measured by how
its communities thrive.”

- Mr. Henry Sy, Sr.



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STOCKHOLDER INQUIRIES

SM Prime Holdings, Inc.’s common stock is listed and traded in the Philippine Stock Exchange under the symbol “SMPH”.

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

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