



**Creating
Shared
Value for
Responsible
Growth**

**2014
SUSTAINABILITY
REPORT**



Creating Shared Value for Responsible Growth

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REPORT

About this Report

This is SM Prime's 7th annual Sustainability Report focusing on SM Supermalls as a single business unit. SM Prime undertook a comprehensive consultation process prior to selecting a credible and reputed external assurer who is independent of SM Prime.

The past 3 consecutive Sustainability Reports completed the Application Level Service of the Global Reporting Initiative (GRI). SM Prime adhered to an Application Level B+ under the GRI G3.1 Guidelines for the 2013 Sustainability Report. For the 2014 Sustainability Report, SM Prime adhered to GRI G4-Core guidelines.

As with last year's report, data and information reflects the economic, social, and environmental performance of the SM Supermalls in the Philippines and in China, including our newly opened malls in 2014 – SM City Cauayan and SM Center Angono.

This report aims to provide a core illustration of the Company's sustainable operations, in accordance with our Sustainability Framework. The topics and aspects tackled are those deemed most relevant and material to the organization and its stakeholders. The stakeholder engagement process and materiality analysis can be found on page 11 and 14.

The roadmap to incorporate the sustainability initiatives of all SM Prime business units is in the works. Thus a consolidated sustainability report will be published in the subsequent years.



PRIME

VISION

To build and manage innovative integrated property developments
that are catalysts for a better quality of life.

MISSION

We will serve the ever changing needs and aspirations of our customers,
provide opportunities for the professional growth of our employees,
foster social responsibility in the communities we serve,
enhance shareholder value for our investors
and ensure that everything we do
safeguards a healthy environment for future generations.

Contents

09



The Approach

- 10 Sustainability Framework
- 11 Stakeholder Engagement
- 14 Materiality Matrix
- 15 Corporate Governance

26



Special Feature

- 26 UNISDR Partnership
- 28 Automated Weather Stations
- 29 Green Switch Launch

40



The Report

- 41 SM Prime Awards & Accolades
- 42 External Assurance Report
- 46 GRI Index



03

Company Profile

- At a Glance 04
- President's Message 06



18

The Result

- Social Development 19
- Sustainable Operations 22



32

SM Cares

- Children and Youth 34
- Environment and Sustainability 35
- Global Pinoy 36
- Persons with Disabilities 37
- Senior Citizens 38
- Women and Breastfeeding Mothers 39



SM Supermalls, owned by SM Prime Holdings, Inc., is a chain of shopping malls in the Philippines, with 50 malls across the Philippines as well as five (5) branches in China.^(G4-17,20,21)

The company that currently operates the malls was started by Mr. Henry Sy, Sr. in 1958 as ShoeMart which was located in Manila. In the 60s and 70s, it expanded its shoe store to include other merchandise and the SM Department Store was born. Its locations included newly developing urban centers in Cubao (Quezon City) and Makati.

By the mid-70s and now a full-line Department Store, it changed its name from ShoeMart to SM with stores in various locations around town. These included stores in the Makati Commercial Center, SM Cubao in Quezon City, SM at Harrison Plaza in Manila and the first store outside Metro Manila, SM Iloilo in the Visayas.

In the early 80s, the company further diversified and ventured into the supermarket and home appliance store business and opened its first "Supermall", the SM City in North EDSA in 1985.

The 90s saw SMs position further strengthened by the malling phenomenon in the Philippines with the opening of SM City Sta. Mesa and SM Megamall in 1990 and 1991 respectively. Since then, more mall projects have come on board and the malls are considered places where families converge, communities meet, services rendered and "malling" continuous to become a way of life for people within the metropolis and in the provincial areas.

ABOUT SM PRIME

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

In October 2013, the reorganization of the SM Group meant the inclusion of the other land property companies and real estate assets under SM Prime. The expanded SM Prime is an integrated property developer engaged in mall development and operations, residential development, commercial properties, and hotels and convention centers.

The subsidiaries of the malls are as follows: First Asia Realty Development Corporation, Premier Central, Inc., Consolidated Prime Dev. Corp., Premier Southern Corp., San Lazaro Holdings Corporation, Southernpoint Properties Corp., First Leisure Ventures Group Inc., CHAS Realty and Development Corporation and Subsidiaries, Summerhills Home Development Corp., Affluent Capital Enterprises Limited and Subsidiaries, Mega Make Enterprises Limited and Subsidiaries, Springfield Global Enterprises Limited and Simply Prestige Limited and Subsidiaries, among others.



At a

2014 Operating Highlights

- Total Revenues of PHP38.6 billionⁱ grew by 12.6% from 2013
- Net Income of PHP13.3 billion grew by 10.8% from 2013
- Total Investment Properties amounts to PHP169.1 billion from PHP142.5 billion in 2013

2015 Forecast

- New mall openings: SM Center Sangandaan, SM Seaside City Cebu, SM City San Mateo, and SM City Cabanatuan will add a total gross floor area of 730,173 square meters (sqm)
- Expansions of SM City Lipa, SM City Iloilo together will add the total gross floor area to 65,756 sqm this year

Fast Facts

- 50 Malls in the Philippines
- 5 Malls in China
- 7.3 million sqm total gross floor area

2014 Operating Highlights

- Total Real Estate Revenues of PHP22.7 billion, grew by 8.7%
- Net Income of PHP4.7 billion grew by 12.3% from PHP4.2 billion in 2013.
- Total Assets amounts to PHP106.2 billion from PHP 97.4 billion in 2013.

2015 Forecast

- Five new projects with about 11,000 units combined will be launched in the 2nd half of the year.
- New towers in five existing projects will be built to accommodate the increasing demand for housing.

Fast Facts

- 25 Condominium Projects
- 69,414 Condominium Units (Total)



Residences

Glance

2014 Operating Highlights

- Total Revenues of PHP2.9 billion increased by 0.4% from 2013
- Net Income amounted to PHP794.5 million
- Total Investment Properties amounts to PHP22.9 billion from PHP22.1 billion in 2013

2015 Forecast

- Launch of FiveE.com is scheduled in 1st half of the year.

Fast Facts

- 4 Office Buildings
- 188,541 (sqm)
Total Gross Floor Area

2014 Operating Highlights

- Total Revenues of PHP2.0 billion grew by 25.5% from 2013
- Net Income amounted to PHP253.5 million grew by 556.5%
- Total Investment Properties amounts to PHP7.6 billion from PHP6.2 billion in 2013

2015 Forecast

- Launch of Conrad Hotel Manila and Park Inn by Radisson Clark in Pampanga will be on the 2nd half of the year

Fast Facts

- 4 Hotels
- 1,013 Hotel Rooms
- 4 Convention Centers and 2 Trade Halls



Offices



Hotels and
Convention
Centers

President's Message



SM Prime will continue to pursue best practice standards in sustainability by implementing disaster resilience measures while ensuring holistic customer satisfaction and stakeholder engagement through the SM Cares programs.

Hans T. Sy, President

The year 2014 stands out as a key milestone for SM Prime. We are now at 50 malls in the Philippines, with the opening of SM City Cauayan and SM Center Angono, not including the five (5) malls in China. This year also marks the first full year since the consolidation of the SM Group's land property companies and real estate assets under SM Prime.

Financial Growth

SM Prime continues to build its financial resilience in accordance with a strong vision that draws on our core values and strengths. Our overall revenue increased by 12.6% to PHP38.6 billion. This is due to the opening of new malls in 2013 which include SM Aura Premier and SM City BF Parañaque. We will continue to create a variety of property offerings and redevelopments to supply the demand brought about by the constant growth of the Philippine economy.

Operationalizing Sustainability

Cognizant of the vulnerability context of the Philippines, SM Prime is constantly committed to projects that contribute significant positive impact to the company's stakeholders. Through our five-level sustainability framework, we continue to pursue reaching our maximum potential for conducting business with minimal resource consumption. We exercise prudence in our operating costs without compromising service to customers and we nurture our relationships. We nurture our relationships with business partners for shared profitability. This framework allows SM to secure its capacity to generate high returns on investment for shareholders and to finance community development projects towards nation building.

In 2013, SM Prime put up the first SM mall to operate using solar energy in Xiamen, Mainland China. It is a 1.1 megawatt project

using 3,740 solar panels. For this pioneering effort, SM City Xiamen was awarded the prestigious Mall China Golden Mall Award.

In 2014, SM Prime worked closely with Solar Philippines to put up 5,760 solar panels in SM North EDSA that aim to generate up to 1.5 megawatt power, enough to power 1,000 households or light 150,000 10 watt light bulbs. The power generated from these solar panels can offset 1,200 tons of CO₂ or the equivalent of planting 6,000 trees per year. The solar panels can power up the 16,000 lighting fixtures, 59 escalators, and 20 elevators of the mall.

The Solar Rooftop project is part of SM Prime's continuing commitment toward making its operations sustainable and environment friendly in the midst of a potential energy shortage from 2015 onwards due to the country's increasing power requirements and limited energy sources.

Strengthening Communities

With the increase in quantity and strength of unprecedented natural adversities in the region, SM Prime continues to take the lead in decreasing the risks of disasters. As a member of the United Nations Office for Disaster Risk Reduction – Private Sector Partners (UNISDR-PSP), SM Prime provides numerous initiatives, programs, and conferences to increase awareness, information dissemination and action across all sectors.

SM Prime, in partnership with the United Nations Office for Disaster Risk Reduction (UNISDR), held the 3rd Top Leaders Forum where the country's and Asia-Pacific top executives gathered to discuss the importance of disaster resiliency to business. The main topic tackled was multi-stakeholder engagement for creating shared value.

President's Message

This forum has resulted in the Top Leaders Forum Declaration, now the guide document for the creation of the post-2015 Hyogo Framework for Action during the March 2015 World Conference for Disaster Risk Reduction in Sendai, Japan.

After the difficulties the country experienced in 2013 due to multiple natural disasters, SM Prime, through its corporate social responsibility arm, SM Cares, in partnership with its business partners and customers, have committed to build 1,000 disaster resilient homes for the survivors of the affected areas in the Visayas. On November 9, 2014, 200 disaster resilient homes have been successfully turned over to rigorously chosen and well deserving beneficiaries in Bogo, Cebu.

Commitment to a Sustainable Future

Building from previous accomplishments, SM Prime will continue to construct, expand, and operate more efficiently and sustainably, satisfy its shareholders, and improve its role as a responsible developer. To do so, SM Prime plans to open four (4) new malls in 2015, and incorporate updated standards and LEED certifications across all malls. In the process, SM Prime aims to integrate socio-environmental consciousness into all aspects of the business.

We will continue to strive to remain the leader in the Philippine shopping center industry and increase our market share in China. As more malls open, SM Prime will continue to pursue best practice standards in sustainability by implementing disaster resilience measures while ensuring holistic customer satisfaction and stakeholder engagement through the SM Cares programs.

This year, SM Prime adhered to the G4 guidelines of the Global Reporting Initiative (GRI) progressing from a B+ report under the G3.1 guidelines. The contents of this sustainability report are a reflection of SM Prime's positive commitment to economic, social, and environmental programs. It also

highlights the results of including sustainability in the Company's operations and how this business model becomes part and parcel of how we are as responsible citizens.

All these achievements and goals toward excellent and efficient development would not be possible if not for the talent of SM Prime's employees. Because with the diligence of its employees, and the visionary guidance of its management, SM Prime continues to enrich the Filipinos' lives and contribute to nation building.

Thank you to our stakeholders, business partners, and benefactors for their contribution to SM Prime's success. Together with our team here and in China, we commit to a focused work ethic that aims for continuous growth, embracing change and always moving forward in the pursuit of excellence towards both profitability and the holistic development of all of our stakeholders.

With sincere appreciation,



Hans T. Sy
President
SM Prime Holdings, Inc.

2014 Financial Highlights

Direct economic value generated	
-Revenues	38,961,874*
Direct economic value distributed	
-Operating costs	13,403,043
-Employee wages and benefits	2,643,698
-Payments to providers of capital	3,050,671
-Payments to Government (PH)	5,248,719
-Payments to Government (CN)	1,221,284
-Community investments	56,068
Economic value retained	
-Economic value retained (economic value generated minus economic value distributed)	13,338,391

*Number includes interest income (G4-EC1)

More detailed information on SM Prime's financial performance is available in the SM Prime Annual Report 2014. Copies of the report may be downloaded from the company website at www.smprime.com.

The Approach

ENGAGEMENT Matrix

Context Framework Centricity Environment

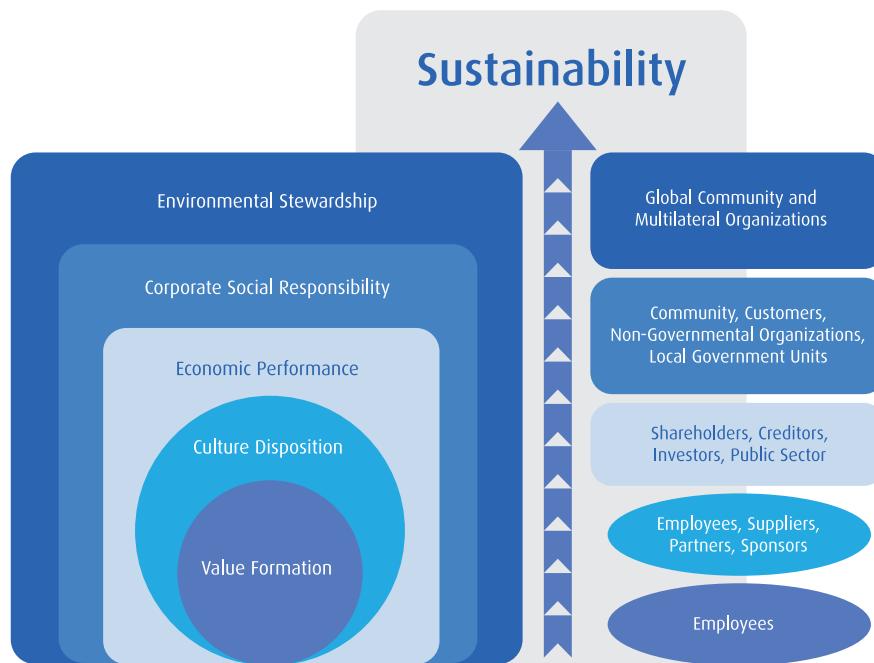
Culture Organizations Partners Diversity

Sustainability Formation Economy Action

Community MATERIALITY

Business Teamwork Value

Sustainability Framework



The SM Prime Sustainability Framework is the company's guide to integrate sustainability and risk management into the existing management system to meet the company's specific context. The governing body puts high importance on sustainability, its three responsibilities within the economic, social and environmental contexts and risk management in SM Prime's operations. Sustainability seeks to create long-term stakeholder value by embracing the opportunities and managing the risks that result from an organization's economic, environmental, and social responsibilities.

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

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

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

The corporate social responsibility principle engages with a wider network which includes the community, the customers, Non-Governmental Organizations, regulators, and Local Government Units. The widest network of engagement is environmental stewardship, which engages the multilateral organizations and the global community which includes all types of stakeholders. This type of engagement anticipates how the Company's actions will affect the environment.

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

Stakeholder Engagement

Stakeholder Engagement (G4-25)

SM Prime conducts a comprehensive and in-depth stakeholder consultations across all business units especially in the SM Supermalls for their concerns. This includes financial, social and sustainability concerns and performance as evident in the last Annual Stockholders Meeting. The issues were mostly confined to business operations, profitability, customer service, safety and security and regulatory procedures. The environmental and social issues were confined to suggestions on individual activities and advocacies, which the Company should adhere to.

Our response to these issues is evident in SM Foundation, specifically in the SM Cares programs and initiatives that are rolled out nationwide in all of our malls. These programs have created public awareness, activities and initiatives to continuously embed development in the nation.^(G4-26)

Stakeholder Relations Management

The success and sustainability of our Company relies heavily on the support, feedback and contribution of all the stakeholders. Our sustainability framework indicates that in order for sustainability to be tangible, the Company's actions must revolve around the engagement with stakeholders.

Shareholders

The first level of engagement we have with our shareholders is the Annual Stockholders Meeting. We are committed to deliver and disseminate relevant Company information accurately and precisely to our shareholders, investors and the public. The Annual Stockholders Meeting is the Company's utmost priority respecting the shareholder's rights and interests.

Aside from the Annual Stockholders Meeting, the Company opens all avenues of communication through multiple engagement activities with its shareholders to receive and disseminate necessary information for the benefit of its stakeholders.

Customers

Our customers are the soul of the Company. We continuously work to strengthen our operations and customer service to further build the confidence, trust and satisfaction of our customers. We strive to provide the customers with innovative services, facilities, and an unparalleled tenant mix in all of our malls, through our customer satisfaction survey and through various social media communication tools. We are able to identify the key opportunities for improvement in all aspects of our business including sustainability and operations.

Business Partners

Our business partners are key towards creating a long term and mutually beneficial relationship. We are strict with the Company's values of promoting impartial dealings, high moral and ethical conduct, transparency and the law. We promote creating a culture of equal and fair opportunities to all our partners avoiding discrimination, bias against indigenous rights, child labor, and forced labor. At SM we practice a preferential option to engage the services of local suppliers for malls in both the Philippines and in China.

Employees

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





avenues for self-development, entertainment, and various training modules. We conduct regular forums to address various points of discussion and feedback for the knowledge and decisions of the governing bodies. These avenues promote internal and external contexts for each employee of the company.

Communities

Through our SM Foundation and SM Cares organizations, we are dedicated to improve the quality of lives of our countrymen. We understand our responsibility as the leading mall operator in the country and the impact our projects have on the areas we are located in. Each of our malls hold regular community engagements as part of our customized SM Cares programs and initiatives. Details of our community engagement can be found in the SM Cares section of this report and in the SM Foundation report.

Media

We strive to promote accurate news and information on the initiatives and activities of the Company. With the partnership of the media advocating for transparency, we properly disseminate these relevant information that is considered public information.

Government

SM Prime is an apolitical and non-partisan organization. However, we deem ourselves as the government's partner towards nation-building through economic and social development. We regularly partner with the government through various development projects to further address a range of environmental and social issues.

We understand the urgency for the public and private sector to work together as one for the progress of the nation and its people.

Through our engagement with the government via various projects, initiatives and compliance requirements, we understand the various opportunities that should be initiated by the private sector.

Non-Government Organizations

We strive to promote long lasting relationships with our NGO partners for an effective engagement with the various communities, social groups and advocacies we serve. Through our engagement with the NGOs, we are made aware of the needs of the communities and various groups in the areas surrounding our malls.

We coordinate with both the SM Foundation and SM Cares for provisions and modules for education, sustainable livelihood programs, social inclusion initiatives, housing projects through the Yolanda Housing, and other opportunities.

International Organizations

Partnerships with multilateral organizations provides opportunities to strengthen the Company's holistic and comprehensive nation-building initiatives. In turn, the Company becomes a partner towards a global initiative that is well in place through a bottom-up approach to development.

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

Stakeholder Engagement

(G4-24, G4-27)

STAKEHOLDER GROUP	ISSUE	METHOD AND FREQUENCY	OUTCOME
EMPLOYEES	a. Retention b. Employee training and development c. Diversity and equal opportunity	Dialogue through focus group discussions, monthly operations meeting and annual forums	Feedback from focus group discussions were incorporated into human resource strategies for retention and attraction.
		Performance appraisal review allows communication between employee and manager.	Feedback from performance appraisal reviews were incorporated into training and development.
BUSINESS PARTNERS	a. Economic performance b. Labor practices	All business partners are screened on an annual basis based on quality of service, cost efficiency, moral standing and compliance with related laws.	Improved screening of business partners and increased dialogue between business partners and organization
		The SM operations team engages with the mall tenants on a daily basis.	Strengthened relationships between tenants and organization which in turn increased occupancy
SHAREHOLDERS AND INVESTORS	a. Financial implications b. Risk reduction initiatives	Annual stockholders meeting, ongoing meetings, road shows and conference calls	Incorporated sustainability into our investor relations communications strategy
NON-GOVERNMENTAL ORGANIZATIONS	a. Biodiversity loss b. Climate change and disasters c. Environmental protection and rehabilitation d. Renewable energy	Constant partnership through multi-stakeholder forums and joint projects SM Prime is a member of the Philippine Business for the Environment and a partner of Weather Phillipines Foundation.	Increased communications and dialogue through the SM Green Retail Agenda and the Top Leaders Forum
	a. Disaster risk reduction efforts b. Water consumption allocation	Customer satisfaction surveys and social media communications	Feedback from surveys and social media communications are used to improve the organization's customer service and retail offerings.
COMMUNITIES	a. Social responsibility programs and initiatives b. Operations with local community engagement	Engagement and activities through SM Foundation and SM Cares, the corporate social responsibility arm of SM.	Increased monthly, quarterly and annual programs for the elderly, persons with disabilities, overseas Filipino workers, children and youth, women and breastfeeding, and the environment through the SM Cares program.
			Installed Automated Weather Stations in all malls in the Philippines to serve as a weather information dissemination mechanism for the community.
MEDIA	a. Transparency and corporate governance b. Product and service labelling	Various PR releases and multi-stakeholder forums	Increased transparency through various means of communication

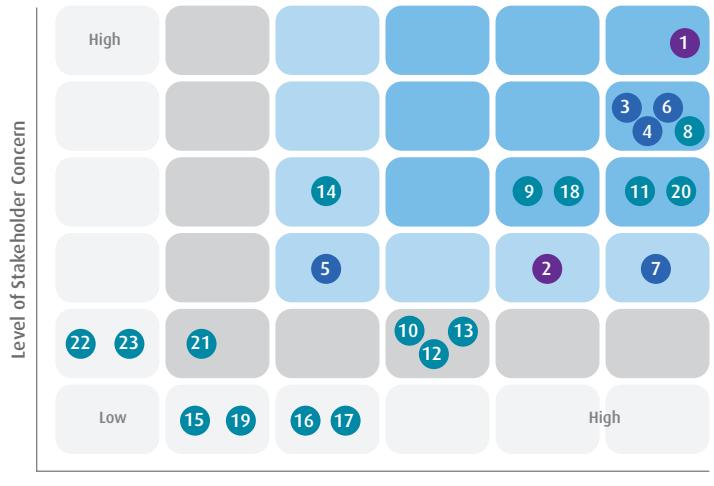


Materiality Matrix

(G4-24)			
GOVERNMENT	a. Public policy b. Economic performance c. Environmental Compliance	Constant face-to-face meetings, multi-stakeholder meetings and joint projects	Strengthened the relationship between local government units and organization towards nation-building
INTERNATIONAL ORGANIZATIONS	a. Human rights practices b. Emissions and compliance	Partnerships on various advocacies through forums and conferences	Partnered with the UNISDR - Global Education and Training Institute to create training programs and disaster risk reduction initiatives for the Philippine private sector.

Materiality Matrix

The materiality matrix of SM Prime is formed with the utmost urgency to address and determine the internal and external context issues such as employee development, profitability and concern for the community. We have prepared for our report through the relevant outcomes to our Sustainability Framework, stakeholder engagement and our unparalleled advocacy for disaster resiliency and risk management. In determining the material aspects of this report, we conducted the aforementioned stakeholder engagement to properly map out the level of concern of the stakeholders and the Company^(G4-18). We have determined the high level material aspects to be in relation to economic and environmental performance. The least material such as product and service labelling and freedom of association/collective bargaining are not applicable to the company.



- 1. Economic performance
- 2. Market presence
- 3. Energy
- 4. Water
- 5. Biodiversity
- 6. Emissions, effluents and waste
- 7. Compliance
- 8. Employee
- 9. Labor and management relations
- 10. Occupational health and safety
- 11. Training and education
- 12. Diversity and equal opportunity
- 13. Equal remuneration for men and women
- 14. Non-discrimination
- 15. Freedom of association and collective bargaining
- 16. Child labor
- 17. Forced and compulsory labor
- 18. Security practices
- 19. Indigenous rights
- 20. Local communities
- 21. Public policy
- 22. Customer health and safety
- 23. Product and service labelling

■ Economic ■ Environment

■ Society

(G4-19)

Corporate Governance

Corporate governance in SM Prime is guided by the company's Manual on Corporate Governance and Code of Ethics. These documents are regularly reviewed and enhanced to remain at par with corporate governance best practices in pursuit of SM Prime's mission and vision to serve the best interests of its stakeholders.

The Manual on Corporate Governance institutionalizes the principles of good corporate governance, and establishes the responsibilities of the Board of Directors, the rights of all shareholders, compliance and penalty systems, and the Company's policies on disclosure and transparency.

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

Board of Directors

SM Prime's Board of Directors are at the helm of its governance structure. It is the Board's responsibility to ensure the long term financial success of the business in a manner that upholds the principles of fairness, accountability and transparency in promoting the best interests of the company, its shareholders, and various stakeholders.

The Board, with a mean age of 63.75 years, is comprised of eight members. All members are male, but the Board has two female advisers. There are three independent directors, who, in addition to possessing all the qualifications and none of the disqualifications of a regular director, are independent of the management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment. Furthermore, none of SM Prime's independent directors have served the company as a regular director, officer or employee.

BOARD OF DIRECTORS

POSITION	NAME
Chairman Emeritus	Henry Sy, Sr.
Chairman	Henry T. Sy, Jr.
Vice Chairman and Independent Director	Jose L. Cuisia, Jr.
Director and President	Hans T. Sy
Director	Herbert T. Sy
Director	Jorge T. Mendiola
Independent Director	Joselito H. Sibayan
Independent Director	Gregorio U. Kilayko
Adviser to the Board	Teresita Sy-Coson
Adviser to the Board	Elizabeth T. Sy

OFFICERS REPORTING TO THE BOARD

POSITION	NAME
Corporate Secretary	Atty. Elmer B. Serrano
Corporate Information Officer and Executive Vice President	Jeffrey C. Lim
Compliance Officer	John Nai Peng C. Ong



BOARD COMMITTEES				
	AUDIT AND RISK MANAGEMENT	COMPENSATION	NOMINATION	EXECUTIVE
Chairman	Jose L. Cusia, Jr.	Gregorio U. Kilayko	Joselito H. Sibayan	Henry T. Sy, Jr.
Members	Gregorio U. Kilayko Joselito H. Sibayan Jorge T. Mendiola Jose T. Sio Serafin U. Salvador Atty. Corazon I. Morando	Hans T. Sy Joselito H. Sibayan	Herbert T. Sy Jose L. Cusia, Jr. Gregorio U. Kilayko	Hans T. Sy Elizabeth T. Sy Jeffrey C. Lim John Nai Peng C. Ong

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

Audit and Risk Management

The Audit and Risk Management Committee directly interfaces with 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 SM Prime's internal control systems, its audit plans, auditing processes and related party transactions. Under its amended Charter, the committee also reviews and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks.

Compensation

The Compensation Committee was established to decide, determine and approve, by majority vote of all its members, matters relating to the compensation, remuneration and benefits of the Company's officers and

directors. The Committee is composed of three members, two of whom are independent directors.

Nomination

The Nomination Committee is composed of four members, three of whom are independent directors. The committee is tasked to determine the nominees for election to the Company's Board of Directors and to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings, after considering the qualifications, disqualifications and other requirements for directorship set forth in the Manual on Corporate Governance. Furthermore, the Committee facilitates the annual performance evaluation of the Board as a whole, its respective Board Committees, the individual directors and the President. In compliance with applicable laws and regulations, SM Prime requires that all newly elected directors have undergone corporate governance training.

Board and President Evaluation

The Board conducts an annual self-evaluation, as well as an evaluation of the President. Each director is given a form to rate his performance and the Board's

Corporate Governance

collective performance for the past year. The form includes several factors about Board composition, Board activities, Board meetings, as well as the independence, participation and expertise of individual directors. Meanwhile, the President is evaluated by the Board on the basis of his leadership, integrity, diligence and adherence to corporate governance.

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

Executive Committee

The Executive Committee functions when the Board of Directors is not in session. Generally, the committee is responsible for assisting the Board in overseeing the implementation of strategies and long-term goals, reviewing major issues facing the organization, monitoring the operating activities of each business group, and defining and monitoring the Company's performance improvement goals.

Annual Stockholders' Meeting

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

Insider Trading Policy

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

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

Information on the various policies, programs and other documents on SM Prime can be obtained from the website www.smprime.com.



The Result

Growth Reduction Sustainable Resource
Waste
Policy
Impact Workforce Water Management
Strength Control Consumption
Employees Innovation Recycling Energy
Development Society Vision Air
EFFICIENCY Holistic Advocacy
Emissions Demographics Management
Resiliency Environmental

Social Development

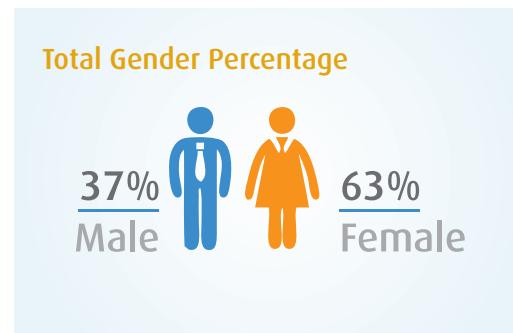
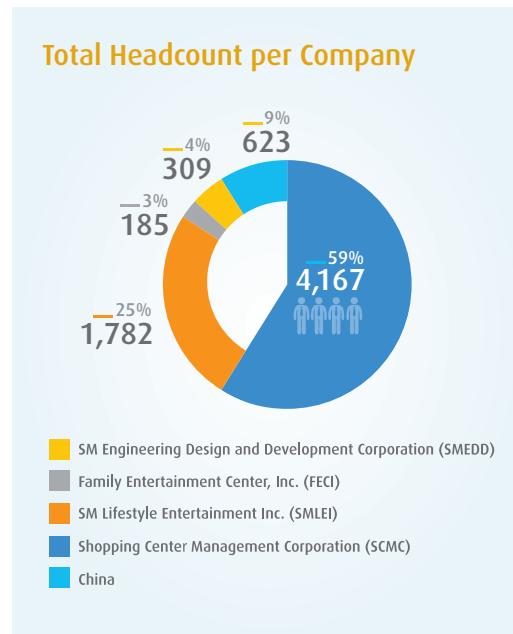
The core of SM Prime's Sustainability Framework is value creation for and by employees. In line with its mission and vision, SM Prime strives to be an employer of choice that gives importance to the health, safety and welfare of its employees. This is why we are in continually innovating our policies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

Employee Profile

The growth of the company translates in the creation of jobs especially for local communities where these new projects are located. The total employee headcount of SM Supermalls increased to 7,066 from 6,400. Due to the merger of all property companies of SM under one SM Prime, the employee count of SM Prime is not included in this year's scope of the Sustainability Report.

The bulk of the workforce, 59% or 4,167 is employed by Shopping Center Management Corporation (SCMC), the management company in-charge of the overall operation and administration of all malls.

Though we do not discriminate between genders, there are more female employees than male employees in all companies. The sole exception is Family Entertainment Center, Inc. (FECI) due to the nature of work which demands for physical strength in the management and operation of leisure and learning facilities within the mall such as the SM Bowling Center, SM Ice Skating Rinks, SM Storyland, and the Science Discovery Center.

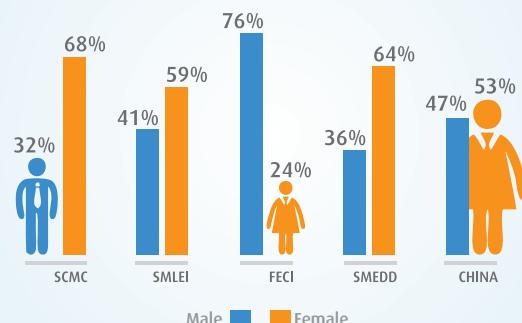


There is no gender difference in the basic salary. Our salary entry rates and all salary adjustment applications are equally applicable to all, regardless of gender, employee category and location. There were no incidents of discrimination or incidents against indigenous people's rights during the reporting period.





Percentage of Employees per Gender



Total Training Hours

112,144

Average Training Hours

17 16
2013 2014



All SM Prime employees are delegated in shopping malls and corporate offices within the country. 51.2% are deployed in malls within the National Capital Region and the remaining deployed at our provincial malls.

There are no collective bargaining agreements in SM Prime. However, the company provides countless avenues and freedom of speech for employees to raise their concerns through timely forums on company policies and other relevant matters. All significant operational changes that affect employment require at least 15 days' to 30 days' notice.

Holistic Development

Benefits provided to regular employees include vacation, sick, and parental leave, health and group life insurance, plan, gratuity pay, merit increases, and bereavement assistance, among others. 3.66% of a total of 181 employees (132 female and 49 male) entitled to parental leave availed of their parental leave. 99% of these employees returned to work after availing their parental leave.

The Parent Company is a participant in the SM Corporate and Management Companies Employer Retirement Plan. The plan is a funded,

non-contributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

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

All regular employees receive semi-annual performance reviews. Regular SM Prime employees receive annual appraisals during the first quarter of the calendar year. A checklist is used to guide supervisors to remain objective during the rating process. The appraisal is discussed by the supervisors to the employee, which allows for immediate feedback for the benefit of both parties.

Social Development

SM Prime understands the importance of programs that support each employee's holistic development. All employees are enlisted to a curriculum based training program, which offers various training modules per level of employment. Our Human Resource Department engages and invests in the services of international trainers. It aims to provide the employee with management and personal skills and techniques that will support them as they progress in their careers.

In 2013, the average training hours reached 17 hours of training per employee for both the Philippines and China. For 2014, average number of hours decreased to 16 hours per employee. Our security personnel undergo training on the Company's human rights policies before they are deployed to the malls. Our janitorial personnel are trained by their respective agencies.

Managing Impact on the Community and the Environment

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

While majority of our projects are located in highly urbanized areas, some expansion projects reach out with their own development initiatives to nearby towns and communities. Prevention and mitigation measures implemented in processes of operations with significant potential or actual negative impacts on local communities include engaging local businesses to become tenants of the mall and preference for hiring locally.

The company is committed to providing quality real estate and services. All business partners (suppliers, contractors, service providers, etc.) are screened based on a criteria that emphasizes quality of service, cost efficiency, moral standing and compliance with related laws. SM Prime has a preferential option to engage the services of local suppliers for each mall in both the Philippines and China. For our malls in the Philippines, about 98% of business partners are based within the country.

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

Some SM malls are home to satellite government offices such as the Department of Foreign Affairs for passport application and renewal, the Land Transportation Officer for license renewal, and the Philippine Overseas Employment Administration office, among others. Our malls also support the government's information dissemination efforts by providing maximum exposure as a venue for caravans or mobile exhibits for government projects and services.

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



Sustainable Operations



In order to optimize efficiency, SM constantly observes resource consumption and regularly audits its operations to identify areas for improvement. Through this, SM ensures its commitment to the environment.

Energy Efficiency

Continuous innovation and improvement has led to the company's savings in energy consumption for new and existing malls. SM continuously optimizes its operational efficiency by investing new technologies and strategies as well as creating partnerships with government agencies, local and international institutions, and consultants. The tables below show the direct energy consumption by source.

In spite of the 1.2% increase in electrical consumption opening two new malls and six commercial properties with a total of

61,579 m² of gross non-leaseable floor area, monthly electricity intensity was reduced from 45MJ/m² in 2013ⁱ to 43MJ/m² or a 5% reduction.

Aside from the initial migration to utilizing LEDs for illumination and energy-efficient office equipment, simple features of the malls have further optimized electrical consumption. Malls use vestibules and glass panes perpendicular to the entrance walls to help keep hot air out and cool air in. Through partnerships with ESCOs, air-conditioning management systems are also utilized to help monitor and control real-time temperatures within the building.

In the year 2000, air handling units and chilled water pumps were installed with Variable Speed Drives which control the fan speed for the air handling units and water flow for the

EN3 - NON RENEWABLE ENERGY CONSUMPTION BY FUEL SOURCE (Giga Joules)ⁱⁱ

	2013	2014
Diesel	51,820	71,463
Gasoline	766	745
Refrigerant	14	22
	52,600	72,230

EN3 - TOTAL ENERGY CONSUMPTION (Giga Joules)ⁱⁱ

	2013	2014
Electricity (MALL CONSUMPTION)	1,904,076	1,926,898
NON-RENEWABLE	52,600	72,230
RENEWABLE	6,392	2,413
TOTAL	1,963,068	2,001,541

EN3 - RENEWABLE ENERGY CONSUMPTION (Giga Joules)ⁱⁱ

	2013	2014
CNG (SMYB)	6,392	2,413

EN5ⁱⁱⁱ - MONTHLY ENERGY INTENSITY (MALL) - MJ/sqm

	2013	2014
	46	45

EN6 - ELECTRICITY SAVINGS DUE TO VSD INSTALLATIONS^{iv v}

	2014
KWH	189,432,280
GIGA JOULES	681,956

ⁱ Restated, removed tenant electrical consumption as it is part of (Scope 3), not (Scope 2)

ⁱⁱ Energy (Joule) equivalent = Consumption * Density * Heat Value

Diesel: Density = 836 kg/m³, Heat Value = 45 MJ/kg

Gasoline: Density = 735 kg/m³, Heat Value = 45 MJ/kg

LPG: Density = 560 kg/m³, Heat Value = 49 MJ/kg

CNG: Density = 175 kg/m³, Heat Value = 48 MJ/kg

Conversion Factors: 1 Liter = 1,000 m³; 1 MJ = 1,000,000 Joule

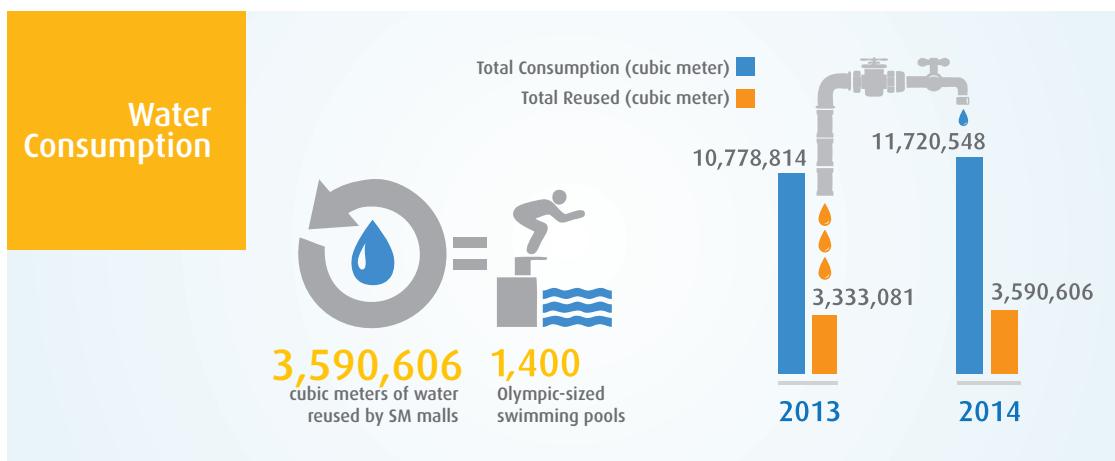
ⁱⁱⁱ Includes energy intensity from fuel, electricity, and cooling consumption

^{iv} For only 41 malls as others are not serviced by ESCO

^v The base years used ranges from year 2000 up to 2013

based on the start of ESCO's involvement with the 41 malls.

Sustainable Operations



chilled water pumps. Sensors are installed in tenant spaces for a more accurate analysis of the space temperature condition. Control of the air conditioning equipment parameters are done remotely and centrally through the enhancement building management system according to requirements for optimal temperature ranges and not at a pre-determined schedule. The program also helps the company know when to replace air-conditioning machines, how much they will cost, and the return on investment.

Water Management

Given an average daily foot traffic of over 3 million visitors, overall water consumption at the 55 malls and other commercial properties in 2014 reached 11,720,548 m³ with majority sourced from local water distributors.

Out of the overall consumed water, 31% of which was reused, which translates to 3,590,606 m³. This is equivalent to nearly 1,400 Olympic-Sized swimming pools.

The malls recycle their water with the use of sewage treatment plants. Treated water becomes part of the non-potable supply of the malls which is used for the malls' cooling towers, toilet flushing, irrigation, and grounds keeping. The treatment plants feature sequential batch reactors that reduce power consumption in the process of waste water treatment.

Noticeably, non-potable water consumption increased in volume as malls have started reverting to the use of conventional comfort room urinals.

EN8 - WATER CONSUMPTION BY SOURCE

	2013 (m ³)	2014 (m ³)	
Water Provider	9,677,863	90%	10,708,583
Deepwell	995,994	9%	889,213
Water Hauler	104,957	1%	122,752
TOTAL	10,778,814		11,720,548

EN8 - WATER CONSUMPTION

	2013 (m ³)	2014 (m ³)	
Tenant	6,097,398	57%	6,011,709
Mall	4,681,416	43%	5,708,839
TOTAL	10,778,814		11,720,548





SM Supermalls follows standards in treating sewage water prior to discharge to the public sewer line. This has been recognized for excellent compliance by the Laguna Lake Development Authority's Diwang Lawa Award.

Solid Waste Management

Having 50 malls and several commercial properties here in the Philippines, SM Supermalls highlights waste management in its operations. Malls continuously monitor its waste generation and the implementation of its policies on waste disposal.

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

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

Through these efforts, Malls have recycled 44% of its generated Solid Waste with the remainder being delivered to government-accredited landfills and garbage

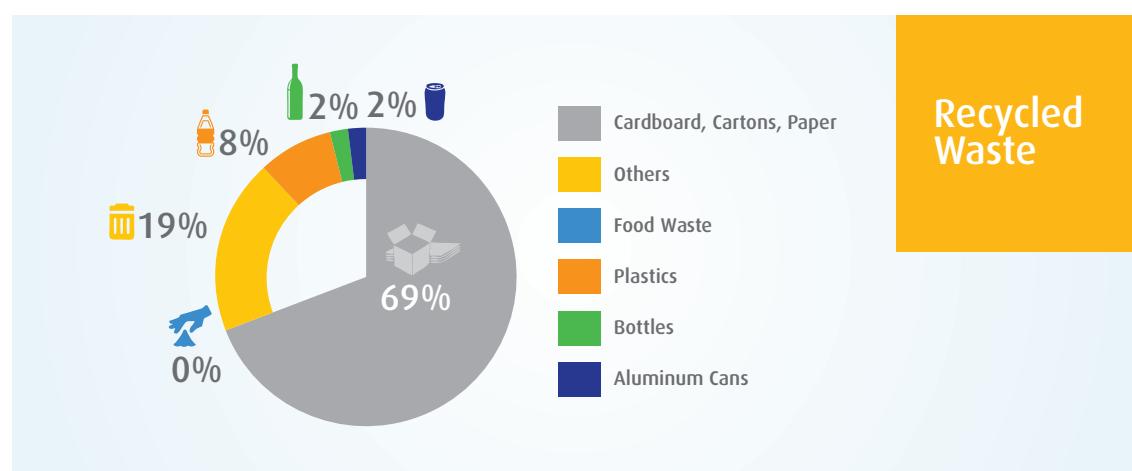
disposal facilities. Of this 44%, 69% are cardboard, cartons, and paper, 8% plastics, 2% bottles, 2% aluminum cans and the remaining 19% are classified as other recyclables.

Air Quality Management

In support of Republic Act 9211, our malls implement a no-smoking campaign to reduce pollution and improve air quality within the mall area for both customers and employees alike. However, there are designated smoking areas to cater to our smoking patrons.

Our malls feature bus bays and transport terminals for FX, jeepneys, and taxis at the convenience of our customers. All transport operators are required to submit certificates of emission tests for all units plying the malls to promote cleaner air and help decongest the roads surrounding the mall.

None of our malls are located in nationally declared protected areas and have direct nor significant effects on biodiversity, especially endangered species. Regardless, we are advocates of environmental protection. There were no spills of any material from our facilities during the reporting year. SM Prime has had no significant fines nor non-monetary sanctions for non-compliance with environmental laws and regulations in the year 2013.



Sustainable Operations

OVERALL EMISSIONS (TONS OF CO₂E)^{vi vii}

SCOPE	SOURCE	2013	2014
1	Diesel	3,862	5,326
	Gasoline	54	53
	Refrigerant	4,833	7,543
	STP	747	1,272
	CNG	411	136
2	Mall Electricity	319,808	322,767
3	Tenant Electricity	342,219	365,281
	LPG	30,905	38,442
	Mall Logistics	174	168
TOTAL		703,013	740,988

GHG Emissions in 2013 and 2014



Monthly GHG Intensity^{ix}

	2013	2014
TOTAL CO₂e (Tons)	703,013	740,988
Kg CO₂e/m²	8.21	8.26

Greenhouse Gas Emissions

All SM Malls in the Philippines and China emitted a total of 740,988 metric tons of CO₂ equivalent for 2014 with only 2% as direct emissions (Scope 1), 44% from indirect emissions (Scope 2), and 54% from other indirect emissions (Scope 3).

In spite of opening two new malls, SM City Cauayan and SM Center Angono, as well as several commercial properties, emissions increased only by 37,975 tons of CO₂, or a mere 5.4% from last year's 703,013^{viii} metric tons of CO₂.

These emissions come from several sources in the malls' operations. Majority come from consumption of LPG for food preparation, diesel and gasoline for generators and vehicles, refrigerants for air conditioning systems,

compressed natural gas for heating (CNG) among others. Consumption patterns for these items have been categorized under the Greenhouse Gas Protocol's definition of scopes.

Mall Logistics Program

For year 2014, the Mall Logistics Program has more than 2,000 total tenants enrolled. This is equivalent to 25,000 tons in reduction of carbon emission considering the avoided trips by consolidating deliveries of various SM tenants.

Based on the Tree Facts that a tree can absorb 48 pounds of CO₂ per year and it can sequester 1 ton of CO₂ by the time it reaches 40 years old, we can assume that the program has already done the work of 25,000 40-year old trees in 2014.



^{vi} Emissions factors and GWP were sourced from IPCC (http://www.ipcc-nrgip.iges.or.jp/public/2006gl/pdf/_Volume2/)

^{vii} Emissions include CO₂, CH₄, N₂O

^{viii} 2013 CO₂-equivalent is restated due to adjustments in emission factors used and consumption figures (G4-22)

^{ix} Includes direct (Scope 1), energy indirect (Scope 2) and other indirect (Scope 3)

UNISDR Partnership

The Business Case for Disaster Risk Reduction

18 SEPTEMBER 2014, SMX CONVENTION CENTER, MANILA



SM Prime President Mr. Hans T. Sy with Mexican Ambassador to the Philippines, His Excellency Julio Camarena Villaseñor, keynote speaker at the 2014 Green Retail Agenda.

Green Retail Agenda

The Green Retail Agenda 2014 is an annual forum hosted by SM Supermalls for all tenants, suppliers, contractors, and business partners. The forum with an audience of more than 400 was held on September 18, 2014 at the SMX Convention Center and carried the theme "The Business Case for Disaster Risk Reduction".



SM Prime President Mr. Hans T. Sy and UN Special Representative of the Secretary-General for Disaster Risk Reduction Ms. Margareta Whalstrom with the top Philippine private sector leaders at the 2014 Top Leaders Forum.

Top Leaders Forum

Following last year's successful Top Leaders Forum in Manila, Philippines, another private sector conference organized by SM Prime Holdings Inc., in partnership with the United Nations International Strategy for Disaster Reduction, led by Ms. Margareta Wahlström, Special Representative of the Secretary General for Disaster Risk Reduction, was held last November 10, 2014.

SM Prime President Mr. Hans T. Sy Attends Private Sector Advisory Group Annual General Meeting

On July 2014, Mr. Hans T. Sy attended the Annual General Meeting of the UNISDR-Private Sector Advisory Group in Paris, France to discuss the private sector's commitment to the creation of the Post-2015 Hyogo Framework for Action at the World Conference for Disaster Risk Reduction in Sendai, Japan. As the only Philippine private sector member of the group, Mr. Hans Sy continues to play a leadership role in the reduction of risks posed by the vulnerability context of the Philippines.



SM Prime President Mr. Hans T. Sy with the members of the United Nations Office for Disaster Risk Reduction - Private Sector Advisory Group.

SM Prime Holds First UN Training on the Business Case for Disaster Risk Reduction

On June 2014, SM Prime, in partnership with the United Nations Office for Disaster Risk Reduction – Global Education and Training Institute (UNISDR-GETI), convened a two-day training on the “Business Case for Disaster Risk Reduction.” With over 50 middle managers from the Philippine private sector in attendance, the forum focused on practical approaches on how companies can prepare and reduce the risks of disasters through business continuity planning and other tools.



SM Prime President Mr. Hans T. Sy and National Disaster Risk Reduction and Management Council Head Secretary Alexander Pama with participants of the first training on the “Business Case for Disaster Risk Reduction” by the UNISDR - Global Education and Training Institute (GETI).

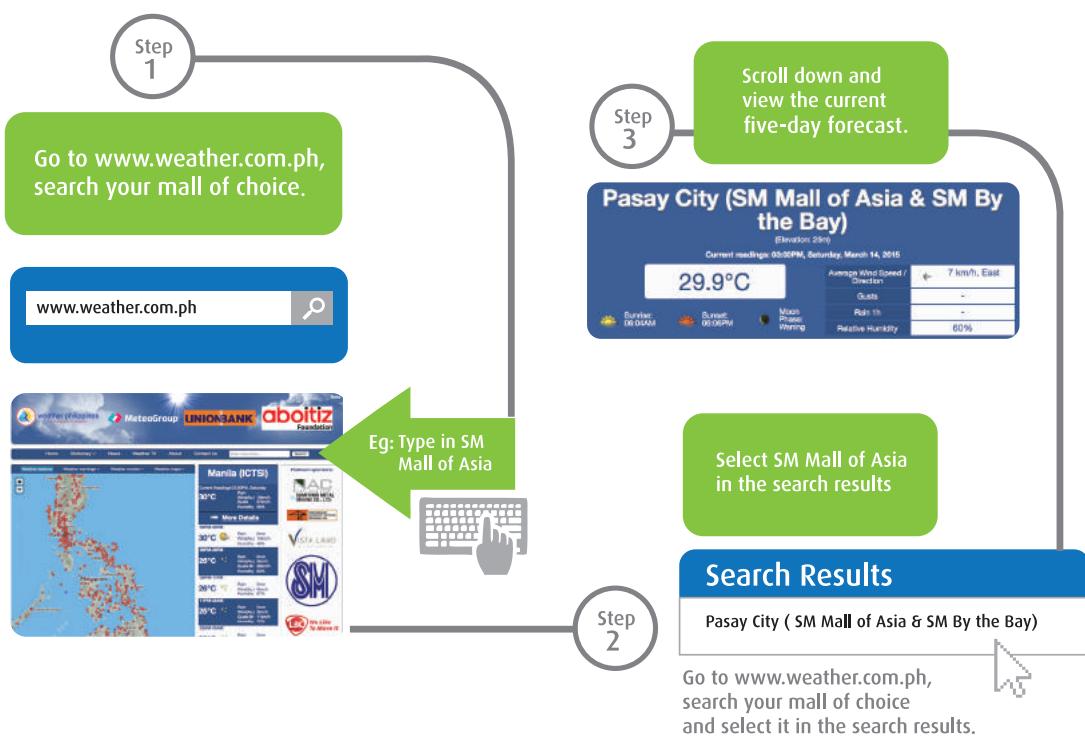
Automated Weather Stations

In 2013, SM partnered with the Weather Philippines Foundation in promoting disaster risk reduction by installing Automated Weather Stations (AWS) in each mall. These weather stations collect weather-related data such as temperature, humidity, amount of rainfall, wind speed, and wind direction. The current and forecasted weather conditions are available to the public through www.weather.com.ph.

As of December 2014, a total of 53 AWS have been installed in SM Malls and standalone SM Stores across the Philippines along with over 600 AWS in non-SM facilities. Future malls will also have their respective AWS as it is a way to help nearby communities, customers, and tenants prepare for weather-related disasters.



A Lufft weather sensor located at SM City General Santos.



Green Switch Launch

Climate Reduction Innovation Continuity Technology North EDSA Xiamen ROOFTOP Change Renewable Panels Awareness Investment Energy Leadership Way Forward RENEWABLE Consumption Measures Business Future Sustainable Community Effects Savings Electricity Green Development Switch Effects Savings

Solar Power

SM Prime Holdings Inc. marked another milestone in its commitment towards sustainability with the launch of 5,760 solar panels on the rooftop of SM City North EDSA (Quezon City) in November of 2014.

President Benigno S. Aquino III and SM Prime President Mr. Hans T. Sy led the “switch on” of the solar powered rooftop at the Multi-level Carpark Building of the SM North EDSA.

To offset the potential energy shortage from 2015 onwards, SM Prime worked closely with Solar Philippines to put up the solar panels that could generate up to 1.5 megawatt power which is enough to power 1,000 households or light 150,000 10 watt light bulbs or charge 214,285 cellular phones or power 170,000 30 watt electric fans. The power generated from the solar panels could offset 1,200 tons of CO₂ per year, the equivalent of planting 6,000 trees.

SM Prime has also put up the first SM Mall in the world using solar energy to operate in Xiamen mainland China. It is a 1.1 megawatt project using 3,740 solar panels. For this pioneering effort in upgrading its services, SM City Xiamen was awarded the Mall China Golden Mall Awards 2014 Excellent Upgrade in 2013 in Shanghai by the Mall China Information Center.

SM Prime is hoping that the solar rooftop project will serve as a model for similar developments in other commercial and industrial establishments as it will not only make business sustainable but make future generations live in an environment that is safer and healthier.



L to R: Speaker of the House Rep. Feliciano Belmonte, Jr., Department of Energy Secretary Jericho L. Petilla, President Benigno C. Aquino III, Solar Philippines President Mr. Leandro Legarda-Leviste and SM Prime President Mr. Hans T. Sy at the Solar Panel Launch at SM North EDSA.

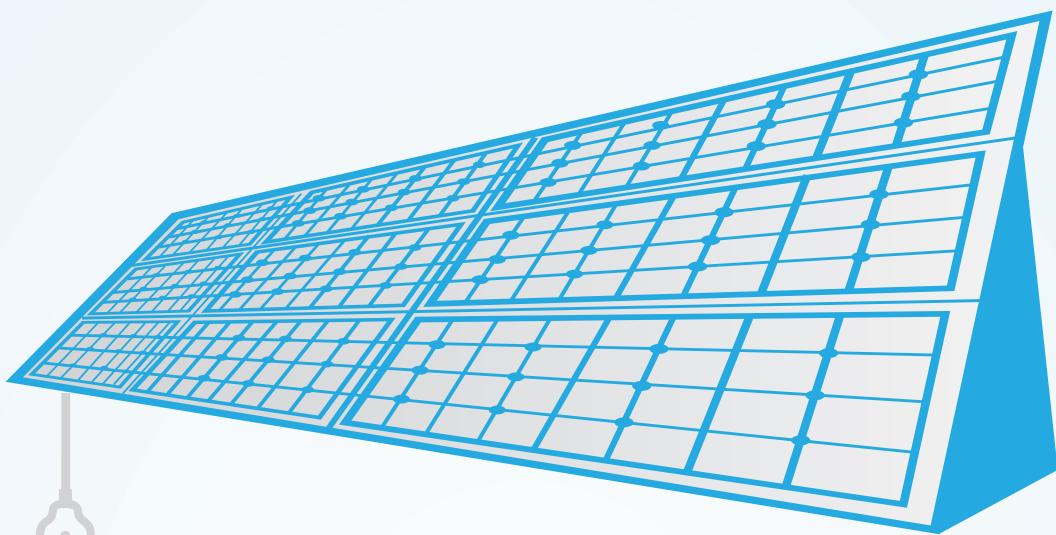


5,760 solar panels on the rooftop of SM North EDSA

The need for greater sustainability and disaster resiliency has been in the forefront of SM Prime's development because of the many disasters that had hit the nation over the past decade. For the Mall of Asia complex SM devotes around 30% of its budget to make the whole area disaster-resilient. As a result, SM Mall of Asia (Pasay) had survived 50 typhoons, four earthquakes and two floods from monsoon storms since it was built in 2006.

Great strides were also implemented through sustainable and disaster resilient designs of its other malls, notably in SM City Marikina, SM City Masinag and SM City Muntinlupa.

Green Switch Launch



The Solar Panel rooftop generates
1.5 megawatts of electricity
that can power any of these:



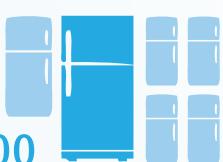
fully charges
214,285
cellphones



powers **1 million**
laptops running
at 4 hours a day



powers
150,000
10 watt lightbulbs



powers
13,500
16cu.ft refrigerator/freezer
running 24 hours a day



powers
170,000
30 watt
electric fans



powers **136,000**
microwave ovens
running at 1 hour a day



offsets
1,200 tons of CO₂
or equivalent to planting
6,000 trees per year

SM Cares

CARE Commitment
Breastfeeding Catalyst
OFWs Acceptance Volunteerism
Productive Children Accessibility
Sustainability
Positive Change Service
Responsible Sustainable Senior Citizens
Inclusive Acceptance Advocacy
Senior Citizens

Women
Empowered
COMMUNITY
PWD

A Catalyst for Change

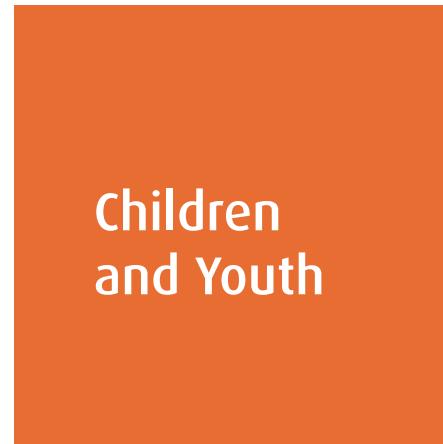
2014 has been a transformative year for SM Cares as it has evolved from being SM Supermalls' corporate social responsibility platform to a holistic program that creates change through people empowerment.

SM Cares has been embarking on projects that not only makes the mall experience fun and enjoyable for everyone but makes communities its partner for development.

SM Cares has six major advocacy groups – Children and Youth, the Environment and Sustainability, Global Pinoy, Persons with Disabilities, Senior Citizens, and Women and Breastfeeding Mothers.

Since its inception, SM Cares has been in the forefront of efforts to reach out to these sectors to ensure the viability of the business and provide a strong positive change in the communities where the malls operate.





PROGRAM ON CHILDREN AND YOUTH

Recognizing that the future of any nation rests on its youth, SM Cares has been carrying out various activities to inspire the youth to be global leaders and shapers.

Thousands of public and private elementary school students trooped to participating SM Malls last July 2014 for the book reading session to mark the National Children's Reading Day which is held simultaneously across all SM Supermalls in the Philippines and in China.

Other initiatives for 2014 include the long-running "Drink for Two" partnership with UNICEF, where a portion of the sales of the bottled water in SM Supermalls goes to the Project W.A.S.H. (Water, Sanitation and Hygiene) program that provides a decent water system and basic sanitation in various provinces and the Adoption Consciousness Week project in partnership with the Department of Social Welfare and Development.

Environment and Sustainability



PROGRAM ON THE ENVIRONMENT

The SM Cares for the Environment program not only works towards increased operational sustainability programs, but also aims to educate the public, and provide support, for various environmental causes.

SM initiated the program "Trash to Cash" recycling market. This widely celebrated program is open each first Friday and Saturday of the month allowing anyone to exchange their recyclable materials for cash and other household items. The program has resulted to giving PHP47 million worth of recycled goods.

Working hand-in-hand with WWF-Philippines, all SM malls annually shut off their lights to participate in the world's largest celebration to raise awareness of the world's environmental concerns.

SM sought the opportunity to again bring to the forefront environmental issues by conducting the annual Green Retail Agenda. This event is conducted for the network of SM Prime's mall tenants, public and private sector business partners, to educate the audience on pressing environmental concerns.

SM remembers their commitment to their stakeholders on environmental performance, to ensure that we continue to grow in a way that is efficient and sustainable. For 2015, SM will roll out a sustainability orientation for all employees to serve as an information awareness campaign. SM has also committed to business continuity planning which will be rolled out to all mall tenants and business partners.



Global Pinoy



SM GLOBAL PINOY

The importance of the Overseas Filipino Workers (OFW) to the Philippine economy cannot be overstated. The country depends much on their remittances, which help spur development and promote more inclusive growth. This is the reason why SM Cares has made the OFWs one of the focal points in its CSR initiatives in order to give them the support, respect, and gratitude they deserve.

Aimed at helping bring families together, its main feature is the establishment of an SM Global Pinoy Center in SM Malls nationwide. Today, 38 SM Global Pinoy Centers are in operation offering services that cater to the needs of the OFWs and their families, including free Internet services, mobile phone charging, voice calls, beverages, BDO Remittance Pick-up services and Foreign Exchange services by the SM Department Store.

Projects for 2014 include: the Values Formation Seminar were OFW members and their families were hosted to a Moral Values Re-Orientation Seminar in partnership with the Couples for Christ Migrants Program. The seminar aspired to enhance values within families to help them cope with being away from their loved ones and deepen their commitment to God, country and family; Members also were treated to the annual *Pamaskong Handog Para sa OFWs* (Christmas Offering for the OFWs) that fêtes SM Global Pinoy members with a special Christmas program to honor and show them appreciation.

To date, there are 344,071 SM Global Pinoy members and the centers have received a total foot traffic of 971,131.

Persons with Disabilities



PROGRAM ON PERSONS WITH DISABILITIES

SM holds the distinction of being the most PWD-friendly mall in the country, providing a second home to families with special needs by offering them sufficient accessibility.

The Program on Persons with Disabilities promotes a barrier-free and disability-inclusive environment. It ensures that SM becomes a mall for all; and a mall for all means no one gets left behind. Every Filipino, with or without disability is welcome.

Initiatives for 2014 include the Angels Walk for Autism held at the MOA Arena, with more than 10,000 attendees (in partnership

with the Autism Society Philippines); Happy Walk for Down Syndrome Awareness (in partnership with the Down Syndrome Association of the Philippines, Inc.); Special Movie Screening for the Deaf and Blind (in partnership with Deaf-Blind Support Philippines and CALL Foundation); A free concert by The Cascades, for the benefit of Filipino PWDs; Tour of the Explorium at the SM Mall of Asia, for children with autism; Best Buddies Friendship Bowling Games; and a Basketball Clinic for special children held at the MOA Arena (in partnership with SM Lifestyle Entertainment, Inc.).



Senior Citizens



PROGRAM ON SENIOR CITIZENS

SM has always championed the causes of senior citizens. Aside from providing them with services for leisure and ease, SM also gives them opportunities that make them rediscover their self-worth in society.

Recognizing that senior citizens could still be productive members of society, SM launched the Casual Employment for Senior Citizens program which gives senior citizens, 60 to 70 years of age a chance to work in SM Malls nationwide. Under the program, they are given employment opportunities as greeters or ushers at the entrances, food courts and cinemas of SM malls. They work on Saturdays and Sundays on a four-hour shift

that usually starts around 10 am when the malls open. To date, 854 senior citizens have been employed by SM.

Other initiatives in 2014 include the regular Seniors Day at the Mall, held every 2nd Tuesday of the month were the seniors engage in fitness and dancing activities called "Senior Moments" which promote health and wellness for the elderly; Livelihood projects; "Walk for Life", an annual walk in celebration of the Elderly Filipino Week; Oldies but Techies – a program that teaches senior citizens, the ease and functionality of modern technology and social networking; and the *Pamaskong Handog* (Christmas Offering) for senior citizens.

Women and Breastfeeding Mothers



PROGRAM ON WOMEN AND BREASTFEEDING MOTHERS

With their critical role in life, women have their unique needs that should be recognized. SM not only addresses these needs but highlights women's significant role in the family and in society through its various programs which recognize and celebrate their uniqueness and individuality.

Initiatives for 2014 include the Women's Month Celebration with Jessica Cox, who delivered an inspirational message at the SM North EDSA Sky Dome (Quezon City) in March 2014. Cox achieved many firsts despite her own limitations. Born without arms, she is the first armless person to earn a black belt in Taekwondo from the American Taekwondo Association and the first armless person to fly an airplane as certified by the Guinness Book of World Records.

Since 2006, SM has also been a venue for many breastfeeding and lactation seminars and conferences to encourage women to breastfeed. For 2014, SM has invited international expert Dr. Jack Newman to conduct a series of talks on the latest findings on breastfeeding. Dr. Newman delivered inspirational lectures at SM City Malls in Mall of Asia (Pasay), Cebu and Davao where he not only shared the benefits of breastfeeding but addressed various lactation concerns. To date, there are 49 Breastfeeding stations across various SM Supermalls, which have served 350,000 breastfeeding mothers.

The Report

Initiative Responsible
GLOBAL G4 Content
Sustainable Business
G4 Global Core Materiality
REPORTING Content Sustainable Initiative
Materiality Core



"Recognition serves as an inspiration for the company to do more not only for its shareholders but to everyone who continues to believe and support what it stands for."

Hans T. Sy, President

Sustainable Business Awards
SM Supermalls
(Strategy and Vision)

PeopleAsia
Mr. Hans T. Sy
(People of the Year
Award for Sustainability)

World Bank Philippine Chiller Energy Efficiency Project (PCEEP)
SM Supermalls
(Certificate of Recognition)

2014 ASEAN Best Practice for Energy Management in Buildings and Industries
SM City Davao
SM City Naga

Cannes Lions Awards
SM Eco Bag Art
(Silver and Bronze)

Clio Awards
SM Eco Bag Art
(Silver and Bronze)

**Department of Energy
Don Emilio Abello Energy Efficiency Awards**

Hall of Fame
SM City Clark

Citation Award
SM Center Las Pinas
SM Center Muntinlupa
SM Center Valenzuela

Outstanding Award

SM City Batangas
SM City Bacolod
SM City Bacoor
SM City Cebu
SM City Consolacion
SM City Fairview

SM City Iloilo
SM City Lipa
SM City Lucena
SM City Manila
The Podium

SM City Bicutan
SM City Calamba
SM City Marikina
SM City Marilao
SM Megamall
SM City Novaliches

Special Award

SM City Pampanga
SM City Rosales
SM City San Lazaro
SM City Sta. Mesa
SM Center Pasig





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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

Independent Limited Assurance Statement to the Management of SM Supermalls

We have performed limited assurance procedures in relation to **SM Supermalls' Sustainability Report 2014** ("The Report") as detailed in the "Subject Matter" below.

The management's responsibility

SM Supermalls' Sustainability Report 2014 has been prepared by the Management of SM Supermalls, which is responsible for the collection and presentation of the information it contains and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process. There are currently no legally prescribed requirements relating to the preparation, publication and verification of sustainability reports.

The auditor's responsibility

Our responsibility in performing our limited assurance activities is to the Management of SM Supermalls only and in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at their own risk.

Our review was limited to the information on the select indicators set out within the Report from 01 January 2014 to 31 December 2014 and our responsibility does not include:

- Any work in respect of sustainability information published elsewhere on SM Prime's Annual Report, website and other publications,
- Sustainability information prior to 01 January 2014 and subsequent to 31 December 2014, and
- Management's forward looking statements such as targets, plans and intentions.

Our multi-disciplinary team has the required competencies and experience to conduct this assurance engagement. Our professionals have experience in both assurance skills and in the applicable subject matter including environmental, social and financial aspects.

Reporting criteria

As a basis for the assurance engagement, we have used relevant criteria in the sustainability reporting guidelines of the Global Reporting Initiative (GRI G4). We consider these reporting criteria to be relevant and appropriate to review the Report.

Assurance standard used and level of assurance

Our limited assurance engagement has been planned and performed in accordance with *PSAE 3000, Assurance Engagement Other Than Audits or Reviews of Historical Financial Information*. We have also considered the GRI G4 reporting guidelines in conducting our limited assurance procedures.

EXTERNAL ASSURANCE STATEMENT



A limited assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. Our procedures were designed to provide a limited level of assurance and as such do not provide all the evidence that would be required to provide a reasonable level of assurance.

The procedures performed depend on the assurance practitioner's judgment including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Scope of work

We have been engaged by the Management of SM Supermalls to perform limited assurance on selected indicators of the Report as set out in the Subject Matter below.

Subject matter

The Subject Matter and GRI indicators for our limited assurance engagement are as follows:

1. Economic
 - a. Aspect: Economic Performance
 - i. EC1 Direct economic value generated and distributed
2. Environmental
 - a. Aspect: Energy
 - i. EN3 Energy consumption within the organization
 - ii. EN5 Energy intensity
 - iii. EN6 Reduction of energy consumption
 - b. Aspect: Water
 - i. EN8 Total water withdrawal by source
 - ii. EN10 Percentage and total volume of water recycled and reused
 - c. Aspect: Emissions
 - i. EN15 Direct greenhouse gas (GHG) emissions (Scope 1)
 - ii. EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)
 - iii. EN18 Greenhouse gas (GHG) emissions intensity
3. Labor practices and decent work
 - a. Aspect: Employment
 - i. LA3 Return to work and retention rates after parental leave, by gender



b. Aspect: Training and Education

- i. LA9 Average hours of training per year per employee by gender, and by employee category
- ii. LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

4. Human Rights

a. Aspect: Security Practices

- i. HR7 Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations

What we did to form our conclusions

The procedures performed aim to verify the plausibility of information. We designed our procedures in order to state whether anything has come to our attention to suggest that the Subject Matter detailed above has not been reported in accordance with the reporting criteria cited earlier. In order to form our conclusions, we undertook the steps below:

1. Interviewed the SM Supermalls' Sustainability team to:
 - a. Understand principal business operations
 - b. Appreciate key sustainability issues and developments
 - c. Map out information flow for sustainability reporting and the controls on information collation
 - d. Identify data providers with their responsibilities, and
 - e. Recognize the likelihood of possible manipulation of sustainability data
2. Undertook multiple visits to the corporate office and the various malls
3. Conducted process walkthrough of systems and processes for data aggregation and reporting, with relevant personnel to understand the quality of checks and control mechanisms, to assess these controls in relation to the concerned subject matters in the Report
4. Interviewed the employees and management (Sustainability, Human Resources, Engineering) to understand key sustainability issues related to the select indicators and processes for the collection and accurate reporting of performance information
5. Obtained documentation through sampling methods to verify assumptions, estimations and computations made by management in relation to the concerned subject matters in the Report
6. Verified that data and statements had been correctly transcribed from corporate systems and/or supporting evidence, into the Report
7. Obtained various certifications, audit reports and financial statement report in relation to the concerned subject matters in the Report

EXTERNAL ASSURANCE STATEMENT



Our independence

SGV has provided independent assurance services in relation to SM Supermalls' Sustainability Report 2014. In conducting our assurance engagement we have met the independence requirements of the Philippines Institute of Certified Public Accountants, Code of Professional Conduct and Ethics. Our SGV independence policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

Observations and areas for improvement

Our observations and areas for improvement will be raised in an internal report to SM Supermalls' Management. These observations do not affect our conclusions on the Report set out below.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information in the Report was not presented fairly and calculated in all material respects in accordance with the reporting criteria detailed above.

SYCIP, GORRES, VELAYO & CO.

A handwritten signature in black ink that reads "Clairma T. Manganey".

Clairma T. Manganey

Partner

CPA Certificate No. 86898

SEC Accreditation No. 0779-AR-1 (Group A),
February 2, 2012, valid until April 30, 2015

Tax Identification No. 129-434-867

BIR Accreditation No. 08-001998-67-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751297, January 5, 2015, Makati City

27 March 2015



General Standard Disclosures		Page No.	Externally Assured
Strategy and Analysis			
G4 - 1	Statement from the senior most decision maker of the organization	6 to 8	
G4 - 2	Description of key impacts, risks and opportunities	6 to 8	
Organizational Profile			
G4 - 3	Name of Organization	3	
G4 - 4	Primary Brands, Products and / or services	3	
G4 - 5	Location of Organization's Headquarters	49	
G4 - 6	Number of countries of operation	3	
G4 - 7	Nature of ownership and legal form	3	
G4 - 8	Markets Served (Geographic Breakdowns)	3	
G4 - 9	Scale of Reporting Organization	4, 19	
G4 - 10	Number of Employees by employment contract	20	
G4 - 11	Percentage of Employees under collective bargaining	20	
G4 - 12	Describe Organization's Supply Chain	11	
G4 - 13	Report any significant changes in the reporting period	There were no significant changes in the reporting period	
G4 - 14	Report precautionary approach principle by organization	10	
G4 - 15	Externally developed EES charter and principles	None	
G4 - 16	List of memberships in associations/industry associations	7, 27	
Identified Material Aspects and Boundaries			
G4 - 17	List of entities included in Organization's consolidated financial statement	3	NO
G4 - 18	Explain process for defining report content & aspect boundaries	14	NO
G4 - 19	List all identified material aspects in process of defining report content	14	NO
G4 - 20	For each material aspect, report aspect boundary (within)	3	NO
G4 - 21	For each material aspect, report aspect boundary (outside)	3	NO
G4 - 22	Any statements from previous report has been restated & reason for restatement	25	NO
G4 - 23	Significant changes in scope & aspect boundaries from previous reporting period	There were no such significant changes in the reporting period	NO
Stakeholder Engagement			
G4 - 24	List of all stakeholder groups engaged by organization	13 to 14	NO
G4 - 25	Report basis for identification and selection of stakeholders	11	NO
G4 - 26	Organization's approach to stakeholder engagement	11	NO
G4 - 27	Key topics & Concerns raised through stakeholder engagement	13	NO

Report Profile			
G4 - 28	Reporting period for information provided	Back cover	
G4 - 29	Date of most previous report	Back cover	
G4 - 30	Reporting Cycle	Back cover	
G4 - 31	Contact points for questions	49	
G4 - 32	GRI Content Index Sheet	46 to 48	
G4 - 33	Policy/practice of seeking External Assurance	Back cover	
Governance			
G4 - 34	Governance Structure of the Organization - Committees	15	
G4 - 39	Report whether chair of highest governance body is also an executive officer	15	
G4 - 40	Nomination & Selection process for highest governance body and its committees	16	
G4 - 41	Process in place to avoid conflict of interest at workplace	15	
G4 - 44	Process for evaluation of highest governance body performance and actions taken in response to evaluation	16	
G4 - 45	Role of highest governance body in identifying EES risks, impacts and Opportunities	15	
G4 - 46	Role of highest governance body in reviewing effectiveness of risk management process for EES	10, 16	
Ethics and Integrity			
G4 - 56	Organization's values, principles, standards and norms	15	
Aspect	Specific Disclosure	Page No.	External Assurance
Economic Performance			
DMA	Disclosure on Management Approach	6 to 8, 10	
Economic Performance	EC1	Direct economic values generated and distributed, including revenues and other costs	8 YES
	EC2	Financial implications and other risks due to climate change	6 to 8
Procurement Practices	EC9	Proportion of spending on local suppliers at significant locations of operations	21
Environmental Performance			
DMA	Disclosure on Management Approach	Sustainable Operations	10, 22 to 25
Energy	EN3	Energy Consumption within the organization	22 YES
	EN5	Energy Intensity	22 YES
	EN6	Reduction in Energy Consumption	22 to 23 YES
Water	EN8	Total Water withdrawal by source	23 YES
	EN10	Percentage of total volume of water recycled and reused	23 YES
Biodiversity	EN11	Location & Size of Land owned, leased adjacent to protected areas and areas of high biodiversity	24



GRI INDEX

Emissions	EN15	Direct GHG Emissions by Weight (Scope 1)	25	YES
	EN16	Energy indirect GHG Emissions by weight (Scope 2)	25	YES
	EN17	Other indirect GHG emissions (Scope 3)	25	
	EN18	GHG Emission Intensity	25	YES
	EN19	Reductions in GHG Emissions	25	
Effluents and Waste	EN22	Total Water discharge by Quality and Destination	23	
	EN23	Total Weight of waste by type and disposal method	24	
	EN24	Total number and volume of significant spills	24	
Compliance	EN29	Monetary value of significant fines due to non-compliance with environmental laws and regulations	24	
Labor Practices				
DMA	Disclosure on Management Approach			1 to 12, 19 to 21
Employment	LA2	Benefits provided to full time employees that are not provided to temporary or part time employees	20	
	LA3	Return to work and retention rates after parental leave by gender	20	YES
Labor/Management Relations	LA4	Minimum notice periods for operational changes	20	
Training and Education	LA9	Average hours of training per year per employee by employee category	20 to 21	YES
	LA11	Percentage of employees receiving regular performance and career development reviews	20	YES
Diversity and Equal Opportunity	LA12	Composition of governance bodies and employees according to gender, age group, minority group and other diversity indicators	15, 19 to 20	
Equal Remuneration for Women	LA13	Ratio of basic salary of men to women by employee category	19	
Human Rights				
Non-discrimination	HR3	Total number of incidents of discrimination and actions taken	19 to 20	
Security Practices	HR7	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	21	YES
Indigenous Rights	HR8	Total number of incidents of violations involving rights of indigenous people and actions taken	19 to 20	
Society				
Local Communities	S01	Percentage of operations with implemented local community engagement, impact, assessments and developing programs	21, 28, 33 to 39	
	S02	Operations with significant actual and negative impact on local community	21, 28, 33 to 39	
Product Responsibility	PR1	Percentage of significant product & services categories for which health and safety impacts are assessed for improvement	21, 28	

CORPORATE INFORMATION

Company Headquarters

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External Auditor

SyCip Gorres Velayo & Co.
A member firm of Ernst & Young Global Limited

Stockholder Inquiries

SM Prime Holdings, Inc.'s common stock is listed and traded in the Philippine Stock Exchange under the symbol "SMPH". Inquiries regarding dividend payments, account status, address changes, stock certificates, and other pertinent matters may be addressed to the company's transfer agent:

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