

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


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2. Exact Name of Registrant as Specified in its Charter **SM PRIME HOLDINGS, INC.**
3. **Mall of Asia Arena Annex Building, Coral Way cor.**
J.W. Diokno Blvd., Mall of Asia Complex,
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines
Address of Principal Office **1300**
Postal Code
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Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	8
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Actual number of Directors for the year	8
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual/Special Meeting)	No. of years served as director
Henry Sy, Sr.	NED	None	Corazon I. Morando	1994	April 15, 2014	Annual	20
Henry T. Sy, Jr.	NED		Corazon I. Morando	1994	April 15, 2014	Annual	20
Jose L. Cuisia, Jr.	ID		Jeffrey C. Lim (no relation)	1994	April 15, 2014 (3)	Annual	20
Gregorio U. Kilayko	ID		Jeffrey C. Lim (no relation)	2008	April 15, 2014 (3)	Annual	6
Joselito H. Sibayan	ID		Jeffrey C. Lim (no relation)	2011	April 15, 2014 (3)	Annual	3
Hans T. Sy	ED		Corazon I. Morando	1994	April 15, 2014	Annual	20
Herbert T. Sy	NED		Corazon I. Morando	1994	April 15, 2014	Annual	20
Jorge T. Mendiola	NED		Corazon I. Morando	2012	April 15, 2014	Special	2

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Treatment of All Shareholders and Respect for the Rights of Minority Shareholders

The Company's corporate governance framework and policies are embodied in its Revised Manual on Corporate Governance [July 30, 2014], which sets out the compliance system and plan of compliance. The Manual mandates that it shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. It also asserts the rights of all shareholders, including holders of minority interests, as follows:

- Voting right
- Power of inspection
- Right to information
- Right to dividend
- Appraisal right

In addition to the above rights, the Manual provides that minority shareholders shall be given the right to:

- Propose the holding of a meeting and the items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice; and
- Have access to any and all information relating to matters for which the Management is accountable, and to those relating to matters for which the Management shall include such information.

Moreover, the Company's Code of Ethics provides the following to protect the rights of shareholders:

- Adoption of corporate governance practices, strategies and plans with the end in view of increasing shareholder value.
- Maintenance of complete and accurate records of all financial and business transactions in accordance with laws and regulations governing financial reporting and generally accepted accounting principles to provide the basis for the report it discloses to its shareholders regarding the Company's results of operations and financial position.

¹ Reckoned from the election immediately following January 2, 2012.

- c. Ensuring an independent audit of its financial statements by external auditors.

Rights of Other Stakeholders

Complementing the Manual are a number of related policies, which deal with the rights of other stakeholders, such as the following:

Policy	Stakeholder	Description
Code of Ethics	Employees, Customers, Business Partners, Creditors, the Community	The Code of Ethics stresses integrity in the relationships and dealings with business partners, the Company's duties regarding employee welfare, the protection of company information assets, and promotion of corporate social responsibility. It further provides guidelines on the expected manner by which directors, officers, and employees should perform their duties and responsibilities and while dealing with creditors, customers, contractors, suppliers, regulators, and the public.
Conflict of Interest Policy	Employees, Business Partners	The Conflict of Interest Policy prohibits all directors and employees from engaging in transactions that result in conflicts of interest, and mandates them to promptly disclose actual or perceived conflicts of interest, such as acceptance of gifts and loans from the Company or its suppliers. Conflicted directors are required to inhibit themselves from participating in board meetings and are specifically identified in the Company's Definitive Information Statement submitted to the SEC.
Guidelines on Acceptance of Gifts	Employees, Business Partners	The Guidelines on Acceptance of Gifts governs the solicitation and acceptance of gifts by directors, officers, and employees from any business partner to avoid conflict of interest scenarios.
Policy on Accountability, Integrity and Vigilance (PAIV)	Employees	PAIV tackles procedures for raising concerns and issues through the filing of an incident report by any director, officer, or employee on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any applicable law or regulation. The policy further states the responsibility of Management for conducting investigations and reporting findings.
Supplier Selection Policy	Suppliers	The Supplier Selection Policy requires adherence to the principles of healthy competition, equal opportunity and fair treatment of business partners. As such, selection of suppliers follows an open, competitive and non-discriminatory process. SM Prime implements a vendor enrolment process that screens qualifications of vendors/suppliers the Company will deal with. Such qualifications include legality of entity or business, adequacy of financial strength, compliance with SM Prime policies such as conflict of interest disclosure requirements and ethical standards, and support to SM Prime's environmental missions, health and safety culture.
Policy on Protection of Creditor's Rights	Creditors	The Policy on Protection of Creditors' Rights requires that the Company respect agreements with creditors, manage loans according to lending objectives, ensure timely repayment of loans and interests, thoroughly honor loan conditions as agreed, and competently operate the business to assure creditors about the Company's healthy financial standing and loan repayment capabilities.
Insider Trading Policy	Investors, the Government	The Insider Trading Policy restricts the disclosure of privileged information and participation in trading activities by directors, officers, and employees within a defined period before and after the disclosure of quarterly and annual financial results and any other material information.

Policy	Stakeholder	Description
Related Party Transactions Policy	Investors, the Government	The Related Party Transactions Policy reiterates the Company's commitment to transparency by practicing full disclosure of the details, nature, extent, and all other material information on transactions with related parties in the Company's financial statements and in the quarterly and annual reports to the SEC and PSE.

Disclosure Duties

In accordance with the Code of Ethics, the Company is committed to providing its stockholders and the public, timely and accurate information about the Company and its business. Accordingly, SM Prime regularly updates its website and practices full and prompt disclosure of all material information. The website has a separate Corporate Governance section that features, among others, the Manual on Corporate Governance, Code of Ethics and other relevant policies, programs and important information. SM Prime also publishes a separate Sustainability Report, which highlights its policies and programs on corporate social responsibility and environmental sustainability, among others. Likewise, the Company conducts regular briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects, as well as its financial and operational results. The presentation materials used in these briefings, as well as the Company's SEC and PSE reports and annual reports, may be viewed and downloaded from its website.

Board Responsibilities

The duties and responsibilities of the Board of Directors are laid down in the Revised Manual on Corporate Governance. Generally, the Board is responsible for overseeing the activities of Management in the implementation of strategies to achieve the vision and mission of the Company. These duties and responsibilities are discussed in detail in subsequent sections of this report.

- (c) How often does the Board review and approve the vision and mission?

The Board undertakes the review and approval of the Company's vision and mission at least once a year or more frequently if necessary.

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Henry Sy, Sr.	SM Investments Corporation Highlands Prime, Inc. BDO Unibank, Inc. China Banking Corporation	NED (Chairman) NED (Chairman) NED (Chairman Emeritus) NED (Honorary Chairman)
Gregorio U. Kilayko	Highlands Prime, Inc. Belle Corporation	Independent Independent
Hans T. Sy	China Banking Corporation Highlands Prime, Inc.	NED (Chairman) NED
Henry T. Sy, Jr.	SM Investments Corporation SM Development Corp. Highlands Prime, Inc. Pico de Loro Beach and Country Club	NED (Vice Chairman) ED (Chairman) ED (Vice Chairman) ED (Chairman)
Herbert T. Sy	China Banking Corporation	NED

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jose L. Cuisia, Jr.	PHINMA Corporation Holcim Philippines, Inc. Manila Water Company, Inc.	NED NED Independent
Joselito H. Sibayan	Apex Mining Corporation	Independent

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Henry Sy, Sr. (Chairman Emeritus) Henry T. Sy, Jr. (Chairman) Hans T. Sy (Executive Director) Herbert T. Sy (Non-Executive Director)	SM Investments Corporation (SMIC)	Henry T. Sy, Jr., Hans T. Sy and Herbert T. Sy are sons of Henry Sy, Sr. All hold direct beneficial ownership of SMIC. Henry Sy, Sr. is the Chairman and Henry Sy, Jr. is the Vice Chairman of SMIC and they have the power to vote the common shares of SMIC in SMPH.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

In accordance with the Revised Manual on Corporate Governance, directors shall submit themselves to a low indicative limit on membership in other corporate Boards. In practice, however, the Company's non-executive and independent directors observe compliance with a maximum of five (5) board seats in publicly-listed companies simultaneously. On the other hand, executive directors hold up to two (2) board seats in other publicly-listed companies.³

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares	% of Capital Stock
Henry Sy, Sr.	-	653,395,579	2.26
Jose L. Cuisia, Jr.	408,533	89,128	0
Henry T. Sy, Jr.	680,818,440	-	2.36
Hans T. Sy	661,002,569	24,160,943	2.37
Herbert T. Sy	661,472,045	4,917,477	2.31

³ Changes in the Revised Manual on Corporate Governance have been initiated by the Company, subject to the approval of the Board of Directors. One such change is the inclusion of a maximum limits for board seats based on the current practice.

Name of Director	Number of Direct shares	Number of Indirect shares	% of Capital Stock
Gregorio U. Kilayko	12,500	190,080	0
Joselito H. Sibayan	66,375	-	0
Jorge T. Mendiola	1,000	1,364,167	0
TOTAL	2,687,898,836		9.3

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

Chairman of the Board	Mr. Henry T. Sy, Jr.
sCEO/President	Mr. Hans T. Sy

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	The Chairman acts as the presiding officer of the Board of Directors.	The Chief Executive Officer is the President of the Company, who oversees its operations.
Accountabilities	<p><i>(Art. IV Sec. 2 of By-Laws, as amended on April 23, 2007 and Revised Manual on Corporate Governance)</i></p> <p>The Chairman of the Board of Directors shall have the following powers and duties:</p> <ol style="list-style-type: none"> To preside at all meetings of stockholders and directors, and ensure that such meetings are held in accordance with the Corporation's By-Laws; To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the advice and suggestions of the Board and Management; To sign all certificates, contracts, and other instruments on behalf of the Corporation, except as otherwise provided by law; To have general supervision and administration of the affairs of the Corporation; To initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the 	<p><i>(Art. IV Sec. 4 of By-Laws, as amended on April 23, 2007 and Revised Manual on Corporate Governance)</i></p> <p>The President shall have the following powers and duties:</p> <ol style="list-style-type: none"> To ensure that the administrative and operational policies of the Corporation are carried out under the direction and control of the Chairman of the Board and Chief Executive Officer; To have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers; To recommend to the Chairman of the Board and the Board of Directors specific projects for the attainment of corporate objectives and policies; To sign or cause the signatures of Certificates of Stock; To see that all orders and resolutions of the Board are carried into effect; To submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs; To report to the Board from time to time

	Chairman	Chief Executive Officer
	<p>approval of the Board of Directors;</p> <p>f. To carry out the resolutions of the Board of Directors and to represent the corporation at all functions and proceedings;</p> <p>g. To maintain qualitative and timely lines of communication and information between the Board and Management; and</p> <p>h. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</p>	<p>all matters within its knowledge which the interest of the Corporation may require to be brought to their notice;</p> <p>h. To exercise such powers and duties and perform such duties commonly incident to and vested in the President of a Corporation and which the Board or Chairman of the Board may, from time to time assign to him.</p> <p>The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s), subject always to his supervision and control.</p>
Deliverables	<p>a. With the support from all the directors in the Board, we will continue to strive to enhance shareholder value.</p> <p>b. We will continue to strengthen the SM brand and build the business on the back of very positive economic outlook of the country.</p> <p>c. Study and pursue further improvement in corporate governance structures and practices following the guidelines in the ASEAN CG scorecard.</p>	<p>a. Ensure that the goals and objectives of the Group which were agreed upon during the Annual Strategic Planning are met.</p> <p>b. Stress further on our core values of innovation, hard work, efficient cost management, integrity across all business units.</p> <p>c. Update and align our Corporate Governance Manual towards best practice.</p> <p>d. Implementation of matters approved by the Board of Directors and shareholders.</p>

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company follows an established framework in succession planning, which involves the linking of strategic goals and workforce requirements, the analysis of continuity issues and gaps in the long-term, the identification of talent pools, and the development, implementation and monitoring of succession strategies based on the considerations identified. The Board, through the Nomination Committee, is responsible for assessing the leadership needs of the company to ensure the selection of qualified leaders that are diverse and a good fit for the organization's mission and goals, and have the necessary skills for the organization. In evaluating candidates, a high level of competency, experience and stature are used as standards. Furthermore, the maturity of character and ability to effectively assimilate into the SM culture are critical.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The Company's Revised Manual on Corporate Governance states that the Board shall *install a process of selection to ensure a mix of competent directors and officers*. Said mix considers diversity in gender, field expertise and career background. Accordingly, the Company's Board is composed of directors who have significant experience in the real estate, retail and financial industry sectors. In addition, the Company has since endeavored to have at least one female independent director in its Board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Under the Company's Corporate Governance Manual, in addition to the qualifications for membership in the Board required in relevant laws, the Board may provide for additional qualifications, which may include *practical understanding of the company's business, membership in good standing in relevant industry, business or professional organizations, and previous business experience.*

In this regard, the Company's Chairman, who is a non-executive director, for instance, has significant experience in the real estate acquisitions and development activities of the SM Group, which include the identification, evaluation and negotiation for potential sites, as well as the input of design ideas.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	The Executive Director's general role is to ensure that aside from his responsibilities as a director, the day-to-day management of the company is sound and in line with the Company's objectives. He is also expected to serve as the medium between the Board and Management.	The Non-Executive Director is expected to perform all the duties and responsibilities of a director, as provided in the Revised Manual on Corporate Governance, and bring in new ideas during Board meetings.	The primary role of the Independent Director involves the exercise of independent judgment to provide balance and ensure impartial discussions during Board meetings.
Accountabilities	<p>Under the Revised Manual on Corporate Governance, it is the Board of Directors' general responsibility to:</p> <ul style="list-style-type: none"> • Install a process of selection to ensure a mix of competent directors and officers; • Determine and regularly review the Corporation's purpose, vision and mission; • In coordination with Management, determine and oversee the implementation of strategies to carry out the Corporation's objectives; • Institute a plan of succession for key Management positions in the Corporation; • Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices; • Formulate a clear policy of accurate, timely and effective communications with the Corporation's stakeholders in the community in which it operates or are directly affected by its operations; • Adopt a system of internal checks and balances; • Identify key risk areas and key performance indicators and monitor these factors with due diligence; • Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations; • Formulate and implement policies to ensure the integrity of related party transactions between and among the Corporation and its related companies, business associates, major stockholders, officers, directors and their spouses, children, dependent siblings and parents, and of interlocking director relationships; and • Establish and maintain an alternative dispute resolution system to settle conflicts between the Corporation and its stockholders or other third parties, including regulatory authorities; and • Properly discharge the above functions, among others, by meeting regularly, and ensuring that all such meetings are duly minuted. <p>The Revised Manual on Corporate Governance also provides that a director shall also:</p> <ul style="list-style-type: none"> • Conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions; • Devote time and attention necessary to properly discharge his duties and responsibilities; • Act judiciously; • Exercise independent judgment; • Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies; 		

	Executive	Non-Executive	Independent Director
	<ul style="list-style-type: none"> • Observe confidentiality; • Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and • Attend, before assumption of office and annually thereafter, a seminar on corporate governance conducted by a duly recognized private or government institute. 		
Deliverables	<ul style="list-style-type: none"> • Further strengthen and streamline the support infrastructure of the organization to be more efficient and responsive to the needs of our growing business. • Promote the corporate governance and compliance culture in the Company. • Institutionalize the risk management and corporate social responsibility programs across the Group. 	<ul style="list-style-type: none"> • Take lead in the review of the performance of Board Committees vis-à-vis their respective charters, and introduce refinements. • Pursue continuing education programs for directors. 	<ul style="list-style-type: none"> • Oversee the updating of the Corporate Governance Manual. • Meet once a year, without the Executive Directors and Senior Management. • Meet the Auditor and External Auditors. • Pursue continuing education programs for directors.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company has adopted the definition of independence from Section 38 of the Philippine Securities Regulation Code. To ensure that the term "independence" fittingly applies, the Company tailored the SRC definition to define independence as *"independence from Management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment"*. The Company adopts this definition as a requisite and one of the qualifications for its independent directors. It anchors its definition of "independence" on the commitment to a principles-based and responsible decision-making that respects and promotes the rights of shareholders, especially of the minority shareholders. Furthermore, compliance towards this commitment is assessed through the Annual Board Evaluation Process where INDEPENDENCE is a standard performance norm.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company complies with the provisions of the SEC Memorandum Circular No. 9, Series of 2011, which states that independent directors shall can serve as such for five (5) consecutive years, followed by a cooling off period of two (2) years, and then another five (5) years thereafter.⁴

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

None.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

⁴ Changes in the Revised Manual on Corporate Governance have been initiated by the Company, subject to the approval of the Board of Directors. One such change to align with leading corporate governance practice is the requirement for independent directors to have a maximum term limit of nine (9) years.

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p>The Revised Manual on Corporate Governance requires the conduct of the following process/procedures in the nomination and election of directors:</p> <ul style="list-style-type: none"> The Corporate Secretary shall set a reasonable period for the submission of nominations of candidates for election to the Board of Directors. All nominations for directors submitted in writing to the Corporate Secretary within such nomination period shall be valid. A stockholder of record, including a minority stockholder, entitled to notice of, and to vote at, the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated as a director. The Company may engage the services of professional search firms or use other external sources of candidates when searching for candidates to the Board of Directors. The Nomination Committee meets, pre-screens and checks the qualifications of, and deliberates on, all persons nominated to be elected to the Board of Directors from the pool of candidates submitted by the nominating stockholders. The Nomination Committee shall prepare a Final List of Candidates after considering the qualifications and disqualifications set forth in the previous sections. Said list shall contain all the information about these nominees. Only nominees qualified by the Nomination Committee and whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. Based on the Final List of Candidates, directors are elected by shareholders individually. The vote required for the election of directors is majority of the outstanding capital stock. The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of 	<p>Per the Company's Revised Manual on Corporate Governance each director shall possess all of the following qualifications:</p> <ul style="list-style-type: none"> Ownership of at least one (1) share of stock of the Corporation; At least twenty-one (21) years of age; At least a college graduate or have sufficient experience in managing the business to substitute for such formal education; Proven to possess integrity, probity and assiduousness; and Proven to possess the appropriate level of skill and experience in line with the strategic plans and goals of the Corporation; In addition to the qualifications required by relevant laws, additional qualifications which may be provided by the Board, such as practical understanding of the Corporation's business, previous business experience, or membership in good standing in relevant industry, business or professional organizations.
(ii) Non-Executive Directors		
(iii) Independent Directors		<p>In addition to the qualifications of directors, an individual nominated and elected as an independent director should meet the following requirements:</p> <ul style="list-style-type: none"> He must be independent of Management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment; and He is not an officer, consultant, adviser, or employee of the Company.

Procedure	Process Adopted	Criteria
	<p>shares he owns entitles him, for as many persons as there are to be elected as Directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.</p> <ul style="list-style-type: none">To preserve the integrity of the election process, the Corporation shall employ the services of an external party to validate the voting results.	
b. Re-appointment		
(i) Executive Directors	The Company applies the same process and criteria used in the selection/appointment of Executive Directors, Non-Executive Directors and Independent Directors, respectively, for their re-appointment.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	The Nomination Committee assesses and evaluates all members of the Board of Directors based on the disqualification criteria set out in the Company's Revised Manual on Corporate Governance and other relevant laws.	The grounds for permanent disqualification are as follows: <ul style="list-style-type: none">a) Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;b) Any person finally found by the Securities Exchange Commission (the "Commission") or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;c) Any person judicially declared to be insolvent;d) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violates or misconduct listed in the foregoing paragraphs; ande) Conviction by final judgment of an offense
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p>punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p> <p>f) No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:</p> <p>i. If he is the owner (either of record or as beneficial owner) of 5% or more of any outstanding class of share of, any corporation (other than one in which the Corporation owns at least 20% of the capital stock) which is engaged in a business directly competitive to that of the Corporation or any of its subsidiaries or affiliates;</p> <p>ii. If he is an officer, manager, or controlling person of, or the owner or any member of his immediate family is the owner (either of record or as beneficial owner) of 5% or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least 20% of the capital stock) which is an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative, or judicial) by or against the Corporation, which has been actually filed or threatened, imminent or probably, to be filed;</p> <p>iii. If he is determined by the Board, in the exercise of its judgment in good faith, to be the nominee, officer, trustee, adviser, or legal counsel, of any individual set forth in (i) or (ii) hereof.</p>
d. Temporary Disqualification		
(i) Executive Directors	<p>The Nomination Committee assesses and evaluates all members of the Board of Directors based on the disqualification criteria set out in the Revised Manual on Corporate Governance.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>The grounds for temporary disqualification are as follows:</p> <p>a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing rules and regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>b) Absence or non-participation for whatever reason/s for more than 50% of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during his</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p>incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. This disqualification applies for purposes of the succeeding election;</p> <p>c) Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; and</p> <p>d) Conviction that has not yet become final referred to in the grounds for disqualification of directors.</p>
e. Removal		
(i) Executive Directors	The Company applies the same process and criteria used in the permanent disqualification of Executive Directors, Non-Executive Directors and Independent Directors, respectively, for their removal.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The Company applies the same process and criteria used in the selection/appointment of Executive Directors, Non-Executive Directors and Independent Directors, respectively, for their re-instatement.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The Company applies the same process and criteria used in the temporary disqualification of Executive Directors, Non-Executive Directors and Independent Directors, respectively, for their suspension.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Henry Sy Jr.	100%
Henry Sy Jr.	100%
Jose L. Cuisia, Jr.	100%
Gregorio U. Kilayko	100%
Jorge T. Mendiola	100%
Herbert T. Sy	100%
Hans T. Sy	100%
Joselito H. Sibayan	100%

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

Under the Company's Revised Corporate Governance Manual, *"each elected director shall, before assumption of office and annually thereafter, be required to attend a seminar on corporate governance conducted by a duly recognized private or government institute."* The Manual also mandates the conduct of an orientation program for new directors, which focuses on the contributions that a director is expected to make, the roles and responsibilities of the Board and its committees, an overview of the Company's business, including its history, growth, direction, business units, core values of its founder, Mr. Henry Sy, Sr., and its Corporate Governance Framework, as well as other matters that will assist them in discharging their duties.

- (b) State any in-house training and external courses attended by Directors and Senior Management⁵ for the past three (3) years:

In 2014, the company's directors and senior management attended seminars on corporate governance conducted by the Institute of Corporate Directors and Sycip, Gorres, Velayo & Co. Details are in the next item.

In 2011 and 2012, directors underwent accredited in-house training and orientation programs in compliance with the Company's Revised Manual on Corporate Governance.

Furthermore, in the past three (3) years, the Company has provided its Directors and Senior Management with orientations on the following:

- Impact of New Tax Legislation (regularly conducted by SGV)
- ASEAN Corporate Governance Scorecard (conducted by the Company's Corporate Governance Department)
- Basic Corporate Governance for Officers, Executives and Middle Management (conducted by the Company's Corporate Governance Department)
- Basic Corporate Governance for New Employees (conducted by the Company's Corporate Governance Department)

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Henry T. Sy, Jr.	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Hans T. Sy	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Gregorio U. Kilayko	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Joselito H. Sibayan	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Jorge T. Mendiola	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Jeffrey C. Lim	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
John Nai Peng C. Ong	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Teresa Cecilia H. Reyes-Agsalud	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Davee M. Zuniga	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Anna Maria S. Garcia	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Jose Mari M. Banzon	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Shirley C. Ong	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Dave L. Rafael	February 24, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors

⁵ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Herbert T. Sy	January 8, 2014	Exclusive Corporate Governance Training	Institute of Corporate Directors
Jose L. Cuisia, Jr.	July 28, 2014	Corporate Governance Seminar	Sycip, Gorres, Velayo & Co.

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	All directors and employees are prohibited from engaging in transactions that result in conflicts of interest and are mandated to promptly disclose actual or perceived conflicts of interest, such as acceptance of gifts and loans from the Company or its suppliers. Conflicted directors are required to inhibit themselves from participating in board meetings and are specifically identified in the Company's Definitive Information Statement submitted to the SEC.		
(b) Conduct of Business and Fair Dealings	As mandated by the Code of Ethics, whether in selection of the countries and markets where the Company operates, hiring and promotion of employees, selection of suppliers and contractors, the company decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender. All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behavior extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment.		
(c) Receipt of gifts from third parties	SMPH prohibits the solicitation or acceptance of gifts in any form from any business partner. However, a director, officer or employee may accept corporate giveaways, tokens or promotional items, provided that the gift is voluntarily given and is of nominal value.		
(d) Compliance with Laws & Regulations	The Code of Ethics mandates that SMPH business dealings shall be compliant with all applicable laws in the countries, districts, and communities in which its companies operate.		
(e) Respect for Trade Secrets/Use of Non-public Information	Employees and officers are expected to safeguard Company information relating to SMPH. Financial reports, strategies, and plans shall not be disclosed unless authorized by the Company or required by law. Information regarding individuals working for the Company shall also be treated as private information and shall not be divulged to other parties except when required by legal processes or with the consent of the employee.		
(f) Use of Company Funds, Assets and Information			
(g) Employment & Labor Laws & Policies	Under the Company's Code of Ethics, all employees are selected, engaged and compensated based on qualification, merit and performance and are treated fairly and accorded respect and dignity. The Company adheres to all labor laws and policies and fosters its employee welfare program.		
(h) Disciplinary action	Directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code of Ethics to preserve the goodwill and reputation of the Company. The Human Resources Departments is responsible for monitoring compliance with the Code of Ethics. Appropriate disciplinary actions against violators are instituted by Management.		
(i) Whistle Blower	The Company's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any of the Company's directors, officers or employees may accomplish an Incident Report on		

Business Conduct & Ethics	Directors	Senior Management	Employees
(j) Conflict Resolution	suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. A compilation of concluded reports is periodically presented to the Audit and Risk Management Committee.		

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

On a continuing basis, the Code of Ethics is cascaded through the Human Resources Department's New Hires Orientation Program. The program gives employees an overview of the Company's Corporate Governance Framework, policies, and various components. It also covers the importance of ethics in the business, informs employees of their rights and obligations, as well as the principles and best practices in the promotion of good work ethics. In addition, copies of the Code of Ethics and Code of Conduct are also made available to all employees via an internal portal for easy access and reference.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company has established the Policy on Accountability, Integrity and Vigilance, which provides for the process and safeguards of elevating concerns to Management on suspected and actual violations of the Code of Ethics, other Company policies, or prevalent laws and regulations.

Under the policy, any director, officer or employee of SM Prime may accomplish an Incident Report on suspected or actual violations of the Code of Ethics or any other applicable law or regulation. Upon receipt of the Incident Report, Management is tasked to conduct an investigation on its merit, subject to due process, and institute applicable penalties and sanctions thereafter. A compilation of concluded investigations is reported to the Audit and Risk Management Committee.

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Full disclosure of the details, nature, extent, and all other material information on transactions with related parties shall be observed in the Company's financial statements, and in its quarterly and annual reports to the SEC and the Philippine Stock Exchange (PSE).
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	SMPH Management shall present the details of transactions entered into by the Company with related parties to the Audit and Risk Management Committee for review. This is to ensure that the Company conducts all related-party transactions on an arms' length basis.
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

- (b) Conflict of Interest

- (i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

There are no actual or perceived conflicts of interest which involve directors, officers, or shareholders holding 5% or more of outstanding common shares.

Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<ul style="list-style-type: none"> • Mandatory disclosure of conflicts of interest
Group	<ul style="list-style-type: none"> • Required disclosure of existing relationships during hiring • Inhibiting oneself from the processing and approval of the transactions when conflicted. For directors, abstaining from participating in discussions on a particular agenda when conflicted. • Enforcement of the Policy on Accountability, Integrity and Vigilance (Whistleblower Policy) and Code of Ethics

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁶ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None.		

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None.		

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

No shareholder agreements that may impact on the control, ownership, and strategic direction of the company were noted in year 2014.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	As provided in the Revised Manual on Corporate Governance, it is the responsibility of the Board of Directors to establish an alternate dispute resolution system to settle conflicts between the Corporation and its stockholders or other third parties, including regulatory authorities.
Corporation & Third Parties	
Corporation & Regulatory Authorities	<p>As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.</p> <p>Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties,</p>

⁶ Family relationship up to the fourth civil degree either by consanguinity or affinity.

	<p>and the policy that the decision-making authority in the process rests with the parties.</p> <p>There were no conflicts between the corporation and its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.</p>
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C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes, regular meetings of the Board of Directors are held at least once every quarter of the year on such dates and at such times and places as the Chairman of the Board, or in his absence, the President, shall designate or upon the request of a majority of the directors.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman Emeritus	Henry Sy Sr.	15 April 2014	6	6	100
Chairman	Henry T. Sy, Jr.	15 April 2014	6	6	100
Independent	Jose L. Cuisia Jr.	15 April 2014	6	6	100
Independent	Gregorio U. Kilayko	15 April 2014	6	6	100
Independent	Joselito H. Sibayan	15 April 2014	6	6	100
Member	Hans T. Sy	15 April 2014	6	6	100
Member	Herbert T. Sy	15 April 2014	6	6	100
Member	Jorge T. Mendiola	15 April 2014	6	6	100

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes. Non-executive directors meet at least once annually, without the presence of executive directors.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The Company's By-Laws state that a majority of number of directors specified in the Articles of Incorporation shall constitute a quorum for the transaction of business at any meeting, and the act of the directors at any meeting where there is a quorum shall be valid as a corporate act, except for the election of officers.⁷ In practice, the quorum requirement is more than two-third vote.

- 5) Access to Information

- (a) How many days in advance are board papers⁸ for board of directors meetings provided to the board?

Board papers and other relevant information are provided to the Board at least seven (7) calendar days before regular/special board meetings.

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes. Under the Company's Manual on Corporate Governance, to enable the Board to properly fulfill their duties and responsibilities, management should provide directors with complete and timely information about the matter in the agenda of the meetings. *Directors should be given independent access to Management and the Corporate Secretary, as well as to independent professional advice.*

⁷ The Company is currently studying this provision of its By-Laws and is considering changing the requirement to two-thirds of the number of directors specified in its Articles.

⁸ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

Under the Company's Manual on Corporate Governance, the Corporate Secretary is an officer of the Company whose duties and responsibilities are as follows:

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record of the same.
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Company's Corporate Secretary is a legal professional, in the person of Atty. Elmer Serrano. Under the Company's Revised Manual on Corporate Governance, the Corporate Secretary must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills and knowledge of the working operations of the Company.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒

No ☐

Committee	Details of the procedures
Executive	Board papers and other relevant information are provided to the Board at least seven (7) calendar days before regular/special board committee meetings. Committee members may refer to the Corporate Secretary, Human Resources Department, Corporate Governance Department or any other relevant business unit for information pertaining to their duties, should the need arise. Should the Committee members need information or assistance from external advisors or consultants, they may request for such through the Corporate Secretary or Management.
Audit	Board papers and other relevant information are provided to the Board at least seven (7) calendar days before regular/special board committee meetings. Audit and Risk Management Committee members may refer to the Company's Internal Auditor, External Auditor, Corporate Secretary or any other business unit for information pertaining to their duties, should the need arise. Should the Committee members need information or assistance from external advisors or consultants, they may request for such through the Corporate Secretary or Internal Auditor.
Nomination	Board papers and other relevant information are provided to the Board at least seven (7) calendar days before regular/special board committee meetings. Committee members may refer to the Corporate Secretary, Human Resources Department, Corporate Governance Department or any other relevant business unit for information pertaining to their duties, should the need arise. Should the Committee members need information or assistance from external advisors or consultants, they may request for such through the Corporate Secretary or Management.
Remuneration	
Others (specify)	Not applicable.

- 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<p>The Board of Directors and each Board Committee may engage the services of consultants to assist them in the performance of their duties and responsibility. For instance, the Audit and Risk Management Committee Charter provides that the Committee may hire a consultant for a more independent assessment of the Company's risk management infrastructure and a review of the practices of the different business units.</p> <p>Moreover, during the conduct of the Annual Board Evaluation, directors are asked to identify areas for improvement, such as training/continuing education programs or any other forms of assistance that they may need in the performance of their duties. The evaluation forms also include items on support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to Management, the Corporate Secretary and <i>Board Advisors</i>. The Board then reviews and evaluates the results of the evaluation, discussing possible changes that will enhance the performance of the individual directors, the support services given and the Board as a collective body. Requests for Board advisors are studied.</p>	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Manual on Corporate Governance	<ul style="list-style-type: none"> Revision in the scope of Board duties and responsibilities to include other stakeholders, i.e., employees, suppliers, the government, etc. Added sections for responsibilities of the Chairman of the Board, the Executive Committee, Management and the President Updated requirements for composition of the Board and its committees 	To align with leading corporate governance practices

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Performance-based	Performance-based
(2) Variable remuneration	Not applicable	Not applicable
(3) Per diem allowance	Php 10,000 per Board meeting or Board Committee meeting attended	Not applicable
(4) Bonus	Performance-based	Performance-based
(5) Stock Options and other financial instruments	Not applicable	Not applicable
(6) Others (specify)	Not applicable	Not applicable

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Compensation Committee determines the amount of remuneration which shall be in a level sufficient to	Executive compensation is composed of salaries, bonuses and, plus fixed per diem for every board meeting attended.	Benchmarks such as industry peer group, compensation studies, and level of responsibilities are used

Non-Executive Directors	attract directors, executives and other key senior personnel needed to run the Company successfully.	Fixed per diem for every board meeting attended and allowances commensurate to the responsibilities given.	as basis.
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
<p>Yes. The Company complies with Sec. 30 of the Corporation Code of the Philippines, which states that compensation other than per diems may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock.</p> <p>Aside from per diems, no other forms of compensation are given to the Company's directors with respect to the services they render as directors.</p> <p>During the Annual Stockholders' Meeting, the stockholders ratify all acts of the Board and Management, including those pertaining to Board remuneration.</p>	15 April 2014
	16 April 2013
	24 April 2012

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors						
(a) Fixed Remuneration	Total remuneration and bonus paid to Executive Director and four most highly compensated executive officers: <table><tr><td>Year</td><td>Salary</td><td>Bonus</td></tr><tr><td>2014</td><td>P84,000,000</td><td>P14,000,000</td></tr></table>			Year	Salary	Bonus	2014	P84,000,000	P14,000,000
Year				Salary	Bonus				
2014				P84,000,000	P14,000,000				
(b) Variable Remuneration									
(c) Per diem Allowance									
(d) Bonuses	The total per diem allowance paid to directors in 2014 amounted to P920,000.								
(e) Stock Options and/or other financial instruments									
(f) Others (Specify)	There are no stock options and/or other financial instruments given to directors.								
Total									

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	<p>There are no advances, credit and car plan granted to directors. The directors (except independent directors) are covered with the company's pension, life insurance and hospitalization plans.</p>		
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

The company does not grant stock rights, options or warrants over the company's shares.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None.				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

There was no incentive program that was amended or discontinued.

Incentive Program	Amendments	Date of Stockholders' Approval
None.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
The total remuneration of top five members of management for 2014 is Php 98,000,000.00.	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3 ⁹	2 ⁵	0	Yes	<ul style="list-style-type: none">Assists the Board in overseeing the implementation of strategies;Reviews major issues facing the organization;Monitors the operating activities of each business group;Defines and monitors the Company's performance improvement goals;Defines group-wide policies and actions and overseeing their implementation;Fosters the sharing of information in all areas of the business group.		
Audit and Risk Management	0	3 ⁵	3	Yes	<ul style="list-style-type: none">Checks all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.Performs oversight financial statement functions, specifically in areas of managing credit, market, liquidity, operational, legal and		

⁹ Includes non-directors.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					other risks of the Corporation, and crisis management. <ul style="list-style-type: none">• Pre-approves all audit plans, scope and frequency one (1) month before the conduct of external audit.• Performs direct interface functions with the internal and external auditors.• Elevates to international standards, the accounting and auditing processes, practices and methodologies.• Develops a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization.		
Nomination	0	1	3	Yes	<ul style="list-style-type: none">• Pre-screens and shortlists all candidates nominated to become a member of the Board as well as those nominated to positions that require Board approval under the Corporation's By-Laws.• In consultation with the appropriate executive or management committee/s, redefines the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.• Determines the number of directorships which a member of the Board may hold, in accordance with the guidelines provided under this Manual and all relevant rules and regulations.• Facilitates the annual performance evaluation of the Board, Board Committees and the individual Directors.•		
Compensation and Remuneration	1	0	2	Yes	<ul style="list-style-type: none">• Establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.• Designates the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully.• Reviews existing policies pertaining to conflict of interest, salaries and benefits, promotion and career advancement, and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.		

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Henry T. Sy, Jr.	April 15, 2014	17	17	100%	8 mos
Member (ED)	Hans T. Sy	April 15, 2014	17	17	100%	8 mos
Member	Elizabeth T. Sy	April 15, 2014	17	17	100%	8 mos
Member	Jeffrey C. Lim	April 15, 2014	17	17	100%	8 mos
Member	John Nai Peng C. Ong	April 15, 2014	17	17	100%	8 mos

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jose L. Cuisia, Jr.	April 15, 2014	5	5	100%	12 yrs
Member (ID)	Gregorio U. Kilayko	April 15, 2014	5	5	100%	6 yrs
Member (ID)	Joselito H. Sibayan	April 15, 2014	5	5	100%	3 yrs
Member (NED)	Jorge T. Mendiola	April 15, 2014	5	5	100%	2 yrs
Member	Jose T. Sio	April 15, 2014	5	5	100%	10 yrs
Member	Serafin U. Salvador	April 15, 2014	5	5	100%	10 yrs
Member	Corazon I. Morando	April 15, 2014	5	5	100%	6 yrs

Disclose the profile or qualifications of the Audit Committee members.

Mr. Jose L. Cuisia, Jr. (Chairman, Independent Director) - Mr. Cuisia has served as Vice Chairman of the Board of Directors of SM Prime since 1994. In 2011, he took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America. He was the former President and Chief Executive Officer of the Philippine American Life and General Insurance Company (Philamlife) and is currently the Vice-Chairman of Philamlife since August 2009. He also served as Governor of Bangko Sentral ng Pilipinas from 1990 to 1993 and Administrator of the Social Security System from 1986 to 1990. He graduated with a Bachelor's Degree in Commerce from De La Salle University and took his MBA at the prestigious Wharton School of the University of Pennsylvania. In May 2011, he was awarded the "Joseph Wharton Award for Lifetime Achievement" by the prestigious Wharton School of the University of Pennsylvania for an outstanding career in banking and social security system.

Mr. Gregorio U. Kilayko (Member, Independent Director) - Mr. Kilayko is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Barings' stockbrokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. He also served as a director of the demutualized Philippine Stock Exchange in 2003. He took his MBA at the Wharton School of the University of Pennsylvania. He was elected as an Independent Director in 2008.

Mr. Joselito H. Sibayan (Member, Independent Director) - Mr. Sibayan has spent the past 28 years of his career in investment banking. From 1987 to 1994, and after taking his Master of Business Administration (MBA) from the University of California in Los Angeles, he served as Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operation. He then moved to London in 1995 to run Natwest Market's International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB's Manila representative office in 1998, and later oversaw the transition of the office to branch status. He was elected as an Independent Director of SM Prime in 2011.

Mr. Jorge T. Mendiola (Member, Non-Executive Director) - Mr. Mendiola was elected as a Director in December 2012. He is currently the President of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011. He is also the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master in Business Management from the Asian Institute of Management and has an A.B. Economics degree from Ateneo de

Manila University.

Mr. Jose T. Sio (Member) – Mr. Sio is the Executive Vice President and Chief Finance Officer of SM Investments Corporation. He is a Director of China Banking Corporation, Belle Corporation, SM Keppel Land, Inc., Manila North Tollways Corporation, and Atlas Consolidated Mining and Development Corporation, as well as other companies within the SM Group. He is also Adviser to the Board of Directors of BDO Unibank, Inc. and SM Development Corporation. He holds a Master's Degree in Business Administration from New York University, is a certified public accountant and was formerly a senior partner at Sycip Gorres Velayo & Co. (a member practice of Ernst & Young).

Atty. Serafin U. Salvador (Member) – Atty. Salvador graduated with a Bachelor of Law Degree from the University of the Philippines in 1968. He attended the Graduate Tax Program at the Graduate School of Law of the New York University, and completed his Master's Degree in Business Administration at the Ateneo de Manila University. He likewise attended the TOP Management Program at the Asian Institute of Management and the Managing Multinational Enterprises Program at the INSEAD, Fontainebleau, France. He was the previous Head of the Tax Division and a Tax Principal of Sycip Gorres Velayo & Co., where he stayed for 30 years. He is also a professor of Taxation in the colleges of Law of the University of the Philippines and the Ateneo de Manila University.

Atty. Corazon I. Morando (Member) – Atty. Morando was the former Senior Vice President for Legal and Corporate Affairs, Compliance Officer and Assistant Corporate Secretary of the Company and SM Investments Corporation, as well as the Compliance Officer of SM Development Corporation. She holds a Bachelor of Law Degree from the University of the Philippines and took up graduate studies under the MBA – Senior Executive Program of the Ateneo de Manila University. She was formerly the Director of the Corporate and Legal Department of the Securities and Exchange Commission in the Philippines.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit and Risk Management Committee recommends to the Board of Directors the appointment, re-appointment or removal of the external auditor and the fixing of the audit fees. The Board and the stockholders approve the Audit and Risk Management Committee's recommendation.

Under the Charter of the Audit and Risk Management Committee, part of the Committee's authority is to pre-approve all auditing and non-audit services, as well as to resolve any disagreements between management and the external auditors regarding financial reporting. The Committee reviews the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. The Revised Manual on Corporate Governance provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of external auditors. The Committee also reviews the independence of the external auditors and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Joselito H. Sibayan	Nov 3, 2014	2	1	50	2 mos.
Member (NED)	Herbert T. Sy	April 15, 2014	2	2	100	9 yrs
Member (ID)	Jose L. Cuisia, Jr.	April 15, 2014	2	2	100	12 yrs
Member (ID)	Gregorio U. Kilayko	April 15, 2014	2	2	100	12 yrs

(d) Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Gregorio U. Kilayko	April 15, 2014	2	2	100	6 yrs
Member (ED)	Hans T. Sy	April 15, 2014	2	2	100	12 yrs
Member (ID)	Joselito H. Sibayan	April 15, 2014	2	2	100	3 yrs

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

None. Not applicable.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Henry T. Sy, Jr.	Creation of committee.
	Hans T. Sy	Creation of committee.
	Elizabeth T. Sy	Creation of committee.
	Jeffrey C. Lim	Creation of committee.
	John Nai Peng C. Ong	Creation of committee.
Audit	None.	
Nomination	Joselito H. Sibayan	Nominated as Chairman.
Remuneration	Gregorio U. Kilayko	Nominated as Chairman.
Others (specify)	Not applicable.	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<ul style="list-style-type: none">Reviewed the operating performance and financial results of each business unit within SM Prime.Reviewed and approved business development plans, land acquisitions and project development strategies.Reviewed the group's budget.Reviewed the roadmap of each business unit within SM Prime vis-à-vis corporate strategies.	Implementation of the strategic and long-term goals of the Company
Audit and Risk Management	<ul style="list-style-type: none">Reviewed and approved the following with regard to the Independent Auditor and the Internal Auditor:<ul style="list-style-type: none">Their respective audit plans, scope, risk-based methods and timetables;The results of their examinations and Management's action plans to address pending audit issues; andTheir assessment of internal controls, including controls over financial reporting;Reviewed the report of SGV & Co. on significant accounting issues, changes in accounting principles and relevant pending tax legislations, which could impact SM Prime;Reviewed and approved the results of all audit services provided by SGV & Co. and related audit fees;Reviewed and ensured that the Company's related party transactions were conducted at arm's length basis;Reviewed the internal control system of the Company based on the assessments completed and reported by internal and external auditors and found that the system is adequate and effective;Discussed the results of the enterprise-wide risk assessment and Management's action plans to address identified risks;Discussed with the Independent Auditor matters required to be discussed by prevailing applicable Auditing Standards, such as the auditor's independence;Reviewed the financial statements of SM Prime Holdings,	Reported audit findings, identified significant risks and related party transactions

	<p>Inc. for the first quarter ended March 31, 2014, second quarter ended June 30, 2014, and third quarter ended September 30, 2014;</p> <ul style="list-style-type: none"> Recommended for Board approval the audited financial statements of SM Prime Holdings, Inc. for the year ended December 31, 2014; Reviewed and discussed the performance, independence and qualifications of the Independent Auditor in the conduct of its audit of the financial statements of SM Prime Holdings, Inc. for the year 2014. 	
Nomination	<ul style="list-style-type: none"> Screened candidates nominated to the Board of Directors who shall hold office for 2014-2015 based on the qualifications and disqualifications provided in the Revised Manual on Corporate Governance and in light of the strategic directions of the Company; Facilitated the conduct of the annual performance evaluation of individual directors, Board committees, the Board as a whole and the President of the Company. Made changes in its Charter to align with leading corporate governance practices, i.e., requirement to facilitate annual Board evaluation, requirement for a majority of independent directors in the Committee and an independent director as the Committee Chairman, etc. Restructured the Committee based on the provisions of the new Charter. 	Adherence to leading corporate governance practices.
Compensation	<ul style="list-style-type: none"> Reviewed the Board compensation structure based on its alignment with the Company's culture, strategy and control environment; Made changes in its Charter to align with leading corporate governance practices, i.e., requirement to regularly review existing policies on compensation, requirement for a majority of independent directors in the Committee and an independent director as the Committee Chairman, etc. Restructured the Committee based on the provisions of the new Charter. 	Adherence to leading corporate governance practices.
Others (specify)	None. Not applicable.	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Improvements in Project Monitoring	Risks relating to project delivery
Audit and Risk Management	<ul style="list-style-type: none"> Business Continuity Management Reputational Risk Management Insurance Management Quality Assurance of Internal Audit Department 	<ul style="list-style-type: none"> Business interruption risks Risks that would have an adverse effect on the Company's image Adequacy of insurance coverage and dependability of insurers/ reinsurers Continuous quality improvement of Internal Audit Department
Nomination	<ul style="list-style-type: none"> Enhancements in the process of searching for and screening candidates to the Board of Directors, particularly the use of external search firms and/or databases. Succession planning for key management positions 	<ul style="list-style-type: none"> Efficiency and effectiveness in the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and appoint competent, professional, honest and highly-motivated management officers Risks associated with unforeseen movements in key management positions
Remuneration	Review of the Executive Compensation Policy	<ul style="list-style-type: none"> Risks associated with the sufficiency of the level of compensation given to directors and

	<ul style="list-style-type: none"> Enhancements in the process of reviewing changes in the amount of compensation of directors and officers, particularly the effect of such changes with respect to the results of performance evaluations 	officers, so that they are equitable and appropriately corresponds to the respective assigned duties and responsibilities, current business environment and performance results of the Company
Others (specify)	None. Not applicable.	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

SMPHI is committed to protect and preserve its ability to achieve its vision and mission by ensuring that its assets, both tangible and intangible, are protected against damage and loss. As such, it has implemented a program of risk management through the identification, analysis and control of risks, which can most impact on the Company's ability to pursue its approved strategy.

SMPHI recognizes that risk taking is a necessary part of conducting business. In the context of realizing SMPHI's strategic growth objectives, failure is an accepted part of risk taking, as long as risks have been properly assessed and managed.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors, through the Audit and Risk Management Committee, reviewed the Company's risk management system and found the same to be effective and adequate.

(c) Period covered by the review;

Year 2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management system is reviewed on an annual basis. Effectiveness of the system is evaluated based on number of risks identified, risks mitigated and risks monitored.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

SM Prime is covered by SM Group's Risk Management Policy set out in the next section.

Risk Exposure	Risk Management Policy	Objective
Safety and Security Risk	SM Prime shall prioritize safety and security in all its properties.	To protect the health, safety and welfare of its employees and the people it serves.
Property Damage and Business Disruption Risks	SM Prime shall ensure the disaster resiliency of its assets.	To protect its property, assets and other resources.

Risk Exposure	Risk Management Policy	Objective
Information Security Risks	SM Prime shall ensure the confidentiality, integrity and availability of its information systems and infrastructure.	To protect its property, assets and other resources.
Process Risks	SM Prime will seek to reduce or control risks that affect the quality of service delivery or delivery of its priorities.	To maintain the quality of its services, which affect its reputation and good standing in the wider community.
Financial Risks	SM Prime will seek to reduce or controls risks that would have significant financial consequences or affect shareholder confidence.	To protect its ability and capability to deliver sustainable growth and increase shareholder value.
Regulatory Compliance Risk	SM Prime shall comply with all applicable laws in the countries, districts, and communities in which it operates.	To comply with applicable laws, rules and regulations.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<p>The following mother risk management policy applies to all the subsidiaries of the Group:</p> <p>(i) Establish a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving goals and objectives.</p> <p>(ii) To protect and preserve:</p> <ul style="list-style-type: none"> • our employees' and clients' safety and welfare • the value and condition of properties and assets • our local and global reputation <p>(iii) To align risk appetite and strategy.</p> <p>The Enterprise Risk Management Committee (ERM) has been set up to execute the risk mitigation strategies and programs that have been approved at the Audit and Risk Management Committee of the Board. The ERM has been established in each of the subsidiaries including the holding company. The Risk Management Department at the holding company coordinates the launch and roll-out program of the ERM and in standardizing the program across companies.</p>		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>Listed are the generally accepted risk to minority shareholders of family-owned corporations in the Philippines:</p> <ul style="list-style-type: none"> • Majority shareholders may dominate major Company decisions • Lack of transparency on the actions and decisions of majority shareholders • Abusive and inequitable conduct on the part of majority shareholders • Rights of minority shareholders may not be upheld and protected <p>The Company adopts certain measures that ensure that the aforementioned risks are mitigated, such as cumulative voting.</p>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Safety and Security	Annual audit by third parties (one for safety and another for security)	The Customer Relations Service Department is responsible for maintaining the safety and security of all SM Malls through implementation of access control system. Department personnel are also trained to respond to safety and security incidents.
Property Damage and Business Disruption	Annual review of insurance claims, business impact assessment	Disaster-resilient buildings, data back-up procedures, implementation of redundancy/reserves for critical resources
Information Security	Vulnerability assessment and penetration testing, incident monitoring	The Information Security Department monitors compliance with Information Security Policy and incidents of information security breaches.
Process Risks	Business process reviews	The Business Process Management Department reviews existing processes and initiates the creation of tools that enhance efficiency.
Financial Risks	Regular monitoring of interest and forex rates, financial ratios and aging of accounts receivables.	Interest rate risks: Use of both fixed and floating rate debts; interest rate swaps; NDFs, refinancing or prepayment of high-interest loans Foreign currency risk: Cross-currency swaps; foreign currency call options Credit Risk: Tenant Screening, AR Management (collection agency) Capital Management Risk: Maintain approved debt to equity ratio.
Regulatory Compliance Risk	Compliance monitoring and reporting	Operations Planning and Control is responsible for monitoring compliance with mall permits and licenses, and environmental regulations.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
The holding company provides down-line policy support and coordination to the subsidiaries and affiliates with regard to Corporate Governance, Risk Management, Finance, Internal Audit, Investor Relations, Human Resources, Compliance, Legal matters in the previous item.		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Risk Management Committee	The following functionally reports to the ARMC: <ul style="list-style-type: none"> Chief Audit Executive Chief Risk Officer Compliance Officer 	The Committee directly interfaces with the internal and external auditors in the conduct of 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

Committee/Unit	Control Mechanism	Details of its Functions
	<ul style="list-style-type: none"> Head of Corporate Governance and Risk Management 	control systems, its audit plans, auditing processes, related party transactions, and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks.
Executive Committee	Has all the power and authority of the Board in the governance, management and direction of the business and affairs of the Company.	The Committee provides oversight in the assessment of impact of risks on the strategic and long-term goals of the Company.
Management Committee	Has overall management control over departments and instrumentalities of the Company.	The Committee ensures the achievement of goals and strategies set by the Board.
PAIV Committee	A management committee that handles whistleblower cases.	Upon receipt of an Incident Report, the Committee conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. A compilation of concluded reports is periodically presented to the Audit and Risk Management Committee.
Enterprise Risk Management Committee	Composed of all the Risk Owners (Department Heads) and chaired by the Chief Risk Officer.	Updates the Risk Registers and monitors execution of action plans to mitigate exposures.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The internal control system of the company is defined as the set of processes implemented by the Board of Directors, Management and all employees to provide reasonable assurance that the company's objectives will be achieved.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors, through the Audit and Risk Management Committee, has reviewed the internal control system of the Company based upon the assessments completed and reported by the internal and external auditors. The Board found the internal control system to be effective.

(c) Period covered by the review;

Year 2014

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed on annual basis for high risk processes of key business units based on the Internal Audit Plan submitted by the Chief Audit Executive to senior management and the Board for review and approval. The Board, through the Audit and Risk Management Committee, relies upon the assurances provided by the Internal Audit Department, through the latter's conduct of audit engagements to evaluate, among other things, the following:

- Reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Design of established systems to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on the organization;

- The means of safeguarding assets, and as appropriate, verifying the existence of such assets;
- Effectiveness and efficiency with which resources are employed; and
- Operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable, reviews of priority high risk areas were carried out in 2014.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Independent Reviewer	Internal Controls, Risk Management, Governance	In-house	Davee M. Zuniga	Quarterly reporting of significant observations to the Audit and Risk Management Committee

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, as stated in the Internal Audit Charter.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Chief Audit Executive, representative of the Internal Audit Department, reports functionally to the Board through the Audit and Risk Management Committee.

The Internal Audit Charter provides the Internal Audit Department direct and unfettered access to the board and audit committee and to all records, properties and personnel.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Rinajoen Coronado	Another job
Raquel Mandocdoc	Another job
John Bann Palomares	Another job
Stephanie Molo	Another job
Marianne Baloalao	Inter-company transfer
Vera Jane Cuevas	Another job

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	100% completion of 2014 Audit Plan
Issues¹⁰	- Non-compliance with internal policies and procedures

¹⁰ "Issues" are compliance matters that arise from adopting different interpretations.

	<ul style="list-style-type: none"> - System security issues - Process and/or system design issues
Findings¹¹	<ul style="list-style-type: none"> - Unbilled and/or uncollected rental fees
Examination Trends	All noted issues and findings are discussed with concerned Management for appropriate action. Internal Audit monitors implementation of committed action plans.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit -Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Guidelines on Planning an Engagement	Implemented
Guidelines on Compliance Audit Planning for Mall-Wide Sale	Implemented
Policies and Guidelines on Sampling Selection	Implemented
Policies and Guidelines on Communicating Engagement Results	Implemented

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Dual reporting line of Internal Audit Department – functional reporting to the Board through Audit and Risk Management Committee and administrative reporting to Management	Conflict of Interest Policy	Conflict of Interest Policy	Not applicable.
Duly approved Audit Committee Charter and Internal Audit Charter			
Conflict of Interest Policy			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Henry T. Sy, Jr – Chairman of the Board of Directors
Hans T. Sy – President

¹¹ "Findings" are those with concrete basis under the company's policies and rules.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<p>Code of Ethics: SMPH recognizes that the core of its business is its customers, and values customer satisfaction and loyalty. Thus, all directors, officers and employees shall be guided by fairness, professionalism, courtesy and respect when dealing with customers, and shall endeavor to provide excellent and diligent service at all times. No false or misleading information shall be provided to customers.</p> <p>Likewise, SMPH is committed to protect the safety and security of its customers. Accordingly, the Company shall undertake to keep its premises well-secured, and continuously implement ways to eliminate hazards that would pose threats to the safety of its customers.</p>	<p>The Company engages in various activities which focus on the different segments of its customer-base – youth, women and breastfeeding mothers, the elderly, Overseas Filipino Workers and their families, and persons with disability.</p>
Supplier/contractor selection practice	<p>Code of Ethics: The Company adheres to the principles of healthy competition, equal opportunity and fair treatment of business partners. As such, selection of suppliers follows an open, competitive and non-discriminatory process. SM Prime implements a vendor enrolment process that screens qualifications of vendors/suppliers the Company will deal with. Such qualifications include legality of entity or business, adequacy of financial strength, compliance with SM Prime policies such as conflict of interest disclosure requirements and ethical standards, and support to SM Prime's environmental missions, health and safety culture.</p>	<p>Securing proposal from at least three (3) reputable contractors/service providers and selecting best offer consistent with identified business solution.</p>
Environmentally friendly value-chain	<p>Code of Ethics: The Company is committed to the protection of the environment and shall comply with all applicable environmental laws and regulations.</p>	<ul style="list-style-type: none"> - Construction and renovation of malls with core focus on efficiency and sustainable design. - Audit of resource consumption pattern and pursuing highest attainable levels of resource efficiency. - Solid waste management.
Community interaction	<p>Code of Ethics: The Company shall initiate and participate in charitable causes and community organizations to improve the quality of life of the community where it operates, through education, health care and livelihood programs.</p>	<ul style="list-style-type: none"> - Granting of college scholarships - Donating school buildings - Conducting medical missions - Refurbishing rundown public health centers - Kabalikat sa Kabuhayan Program which provides farmers training on effective ways of producing high yielding fruits and vegetables
Anti-corruption programmes and procedures	<p>The Company's Policy on Accountability, Integrity and Vigilance (Whistleblower Policy) was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation, such as bribery, fraud and other forms of corruption. Upon receipt of an incident report, management is tasked to conduct an</p>	<p>External training on anti-bribery/anti-corruption policies and fraud risk assessment</p>

	Policy	Activities
	<p>investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p> <p>In addition, the Company has issues Guidelines on Acceptance of Gifts, which prohibits the solicitation or acceptance of gifts in any form from a business partner, directly or indirectly, by any director, officer or employee of the Company. The policy is intended to ensure integrity in procurement practices and the selection of the most appropriate business partner in each instance.</p>	
Safeguarding creditors' rights	Code of Ethics: The Company shall respect agreements with creditors, manage loans according to lending objectives, ensure timely repayment of loans and interests, thoroughly honor loan conditions as agreed, and competently operate the business to assure creditors about the Company's healthy financial standing and loan repayment capabilities.	Standard disclosure of creditors' rights is observed in all loan agreements with creditors.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

The Company has a separate Sustainability report to comprehensively discuss its corporate social responsibility and sustainability initiatives. The Sustainability Report follows the GRI reporting framework.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Code of Ethics provides that all officers and employees are to be selected, engaged, and compensated based on qualification and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.

The Company shall maintain a safe, productive and conducive workplace and comply with all applicable health, safety and environmental laws. In this regard, company employees are covered by rules against the use of prohibited drugs and working under the influence of liquor.

Opportunities for career advancement shall be provided based on clear performance and qualifications criteria, which shall include both financial and non-financial measures. The Company shall also provide learning and development opportunities for professional growth.

(b) Show data relating to health, safety and welfare of its employees.

Various seminars and wellness programs were also initiated by the Human Resources Department in 2014 for regular employees, such as sports programs, tax clinics and talks on stress management. The Company encourages good health and wellness through its various sports and fitness programs. Employees may use the courts and fitness facilities in the workplace and are encouraged to participate in HRD supported aerobic and dance activities. The Company also conducts orientations and learning sessions on health related matters, such as breast and cervical cancer awareness and detection; influenza and hepatitis B prevention and drug abuse awareness, to name a few. Furthermore, the Company facilitates the distribution and administration of essential vaccines, has a fully functioning clinic and has recently employed the services of a 24 hour roving ambulance service. The Company has also adopted holiday themed activities, to foster camaraderie and provide balance in a fast paced work atmosphere.

(c) State the company's training and development programmes for its employees. Show the data.

The Company has Curriculum-Based Training Program with customized trainings for the various levels in the organization. The courses are designed to develop or enhance competencies:

Basic Training Program – A curriculum for Rank and File employees designed to develop basic professional skills to enhance productivity.

Supervisory Development Program – A curriculum for Officer and Supervisor levels designed to develop administrative, leadership, and decision-making skills. The focus is on supervising direct reports and managing specific work responsibilities.

Managerial Development Program – A curriculum for Department-level Managers designed to develop operations level management and implementation skills. The focus is on the management of specific workgroup.

Senior Managerial Development Program – A curriculum for Senior-level Managers designed to develop strategic management and implementation skills at the strategic business unit level.

Executive Development Program – A curriculum for executives designed to develop strategic –level management, implementation and control of multiple strategic business units or entire enterprise.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

In line with the Code of Ethics, employee compensation and rewards are determined based on the individual performance of the employee and overall Company performance. On an annual basis, performance is measured against defined targets, which are based on both financial and non-financial indicators of progress towards the short and long-term goals of the Company.

This compensation and reward system is designed to retain employee, enhance their performance and ensure achievement of short and long-term goals of the Company.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Upon receipt of complaint in the form of an Incident Report from an employee, Management conducts an investigation on its merit, subject to due process. Once proven, appropriate penalties and sanctions may be imposed thereafter. Further, policy provides that anyone who in good faith reports an incident shall not be retaliated upon or suffer harassment or adverse employment consequence.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
SM Investments Corporation (SMIC)	14,197,128,988	49.16%	Felicidad T. Sy - 3.22% Henry T. Sy, Jr. - 7.32% Hans T. Sy - 8.26% Herbert T. Sy - 8.26% Harley T. Sy - 7.33% Teresita T. Sy - 7.14% Elizabeth T. Sy - 5.85%
PCD Nominee Corp.	7,252,748,854	25.11%	No individual shareholders owning 5% or more.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Hans T. Sy	661,002,569	24,160,943	2.37
Jeffrey C. Lim	-	50,000	0.00
TOTAL	87,500	-	0.00

2) Does the Annual Report disclose the following:

Key risks	√
Corporate objectives	√
Financial performance indicators	√
Non-financial performance indicators	√
Dividend policy	√
Details of whistle-blowing policy	√
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	√
Training and/or continuing education programme attended by each director/commissioner	√
Number of board of directors/commissioners meetings held during the year	√
Attendance details of each director/commissioner in respect of meetings held	√
Details of remuneration of the CEO and each member of the board of directors/commissioners	√

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

Not applicable.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip, Gorres, Velayo & Co.	Php 7,000,000	Nil

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Website
- Briefings
- Press Releases
- Annual Reports

5) Date of release of audited financial report:

March 19, 2015 attached to 2014 Definitive Information Statement (SEC 20-IS)

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	√
Financial statements/reports (current and prior years)	√
Materials provided in briefings to analysts and media	√
Shareholding structure	√

Group corporate structure	√
Downloadable annual report	√
Notice of AGM and/or EGM	√
Company's constitution (company's by-laws, memorandum and articles of association)	√

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

None. Not applicable.

7) Disclosure of RPT

RPT	Relationship	Nature	Value (in Thousands)	
SM Investments Corporation	Parent	<ul style="list-style-type: none"> The Company have existing lease agreements for office and commercial spaces with its parent. The Company provides manpower and other services. The Company's investment in AFS equity instruments of certain affiliates earn income upon the declaration of dividends. 	Rent Income P 44,329 Rent Expense P 87,276 Service income P 44,200 Dividend Income P 1,007 Due from related parties P 488	
SM Retail Group and SM Banking Group	Affiliates	<ul style="list-style-type: none"> The Company have existing lease agreements for office and commercial spaces with related companies (SM Retail and Banking Groups and other affiliates). The Company has certain bank accounts and cash placements that are maintained with BDO and China Bank (Bank Associates). Such accounts earn interest based on prevailing market interest rates. The Company also availed of bank loans and long-term debt from BDO and China Bank and pays interest based on prevailing market interest rates. The Company's investment in AFS equity instruments of certain affiliates earn income upon the declaration of dividends by the investees. The Company provides manpower and other services to affiliates. The Company, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash. 	Rent Income P 11,379,209 Rent Expense P 288 Cash and Cash Equivalents P 183,027,363 Time Deposits P 1,957 Investments Held for Trading P 65,416 Interest Income P 238,595 Receivable Financed P 5,122,763 Loans Payable and Long Term Debt P 6,915,000 Interest Expense P 658,400 AFS Investments P 52,886 Dividend Income P 241,712 Service Income P 2,351 Management Fee Income P 7,412 Management Fee Expense P 2,135 Due from Related Parties P 7,261 Due to Related Parties P 793	
Shopping Center Management Corporation, SM Lifestyle Entertainment, Inc. and Family Entertainment Center	Affiliates	<ul style="list-style-type: none"> The Company pays management fees to Shopping Center Management Corporation, SM Lifestyle Entertainment, Inc. and Family Entertainment Center, Inc. (affiliates) for the management of the office and mall premises. The Company have existing lease agreements for office and commercial spaces with related companies. The Company's investment in AFS equity instruments of certain affiliates earn income upon the declaration of dividends. 	Management Fee Income P 10,912 Management Fee Expense P 1,110,626 Rent Expense P 3,927 Dividend Income P 14,769 Due to Related Parties P 56,138	

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. In addition, the Company also has outstanding borrowings/ placements from/ to related banks.

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within 30 to 90 days. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended December 31, 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

There are no other transactions undertaken or to be undertaken by the Company in which any former/current Director or Executive Officer, nominee for election as Director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Stockholders representing majority of the outstanding capital stock
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Vote of stockholders
Description	Corporate acts are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
None. Not applicable.	

Dividends

Declaration Date	Record Date	Payment Date
April 15, 2014	May 15, 2014	June 10, 2014

(d) Stockholders' Participation

- State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notice of the Annual Stockholders' Meeting is given to all stockholders at least 21 business days before the meeting to provide stockholders with enough time	<ul style="list-style-type: none"> Notice of the Annual Stockholders' Meeting

Measures Adopted	Communication Procedure
to examine the information. The Notice enclosed essential and adequate facts on all items on the agenda for consideration and approval of the stockholders. As provided for in the Company's Manual on Corporate Governance, minority stockholders have the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	<ul style="list-style-type: none"> • Information Statement
To facilitate representation from stockholders who cannot attend the meeting, they are encouraged to fill out, date, sign and send a proxy. For corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory.	<ul style="list-style-type: none"> • Notice of the Annual Stockholders' Meeting • Proxy Forms • Information Statement
To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.	<ul style="list-style-type: none"> • Notice of the Annual Stockholders' Meeting • Information Statement

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- Amendments to the company's constitution
- Authorization of additional shares
- Transfer of all or substantially all assets, which in effect results in the sale of the company

Corporate acts such as amendments to the Company's constitution, authorization of additional shares, and the transfer of all or substantially all assets, which in effect results in the sale of the Company, are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company. The agenda enclosed in the Notice of Annual Stockholders' Meeting would include such corporate acts for the consideration and approval of the stockholders.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

- Date of sending out notices: March 21, 2014
- Date of the Annual/Special Stockholders' Meeting: April 15, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

A stockholder asked about the book value per share of the Company after the merger. The Board answered that it was 5.99 per share.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the 2013 Minutes of the Annual Stockholders' Meeting	100%	0%	0%
Approval of the 2013 Annual Report	100%	0%	0%
General Ratification of the Acts of Management and the Board of Directors	100%	0%	0%
Amendment of Articles of Incorporation	100%	0%	0%

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

April 15, 2014 (same day of meeting)

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None. Not applicable.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Henry Sy, Sr. Henry T. Sy, Jr. Jose L. Cuisia, Jr. Gregorio U. Kilayko Joselito H. Sibayan Hans T. Sy Herbert T. Sy Jorge T. Mendiola	4/15/14	By Poll	10%	78.6%	88.6%
Special	Not applicable (NAP)*	NAP	NAP	NAP	NAP	NAP

* Holding of special meeting(s) of the Board of Directors was deemed unnecessary in 2014.

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. The Company's External Auditor serves as the independent party that counts/validates votes during the ASM.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. Per the Company's By-Laws, common shares carry one vote for one share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Per the Company's By-Laws, at every meeting of the stockholders, each stockholder shall be entitled to vote in person or by proxy. Stockholders may vote the share or shares standing in his name on the stock transfer books of the Corporation.
Notary	Notarization of proxies is not required.
Submission of Proxy	Proxies must be filed with the Corporate Secretary at least 72 hours before the stockholders' meeting.
Several Proxies	Stockholders may vote the share or shares standing in his name on the stock transfer books of the Corporation.
Validity of Proxy	In compliance with the Corporation Code, unless otherwise provided in the proxy, said proxy shall only be valid for the meeting for which it is intended. No proxy shall be valid or effective for a period longer than five (5) years.
Proxies executed abroad	Per the Company's By-Laws, at every meeting of the stockholders, each stockholder shall be entitled to vote in person or by proxy. Stockholders may vote the share or shares standing in his name on the stock transfer books of the Corporation, regardless if they are abroad.
Invalidated Proxy	Two inspectors may be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation at which an
Validation of Proxy	

Violation of Proxy	election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies and the acceptance and rejection of votes.
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(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<p>Based on the Company's By-Laws, notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. At special meetings, only matters stated in the notice can be the subject of motions or deliberations.</p> <p>When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.</p>	<p>In practice, the Company sends out notice of annual or special stockholders' meeting at least three (3) weeks before the actual meeting. Included with the notice are the documents required for proxy voting, copies of the Information Statement and other relevant materials pertaining, but not limited to information on nominated directors and external auditors (for appointment or re-appointment) and resolutions to be taken up during the meeting.</p>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,541
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 21, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 21, 2014
State whether CD format or hard copies were distributed	CD
If yes, indicate whether requesting stockholders were provided hard copies	Not applicable

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	√
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	√
The auditors to be appointed or re-appointed.	√
An explanation of the dividend policy, if any dividend is to be declared.	√
The amount payable for final dividends.	√
Documents required for proxy vote.	√

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

Not applicable.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Manual on Corporate Governance	<p>The Company's Manual on Corporate Governance provides for the rights of its minority stockholders. Rights include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Voting Rights • Appraisal Right • Inspection Right • Right to Information • Right to Dividends
Code of Ethics	<p>The Company's Code of Ethics provide for the following:</p> <ul style="list-style-type: none"> • The SM Group is committed to strengthen its corporate governance practices with the end in view of increasing shareholder value over time. • The Company shall maintains accurate and complete records of all financial and business transactions in accordance with laws and regulations governing financial reporting and generally accepted accounting principles. These provide the basis for the report it discloses to the public and its shareholders regarding the Company's results of operations and financial position. The Company also ensures that an independent audit of its financial statements is conducted by external auditors. • Whether in selection of the countries and markets where the Company operates, hiring and promotion of employees, selection of suppliers and contractors – the company decides on the basis of merit and value to shareholders. • All business decisions and actions must be based on the best interests of the Company and the value to shareholders, and should not be motivated by personal considerations or relationships which may interfere with the exercise of independent judgment.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Under the Company's By-Laws and Corporate Governance Manual, all stockholders have the right to nominate candidates to the Board.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

For financial results, the disclosure is quarterly. All results have to be presented to the Chief Information Officer, the Audit and Risk Management Committee and the Board for approval prior to distribution to the public. Material disclosures relating to capital expenditures, fund raisings, project launches, etc. are disclosed upon approval of the Management Committee of the concerned business unit and the Chief Information Officer.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

SM Prime is committed to providing its stakeholders and the public timely and accurate information pertaining to its business operations. SM Prime consistently enhances its disclosures and regularly updates its website to provide greater transparency. It also conducts regular briefing with investors and the media. Briefing materials are made available in its website.

Further, the Company maintains a separate Corporate Governance section in its website, which is used to disclose

to the public all of SM Prime's efforts to further develop its corporate governance culture. The section features information about corporate governance policies, programs, and other relevant activities.

Also, SM Prime actively participates in non-deal roadshows/conferences hosted by various brokers to meet with existing and prospective investors.

	Details
(1) Objectives	<ul style="list-style-type: none"> Assist investors in making investment decisions with regard to shares of SM and its listed subsidiaries. Guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of SM and its listed subsidiaries. Provide the regulators, the media and the general public with the most current information about SM Investments and all of its core businesses which will have a material impact on the company's overall growth and profitability. Ensure that material disclosures are immediately disseminated without prejudice to any one group
(2) Principles	<ul style="list-style-type: none"> Transparency and accountability to all existing and potential investors Fairness and level playing field for all stakeholders
(3) Modes of Communications	<ul style="list-style-type: none"> Direct: One-on-one meetings, roadshows, investor conferences, teleconference and video conference Web based: Website, email services Analyst and media briefings, press conferences, TV/radio guestings Social media: Twitter Print: PSE/SEC filings, annual reports, powerpoint presentations, press releases, speeches
(4) Investors Relations Officer	Teresa Cecilia R. Agsalud

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Due diligence, benchmarking, market dynamics, long-term sustainability of the business, synergies with the whole group, cost implications, core competency, board approval, regulatory approvals. All these are done for both acquisition and sale of assets.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The names of the independent parties vary and will depend on the type of transactions. SM deals with a host of investment banks, external auditors, third party appraisers, legal and tax consultants.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
SM Cares for Children and Youth Development SM builds all-access malls with tiny feet in mind, and upgrades existing ones to include the latest in child-proof technology.	Children
SM Cares for Persons with Disabilities SM Supermalls has 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.	Persons with disability
SM Cares for Overseas Filipino Workers: Global Pinoy Program	OFWs and their families

SM Global Pinoy Program honors modern heroes by serving them and helping improve their lives by bringing them closer to home.	
SM Cares for Women and Breastfeeding Mothers SM Supermalls promotes breastfeeding in the malls as well as in the workplace for nursing mothers. It also hosts various exhibits, forums and discussions on parenting issues.	Filipino women
SM Cares for Senior Citizens SM goes beyond offering senior citizens courtesy lanes. The Company designs programs that encourage the elderly to be more active, engaged and social.	Senior Citizens
SM Cares for the Environment and Sustainability The program focuses on energy efficiency, solid waste management, air quality and water recycling.	Community
SM Special Project for the Underprivileged More than 3,000 employees of retail giant SM Supermalls brought cheers through various charity events throughout the Christmas season for the underprivileged sectors of society.	Underprivileged sectors of society
SM Cares Housing Program SM turned over calamity-resistant houses in areas affected by Typhoon Yolanda.	Victims of Typhoon Yolanda

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
s	Under the guidance of the Nomination Committee, the Board conducts an annual performance self-evaluation. The performance evaluation is based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors and President as provided for by the Manual on Corporate Governance and By-Laws. Directors are asked to rate the performance of the Board, the Board Committees, themselves as directors and the President, as the embodiment of Management.	<ul style="list-style-type: none"> • Diversity of competencies • Adequate knowledge of different risks • Industrial background • Academic qualifications • Work in general • Decision making • Discussions on short & long term developments • Discussions on business strategies and plans • Discussions on risks and regulations • Promotion of good governance principles • Promotion of continuing education • Board committee performance
Board Committees	Directors are also asked to identify areas for improvement, such as training/continuing education programs or any other forms of assistance that they may need in the performance of their duties. The evaluation forms also include items on support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to Management, the Corporate Secretary and Board Advisors. The Board	<ul style="list-style-type: none"> • Independence • Participation • Expertise
Individual Directors		
CEO/President		<ul style="list-style-type: none"> • Effective leadership • Integrity • Diligence • Adherence to Corporate governance

	then reviews and evaluates the results of the evaluation, discussing possible changes that will enhance the performance of the individual directors, the support services given and the Board as a collective body.	
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N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Any violation of a provision found in the Manual on Corporate Governance.	<p>a) In case of first violation, the subject person shall be reprimanded.</p> <p>b) Suspension from the office shall be imposed in case of a second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.</p> <p>c) For third violation, the maximum penalty of removal from office shall be imposed. With regards to directors, the provision of Section 28 of the Corporation Code shall be observed.</p>

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City PASIG CITY on MAR 12 2015.

SM PRIME HOLDINGS, INC.

Pursuant to the requirements of the Securities Regulations Code, this annual report has been signed by the following persons in their capacities and on the dates indicated.

By:


HANS T. SY
President

Date: 3/12/2015


JOHN NAI PENG C. ONG
Chief Finance Officer

Date: 3/12/2015


TERESA CECILIA H. REYES
Vice President - Finance

Date: 3/12/2015



ELMER B. SERRANO
Corporate Secretary

Date: 3/12/2015

SUBSCRIBED AND SWORN to before me this MAR 12 2015 at PASIG CITY, affiants exhibiting to me their passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HANS T. SY	EB4448660	January 14, 2012	Manila
JOHN NAI PENG C. ONG	EC2047924	September 7, 2014	Manila
TERESA CECILIA H. REYES	EB8507028	June 27, 2013	Manila
ELMER B. SERRANO	EB7383852	February 13, 2013	Manila

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