SMC INFRASTRUCTURE
SLEX SMC SLEX INC.

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

19 April 2021

Philippine Dealing & Exchange Corp.
29th Floor, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **Atty. Marie Rose M. Magallen-Lirio**
Head - Issuer Compliance and Disclosure Department

Re: South Luzon Tollway Corporation Php 7.3 Billion Fixed Rate Bonds
SEC Form 20–IS Definitive Information Statement

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ("PDEX") guidelines, please find enclosed copy of our disclosure to Securities and Exchange Commission.

As agreed with you, we shall inform PDEx in case of changes.

Thank you.

Very truly yours,

RAOUL C. ROMULO
Corporate Information Officer

SMC INFRASTRUCTURE
SLEX SMC SLEX INC.

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

19 April 2021

MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director – Markets & Securities Regulations Department
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City
mrsd_covid19@sec.gov.ph

RE: SMC SLEX INC. (SEC REG NO. A20001062)
SEC FORM 20 – IS (DEFINITIVE INFORMATION STATEMENT)

Gentlemen:

On behalf of **SMC SLEX Inc.** (formerly South Luzon Tollway Corporation) ("SMC SLEX" or the "Corporation"), we reply to your e-mail dated 12 April 2021, which we received on the same date, attaching the comments of the Securities and Exchange Commission - Markets and Securities Regulations Department (SEC-MSRD) on SMC SLEX's Preliminary Information Statement ("PIS") filed on 29 March 2021, in connection with its Annual Stockholders' Meeting to be held on 13 May 2021.

Please find below our response to your general comment to provide a table with respect to the disclosures required under Section 49 of the Revised Corporation Code and our compliance thereto:

Disclosures under Section 49, RCC	Company's Response
1. The minutes of the most recent regular meeting which shall include, among others: (a) A description of the voting and the vote tabulation procedures used in the previous meetings; (b) A description of the opportunity given to stockholders or members to ask questions and record of the question asked and answers given; (c) The matters discussed and resolutions reached;	Please refer to Exhibit "7" and Exhibit "7-A"

(d) A record of the voting results for each agenda item; (e) A list of the director or trustees, officers and stockholders or members who attended the meeting.	
2. Material information on the current stockholders and their voting rights	Please refer to pages 3-4.
3. Detailed assessment of the Corporation's performance	Please refer to SEC Form 17-A, pages 15-16, Annex A and Annex B
4. Financial report which includes the financial statements duly signed and certified	Please refer to SEC Form 17-A, page 27, Annex A and Annex B
5. Dividend policy and dividend payments	Please refer to page 16 and SEC Form 17-A, pages 26-27
6. Director profiles nominated if seeking election or re-election	Please refer to pages 5-10
7. Director attendance report for board, committee, regular and special stockholders meetings	Please refer to Exhibit "4"
8. Appraisals and performance report for the board and the criteria and procedure for assessment	Please refer to page 12.
9. Director Compensation Report	Please refer to pages 12-13
10. Director disclosure on self-dealings and related party transactions	Please refer to page 11 and Note 17, pages 37 and 38 of the 2020 Audited Financial Statements

In addition, please find attached our responses to your comments listed in the Checklist of Requirements attached in your e-mail of 12 April 2021.

We trust the foregoing sufficiently addresses the comments of the SEC-MSRD.

Sincerely,

SMC SLEX INC.

By:

JOSE C. LAURETA
Corporate Secretary and Compliance Officer

SMC SLEX Inc. (formerly South Luzon Tollway Corporation)					
Preliminary Information Statement was filed on 29 March 2021.					
SEC Form 20-IS					
Checklist of Requirements			Page No.	SEC 's Remarks	SMC SLEX's Response
SRC Rule 20.3.3.5 Information Statement and Management Report shall be uploaded to Issuer's Website for downloading by interested parties				Please upload the Information Statement and Management Report in the Company's website	The Preliminary Information Statement has been uploaded in the Company's website. The Definitive Information Statement and the Management Report is available on the Company's website 19 April 2021, when it is distributed to the stockholders.
General Comment:				Comply with the disclosure requirements under Sec. 49 of the Revised Corporation Code which should be complied with for ASMs to be held after February 23, 2021. Provide a table or list of the required disclosure/information on Sec. 49 of the RCC and the page number of the DIS where the disclosure/information can be found.	Please refer to the table in the letter.
B. Control and Compensation Information					
ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS					
	If action is with respect to the election of directors and have cumulative voting rights:				
		(1) Make a statement that they have such right;		are there no cumulative voting rights with respect to the election of directors? Provide the right cumulate vote, if not denied.	The cumulative voting rights are discussed in the PIS under Item 4 paragraph (b), which is found in the same Section in the DIS.
		(2) Brief description of right;			
		(3) Condition precedent to the exercise thereof; and			
		(4) If discretionary authority to cumulative votes is solicited, so indicate.			
ITEM 5. DIRECTORS & EXECUTIVE OFFICERS					
Information required by Part IV paragraphs (A), (D)(1) and (D)(3) of "Annex C, as amended"					
A	(A)(1) Identify Directors, including Independent Directors and Executive Officers				
		(a) List the names, ages and citizenship of all directors, including independent directors, executive officers and all persons nominated or chosen to become such where required under Section 38 of the Code and SRC Rule 38.1 adopted thereunder; also provide the names of the incorporators in the case of an investment company		John Paul L. Ang and Carlo Magno Caballa were not included in the list of directors and officers but have a write up re his business experience.	The table has been amended to include nominee-director Mr. John Paul L. Ang and Mr. Carlo Magno Caballa.

SMC SLEX Inc. (formerly South Luzon Tollway Corporation)				
	(5) Part IV, Paragraph (D) of "Annex C" as amended			
	Certain Relationships and Related Transactions			
	(SEC MC No. 14, Series of 2004)			
	(1) In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures,3 registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions. The Commission consider the discussion of the following to be necessary.		Refer to the specific note in the AFS for the related party transactions of SMC SLEX, Inc.	The related party transactions are disclosed under Note 17, pages 37 and 38 of the 2020 Audited Financial Statements. The Company disclosed the specific parties involved in the transactions and nature of relationship, the business purpose and terms and conditions of the arrangement as well as the mode of settlement. It also disclosed that assessments are undertaken by examining the financial position of the related party and the market in which the related party operates to ensure fairness of the terms.

Checklist of Requirements			Page No.	SEC 's Remarks	SMC SLEX's Response
ITEM 6. COMPENSATION OF DIRECTORS & EXECUTIVE OFFICERS					
Part IV, paragraph (B) of "Annex C", as amended					
If action to be taken is with regard to election of directors, any bonus profit sharing or other compensation plan, contract or arrangement, any pension/retirement plan, granting of extension of any option, warrant or right to purchase any securities, furnish the following:					
	(1) Summary Compensation Table				
		(a) Name and Principal Position (b) Year (c) Salary(P) (d) Bonus(P) (e) Other Annual Compensation		Update the figures, include the estimate for year 2021.	The Company has amended the relevant section to comply with the directive.
Part III.					
MANAGEMENT REPORT					
AUDITED FINANCIAL STATEMENTS					
3	ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS (SRC Rule 68, as amended October 2011)				
	A.	Legal matter paragraph in the Auditor's Report on each components: (Financial Reporting Bulletin No. 1)		Not complied with	The final and filed AFS are attached to the DIS.

COVER SHEET

A 2 0 0 0 1 0 6 2 2

S.E.C. Registration Number

SMC SLEX INC.
(formerly SOUTH LUZON TOLLWAY
CORPORATION)

(Company's Full Name)

11/F SAN MIGUEL PROPERTIES
CENTRE, 7 ST. FRANCIS STREET,
MANDALUYONG CITY

(Business Address : No. Street City / Town / Province)

SHAINA ANELLA B. RAMIREZ	**(+63) 917 8130910**
Contract Person	Company Telephone Number

1 2	3 1	**Form 20-IS** (Definitive)	0 5 1 3
Month	Day	FORM TYPE	Month Day
Fiscal Year			Annual Meeting (2nd Thurs of May)

FIA

Secondary License Type, If Applicable

Dept. Requiring This Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Thirteen (13)		
Total No. of Stockholders	Domestic	Foreign

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SOUTH LUZON TOLLWAY CORPORATION

Km. 44, South Luzon Expressway, Northbound,
Sitio Latian, Brgy. Mapagong, Calamba City 4027
Laguna, Philippines

April 19, 2021

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 13, 2021

The Annual Meeting of the Stockholders of **SMC SLEX INC**. will be held on **May 13, 2021 (Thursday) at 2:00 p.m.** which will be presided by the Chairman at the principal office of the Corporation. Stockholders are requested to attend through online videoconferencing, details for which shall be sent by the Assistant Corporate Secretary to the Stockholders prior to the meeting.

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on July 28, 2020 and the Special Stockholders' Meeting held on February 8, 2021
3. Report to Stockholders
4. Election of the Board of Directors
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
6. Approval of the 2020 Audited Financial Statements
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

José C. Laureta
Corporate Secretary and Compliance Officer

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

Appendix 1

PROCEDURE FOR THE 2021 ANNUAL STOCKHOLDERS' MEETING OF SMC SLEX, INC. THROUGH VIDEO CONFERENCE

1. The Chairman shall preside the 2020 Annual Stockholders' Meeting at its principal office.
2. Stockholders of record as of April 26, 2021 who intend to attend the meeting through video conference are requested to notify the Company by email to *corsec.sbr@smhc.sanmiguel.com.ph*. by May 6, 2021 at 12 noon.
3. Only the stockholders who have notified the Company of their intention to participate through video conferencing as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting.
4. On May 11, 2021, the Assistant Corporate Secretary shall inform the stockholders of the access link for the online videoconferencing either by email and/or SMS.
5. On May 13, 2021, 1:45 p.m. the stockholders participating via online videoconferencing may enter through the access link provided.
6. The nominees for election to the Board were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee was tasked to pre-screen and evaluate the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company.
7. The voting procedure for all items in the Agenda, including the election of the members of the Board, are set out in the Definitive Information Statement.
8. Stockholders may send their questions and/or comments during the meeting, or prior thereto by email to *corsec.sbr@smhc.sanmiguel.com.ph.* Questions and comments may also be written in the space provided in the sample ballot/proxy form.
9. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for the 2021 Annual Stockholders' Meeting, please email them to *corsec.sbr@smhc.sanmiguel.com.ph*.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter **SMC SLEX INC.**

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

4. SEC Identification Number **A200010622**

5. BIR Tax Identification Code **207-247-094**

6. **11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center**
   Mandaluyong City, Metro Manila **1550**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8584-4655**

8. **May 13, 2021, 2:00 p.m., 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila (venue where meeting will be presided by the Chairman. Stockholders are requested to attend via video conference through remote communications in view of COVID-19 health concerns.)**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   April 19, 2021

10. *In case of Proxy Solicitations:* N/A

   Name of Person Filing the Statement/Solicitor : ______________________
   Address and Telephone No. : ______________________

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Amount	Interest Rate	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Series B	₱2.4 Billion	5.5796%	
Series C	₱2.5 Billion	6.4872%	

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

   Yes [ ] No [√]

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

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. <u>GENERAL INFORMATION</u>

Item 1. Date, time and place of meeting of security holders

The annual meeting of the stockholders of **SMC SLEX Inc.** (the "Company" or "SMC SLEX") will be held on **May 13, 2021** at **2:00 p.m.**, **at its principal office, 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila.** Due to COVID-19 health concerns, the stockholders are requested to attend through video conferencing, the procedure and further details of attendance are set forth in Annex "A" of the Notice and Agenda to the Special Stockholders' Meeting.

The complete mailing address of the principal office of the registrant, or the SMC SLEX Inc. (the "Company"), is **11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines**.

The information statement is first to be sent to the stockholders on April 19, 2021.

Item 2. Dissenters' Right of Appraisal

There are no dissenting rights under the Corporation Code or the Articles of Incorporation and By-Laws of the Company for the corporate matters or actions to be presented for approval at the special meeting of the stockholders, as provided under the pertinent provisions of the Revised Corporation Code ("RCC").

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

No director or officer of the Company, or any of their associates, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in the matters to be acted upon in the meeting, other than their election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose the action to be taken by the Company at the meeting.

B. <u>CONTROL AND COMPENSATION INFORMATION</u>

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of securities entitled to vote

As of April 19, 2021, the Company has only one (1) class of securities, consisting of 3,625,000,000 issued and outstanding common shares of stock, all of which are entitled to vote. Of the said total issued and outstanding common shares of stock, eighty percent (80%) thereof is owned by SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways, Inc.) ("SLEX Holdings"), a corporation registered under the laws of the Philippines, which in turn is owned 100% by Atlantic Aurum Investments, B.V. ("AAIBV"), a company incorporated in Netherlands.

Twenty percent (20%) of the issued and outstanding capital stock of the Corporation is owned by the Republic of the Philippines ("ROP").

(b) Determination of security holders entitled to vote

The record date for the determination of security holders entitled to vote is April 26, 2021. Only stockholders of record at the close of business on April 26, 2021 will be entitled to vote at the meeting.

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy, one (1) vote for each share of stock registered in his name in the books of the Company. However, with respect to the election of directors in accordance with Section 23 of the RCC, a stockholder may vote the number of common shares held in his name in the Company's stock and transfer books as of **April 26, 2021**, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

(c) Election of directors

The Company has eleven Board seats, of which nine (9) Board seats are allocated between the two principal stockholders as follows:

Nominees of SLEX Holdings (80% equity) : Seven (7) Board seats
Nominees of ROP (20% equity) : Two (2) Board seats

The remaining two (2) Board seats are for the independent directors, who are nominated and elected pursuant to the requirements of the Revised Manual on Corporate Governance of the Company.

In accordance with the Company's By-Laws, the deadline for submission of proxies is twenty-four (24) hours prior to the day and time of the special meeting. No solicitations are made for the election of directors.

(d) Information required by Part IV paragraph (C) of "Annex C" to the extent known by the persons on whose behalf the solicitation is made

(C) Security Ownership of Certain Record and Beneficial Owners and Management.

(1) Security Ownership of Certain Record and Beneficial Owners

The table below shows the entities who are known to the Company to be directly or indirectly the record and/or beneficial owner of more than five percent (5%) of the Company's issued and outstanding common shares as of April 19, 2021:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	SMC SLEX Holdings Company Inc. 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City Stockholder	Beneficial and record owner	Filipino [foreign-owned (Dutch)]	2,900,000,000 [1]	80%
Common	Republic of the Philippines c/o Department of Finance, Roxas Boulevard, Manila Stockholder	Beneficial and record owner	Filipino	725,000,000 [2]	20%
1	Inclusive of seven (7) shares held by its individual nominees, and two (2) shares held by the independent directors, to qualify them to the Board of Directors				
2	Inclusive of two (2) shares held by its individual nominees to qualify them to the Board of Directors				

The table below shows all the stockholders of record of the Company, including the stockholders holding one (1) qualifying share each as of April 19, 2021:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	SMC SLEX Holdings Company Inc. 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City Stockholder	Beneficial and record owner	Filipino [foreign-owned (Dutch)]	2,899,999,991	80%
Common	Ramon S. Ang 671 Notre Dame St. Wack Wack Subdivision, Mandaluyong City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Jose P. de Jesus 30 Mangyan Road, La Vista, Quezon City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Aurora T. Calderon 27 Carrot Street, Valle Verde 5, Pasig City Stockholder/Director	Record owner [1]	Filipino	1	nil

Common	Mario K. Surio 23 A. Luna Avenue, AFPOVAI Phase 5, Taguig City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Lorenzo G. Formoso III Unit 5 Two Dover View, 620 Lee Street, Mandaluyong City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Joseph N. Pineda 166 Lauan Street, Ayala Alabang Village, Muntinlupa City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Ferdinand K. Constantino 95 Celery Drive, Valle Verde 5, Pasig City Stockholder/Director	Record owner [1]	Filipino	1	nil
Common	Republic of the Philippines c/o Department of Finance, Roxas Boulevard, Manila Stockholder	Beneficial and record owner	Filipino	724,999,998	20%
Common	Antonette C. Tionko 465 Adalla Street, Palm Village, Makati City Stockholder/Director	Record owner [2]	Filipino	1	nil
Common	Paola Sherina A. Alvarez 703 Bamboo, One Serendra, Bonifacio Global Complex (BGC), Taguig Stockholder/Director	Record owner [2]	Filipino	1	nil
Common	Jose Portugal Perez 105 12th Avenue West Caloocan City Stockholder/Independent Director	Record owner [1]	Filipino	1	nil
Common	Consuelo Ynares-Santiago 4 Queensville cor. Derby Sts., White Plains, Quezon City Stockholder/Independent Director	Record owner [1]	Filipino	1	nil
[1]	Qualifying share to qualify the stockholder for election to the Board of Directors; held in trust for SLEX Holdings				
[2]	Qualifying share to qualify the stockholder for election to the Board of Directors; held in trust for ROP				

The natural persons authorized to vote the shares of SLEX Holdings are Ramon S. Ang or Lorenzo G. Formoso III. The natural persons authorized to vote the shares of the ROP are Antonette C. Tionko or Paola Sherina A. Alvarez.

(2) Security Ownership of Management

None of the individual directors, executive officers and nominees of the Company beneficially own any of the Company's issued and outstanding common shares, nor do any of them have the right to acquire beneficial ownership. The individual common shares registered in the names of the directors of the Company are all qualifying shares, and are held by them in trust for their respective nominating principal shareholders as of April 19, 2021, as follows:

Title of class	Name of Director	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ramon S. Ang	One (1) share held in trust for SLEX Holdings (direct)	Filipino	Nil
Common	Aurora T. Calderon	One (1) share held in trust for SLEX Holdings (direct)	Filipino	Nil
Common	Mario K. Surio	One (1) share held in trust for SLEX Holdings (direct)	Filipino	nil
Common	Jose P. de Jesus	One (1) share held in trust for SLEX Holdings (direct)	Filipino	nil
Common	Lorenzo G. Formoso III	One (1) share held in trust for SLEX Holdings (direct)	Filipino	nil
Common	Ferdinand K. Constantino	One (1) share held in trust for SLEX Holdings (direct)	Filipino	nil
Common	Joseph N. Pineda	One (1) share held in trust for SLEX Holdings (direct)	Filipino	nil
Common	Antonette C. Tionko	One (1) share held in trust for ROP (direct)	Filipino	nil
Common	Paola Sherina A. Alvarez	One (1) share held in trust for ROP (direct)	Filipino	nil
Common	Jose Portugal Perez	Independent director; one (1) qualifying share taken from SLEX Holdings (direct)	Filipino	nil
Common	Consuelo Ynares-Santiago	Independent director; one (1) qualifying share taken from SLEX Holdings (direct)	Filipino	nil
	Aggregate number of shares	Eleven (11)		

(3) Voting Trust Holders

There are no voting trust holders of any common shares that are registered in the books of the Company.

(4) Changes in Control

There are no arrangements which may result in a change in control of the Company.

Item 5. Directors and Executive Officers

(a) Information required by Part IV, paragraphs (A), (D)(1) and D(3) of "Annex C"

(A) Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors, and Executive Officers, with the required information

The table below shows the incumbent Directors, independent Directors, and executive officers of the Company, ages, citizenship and dates they were first elected or appointed to their positions as of April 19, 2021, all of whom are nominees for re-election as directors at the meeting:

Name	Position	Age	Citizenship	Year first Elected/ Appointed
Ramon S. Ang	Director/Chairman President	67	Filipino	2012 2020
Jose P. de Jesus	Director	86	Filipino	2013
Mario K. Surio	Director	75	Filipino	2012
Aurora T. Calderon	Director	66	Filipino	2021
Lorenzo G. Formoso III	Director	59	Filipino	2015
Joseph N. Pineda	Director	57	Filipino	2021
Ferdinand K. Constantino	Director	69	Filipino	2021
Antonette C. Tionko	Director	53	Filipino	2017
Paola Sherina A. Alvarez	Director	32	Filipino	2018
John Paul L. Ang*	Nominee	41	Filipino	2021
Jose Portugal Perez	Director (Independent)	74	Filipino	2017
Consuelo Ynares-Santiago	Director (Independent)	81	Filipino	2015
Raoul Eduardo C. Romulo	CFO and Treasurer/ Corporate Information Officer (CIO)	59	Filipino	2015; 2020 as CFO
Virgilio S. de Guzman	Deputy CFO/Deputy CIO	63	Filipino	2015
Jose C. Laureta	Corporate Secretary/ Compliance Officer	89	Filipino	2020
Shaina Anella B. Ramirez	Assistant Corporate Secretary	39	Filipino	2013
Patrick Philip L. Capulong	Alternate Assistant Corporate Secretary	43	Filipino	2013
Carlo Magno C. Caballa**	Alternate Assistant Corporate Secretary	29	Filipino	2021

**Nominee who will replace Mr. Constantino upon the end of the latter's term.*
***Nominated to be elected as the Alternate Assistant Corporate Secretary at the Organizational Meeting of the Board upon the expiration of the term of the incumbent officer.*

Certain information on the business and working experiences of the Directors, including the new nominees of SLEX Holdings, and executive officers for the last five (5) years, as well as directorships held in other companies, is set out below.

Ramon S. Ang has served as the Chairman and Executive Director of the Company since 2012. He is concurrently the President and CEO of the Company since 10 December 2020. He is also the Vice Chairman, President and Chief Executive Officer of SMC. He holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc., Petron Corporation; President of Ginebra San Miguel, Inc., Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd. (company publicly listed in Malaysia), Eagle Cement Corporation; Vice Chairman of the Board, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc., Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer of SMC Global Power Holdings Corp., Chairman of the Board and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc. and San Miguel Aerocity Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp., Chairman of the Board of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc. and SEA Refinery Corporation; President of San Miguel Northern Cement, Inc. and President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice-Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

Mario K. Surio has served as a Director of the Company since 2012. He is a Technical Consultant of the Office of the President and COO of San Miguel Corporation since 2005. He is a Director of Eagle Cement Corporation, SMC TPLEX Corporation, Ginebra San Miguel, Inc., and San Miguel Yamamura Packaging Corp. Mr. Surio has a Bachelor of Science degree in Chemical Engineering from University of Santo Tomas.

Jose P. De Jesus has served as a Director of the Company since 2013. He is presently the Chairman of Converge ICT Solutions Inc. since June 2020. He served as the Chairman of Clark Development Corporation from 2017 until November 2020, and the Vice Chairman of COMSTECH Integration Alliance, Inc. from 2014 until February 2019. He served as the Chairman of Metroworks ICT Construction Inc. from May 2014 until February 2019. He was the President and Chief Operating Officer of MERALCO from February 2009 to June 2010, the Secretary of the Department of Transportation and Communications from July 2010 to June 2011, Secretary of the Department of Public Works & Highways from January 1990 to February 1993, and the President and Chief Executive Officer of Manila North Tollways Corporation from January 2000 to December 2008. He was a Lux in Domino Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of Nationwide Development Corporation and KingKing Gold & Copper Mines, Inc. He is a Trustee of Bantayog ng mga Bayani Foundation, Eisenhower Fellowship Association of the Philippines, Kapampangan Development Foundation and Holy Angel University. Mr. de Jesus is a graduate of AB Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago.

Lorenzo G. Formoso III is the Senior Vice President and Head of the Infrastructure Business of SMC. He has served as a Director of the Company since 2015. He is also a Director and Vice Chairman of SMC Mass Rail Transit 7 Inc. since 2010, a Director of Trans Aire Development Holdings Corp. since 2010, Alloy Manila Toll Expressways, Inc. since 2012, SLEX Holdings since 2012, Manila North Harbour Port Inc. since 2010, SMC Skyway Stage 3 Corporation since 2015, Rapid Thoroughfares Inc. since 2010, SMC TPLEX Corporation since 2009, Chairman and Director of Intelligent E-Processes Technologies Corp., Skyway O&M Corporation, and TPLEX Operations and Maintenance Corporation. He served was the Assistant Secretary in the Department of Transportation and Communications from 2006 to 2009, and Deputy Commissioner of the Commission on Information and Communications Technology under the Office of the President from 2005 to 2006. He was the Corporate Counsel and Compliance Officer of Chikka Holdings Ltd British Virgin Islands, Chikka Private Ltd Singapore and Chikka Asia, Inc. Manila from 2000 to 2005. Mr. Formoso was also the Founding Partner of Bocobo Rondain Mendiola Cruz & Formoso from 1992 to 2000, an associate of Angara Abello Concepcion Regala & Cruz from 1990 to 1992 and an associate of Neumiller & Beardslee from 1987 to 1990. He obtained his law degree from the University of California, Davis School of Law in 1987 and was admitted to the State Bar of California in 1987 and to the Philippine Bar in 1992.

Aurora T. Calderon is a member of the Finance Committee of the Company since December 10, 2020. She is a director of several subsidiaries of SMC Infrastructure. She is also a Director of SMC since 2014, and also the Senior Vice-President, Senior Executive Assistant to the President and Chief Operating Officer of SMC since 2011. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc. and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also a member of the Board of Directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Co. Ltd., San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp. and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc. Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric

Company. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC.

Ferdinand K. Constantino is the Chief Finance Officer and Treasurer of SMC and the Treasurer of San Miguel Food and Beverage, Inc. since 2018. He also served as a Director of SMC from 2010 to 2018. He is the Treasurer of several subsidiaries of SMC Global Power. He also holds, among others, the following positions in other publicly-listed companies: Director of Top Frontier Investment Holdings, Inc., and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). He is also the President of Anchor Insurance Brokerage Corporation; Chairman of the San Miguel Foundation, Inc., and SMCGP Philippines Power Foundation Inc. He is also a director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Pure Foods International Ltd., SMC Skyway Corporation, San Miguel Aerocity Inc. and Northern Cement Corporation. He was formerly a director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served SMC as Chief Finance Officer of the San Miguel Beer Division; Chief Finance Officer and Treasurer of San Miguel Brewery Inc.; Director of San Miguel Pure Foods Company, Inc. and of San Miguel Properties, Inc; and Chief Finance Officer of Manila Electric Company. He holds directorships in various domestic and international subsidiaries of SMC during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

Joseph N. Pineda is a member of the Audit and Risk Oversight Committee of the Company since December 2020. He is the Senior Vice President and Deputy Chief Finance Officer of SMC. He was formerly Vice President prior to his promotion in 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since 2005. He is a director of Philippine Dealing System Holdings, Corp. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Master's in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries.

Antonette C. Tionko was elected a Director of the Company in March 2017, to replace one of the former nominees of the ROP for the current year. She is currently an Undersecretary for Revenue Operations Group and the Corporate Affairs Group of the Department of Finance. She was previously a partner in SyCip Gorres Velayo & Co., Tax Services Division, and has over twenty-four (24) years extensive experience in the taxation of financial institutions, particularly banks, insurance companies and mutual funds, and is also knowledgeable in the taxation of the upstream Oil and Gas Industry. She is a lawyer by profession and obtained her Juris Doctor degree from the Ateneo de Manila Law School in 1991. She also completed the Harvard University Program of Instruction for Lawyers in 1997 and the Asian Institute of Management program on Leadership and Strategy for the 21st Century in 2010.

Paola Sherina A. Alvarez was first elected to the Board of the Company in May 2018. She is a lawyer by profession and is currently an Assistant Secretary of the Department of Finance for various groups such as International Finance, Disaster Risk Financing and Climate Change, Green Finance, Financial Technologies, Communications, and Special Concerns. She also acts as liaison officer of the DOF to the House of Representatives and the Senate. She is likewise a member of the Board of Directors of Manila Toll Expressway Systems, Inc. Ms. Alvarez graduated from the De La Salle University-Manila in 2008 with a Bachelor of Arts degree in International Studies, major in European Studies. She received her Juris Doctor of Law degree from the Ateneo de Manila University in 2014. After passing the bar, she joined the Del Rosario and Del Rosario Law Office in April 2015, where she stayed until October 2015, handling labor, immigration and corporate matters. In November 2015, she joined the PDP Laban as its spokesperson. Atty. Alvarez also served as the Spokesperson of the Department of Finance from 2016 – 2018.

Jose Portugal Perez was first elected an Independent Director of the Company in March 2017 to replace one of the independent directors for the current year. He is also an Independent Director of Eagle Cement Corporation, San Miguel Yamamura Asia Corporation, and Bloomberry Resorts Corporation. He served as an Associate Justice of the Supreme Court from December 2009 until his retirement therefrom in December 2016. Mr. Perez obtained his Bachelor of Laws (LlB) degree from the University of the Philippines College of Law in 1971.

Consuelo Ynares-Santiago has served as an Independent Director of the Company since 2015. She is also an Independent Director of SMC Global Power Holdings Corp. since 2011, Anchor Insurance Brokerage Corporation since 2012, Phoenix Petroleum Phil. Inc., and Top Frontier Investment Holdings, Inc., since 2013. She served as an Associate Justice of the Supreme Court from 1999 to 2009; Associate Justice of the Court of Appeals from 1990 to 1999; Regional Trial Court

Judge of Makati, Branch 149 from 1986 to 1990; Metropolitan Trial Court Judge of Pasig, Branch 69 from 1983 to 1984 and of Caloocan City, Branch 41 from January to October 1983, a Municipal Judge in Cainta, Rizal from 1973 to 1983; and as a Legal Officer of the SEC from July 1973 to February 1986. She obtained her law degree from the University of the Philippines in 1962.

John Paul L. Ang is currently the President and Chief Executive Officer of Eagle Cement Corporation since 2008. He brings with him years of top managerial experience in the cement industry in the Philippines and Malaysia beginning with experience in business operations to top level management decision making, which experiences allowed him to be equipped with the necessary skills to lead the cement business, which has helped grow into being an industry leader that it is today. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University.

Certain information on the business and working experiences of the Executive Officers and Senior Management for the last five (5) years is set out below.

Raoul Eduardo C. Romulo was appointed Treasurer in 2015 and the Chief Finance Officer in 2020 of the Company. He is the Chief Finance Officer and Treasury Head of SMHC since 2014. He holds various positions in the various toll road subsidiaries of SMHC as the President of TPLEX Operations and Maintenance Corporation since 2018, Director of Manila Toll Expressway Systems, Inc., Treasurer of SLEX Holdings and Alloy Manila Toll Expressways, Inc. Mr. Romulo is a BS Marketing Management and AB Psychology graduate of De La Salle University (1984) and has an MBA in International Finance from Fordham University Graduate School of Business (1988).

Virgilio S. De Guzman was appointed Deputy CFO in 2015 and has served as the Treasurer of the Company from 2012 until 2015. He is currently a finance consultant for SMHC. He is also the Deputy Chief Finance Officer of SMC Skyway Corporation, where he also served as its Treasurer from November 2012 to April 2015. He has served as the Comptroller and Treasurer of SMC TPLEX Corporation since October 2012. He was Executive Assistant to the Chief Finance Officer of Manila Electric Company in 2009 and was the Vice President and Chief Finance Officer of Coca-Cola Bottlers Phils. Inc. from 2002 to 2007. He has served as the Vice President and Treasurer of San Miguel Beverages Inc. from 2007 to 2009. Mr. De Guzman is an AB Economics (Cum Laude) graduate of De La Salle University and is a Master's Degree in Business Administration candidate at the Ateneo De Manila Graduate School of Business.

Jose C. Laureta is the Corporate Secretary and Compliance Officer of the Company since 2020. He is also the Corporate Secretary of SMC Skyway Corporation; and a Corporate Secretary of the various toll road subsidiaries of SMHC, among others, MATES, Skyway O&M Corporation ("SOMCO"), SLEX Holdings, Alloy Manila Toll Expressways, Inc. ("AMTEX"), Citra Central Expressway Corporation, Citra Intercity Tollways, Inc., Stage 3 Holdings Tollway Corporation and Atlantic Aurum Investments Philippines Corporation. He obtained his law degree from the University of the Philippines in 1956, and his Master's Degree in Law in Yale University in 1964. He is also a faculty member of the UP College of Law.

Shaina Anella B. Ramirez is the Assistant Corporate Secretary of the Company since 2013. She is currently an Associate General Counsel of San Miguel Holdings Corp. and assists in the duties of the corporate secretary of the toll road companies which it indirectly owns. She also serves as the Assistant Corporate Secretary of MATES, SOMCO, SLEX Holdings, AMTEX, and SMC Skyway Corporation. She was a junior associate in the Corporate and Special Projects Department of Villaraza Cruz Marcelo & Angangco from 2010 to 2013 and of Nisce Mamuric Guinto Rivera & Alcantara from 2008 to 2010. She obtained her law degree from the University of the Philippines College of Law in 2008 and was admitted to the Philippine Bar in 2009. She obtained her Bachelor of Arts in Public Administration from the National College of Public Administration and Governance from the same university in 2002.

Patrick Philip L. Capulong has served as the Alternate Assistant Corporate Secretary of the Company since 2013. He is currently a Legal Associate of San Miguel Holdings Corp. and assists in the duties of the corporate secretary of the toll road companies which it indirectly owns. He also serves as the Alternate Assistant Corporate Secretary of MATES, SOMCO, SLEX Holdings, AMTEX, SMC Skyway Corporation and SMC TPLEX Corporation. He was previously employed with the Civil Aviation Authority of the Philippines (CAAP) and the Bureau of Customs. He obtained his bachelor's degree in Philosophy and Human Resources Development from San Beda College, Manila and his Bachelor of Laws degree from the Philippine Law School.

Carlo Magno C. Caballa is currently a Legal Associate of SMHC and assists in the duties of the corporate secretary of the various toll road companies which it indirectly owns. He has been a member of the Philippine Bar since 2019 after passing the 2018 Bar Examinations. He obtained his bachelor's degree in Economics from Ateneo de Manila University and his Juris Doctor degree from the University of the Philippines College of Law in 2018.

Required Certifications of Independent Directors

Consuelo Ynares-Santiago (together with Francisco H. Villaruz, Jr., who passed away in November 2016) was first elected to the Board of Directors as an independent director at the joint special meeting of the stockholders and Board of Directors of the Company held on March 5, 2015 (or prior to the approval by the SEC of the Permit to Sell of the Company on May 7, 2015). At the same meeting, the amendment of the Articles of Incorporation and By-Laws of the Company to provide for independent directors was approved by the Board of Directors and stockholders. The election of the independent directors was expressly stated to become effective upon the approval by the SEC of the amendment of the Articles of Incorporation and By-Laws, which approval was given on March 16, 2015. She was again re-elected as independent director on May 12, 2016.

Jose Portugal Perez was elected to the Board of Directors as an independent director to fill the vacancy created by the death of Mr. Villaruz, at the regular meeting of the Board of Directors on March 14, 2017.

Both Consuelo Ynares-Santiago and Jose Portugal Perez were re-elected as independent directors at the annual general meetings of the stockholders held on May 11, 2017, May 10, 2018, May 9, 2019, and July 28, 2020.

The two (2) independent directors possess the qualifications, and do not have any of the disqualifications, under law and the Revised Manual on Corporate Governance. The Certifications on qualification executed by the independent directors of the Company, Jose Portugal Perez and Consuelo Ynares Santiago, are attached as Exhibits “1” and “1-A”, respectively. The Certifications are compliant with the substantive requirements prescribed under SEC Memorandum Circular No. 5, s. 2017, a copy of which is attached as Exhibit “1-B”.

Independent directors are subject to a cumulative term limit of nine (9) years, under SEC Memorandum Circular No. 4, s. 2017. Both of the incumbent independent directors of the Company are still within the prescribed term limit. Attached as Exhibit “1-C” is a copy of SEC Memorandum Circular No. 4, s. 2017.

Required Certifications and Consents of Government Agencies (where applicable)

Of the eleven (11) directors, only two (2) directors are connected with government offices. The two (2) directors who are connected to government offices are the following:

- Antonette C. Tionko, who is currently an Undersecretary in the Department of Finance (DOF); and
- Paola Sherina A. Alvarez, who is currently an Assistant Secretary in the DOF

Attached as Exhibit “2” is the Certification of the Corporate Secretary of the Company attesting to the foregoing.

The Secretary of the DOF is authorized by the Office of the President of the ROP, issued through the Memorandum of the Executive Secretary dated February 11, 2021 to designate the proxy of the ROP for its shares in the Company, and to designate the nominee-directors of the ROP to the Board of Directors of the Company. Accordingly, the Secretary of the DOF, in a letter to the Assistant Corporate Secretary of the Company dated February 19, 2021 advised the latter of the designation of Antonette C. Tionko and Paola Sherina A. Alvarez as the nominees of the ROP to the Board of Directors of the Company. Copies of the said documents are attached as Exhibits “3” and “3-A”, respectively, of this Information Statement.

As Antonette C. Tionko and Paola Sherina A. Alvarez are connected with the DOF, their designation in writing by the Secretary of the DOF as nominees of the ROP to the Board of the Company satisfies the requirement of consent from the head of the government agency to which the nominees are connected.

Nominees for Election to the Board of Directors for the year 2021-2022

As stated in Item 4(c) above, of the eleven Board seats, nine (9) Board seats are allocated between the two (2) principal stockholders as follows:

Nominees of SLEX Holdings (80% equity)	:	Seven (7) Board seats
Nominees of ROP (20% equity)	:	Two (2) Board seats

The allocation of Board seats between the principal stockholders approximates their proportionate equity percentage in the Company. The remaining two (2) Board seats are for the independent directors who are nominated pursuant to the requirements of the Revised Manual on Corporate Governance of the Company, as amended.

As prescribed by the Revised Manual on Corporate Governance, the Corporate Governance Committee of the Company screens each nominee for compliance with the qualifications of a director as prescribed in the Revised Manual on Corporate Governance, through a review of their respective curriculum vitae and other relevant information provided by the nominating stockholder. The following are the Chairman and members of the Corporate Governance Committee of the Company:

- Jose P. Perez (independent director) – Chairman
- Consuelo Ynares Santiago (independent director) – Member
- Mario K. Surio (director) – Member

Both SLEX Holdings and the ROP have nominated their respective incumbent nominee-directors for re-election for the year 2021. Below are the nominees to the Board of Directors of the Company with an indication of the new nominee:

Nominees of SLEX Holdings:

- Ramon S. Ang
- Jose P. de Jesus
- Aurora T. Calderon
- Mario K. Surio
- Lorenzo G. Formoso III
- Joseph N. Pineda
- John Paul L. Ang

Nominees of the ROP:

- Antonette C. Tionko
- Paola Sherina A. Alvarez

Nominees for Independent Directors

- Jose P. Perez
- Consuelo Ynares-Santiago

The independent directors were nominated by SLEX Holdings, through its proxy/authorized representative, Ramon S. Ang. The independent directors do not have any personal or professional relationship with SLEX Holdings or Ramon S. Ang.

The above enumerated nominees were confirmed by the Corporate Governance Committee on March 24, 2021 as continuing to possess all of the qualifications and none of the disqualifications for directors under the Revised Manual on Corporate Governance, as contained in the summaries of their personal information presented above discussion, under the heading Incumbent Directors and Officers.

(2) Significant Employees

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

(3) Family Relationships

Mr. John Paul L. Ang, the new nominee-director at the next annual stockholders' meeting, is the eldest child of the President and Chief Executive Officer, Mr. Ramon S. Ang.

(4) Involvement in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five years until the date of this Information Statement.

(D) Certain Relationships and Related Transactions

(1) Directors, including Independent Directors, and Executive Officers, with the required information

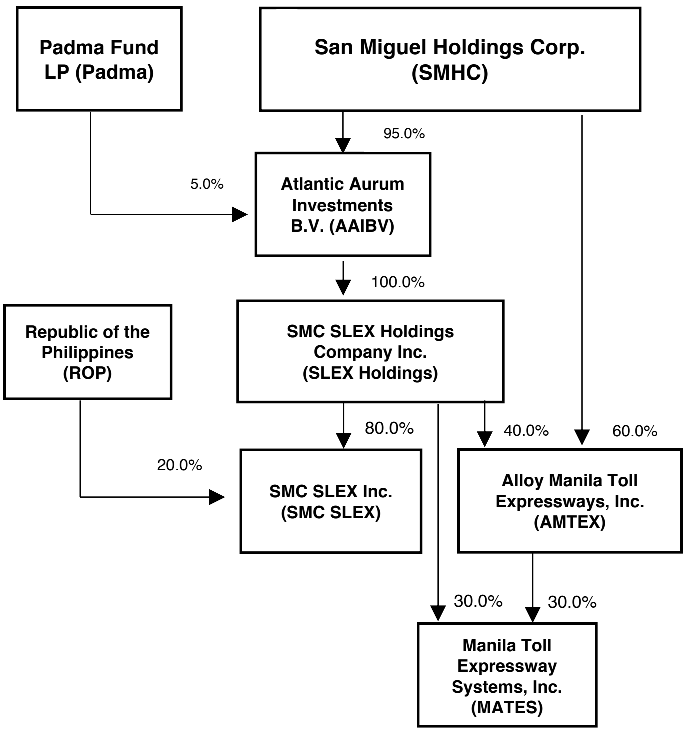
The Company has not had any transaction during the last two years, or proposed transactions, to which the Company was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

(a) Any director or executive officer of the registrant;
(b) Any nominee for election as a director;
(c) Any security holder named in response to Part IV, paragraph (C)
(d) Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the persons in subparagraph (1)(a), (b) or (c) of this paragraph (D).

(3) Parents of the registrant, including basis of control and as to each parent, the percentage of voting securities owned or other basis of control by its immediate parent if any.

The parent company of the Company is SLEX Holdings, which owns and controls 80.0% of the issued and outstanding capital stock of the Corporation, the entirety of which is common, voting stock. SLEX Holdings is in turn 100.0% owned by AAIBV, a Netherlands corporation. AAIBV is 95.0% owned by San SMHC and the remaining 5.0% is owned by Padma Fund LP.

A diagram of the corporate structure of SMC SLEX as follows:



On March 5, 2015, Padma conveyed and transferred to SMHC its shares in AAIBV equivalent to 44% of the outstanding AAIBV shares. Said conveyance resulted to SMHC owning 95.0% of the outstanding shares of AAIBV. This effectively increased the ownership of SMHC in the Company.

(b) As of 31 December 2020, the Company does not have any knowledge of, or has not received any information or notice, of any director declining to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting, due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

(c) **Meeting Attendance**

The directors' attendance in meetings of the Board Committees, the Board of Directors and the Stockholders since the 2020 Annual Stockholders' Meeting up to the date of this DIS are set forth in the attached Exhibit "4"

(d) **Performance Appraisal**

Pursuant to the Revised Manual on Corporate Governance, which was approved by the Board of Directors on 28 July 2020, and the corresponding Board Committee Charters, which were approved on 27 November 2020, the Board of Directors and Board Committees shall assess their respective performances through self-rating forms. In coordination with Management, the Corporation is in the process of establishing the self-rating forms, which shall be presented for approval at each Board Committee meeting and thereafter, for approval of the Board of Directors.

Item 6. Compensation of Directors and Executive Officers

Information required by Part IV paragraph (B) of "Annex C"

(B) Executive Compensation

(1) General

From the years 2018 to 2020, the executive officers of the Company do not receive any compensation from SMC SLEX.

(2) Summary Compensation Table

The following table summarizes the aggregate compensation paid or estimated to be paid to the pertinent officers and directors of the Company during the periods indicated below (in million pesos):

Name	Year	Salary (₱ millions)	Bonus (₱ millions)
(1) All other officers and managers as a group	2021* 2020 2019 2018	₱2.50 ₱1.99 ₱3.55 ₱2.77	₱0.00 ₱0.00 ₱0.19 ₱0.46

*Estimated to be paid

(3) Compensation of Directors

(a) Standard Arrangements

The executive officers are not covered by standard employment contracts and employees' retirement plan and can be terminated upon appropriate notice. Other than reasonable per diem, the directors of the Company have not received and do not receive any salary or compensation for their services as directors. There are no other special arrangements pursuant to which any director was compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board.

The table below shows the per diems and allowances received by the directors for attendance at Board and Committee meetings in the year 2020:

BOARD AND BOARD COMMITTEE MEETING ALLOWANCES FOR THE YEAR 2020
(In Million Pesos)

NAME OF DIRECTOR	Amount
RAMON S. ANG	0.250
JOSE P. DE JESUS	0.300
ERY SHADIK WAHONO	-
LORENZO G. FORMOSO III	0.270

MARIO K. SURIO	0.260
NADIYA STAMBOEL	-
FEMA C.Q. PIRAMIDE-SAYSON	0.290
ANTONETTE C. TIONKO	0.200
PAOLA SHERINA A. ALVAREZ	0.220
JOSE PORTUGAL PEREZ	0.320
CONSUELO YNARES-SANTIAGO	0.320
TOTAL	**2.430**

The table below shows the estimated per diems and allowances to be paid to the directors for attendance at Board and Committee meetings in the year 2021, and assumes complete attendance at all regular meetings of the Board of Directors and Committees:

BOARD AND BOARD COMMITTEE MEETING ALLOWANCES
(ESTIMATED FOR THE YEAR 2021) (In Million Pesos)

NAME OF DIRECTOR	Amount
RAMON S. ANG	0.200
JOSE P. DE JESUS	0.250
JOHN PAUL ANG	0.200
LORENZO G. FORMOSO III	0.220
MARIO K. SURIO	0.250
AURORA T. CALDERON	0.220
JOSEPH N. PINEDA	0.240
ANTONETTE C. TIONKO	0.200
PAOLA SHERINA A. ALVAREZ	0.220
JOSE PORTUGAL PEREZ	0.260
CONSUELO YNARES-SANTIAGO	0.260
TOTAL	**2.520**

(b) Other Arrangements

There are no other arrangements for which the Directors are compensated by the Company for services other than those provided as a Director.

(4) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Directors are elected at the annual meeting of stockholders for a term of one year. As they are not employees of the Company, they do not have any employment contracts. The Company likewise does not have any change-in-control arrangements. Directors are subject to the requirements imposed by law and the Revised Manual on Corporate Governance and can be removed in accordance with the foregoing. Any Director elected in the interim will serve for the remaining term until the next annual meeting

(5) Warrants and Options Outstanding; Repricing

There are no warrants or options held by Directors or Executive Officers.

Item 7. Independent Public Accountants

(a) Principal accountant selected or being recommended to security holders for election, approval or ratification for the current year

The auditing firm of Reyes Tacandong & Co. ("RT & Co.") will be recommended as the external auditor for the year ended 31 December 2021. RT & Co. was also the external auditor of the Company for the fiscal years 2018, 2019 and 2020. RT & Co. was unanimously appointed as the external auditor by stockholders owning and controlling 100% of the issued and outstanding capital stock of the Company, at the annual stockholders' meeting held on July 28, 2020.

RT & Co. is an established group composed of professionals recognized in the industry as authorities in due diligence, tax, advisory and audits services. In compliance with SRC Rule 68(3), RT & Co. is registered with the SEC under group "A" category and accredited by the Board of Accountancy of the Professional Regulations Commission in accordance with its rules and regulation. Representatives of RT & Co. are expected to be present at the annual general meeting where they will have the opportunity to make a statement if they desire to do so, and the representatives are expected to be available to respond to appropriate questions.

The existing partner-in-charge is Belinda B. Fernando. The Company shall observe the two (2)-year cooling-off period in the re-engagement of the same signing partner in accordance with SRC Rule 68 Part 3(b)(iv)(ix).

(b) Principal accountant for the two most recent fiscal years or any subsequent interim period

RT & Co. audited the financial statements of the Company as of the years ended December 31, 2018, 2019 and 2020.

The aggregate fees billed by RT & Co. for the years 2018, 2019 and 2020 are shown below:

	Amount in Pesos		
	2018	**2019**	**2020**
Audit and Audit Related Fees	₽1,300,000	₽1,320,000	₽1,320,000

SLTC has not engaged the independent auditors to render non-audit services.

SLTC had no disagreements with the external auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Audit and Risk Oversight Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the independent auditors. It does not allow SMC SLEX to engage the independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditors maintain the highest level of independence from the Company, both in fact and appearance.

The members of the Audit and Risk Oversight Committee are as follows:

- Consuelo Ynares-Santiago (independent director) - Chairman
- Jose Portugal Perez (independent director) - Member
- Jose P. de Jesus (director) – Member
- Mario K. Surio (director) – Member
- Joseph N. Pineda (director) – Member

Item 8. Compensation Plans

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

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of any securities of any kind or for any transaction.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

On 16 April 2021, the Company filed with the SEC its Annual Report for the year ended December 31, 2020 under SEC Form 17-A, which Annual Report also contains the Company's Management Discussion and Analysis and the Sustainability Report. The Company undertakes to provide without charge to each stockholder, upon its written request, a copy of the Annual Report. Requests for copies of the Annual Report can be directed to the following:

Name	**:**	**NOELLIE R. MAJARUCON**
Designation	**:**	**General Manager**
Address	**:**	**11/F San Miguel Properties Centre** **7 St. Francis Street, Ortigas Center** **Mandaluyong City, Metro Manila**

A copy of the final Annual Report under SEC Form 17-A, which contains the Management Discussion and Analysis and the Sustainability Report, is attached as Annex "A" of this Information Statement. A copy of the audited financial statements of the Company as of December 31, 2020 is attached as Annex "B" of this Information Statement.

Other information required to be disclosed under the relevant Parts of Annex C, which are not contained in the discussions above and in the Management Discussion and Analysis (but are contained in the Annual Report) is discussed below.

Part III(A), item 4 – Brief description of the general nature and scope of business of the Company

The Company was incorporated in the Philippines on July 26, 2000, by virtue of a joint venture agreement between SLEX Holdings and the Philippine National Construction Corporation ("PNCC"), primarily to engage in the rehabilitation, construction and expansion of the South Luzon Expressway ("SLEX") from the Alabang Viaduct to Lucena City in Quezon, and other allied businesses such as the upgrading, replacing, and enlarging, repairing, improving, modernizing, developing, or otherwise engaging in any work upon the toll roads, including all approaches, interchanges, overpasses, bridges, toll plazas, sewerage and drainage system, and related civil works, and for such purpose provide the necessary site survey, traffic studies and investigations, materials and equipment, and supply, and install a toll collection system for the toll roads, traffic toll and data management system, weighing sensors, central computers, CCTV systems and related equipment, without engaging in activities or the operation of a public utility except contracts for construction of locally-funded government projects (N.B. At the time of the execution of the aforesaid joint venture agreement with PNCC and the incorporation of the Company, SLEX Holdings was still known by its original name upon incorporation, Hopewell Crown Infrastructure, Inc. ("HCII"]. HCII's name was formally amended to MTD Manila Expressways, Inc. on September 26, 2005 and then further amended to SMC SLEX Holdings Company Inc. on 29 March 2021.

On February 1, 2006, the Republic of the Philippines ("ROP" or the "Grantor"), through the Toll Regulatory Board ("TRB") awarded to the Company a 30-year concession ending on February 1, 2036, to finance, design and construct the SLEX, and to Manila Toll Expressway Systems, Inc. ("MATES") the concession to operate and maintain the SLEX, through and under the February 1, 2006 Supplemental Toll Operation Agreement ("STOA") entered into by the ROP, represented by the TRB, and the Company, MATES and PNCC. MATES is the operating company established by SLEX Holdings and PNCC pursuant to their aforesaid joint venture agreement,

The SLEX Project currently spans 36.1 km from Alabang, Muntinlupa to Sto. Tomas, Batangas. The SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon ("CALABARZON"). To the north of the SLEX is the Skyway system, and to the south is the Southern Tagalog Arterial Road ("STAR"). SLEX connects with the Skyway System and STAR and is a key logistical backbone to the southern corridor of Metro Manila.

On April 25, 2012, the Company received a written notice from the Department of Finance of the conveyance of the interest of PNCC in the Company to the ROP by way of a Deed of Assignment. This was a consequence of the expiration of the franchise of PNCC under P.D. No. 1113, which resulted in the automatic transfer to the ROP of the toll road facilities of PNCC under P.D. No. 1113 and all the shares, interest and participation of PNCC in the Company.

On February 22, 2021, the SEC approved the amendment of the articles of incorporation and by-laws of the Company, which amendments consisted of the amendment of the name of Company from South Luzon Tollway Corporation to SMC SLEX Inc. and the change of principal office.

The directors and officers of the Company, including their principal occupation or employment, are disclosed and discussed in Part 1(B), Item 5(a) above.

Part III(A), item 5 – Market Price of and Dividends

Market Information

The Company has an authorized capital stock of ₱4,000,000,000.00 comprised of 4,000,000,000 common shares with par value of ₱1.00 per common share. As of December 31, 2020, the Company has issued and outstanding 3,625,000,000 common shares. The common shares of the Company are neither traded in any market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

Stockholders

As of December 31, 2020, the Company has thirteen (13) stockholders, two (2) of which are the principal corporate/juridical entity shareholders, and eleven (11) of whom are individuals with one (1) qualifying share each.

The tables showing the current juridical and natural stockholders are in Part 1(B), Item 4(d) above.

Dividend Policy

Dividends shall be declared out of the available unappropriated retained earnings of the Company, subject to the fulfillment of the following requirements:

- Compliance with existing loan covenants including ratios; and
- Provision for major capital expenditures as may be provided under existing loan covenants.

Historically, the Board of Directors of the Company has approved the declaration and payment of the following dividends to the shareholders in the past three (3) years, as follows:

2020

Date of Declaration	Amount (₱)	Type of Dividend	Payment Date
March 3, 2020	580,000,000	Cash	March 12, 2020

2019

Date of Declaration	Amount (₱)	Type of Dividend	Payment Date
March 7, 2019	1,196,250,000	Cash	March 13, 2019
August 28, 2019	1,377,500,000	Cash	September 12, 2019

2018

Date of Declaration	Amount (₱)	Type of Dividend	Payment Date
March 7, 2018	652,500,000	Cash	March 13, 2018
September 13, 2018	1,268,750,000	Cash	September 14, 2018

Recent Sales of Unregistered or Exempt Securities, Including
Recent Issuance of Securities Constituting an Exempt Transaction

Other than the promissory notes issued in connection with the corporate notes facility of the Company, the Company has not sold unregistered or exempt securities nor has it issued securities constituting an exempt transaction within the past three (3) years.

Part III(A), item 5 – Discussion on compliance with leading practices on Corporate Governance

(a) The evaluation system established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Revised Manual of Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Revised Manual of Corporate Governance is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

(b) Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance

On July 28, 2020, the Board of Directors of the Corporation approved and adopted further amendments and revisions to its Manual on Corporate Governance, in compliance with the requirement of the SEC in

SEC Memorandum Circular No. 24, series of 2019, attached as Exhibit "5" to render public companies and registered issuers compliant with the provisions of the 2019 Code of Corporate Governance for Public Companies Registered Issuers, issued on December 19, 2019. On November 27, 2020, the Board also approved all acts required to render the Corporation compliant with the Revised Manual, such as, but not limited to, the creation of the Board committee charters, and approval of the Code of Business Conduct and Ethics prescribed under the 2019 Code and embodied in the Revised Manual.

The Company is also continuing its previous practices on good corporate governance, namely: (a) vetting of the qualifications of the directors and key officers; (b) ensuring attendance of the directors in the Board meetings and in the meetings of various committees in which they are members, by proper scheduling of the meetings; (c) scheduling of corporate governance seminars and training to ensure attendance by the directors and key officers; and (d) establishment of and adherence to appropriate standard operating procedures to ensure that proper operational controls are in place.

The Company has also complied with the requirement to maintain a website in accordance with format prescribed by the SEC, as directed under SEC Memorandum Circular No. 2, s. 2018. Attached as Exhibits "6" and "6-A", respectively, are copies of SEC Memorandum Circular No. 2, s. 2018, and the letter of the SEC to the Company dated January 30, 2018, noting the Company's compliance.

(c) Any deviation from the Company's Manual of Corporate Governance

In 2020, a deviation from the Company's Revised Manual was the inability of all directors to attend a seminar or training program on corporate governance, as prescribed under Section 2.2.1.4 thereof. Specifically, the following directors were unable to attend a seminar for the stated reasons:

- Directors Ery Shadik Wahono and Nadiya W. Stamboel, due to scheduling conflicts arising from the performance of their duties as officers of companies outside the Philippines; and
- Assistant Corporate Secretary Alvin B. Bugtas, due to scheduling conflicts arising from his work as a private practitioner.

The foregoing has been duly reported to the SEC on 28 January 2021 in the format prescribed for SEC CG Form 2020.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

The Company is not undertaking any merger, consolidation, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

The Company is not acquiring or disposing of any property.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. <u>OTHER MATTERS</u>

Item 15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on July 28, 2020 (the "2020 ASM") and the Special Meeting of Stockholders held on 8 February 2021 for the sole purpose of the stockholders' confirming that the minutes contain a true and accurate record of proceedings.

   Copies of the foregoing Minutes are attached as Exhibit 7 and Exhibit 7-A respectively, and are available for viewing on the Company's website. The said Minutes contain the following information, among others, as required under Section 49 of the RCC:

   (i) Voting and vote tabulation procedures used the meeting
   (ii) Opportunity given to stockholders to ask questions;

(iii) The matters discussed and resolutions reached;
(iv) A record of the voting results for each agenda item; and
(v) A list of the directors, officers and stockholders who attended the meeting.

2. Report to Stockholders
3. Election of the Board of Directors
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

    a. Approval of the following matters:

- Minutes of all previous meetings
- BD Res. No. 01-2020 – Approving the declaration of a cash dividend in the total amount of ₱580,000,000.00, to be paid out of the retained earnings of the Corporation as of December 31, 2019, and payable to all shareholders of record as of the date of the approval of the declaration, on 12 March 2020 in accordance with the cash flow of the Corporation; and in proportion to their respective shareholdings
- BD Res. No. 02-2020 – Approving the audited financial statements for the year ended 31 December 2010 and authorizing the Chairman, President and Treasurer to sign the Statement of Management Responsibility, and the President to sign the Authority to Print, and designating alternate signatories in the event of the inability of the main authorized signatories to timely sign the Statement of Management Responsibility
- BD Res. No. 03-2020 – Approval of the setting of 1 April 2020 as the record date for the purpose of determining the stockholders entitled to notice of and attendance at the Annual General Meeting to be held on 14 May 2020.
- BD Res. No. 04-2020 – Approving the setting of 5 May 2020 as the new record date for the purpose of determining the stockholders entitled to notice and attendance at the Annual General Meeting and the resetting of the Annual General Meeting to either (a) any day falling within sixty (60) days from 14 May 2020, or (b) any day falling within sixty (60) days from the date of formal lifting of the Extended ECQ, or any further extensions, whichever is later, provided that the prevailing circumstances shall safely allow the holding of the same.
- BD Res. No. 05-2020 – Appointing the following:
    - Jose C. Laureta – Compliance Officer
    - Raoul Eduardo C. Romulo – Corporate Information Officer (CIO)
    - Virgilio S. de Guzman – Deputy CIO
- Election of officers
    - Ramon S. Ang – Chairman
    - Jose P. de Jesus – Vice Chairman
    - Shadik Wahono – President
    - Raoul Eduardo C. Romulo – Treasurer
    - Nadiya W. Stamboel – Chief Financial Officer (CFO)
    - Virgilio S. de Guzman – Deputy CFO and Deputy CIO
    - Jose C. Laureta – Corporate Secretary
    - Shaina Anella B. Ramirez – Assistant Corporate Secretary
    - Alvin B. Bugtas - Assistant Corporate Secretary
    - Patrick Philip L. Capulong – Alternate Assistant Corporate Secretary
- BD Res. No. 06-2020 – Appointing the chairpersons and members of the following committees:

Corporate Governance Committee		
Chairperson	:	Jose Portugal Perez
Members	:	Consuelo Ynares-Santiago
		Mario K. Surio
Audit and Risk Oversight Committee		
Chairperson	:	Consuelo Ynares-Santiago
Members	:	Jose Portugal Perez
		Jose P. De Jesus
		Mario K. Surio
		Fema C. Q. Piramide-Sayson
Related Party Transaction Committee		
Chairperson	:	Jose Portugal Perez
Members	:	Consuelo Ynares-Santiago
		Jose P. De Jesus
Finance Committee		
Chairperson	:	Lorenzo G. Formoso III
Members	:	Nadiya Stamboel
		Paola Sherina A. Alvarez

- BD Res. No. 07(a)-2019 to 7(x)-2020 – Granting general authority for the Company to engage in transactions in the routine and ordinary course of business of the Company and designating the authorized signatories and setting the signing parameters for the said transactions
- BD Res. No. 08-2020 – Approval of the Revised Manual on Corporate Governance
- BD Res. No. 9-2020 – Approving the supplemental capital expenditure (CAPEX) budget for the year 2020 the amount of PhP23,650,323.00
- BD Res. No. 10-2020 – Approving the Company's closure of its operating accounts with the Philippine National Bank
- BD Res. No. 11-2020 – Approval of the capital expenditures (CAPEX) and operating expenditures (OPEX) budget of the Corporation for the year 2021
- BD Res. No. 12-2020 – Approval of the Company's Code of Business Conduct and Ethics
- BD Res. No. 13-2020 – Approval of the Company's Board Committee Charters (Corporate Governance Committee Charter, Audit and Risk Oversight Committee Charter, Internal Audit Charter and Related Party Transaction Committee Charter)
- BD Res. No. 14-2020 – Authorizing the renewal of the Salary Loan Facility with the Bank of Commerce, designating the signatories of the Corporation therefor
- BD Res. No. 15-2020 – Acceptance and confirmation by the Board of the general terms and conditions in relation to the approval by the Board of Investments' approval of the TR4 Project on a Non-Pioneer Status

(b) Acts approved at the special meeting of the board of directors held on December 10, 2020

- Approval of the amendment of the Articles of Incorporation and By-Laws of the Corporation by changing the name of the Corporation to SMC SLEX Inc. and the principal office to 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City.
- Election of new officers:
  - Ramon S. Ang – Chairman and President
  - Jose P. de Jesus – Vice Chairman
  - Raoul Eduardo C. Romulo – Treasurer and CFO
  - Virgilio S. de Guzman – Deputy CFO
  - Jose C. Laureta – Corporate Secretary
  - Shaina Anella B. Ramirez – Assistant Corporate Secretary
  - Patrick Philip L. Capulong – Alternate Assistant Corporate Secretary
- Appointment of new members in the following committees:

Audit and Risk Oversight Committee

Chairperson	:	Consuelo Ynares-Santiago
Members	:	Jose Portugal Perez
		Jose P. De Jesus
		Mario K. Surio
		Joseph N. PIneda

Finance Committee

Chairperson	:	Lorenzo G. Formoso III
Members	:	Aurora T. Calderon
		Paola Sherina A. Alvarez

- Approval of the amendment of the designated authorized signatories who were granted general authority for the Company to engage in transactions in the routine and ordinary course of business of the Company on July 28, 2020

5. Approval of the 2020 Audited Financial Statements
6. Appointment of External Auditor

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to any amendment of the Company's charter, by-laws or other documents as to which information is not required above.

Item 18. Other Proposed Action

No action is to be taken with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

(a) Vote required for approval or election:

The vote required for the approval of the minutes of the annual stockholders' meeting and special stockholders' meeting, audited financial statements, report to stockholders, and the ratification of acts and proceedings of the board of directors and corporate officers is the affirmative vote of stockholders owning at least a majority of the issued and outstanding capital stock.

With respect to the election of directors, as discussed in Item 4(c) above, each stockholder is entitled to cast its vote, representing the number of shares registered in each of their names, in favor of each nominee to the Board. Conformably with the agreement among SLEX Holdings and the ROP, as the principal stockholders, each of them will cast their vote to elect their respective nominees to the Board, provided that the same have been pre-screened and confirmed by the Nominations Committee.

(b) Method by which votes will be counted:

Votes will be counted v*iva voce*. The Corporate Secretary shall be responsible for counting and recording the votes cast.

LIST OF EXHIBITS AND ANNEXES

EXHIBIT / ANNEX	DESCRIPTION OF DOCUMENT (copies only)
Exhibit 1	Certification on qualification of Independent Director Jose Portugal Perez
Exhibit 1-A	Certification on qualification of Independent Director Consuelo Ynares-Santiago
Exhibit 1-B	SEC Memorandum Circular No. 5, s. 2017
Exhibit 1-C	SEC Memorandum Circular No. 4, s. 2017
Exhibit 2	Certification of the Corporate Secretary of the Company attesting to the directors who are not and who are connected with any government agency
Exhibit 3	Memorandum from the Executive Secretary to the Secretary of the DOF dated February 11, 2021 authorizing the latter to designate the proxy of the ROP for its shares in the Company, and to designate the nominee-directors of the ROP to the Board of Directors of the Company
Exhibit 3-A	Letter of the Secretary of the DOF to the Assistant Corporate Secretary of the Company dated February 19, 2021 designating Undersecretary Antonette C. Tionko and Assistant Secretary Paola Sherina A. Alvarez as nominees of the ROP to the Board of Directors of the Company.
Exhibit 4	Director attendance report for board, committee, regular and special stockholders meetings
Exhibit 5	SEC Memorandum Circular No. 24, s. 2019
Exhibit 6	SEC Memorandum Circular No. 2, s. 2018
Exhibit 6-A	SEC letter dated January 30, 2018 noting the Company's compliance with the website requirements
Exhibit 7	Minutes of the Annual Stockholders' Meeting held on 28 July 2020
Exhibit 7-A	Minutes of the Special Meeting of the Stockholders held on 8 February 2021
Annex A	Final Annual Report under SEC Form 17-A containing the Management Discussion and Analysis and Sustainability Report of the Company filed with the SEC on 16 April 2021
Annex B	Audited Financial Statements of the Company as of December 31, 2020 as filed with the Bureau of Internal Revenue on 15 April 2021

PART II.

INFORMATION REQUIRED IN A PROXY FORM

N/A – Proxies are not being solicited

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on 19 April 2021.

SMC SLEX INC.
(Registrant)

By:

Jose C. Laureta
Corporate Secretary and Compliance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

I, . **JOSE PORTUGAL PEREZ**, Filipino, of legal age and a resident of 105 12th Avenue, Caloocan City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **SMC SLEX INC.** (the "Corporation") and have been its independent director since 14 March 2017.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Eagle Cement Corporation	Independent Director	2017 to present
San Miguel Yamamura Asia Corporation	Director	2017 to present
Bloomberry Resorts Corporation	Independent Director	2019 to present
San Miguel Brewery Hong Ltd.	Consultant	2017 to present
Manuel L. Quezon University	Dean, School of Law	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation provided for in Section 38 of the Securities and Regulations and other SEC issuances.

4. I am not related to any director/officer/shareholder of the Corporation or its affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any government-owned or controlled corporation

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 04 2021 of March 2021, at Mandaluyong City.

JOSE PORTUGAL PEREZ

SUBSCRIBED AND SWORN to before me this MAR 04 2021 at Mandaluyong City, affiant personally appeared before me and exhibited to me competent evidence of his identity, Tax Identification Card with No. 135-903-375.

CARLO MAGNO C. CABALLA
Commission No. 0576-20
Notary Public of Mandaluyong City
Until December 31, 2021
11th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 4536932; 01/06/2021; Mandaluyong
IBP No. 137877; 01/05/2021; Rizal

CARLO MAGNO C. CABALLA
NOTARY PUBLIC
ROLL NO. 73331
MANDALUYONG CITY, PHILIPPINES

Doc. No. 230;
Page No. 47;
Book No. 1;
Series of 2021.

EXHIBIT "1-A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CONSUELO M. YNARES-SANTIAGO**, Filipino, of legal age and a resident of No. 4 Queensville corner Derby Streets, White Plains, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **SMC SLEX INC.** (the "Corporation") and have been its independent director since 2015.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Anchor Insurance Brokerage Corp.	Independent Director	2012 to present
Phoenix Petroleum Philippines, Inc.	Independent Director	2013 to present
SMC Global Power Holdings, Inc.	Independent Director	2011 to present
Top Frontier Investment Holdings, Inc.	Independent Director	2013 to present
Apostleship of Prayer Association	Member	2002 to present
Association of Retired Supreme Court Justices of the Philippines	Member	2009 to present
Federacion Internacional de Abogadas (FIDA)	Member	1990 to present
Integrated Bar of the Philippines (Rizal Chapter)	Member	Lifetime member
National Sandigan Foundation of the Philippines	Consultant	2011 to present
Tahanan Outreach Program and Services (TOPS)	Chairman	2011 to present
UP Women Lawyers' Circle (WILOCI)	Consultant	1965 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation provided for in Section 38 of the Securities and Regulations and other SEC issuances.

4. I am not related to any director/officer/shareholder of the Corporation or its affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any government-owned or controlled corporation

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

MAR 0 . 2021

Done, this ____ of March 2021, at Mandaluyong City.

CONSUELO YNARES-SANTIAGO

MAR 0 . 2021

SUBSCRIBED AND SWORN to before me this ______________ at Mandaluyong City, affiant personally appeared before me and exhibited to me competent evidence of her identity, Passport with No. P9683307A, issued at DFA Manila on 23 November 2018.

Doc. No. 231;
Page No. 48;
Book No. 1;
Series of 2021.

CARLO MAGNO C. CABALLA
NOTARY PUBLIC
ROLL NO. 73331
MANDALUYONG CITY, PHILIPPINES

CARLO MAGNO C. CABALLA
Commission No. 0576-20
Notary Public of Mandaluyong City
Until December 31, 2021
11th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 4536932; 01/05/2021; Mandaluyong
IBP No. 137677; 01/05/2021; Rizal

EXHIBIT "1-B"

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 5
Series of 2017

TO	:	**ALL INDEPENDENT DIRECTORS**
SUBJECT	:	**CERTIFICATE OF QUALIFICATION**
DATE	:	07 March 2017

To promote full disclosure of the qualifications of independent directors to hold said position, the Commission in its *en banc* meeting on 02 March 2017 resolved to update the pro forma Certification required from all independent directors.

The Certification shall include, among others, disclosure of any pending criminal or administrative investigation or proceedings, positions held in Government-Owned and Controlled Corporations and the required written permission or consent from the head of Department/Agency [for those in government service].

The Certification shall be submitted together with the companies' Information Statements (SEC Form 20-IS) and before the election of the independent director.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 10 March 2017.

For the Commission:

TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ______________________, Filipino, of legal age and a resident of __________________, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of ____________________________ and have been its independent director since ______________ (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of __________________________, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in _____________________, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of ______________________ of any changes in the abovementioned information within five days from its occurrence.

Done, this ________ day of ___________, at __________________.

____
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of ____________ at ______________, affiant personally appeared before me and exhibited to me his/her ____________________________ issued at ____________________________ on _______________________.

Doc. No. ________;
Page No. ________;
Book No. _______;
Series of ________;

EXHIBIT "1-C"

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 4
Series of 2017

TO	:	**REGISTERED ISSUERS, PUBLIC AND MUTUAL FUND COMPANIES**
SUBJECT	:	**TERM LIMIT OF INDEPENDENT DIRECTORS**
DATE	:	09 March 2017

To promote and reinforce board independence and to be consistent with recognized regional best practice, the Commission in its *en banc* meeting on 09 March 2017 resolved to amend its rules on the term limit of independent directors as follows:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;

2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;

3. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and

4. Reckoning of the cumulative nine-year term is from 2012.

This Memorandum Circular shall take effect immediately.

All past resolutions or circulars of the Commission that are inconsistent with this Circular shall be deemed repealed or modified accordingly.

Pasay City, Philippines, 10 March 2017.

For the Commission:

TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

EXHIBIT "2"

SECRETARY'S CERTIFICATE

I, **JOSE C. LAURETA**, of legal age, Filipino, with office address at 8/F One Corporate Plaza, 845 Arnaiz Avenue, Makati City, being the duly elected and incumbent Corporate Secretary of the **SMC SLEX Inc.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City, Metro Manila, under oath, do hereby state that:

1. Under its Articles of Incorporation, the Corporation has eleven (11) seats in the Board of Directors (the "Board"). Of the said directors, the following nine (9) directors are not connected with any government agency or instrumentality:

- Ramon S. Ang
- Ferdinand K. Constantino
- Lorenzo G. Formoso III
- Mario K. Surio
- Aurora T. Calderon
- Joseph N. Pineda
- Consuelo Ynares-Santiago
- Jose P. Perez
- Jose P. De Jesus

2. Two (2) directors of the Corporation are connected with government offices stated opposite their respective names, as follows:

- Antonette C. Tionko – Undersecretary, Department of Finance
- Paola Sherina A. Alvarez – Assistant Secretary, Department of Finance

The Secretary of Department of Finance has duly designated Ms. Tionko and Ms. Alvarez as nominees to the Board of the Corporation.

3. I have executed this Secretary's Certificate to comply with the requirements of the Securities and Exchange Commission in connection with the filing of the Information Statement (SEC Form 20-IS) of the Corporation for the year 2020, and for whatever legal purposes it may serve.

IN WITNESS WHEREOF, I have signed this Secretary's Certificate this 23rd day of March 2021 at Mandaluyong City.

JOSE C. LAURETA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 23 MAR 2021 at Mandaluyong City, affiant exhibiting to me his Senior Citizen I.D. No. 97672 issued on 28 November 2008 as competent evidence of his identity.

Doc. No. 152;
Page No. 32;
Book No. IV;
Series of 2021.

RENE FRANCIS P. BATALLA
NOTARY PUBLIC
ROLL NO. 60695
MANDALUYONG CITY, PHILIPPINES

RENE FRANCIS P. BATALLA
Commission No. 0542-19
Notary Public of Mandaluyong City
Until June 30, 2021
11th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 60695
PTR No. 4536945; 01/06/2021; Mandaluyong City
IBP No. 137871; 01/05/2021; Quezon City Chapter
MCLE Compliance No. VI-0014168;10/10/2018

EXHIBIT "3"

DEPARTMENT OF FINANCE
Republic of the Philippines
021521DOF00881I

Office of the President
of the Philippines
Malacañang

MEMORANDUM FROM THE EXECUTIVE SECRETARY

For : **SECRETARY CARLOS G. DOMINGUEZ**
Department of Finance

Subject : **AUTHORITY TO (1) EXECUTE PROXIES TO ATTEND ANNUAL GENERAL AND SPECIAL STOCKHOLDERS' MEETINGS OF VARIOUS TOLLROAD JOINT VENTURE CORPORATIONS, AND VOTE THE SHARES OF THE REPUBLIC OF THE PHILIPPINES; AND (2) DESIGNATE THE NOMINEE DIRECTORS IN THESE CORPORATIONS**

Date : FEB 11 2021

As requested, you are hereby authorized to:

1. Execute the necessary proxies to officers of the Department of Finance (DOF) and the Bureau of the Treasury (BTr) for the purpose of attending the annual general and special stockholders' meetings of the NLEX Corporation, South Luzon Tollway Corporation, and Manila Toll Expressway Systems, Inc., which will be held on or before 31 December 2021, and to vote the shares of the Republic of the Philippines thereat; and

2. Designate the nominee directors representing the Republic in the respective Board of Directors of the above-stated corporations.

Upon your representation, the nominee directors representing the Republic in the Board of Directors shall be officers of the DOF, BTr, and/or the Privatization and Management Office.

Please advise this Office of the actions taken on this matter.

For appropriate action.

By authority of the President:

SALVADOR C. MEDIALDEA

DEPT. OF FINANCE
RECEIVED
15 FEB 2021
11:40 a.m.
OFFICE OF THE SECRETARY
12:48

EXHIBIT "3-A"

Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

ATTY. SHAINA ANELLA B. RAMIREZ
Assistant Corporate Secretary
South Luzon Tollway Corporation
Km. 44, South Luzon Expressway (Northbound)
Mapagong, Calamba City, Laguna

SUBJECT: Designation of Nominee Director of the Republic of the Philippines in South Luzon Tollway Corporation (SLTC)

Dear **Atty. Ramirez:**

In connection with the annual general meeting of the stockholders of the South Luzon Tollway Corporation (the "Corporation") for the year 2021, the Republic of the Philippines (the "Republic") hereby nominates **Undersecretary Antonette C. Tionko** and **Assistant Secretary Paola Sherina A. Alvarez**, for election to the Board of the Corporation.

For your reference, we attach a copy of the memorandum from the Office of the President dated 11 February 2021, authorizing the Secretary of Finance to designate the Republic's nominee directors for the Corporation.

Very truly yours,

CARLOS G. DOMINGUEZ
Secretary of Finance
FEB 19 2021

012588

Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

SOUTH LUZON TOLLWAY CORPORATION (SLTC)

PROXY

The Republic of the Philippines (the "Republic"), a stockholder of South Luzon Tollway Corporation (the "Corporation"), hereby nominates, constitutes, and appoints:

ANTONETTE C. TIONKO
PAOLA SHERINA A. ALVAREZ

as the Republic's proxy to represent it and vote, singly or collectively, all shares registered in its name in the books of the Corporation, at the annual stockholders meeting of the Corporation for the year 2021, and all special meetings of the stockholders for the year 2021, and any adjournments and/or postponements thereof, on any and all matters and things that may come at said meetings, as fully to all intents and purposes as it might do if present and acting in person.

This proxy revokes and supersedes any previously executed proxy or proxies given to vote such shares. This proxy shall be valid and effective until such time that the same is withdrawn by the undersigned through notice in writing at least one day before any scheduled meeting or adjournment thereof, or until the last day of the first year from the date hereof, whichever comes first.

Republic of the Philippines
By:

CARLOS G. DOMINGUEZ
Secretary of Finance
FEB 19 2021

012589

Signed in the presence of:

________________________ ________________________

EXHIBIT "4"

BOARD OF DIRECTORS ATTENDANCE SUMMARY

Director's Names	March 3, 2020 AROC	March 3, 2020 RM BD	July 28, 2020 AROC	July 28, 2020 CGC	July 28, 2020 ASM	July 28, 2020 OM	Sept. 28, 2020 AROC	Sept. 28, 2020 FC	Sept. 28, 2020 RM BD	Nov. 27, 2020 AROC	Nov. 27, 2020 CGC	Nov. 27, 2020 RM BD	Dec. 10, 2020 SM BD	Feb. 8, 2021 SM SH
Ramon S. Ang	N/A	✓	N/A	N/A	✓	✓	N/A	N/A	✓	N/A	N/A	✓	✓	✓
Jose P. de Jesus	✓	✓	✓	N/A	✓	✓	✓	N/A	✓	✓	N/A	✓	✓	✓
Shadik Wahono	N/A			N/A			N/A	N/A						N/A
Lorenzo G. Formoso III	N/A	✓	N/A	N/A	✓	✓	N/A	✓	✓	N/A	N/A	✓	✓	✓
Mario K. Surio	✓	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓		✓
Nadiya W. Stamboel				N/A			N/A							
Fema C. Q. Piramide-Sayson	✓	✓	✓	N/A	✓	✓	✓	N/A	✓	✓	N/A	✓	✓	
Antonette C. Tionko	N/A		N/A	N/A	✓	✓	N/A	N/A	✓	N/A	N/A	✓	✓	✓
Paola Sherina A. Alvarez	N/A		N/A	N/A	✓	✓	N/A	✓	✓	N/A	N/A	✓	✓	✓
Jose Portugal Perez	✓	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓
Consuelo M. Ynares-Santiago	✓	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓
Ferdinand K. Constantino	N/A													✓
Aurora T. Calderon	N/A													✓
Joseph N. Pineda	N/A													✓

LEGEND:

AROC – Audit and Risk Oversight Committee Meeting
ASM – Annual Stockholders' Meeting
CGC – Corporate Governance Committee Meeting
FC – Finance Committee Meeting
OM – Organizational Meeting of the Board of Directors
RM BD – Regular Meeting of the Board of Directors
SM BD – Special Meeting of the Board of Directors
SM SH – Special Meeting of the Stockholders

EXHIBIT "5"

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 24
Series of 2019

TO	:	**PUBLIC COMPANIES AND REGISTERED ISSUERS**
SUBJECT	:	**CODE OF CORPORATE GOVERNANCE FOR PUBLIC COMPANIES AND REGISTERED ISSUERS**

To promote the development of a strong corporate governance culture and keep abreast with recent developments in corporate governance best practices, the Commission, pursuant to its regulatory power under Section 179(d) of Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines, resolved to adopt the Code of Corporate Governance for Public Companies and Registered Issuers ("CG Code for PCs and RIs").

(1) The CG Code for PCs and RIs supersedes the following SEC Memorandum Circulars:

a) SEC Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance);
b) SEC Memorandum Circular No. 9, Series of 2014 (Amendment to the Revised Code of Corporate Governance; and
c) SEC Memorandum Circular No. 4, Series of 2017 (Term Limits of Independent Directors).

The aforementioned Memorandum Circulars shall remain in effect for other covered companies, when applicable.

(2) All other relevant Memorandum Circulars on corporate governance shall remain in force and effect until further notice.

(3) All public companies and registered issuers shall submit a new Manual on Corporate Governance within six (6) months from the effectivity of this Memorandum Circular.

(4) Notwithstanding the issuance of the CG Code for PCs and RIs, public companies and registered issuers shall submit a Compliance Officer Certification on the extent of the company's compliance with Revised Code of Corporate Governance and Corporate Secretary Certification on record of attendance in board meetings for the covered year 2019 on or before 30 January 2020.

This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation in the Philippines.

Pasay City, Philippines, 19 December 2019.

For the Commission:

EMILIO B. AQUINO
Chairperson

Published:
Manila Bulletin, December 28, 2019
Manila Standard, December 28, 2019

EXHIBIT "6"

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 2
Series of 2018

TO	:	**PUBLICLY-LISTED COMPANIES**
SUBJECT	:	**COMPLIANCE WITH SEC-PRESCRIBED WEBSITE TEMPLATE**

Pursuant to the Commission's drive to promote a better corporate governance environment for PLCs, it issued SEC Memorandum Circular No. 11, Series of 2014, prescribing a Website Template for all Publicly-Listed Companies.

In connection with this, the Commission, in its *en banc* meeting on 19 December 2017 resolved that all companies applying for registration of its securities for listing are directed to comply with the SEC-prescribed website template as one of the requirements before the Registration Statement is rendered effective.

For companies listed before the issuance of this Memorandum Circular, due date of compliance with the SEC-prescribed website template shall be six (6) months from listing date.

Failure to comply with the website template shall result in the imposition of penalty provided under SEC Memorandum Circular No. 18, Series of 2014.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 22 January 2018.

For the Commission:

TERESITA J. HERBOSA
Chairperson

JAN 2 2 2018

Securities and Exchange Commission
PHILIPPINES

CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

30 January 2018

SOUTH LUZON TOLLWAY CORPORATION
Rm 44 North Bound, Sitio Latian
Brgy. Mapagong, Calamba, Laguna

Attention: **MS. CYNTHIA M. LAURETA**
Compliance Officer
MR. RAOUL EDUARDO C. ROMULO
Corporate Information Officer

Re: **COMPLIANCE WITH THE SEC PRESCRIBED WEBSITE TEMPLATE FOR PUBLICLY-LISTED COMPANIES**

Dear Ms. Laureta and Mr. Romulo:

This refers to your letters dated 07 March 2017 in reply to our show cause letter dated 20 January 2017 advising the Commission of its compliance with the SEC Prescribed Website Template pursuant to SEC Memorandum Circular Nos. 11 and 18, Series of 2014.

Please be advised that the said compliance is duly noted. However, considering that South Luzon Tollway Corporation is a registered issuer of securities but not listed in the Philippine Stock Exchange (PSE), it is not subject to the penalty provided under SEC Memorandum Circular No. 18, Series of 2014.

In view thereof, our show cause letter dated 20 January 2017 is hereby **SET ASIDE**.

Very truly yours,

Remalante

RACHEL ESTHER J. GUMTANG-REMALANTE
Officer-In-Charge

/mtbsalles

Ground Floor Secretariat Building, PICC Complex, Vicente Sotto Street Pasay City 1307
(+632) 818-7264 / (+632) 818-5990 | www.sec.gov.ph | inquiry@sec.gov.ph

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF THE

SOUTH LUZON TOLLWAY CORPORATION
Held via remote communications through video conference
on 28 July 2020 at 2:00 p.m.

PRESENT:	**No. of Shares**
Ramon S. Ang	
for himself	1
and as proxy for:	
MTD Manila Expressways, Inc.	2,899,999,991
Antonette C. Tionko	
for herself	1
and as proxy for:	
The Republic of the Philippines	724,999,998
Lorenzo G. Formoso III	1
Mario K. Surio	1
Jose P. de Jesus	1
Fema C. Q. Piramide-Sayson	1
Jose Portugal Perez	1
Consuelo Ynares-Santiago	1
Paola Sherina A. Alvarez	1
Total number of shares present	3,624,999,998
Total number of shares issued and outstanding	3,625,000,000
Percentage attendance of stockholders	99.99%

ALSO PRESENT:

Raoul Eduardo C. Romulo
Virgilio S. de Guzman
Noellie R. Majarucon
Shaina Anella B. Ramirez
Patrick Philip L. Capulong
Carlo Magno C. Caballa

---

1) Call to order and certification of notice and quorum

The Chairman, Mr. Ramon S. Ang, called the meeting to order and presided over the same. The Assistant Corporate Secretary confirmed the attendance, location and device of the stockholders through a roll call. The Assistant Corporate Secretary, Atty.

Shaina Anella B. Ramirez recorded the minutes of the proceedings and certified to the presence of a quorum for the valid transaction of business by the Corporation, there being present in person and by proxy stockholders representing 99.99% of the issued and outstanding capital stock of the Corporation.

For each Agenda Item, a motion shall be made by any stockholder and when duly seconded by another shareholder (there being no objections from any stockholder) shall be declared as duly approved and carried by the all the stockholders present in the meeting. Should there be any objection from a stockholder, such objection shall be registered as a dissent to and a vote against the passage of the subject resolution. For purposes of election of the members of the Board of Directors, a stockholder may vote the number of common shares held in his name in the stock and transfer book of the Corporation and may vote such number of common shares for as many persons as there are directors to be elected, as set forth in the Information Statement.

2) Approval of the Minutes of the Annual General Meeting of the Stockholders held on 9 May 2019

The meeting proceeded to the second item in the agenda, that is, the approval of the minutes of the Annual General Meeting of the Stockholders held on 9 May 2019. The Chairman requested the stockholders to peruse their copies of the minutes, which had been furnished them prior to the meeting. A copy of the same is attached to these minutes by reference.

Upon motion duly made and seconded, and there being no objections, the minutes of the Annual General Meeting of the Stockholders held on 9 May 2019 was unanimously approved.

3) President's Report

Upon the request of Atty. Formoso, the reading of the President's Report on the operations and performance of the Corporation for the year 2019 was dispensed with since copies of the same were furnished to the stockholders prior to the meeting. However, the slide presentation of the said report was projected before the stockholders during the meeting. A copy of the report is appended to these minutes by reference.

The report highlighted the following:

Financial and Operational Highlights

- Toll revenue of P6.2 billion, an increase of 2% due to increase in traffic volume by 3%
- Cost of service increased by 3% primarily on provision for resurfacing and maintenance obligation
- Operating expenses went up by 37% mainly for repair and maintenance and depreciation for toll equipment
- EBITDA increased by 1% to P4.9 billion
- Total Comprehensive Income increased by 2% to P3.1 billion

- The Company has total assets of P15.5 billion and total liabilities of P8.3 billion
- Total equity is at P7.2 billion, after dividend declaration of P2.6 billion during the year

Capital Expenditure Highlights

- Total capital expenditures during the year amounted to P229.1 million, mainly for TR4 project development costs, additional lanes, SLEX widening and DED of the Seamless Tollway project, as well as several toll equipment, office furniture and vehicles
- The Company also paid P430.9 million as down payment to TR4 contractors

4) <u>Approval of the Acts of Management for the year ended 31 December 2019</u>

Upon the request of the Chairman, the Assistant Corporate Secretary presented the Acts of Management for the year ended 31 December 2019. Copies of the presentation were furnished to the stockholders prior to the meeting, and a copy thereof is appended to these minutes by reference. The Corporate Secretary gave a brief summary of the acts of management for approval, as follows:

(i) Acts approved at the regular meeting of the Board held on 7 March 2019

- BD Res. No. 01-2019 – Approving the declaration of a cash dividend in the total amount of P1,196,250,000.00, to be paid out of the retained earnings of the Corporation as of 31 December 2018, and payable on 13 March 2019 to all shareholders of record as of the date of the approval of this resolution, in proportion to their respective shareholdings
- BD Res. No. 02-2019 – Approving the audited financial statements for the year ended 31 December 2018 and authorizing the Chairman, President and Treasurer to sign the Statements of Management Responsibility, and the President to sign the Authority to Print, and designating alternate signatories in the event of the inability of the main authorized signatories to timely sign the Statements of Management Responsibility
- BD Res. No. 03-2019 – Approval the setting of 31 March 2019 as the record date for the purpose of determining the stockholders entitled to notice of and attendance at the Annual General Meeting to be held on 9 May 2019

(ii) Acts approved at the organizational meeting held on 9 May 2019

- Electing the officers for the current year:
  - ➢ Ramon S. Ang – Chairman
  - ➢ Jose P. de Jesus – Vice Chairman
  - ➢ Shadik Wahono – President
  - ➢ Raoul Eduardo C. Romulo – Treasurer
  - ➢ Nadiya W. Stamboel – Chief Financial Officer (CFO)
  - ➢ Virgilio S. de Guzman – Deputy CFO and Deputy CIO
  - ➢ Cynthia M. Laureta – Corporate Secretary and Compliance Officer
  - ➢ Shaina Anella B. Ramirez – Assistant Corporate Secretary

- Alvin B. Bugtas - Assistant Corporate Secretary
- Patrick Philip L. Capulong – Alternate Assistant Corporate Secretary

- BD Res. No. 04-2019 – Appointing the following:
  - Cynthia M. Laureta – Compliance Officer
  - Raoul Eduardo C. Romulo – Corporate Information Officer (CIO)
  - Virgilio S. de Guzman – Deputy CIO

- BD Res. No. 05-2019 – Appointing the chairpersons and members of the following committees:

Corporate Governance Committee		
Chairperson	:	Jose Portugal Perez
Members	:	Consuelo Ynares-Santiago Mario K. Surio
Audit and Risk Oversight Committee		
Chairperson	:	Consuelo Ynares-Santiago
Members	:	Jose Portugal Perez Jose P. De Jesus Mario K. Surio Fema C. Q. Piramide-Sayson
Related Party Transaction Committee		
Chairperson	:	Jose Portugal Perez
Members	:	Consuelo Ynares-Santiago Jose P. De Jesus
Finance Committee		
Chairperson	:	Lorenzo G. Formoso III
Members	:	Nadiya Stamboel Paola Sherina A. Alvarez

- BD Res. No. 06(a)-2019 to 6(x)-2019 – Granting general authority for the Company to engage in transactions in the routine and ordinary course of business of the Company and designating the authorized signatories and setting the signing parameters for the said transactions

(iii) Acts approved at the regular meeting held on 28 August 2019

- BD Res. No. 7-2019 – Approving the declaration of a cash dividend in the total amount of P1,377,500,000.00 to be paid out of the retained earnings of the Corporation as of 31 July 2019, and payable on 12 September 2019 to all shareholders of record as of the date of the approval of the resolution
- BD Res. No. 8-2019 – Approving the supplemental capital expenditure (CAPEX) budget for the year 2018, in the amount of P556,577,200.67

(iv) Acts approved at the regular meeting held on 28 November 2019

- BD Res. No. 9-2019 – Approving the increased O&M Fee payable to Manila Toll Expressway Systems, Inc. (MATES) and the Amended O&M Fee Agreement from PhP680,000,000.00 to PhP700,000,000.00 for a period of 2 years, commencing 1 January 2020 until 31 December 2021
- BD Res. No. 10-2019 – Approving the capital expenditures (CAPEX) and operating expenditures (OPEX) budget of the Corporation for the year 2020
- BD Res. No. 11-2019 – Authorizing the renewal of the Salary Loan Facility with the Bank of Commerce, designating the signatories of the Corporation therefor

The stockholders are requested to approve the above enumerated acts of the Board and management, through the following resolution:

<u>SH Res. No. 01-2020 (SH AGM 07-28-20)</u>

> "RESOLVED, that the stockholders representing at least a majority of the issued and outstanding capital stock of the South Luzon Tollway Corporation (the 'Corporation') approve, as they so hereby approve, the acts of management and of the Board of Directors of the Corporation for the year ended 31 December 2019, as presented at the Annual Stockholders' Meeting on 28 July 2020."

5) Presentation and approval of the Audited Financial Statements for the year ended 31 December 2019

Ms. Noellie R. Majarucon presented the audited financial statements for the year ended 31 December 2019, together with a summary of the significant items thereof. Copies of the audited financial statements and presentation were furnished the stockholders prior to the meeting, and are made integral parts of these minutes by reference.

Highlights of the statements of comprehensive income for the year ended 31 December 2019 are as follows:

- Traffic volume up by 3%
- Higher toll revenue by 2%
- Increase in cost and expenses mainly due to higher repair and maintenance of toll road and equipment by P65.2 million and depreciation by P27.4 million
- Higher interest expense and financing charges by P33.1 million offset by higher interest and other income by P126.5 million
- Higher provision for income tax due to higher taxable income
- Increase in EBITDA – 1%
- Total comprehensive income increased by 2%

Highlights of the financial position for the year ended 31 December 2019 are as follows:

- Increase in cash - net cash generated from operations of P4.2 billion, less total capex of P229.1 million, advances to contractors of P451.4 million and dividend payment of P2.6 billion
- Increase in receivables mainly on ROW advances of P65.4 million
- Decrease in concession rights - toll road capex of P118.3 million offset by amortization of P 559.3 million
- Increase in property and equipment of P110.8 million offset by depreciation of P99.7 million
- Increase in advances to contractors mainly pertain to payment for TR4 project
- Liabilities and Equity:
    - Movement in long-term debt – reclassification of retail bonds due in 2020
    - Higher noncurrent provision for resurfacing – additional accrual for 5 year forecast
    - Net decrease in retirement liability – fund payout to retired employees
    - Net increase in retained earnings of P568.3 million pertain to net income of P3.1 billion, offset by dividend declaration of P2.6 billion

Lastly, it was reported that the Company is compliant with its financial covenants as at and for the period ended 31 December 2019.

After the report, the Chairman of the Audit Committee, Hon. Consuelo Ynares-Santiago, manifested that the Audit Committee has reviewed the audited financial statements and is recommending its approval by the stockholders.

Upon motion duly made and seconded, and there being no objections, the following resolution was unanimously approved and adopted:

SH Res. No. 02-2020 (SH AGM 07-28-20)

> "RESOLVED, that the stockholders representing at least a majority of the issued and outstanding capital stock of the South Luzon Tollway Corporation (the 'Corporation') approves, as it so hereby approves, the Audited Financial Statements of the Corporation for the year ended 31 December 2019, as presented to the Board at its regular meeting held on 3 March 2020;
>
> RESOLVED FURTHER, that the Board authorizes, as it so hereby authorizes: (1) the Chairman, Mr. Ramon S. Ang, the President, Mr. Shadik Wahono, and the Treasurer, Mr. Raoul Eduardo C. Romulo, to sign, execute and deliver the Statement of Management's Responsibility for Financial Statements and the General Representation Letter and the Statement of Management's Responsibility for Annual Income Tax Return; and (2) the aforesaid Treasurer to sign the Authority to Print the Independent Audit Report;
>
> RESOLVED FINALLY, that in the event of the inability of any of the above designated officers to timely sign the Statement of Management's Responsibility for Financial Statements and the Statement of

Management's Responsibility for Annual Income Tax Return, the Board designates, as it so hereby designates any two (2) Group A-1, or any one (1) Group A-1 with any one (1) Group A-2 of the following officers and persons as signatories under the Group appearing before their names:

Group A-1	Group A-2
Ramon S. Ang Aurora T. Calderon Ferdinand K. Constantino Lorenzo G. Formoso III Joseph N. Pineda	Shadik Wahono Dodik Marseno Catur Utomo

as signatories to the aforesaid Statements of Management's Responsibility."

6) <u>Election of Directors for the Current Year</u>

The meeting proceeded to the election of directors for the current year. The Corporate Secretary informed the Board that there are eleven (11) Board seats, two (2) of which are reserved for the Independent Directors and the remaining nine (9) Board seats are allocated among the principal shareholders, with their respective nominees as follows:

Republic of the Philippines : Two (2)

Antonette C. Tionko
Paola Sherina A. Alvarez

MTD Manila Expressways, Inc. : Seven (7)

Ramon S. Ang
Shadik Wahono
Jose P. de Jesus
Mario K. Surio
Lorenzo G. Formoso III
Nadiya W. Stamboel
Fema C. Q. Piramide-Sayson

Independent Directors : Two (2)

Justice Jose Portugal Perez
Justice Consuelo Ynares-Santiago

Atty. Ramirez further explained that the Information Statement circulated to the stockholders provided the names of the nominees for election as independent directors of the Board of Directors and they are Consuelo M. Ynares-Santiago and Jose Portugal Perez. She likewise informed the stockholders that all the named independent directors comply with the mandatory requirements imposed by the Securities and Exchange Commission.

A motion was made for the above-named nominees be unanimously elected as directors of the Corporation for the ensuing year until their successors are elected and qualified, and (that the votes of the stockholders present and represented by proxies be distributed and recorded accordingly.

Upon nominations duly made and seconded, and there being no objections, the following were elected as directors of the Corporation for the current year, to serve as such until their successors are duly elected and qualified:

Ramon S. Ang
Jose P. de Jesus
Ery Shadik Wahono
Mario K. Surio
Lorenzo G. Formoso III
Nadiya W. Stamboel
Fema C. Q. Piramide-Sayson
Antonette C. Tionko
Paola Sherina A. Alvarez
Jose Portugal Perez
Consuelo Ynares-Santiago

6) Appointment of external auditor for the <u>financial year ending 31 December 2020</u>

The meeting proceeded to the appointment of the external auditor for the financial year ending 31 December 2020. Hon. Consuelo Ynares-Santiago, chairperson of the Audit Committee, manifested that the committee is recommending the appointment of the auditing firm Reyes Tacandong & Co. as the external auditors of the Corporation for the financial year ending 31 December 2020.

Upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved and adopted by the stockholders representing at least a majority of the issued and outstanding capital stock of the Corporation:

<u>SH Res. No. 03-2020 (AGM 07-28-20)</u>

> "RESOLVED, that stockholders representing at least as majority of the issued and outstanding capital stock of the South Luzon Tollway Corporation (the 'Corporation') appoint, as they so hereby appoint, the auditing firm of Reyes Tacandong & Co. as the external auditor of the Corporation for the audit of the financial statements of the Corporation for the financial year from 1 January to 31 December 2020."

7) **Adjournment**

There being no other matters to discuss, the meeting was adjourned.

The voting results for each Agenda Item is set out in the attached Annex "A" hereof.

ATTEST:

RAMON S. ANG	**SHAINA ANELLA B. RAMIREZ**
Chairman/Director	Assistant Corporate Secretary

Annex “A”

Voting Results of each Agenda Item of the
Annual Meeting of the Stockholders of
South Luzon Tollway Corporation
held on 28 July 2020

Agenda Item	Percentage of Outstanding Shares Voted For the Approval of the Agenda Item
Approval of the Minutes of the Annual General Meeting of the Stockholders held on 9 May 2019	100%
Approval of the Acts of Management for the year ended 31 December 2019	100%
Approval of the Audited Financial Statements for the year ended 31 December 2019	100%
Election of the Board of Directors For each of Ramon S. Ang, Jose P. de Jesus, Ery Shadik Wahono, Mario K. Surio, Lorenzo G. Formoso III, Nadiya W. Stamboel, Fema C. Q. Piramide-Sayson, Antonette C. Tionko, Paola Sherina A. Alvarez, Consuelo M. Ynares-Santiago, and Jose Portugal Perez	100%
Appointment of External Auditors	100%

EXHIBIT "7-A"

MINUTES OF THE SPECIAL MEETING
OF THE STOCKHODLERS
OF

SOUTH LUZON TOLLWAY CORPORATION
Held via remote communications through video conference
on 8 February 2021 at 10:00 a.m.

<u>PRESENT</u>:	**<u>No. of Shares</u>**
Ramon S. Ang	
for himself	1
and as proxy for:	
MTD Manila Expressways, Inc.	2,899,999,991
Antonette C. Tionko	
for herself	1
and as proxy for:	
The Republic of the Philippines	724,999,998
Lorenzo G. Formoso III	1
Mario K. Surio	1
Jose P. de Jesus	1
Jose Portugal Perez	1
Consuelo Ynares-Santiago	1
Paola Sherina A. Alvarez	1
Ferdinand K. Constantino	1
Aurora T. Calderon	1
Joseph N. Pineda	1
Total number of shares present	3,625,000,000
Total number of shares issued and outstanding	3,625,000,000
Percentage attendance of stockholders	100%

<u>ALSO PRESENT</u>:

Raoul Eduardo C. Romulo
Jose C. Laureta
Noellie R. Majarucon
Shaina Anella B. Ramirez
Patrick Philip L. Capulong
Carlo Magno C. Caballa
Rea Samantha G. Torres

---

1) <u>Call to order and certification of notice and quorum</u>

The Chairman, Mr. Ramon Ang, called the meeting to order and presided over the same. In compliance with SEC Memorandum Circular No. 6, series of 2020, the Corporate Secretary, Atty. Jose Laureta confirmed the attendance, location and device of the stockholders through a roll call. The Corporate Secretary recorded the minutes of the proceedings and certified to the presence of a quorum for the valid transaction of business by the Corporation, there being present in person and by proxy stockholders representing 100% of the issued and outstanding capital stock of the Corporation.

For each Agenda Item, a motion shall be made by any stockholder and when duly seconded by another shareholder (there being no objections from any stockholder) shall be declared as duly approved and carried by the all the stockholders present in the meeting. Should there be any objection from a stockholder, such objection shall be registered as a dissent to and a vote against the passage of the subject resolution. For purposes of election of the members of the Board of Directors, a stockholder may vote the number of common shares held in his name in the stock and transfer book of the Corporation and may vote such number of common shares for as many persons as there are directors to be elected. or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Corporation multiplied by the total number of directors to be elected, as set forth in the Information Statement.

3) <u>Election of Directors</u>

The meeting proceeded to the election of directors for the current year. Director Consuelo Ynares-Santiago, the Chairperson of the Corporate Governance Committee, manifested that the committee had screened and confirmed the nominees during the committee meeting held last 14 January 2021 and are endorsing their nomination to the board.

Upon nominations duly made and seconded, there being no objections, the following were elected to the Board of Directors of the Corporation, to serve as such for the current year until their successors are duly elected and qualified:

Chairman:	Ramon S. Ang
Members:	Lorenzo G. Formoso III
	Mario K. Surio
	Jose P. De Jesus, Jr.
	Antonette C. Tionko
	Paola Sherina A. Alvarez
	Consuelo Ynares-Santiago
	Jose Portugal Perez
	Aurora T. Calderon
	Ferdinand K. Constantino
	Joseph N. Pineda

3) Approval of the amendment of the Articles of <u>Incorporation and By-laws</u>

The Corporate Secretary, Atty. Jose Laureta presented to the Stockholders the proposal to amend the articles of incorporation and by-laws of the Corporation to change the corporate name and the place of principal office.

As holder of the proxy from which owns 100% equity ownership of the Corporation, Atty. Formoso voted to approve the proposed amendment of the articles of incorporation and by-laws of the Corporation to change the corporate name and place of principal office.

Upon motion duly made and seconded, and there being no objections, the Stockholders unanimously approved the amendment to the articles of incorporation and by-laws of the Corporation to change the corporate name and place of principal office of the Corporation as follows:

(a) change in the name of the Corporation to "SMC SLEX HOLDINGS COMPANY INC.";

(b) amendment of the First Article of the Articles of Incorporation of the Corporation, which shall read as follows:

"**FIRST -** The name of said corporation shall be:

<u>**SMC SLEX INC.**</u>
(As amended on December 10, 2020 and February 8, 2021)"

(c) amendment of the By-Laws of the Corporation to reflect the new corporate name.

(d) change in the place of principal office of the Corporation <u>***to***</u> 11/F San Miguel Properties Centre, 7 St. Francis St. Mandaluyong City;

(e) amendment of the Third Article of the Articles of Incorporation of the Corporation, which shall read as follows:

"THIRD - The place where the principal office of the corporation is to be established is at <u>11/F San Miguel Properties Centre, 7 St. Francis St. Mandaluyong City</u>. (*As amended on December 10, 2020 and February 8, 2021*)"

Having obtained a unanimous approval by the stockholders of the proposed amendments, which proposal requires approval of 2/3 of the stockholders of the Corporation, the Corporate Secretary certified that the proposed amendments to the articles of incorporation and by-laws of the Corporation to change the corporate name and place of principal office are approved.

4) <u>Adjournment</u>

There being no other matters to discuss, the meeting was adjourned. The voting results for each Agenda Item is set out in the attached Annex "A" hereof.

<u>ATTEST</u>:

RAMON S. ANG Chairman	**JOSE C. LAURETA** Corporate Secretary

Annex "A"

Voting Results of each Agenda Item of the
Special Meeting of the Stockholders of
South Luzon Tollway Corporation held on 8 February 2021

Agenda Item	Percentage of Outstanding Shares Voted For the Approval of the Agenda Item
Election of the Board of Directors For each of Ramon S. Ang, Jose P. de Jesus, Mario K. Surio, Lorenzo G. Formoso III, Aurora T. Calderon, Ferdinand K. Constantino, Joseph N. Pineda, Antonette C. Tionko, Paola Sherina A. Alvarez, Consuelo M. Ynares-Santiago, and Jose Portugal Perez	100%
Amendment of the Articles of Incorporation and By-Laws	100%

SMC SLEX Inc._SEC Form 17-A_16 April 2021

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Friday, April 16, 2021 15:12
To: corsec.sbr <corsec.sbr@smhc.sanmiguel.com.ph>
Subject: Re: SMC SLEX Inc._SEC Form 17-A_16 April 2021

Dear Customer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.

COVER SHEET

SEC Registration Number

A200010622

Company Name

SMC SLEX INC. formerly SOUTH LUZON TOLLWAY CORPORATION

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

11/F SAN MIGUEL PROPERTIES CENTRE 7 ST. FRANCIS STREET, MANDALUYONG CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.sbr@smhc.sanmiguel.com.ph	(02) 8584-4688	0917 8130910

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
13	2nd Thursday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Raoul Eduardo C. Romulo	rromulo@smhc.sanmiguel.com.ph	(02) 8584-4688	-

Contact Person's Address

11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended DECEMBER 31, 2020

2. SEC Identification Number A200010622   3. BIR Tax Identification No. 207-247-094

4. Exact name of issuer as specified in its charter SMC SLEX INC.

5. PHILIPPINES
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center Mandaluyong City, Metro Manila   1550
Address of principal office   Postal Code

8. (02) 8584-4688
Issuer's telephone number, including area code

9. N/A
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Amount	Interest Rate	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Series B	₱2.4 Billion	5.5796%	
Series C	₱2.5 Billion	6.4872%	
Total	₱5.9 Billion		

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ ]   No [√]

If yes, state the name of such stock exchange and the classes of securities listed therein: N/A

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [√]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [√]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

N/A

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. – N/A

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated: None

    (a) Any annual report to security holders;

    (b) Any information statement filed pursuant to SRC Rule 20;

    (c) Any prospectus filed pursuant to SRC Rule 8.1.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

CORPORATE PROFILE

SMC SLEX Inc. (formerly South Luzon Tollway Corporation or "SLTC") ("SMC SLEX" or "the "Company") was incorporated in the Philippines on July 26, 2000, by virtue of a joint venture agreement between SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways, Inc. or "MTDME") ("SLEX Holdings") and the Philippine National Construction Corporation ("PNCC"), primarily to engage in the rehabilitation, construction and expansion of the South Luzon Expressway ("SLEX") from the Alabang Viaduct in Muntinlupa to Lucena City in Quezon, and other allied businesses such as the upgrading, replacing, and enlarging, repairing, improving, modernizing, developing, or otherwise engaging in any work upon the toll roads, including all approaches, interchanges, overpasses, bridges, toll plazas, sewerage and drainage system, and related civil works, and for such purpose provide the necessary site survey, traffic studies and investigations, materials and equipment, and supply, and install a toll collection system for the toll roads, traffic toll and data management system, weighing sensors, central computers, CCTV systems and related equipment, without engaging in activities or the operation of a public utility except contracts for construction of locally-funded government projects (N.B. At the time of the execution of the aforesaid joint venture agreement with PNCC and the incorporation of the Company, SLEX Holdings was still known by its original name upon incorporation, Hopewell Crown Infrastructure, Inc. ("HCII"]. HCII's name was formally amended to MTD Manila Expressways, Inc. on September 26, 2005).

On February 1, 2006, the Republic of the Philippines ("ROP" or the "Grantor"), through the Toll Regulatory Board ("TRB") awarded to SMC SLEX a 30-year concession ending on February 1, 2036, to finance, design and construct the SLEX, and to Manila Toll Expressway Systems, Inc. (MATES) the concession to operate and maintain the SLEX, through and under the February 1, 2006 Supplemental Toll Operation Agreement ("STOA") entered into by the ROP, represented by the TRB, and SMC SLEX (SMC SLEX was then known by its original name SLTC), MATES and PNCC. MATES is the operating company established by SLEX Holdings and PNCC pursuant to their aforesaid joint venture agreement.

SMC SLEX is an 80%-owned entity of SLEX Holdings; a domestic corporation engaged in general construction, project management and administration. ROP owns the remaining 20% of the shares in SMC SLEX.

The parent company of SMC SLEX is San Miguel Holdings Corp. ("SMHC"), a 100.0% owned subsidiary of San Miguel Corporation ("SMC"). SMHC owns 95.0% of Atlantic Aurum Investments BV ("AAIBV"), a company incorporated in the Netherlands, which in turn owns 100.0% of SLEX Holdings.

Company Milestones

February 2006	SMC SLEX, MATES and PNCC executed a STOA on February 1, 2006 with the ROP, through the TRB, and the MATES, the latter being the operation and maintenance company established by PNCC and SLEX Holdings pursuant to their joint venture agreement. Said STOA was approved by the President of the ROP on February 3, 2006 giving a 30-year life of the SLEX project (the "Project").

July 2006 .... The Project commenced in July 2006 for the rehabilitation and widening of SLEX (Alabang, Muntinlupa to San Pedro, Laguna) and in November 2006 for the rehabilitation of the Alabang Viaduct.

April 2010 .... TRB issued the Certificate of Substantial Completion ("CSC") for Toll Roads 1 and 2 (from Alabang, Muntinlupa to Calamba, Laguna).

TRB issued the Toll Operation Permit for Toll Roads 1 and 2.

May 2010 .... Handover of Operation and Maintenance of SLEX from PNCC to SMC SLEX and MATES.

December 2010 .... TRB approved the implementation of the new toll rate of PhP3.03/km for Phase 1 (from Alabang, Muntinlupa to Sto. Tomas, Batangas) of SLEX.

TRB confirmed the approval of the issuance of Toll Operation Certificate for the entire Phase 1 of SLEX.

TRB issued the CSC for the entire Phase 1 of SLEX.

January 2011 .... Staggered implementation of the Php3.03/km new toll rate of SLEX, until March 2011.

April 2011 .... Full implementation of the new toll rates of SLEX.

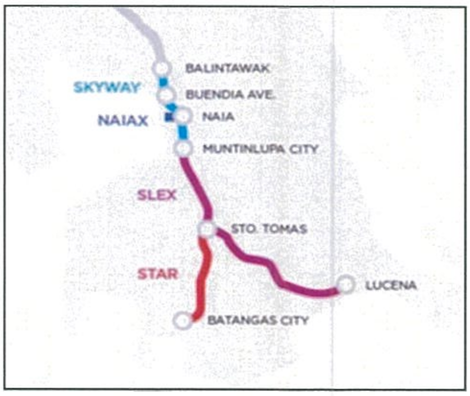
December 2011......... Consortium comprising of SMHC and Padma Fund LP ("Padma"), successfully acquired 80% of SMC SLEX and 60% of MATES from the MTD Group of Malaysia.

March 2019.............. Ground-breaking ceremony for the TR4 Project held in Tiaong, Quezon Province.

The SLEX Concession

SMC SLEX is the concessionaire/investor of the SLEX, which currently spans 36.1 km from Alabang, Muntinlupa to Sto. Tomas, Batangas. The SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon ("CALABARZON"). To the north of the SLEX is the Skyway system, and to the south is the Southern Tagalog Arterial Road ("STAR"). SLEX connects with the Skyway System and STAR and is a key logistical backbone to the southern corridor of Metro Manila.

An illustration of the three tollways is seen on the map below:



SLEX is composed of four (4) toll road segments, namely TR1, TR2, TR3 and TR4, which are intended to operate as an integrated expressway. These were classified into four segments to clearly define the scope of work (including rehabilitation and/or construction works) for each. Currently operational are TR1, TR2 and TR3.

Project Toll Road 1 ("TR1"): The Alabang Viaduct – 1.2 km.

TR1 involved the rehabilitation and upgrade of the Alabang viaduct which included the widening of the at-grade portion of the roads, retrofitting of the existing structure, and the replacement and expansion of the elevated portion from 6 to 8 lanes.

Project Toll Road 2 ("TR2"): Expansion from Filinvest Exit to Calamba, Laguna – 27.3 km.

TR2 involved the widening of the SLEX segment between Filinvest exit and Sta. Rosa, Laguna from 4 to 8 lanes and segment between Sta. Rosa, Laguna to Calamba, Laguna from 4 to 6 lanes.

Project Toll Road 3 ("TR3"): Extension of the SLEX from Calamba, Laguna to Sto. Tomas, Batangas – 7.6 km.

TR3 involved the construction of a 4-lane roadway from Calamba, Laguna to Sto. Tomas, Batangas. The construction of this section connected Metro Manila, SLEX, and STAR.

Project Toll Road 4 ("TR4): Extension of the SLEX from Sto. Tomas, Batangas to Lucena City in Quezon Province – 66.74 km.

TR 4 involves the construction of a 4-lane toll roadway from Sto. Tomas, Batangas to Lucena City in Quezon Province. TR 4 is composed of 5 toll road segments.

Supplemental Toll Operation Agreement (STOA)

On February 1, 2006, the STOA was executed by the ROP, through the TRB, with SMC SLEX, MATES and PNCC. Pursuant to the STOA, the ROP awarded to SMC SLEX a 30-year concession ending on February 1, 2036, to finance, design and construct the SLEX Project, and to MATES the concession to operate and maintain the SLEX Project. It includes the period of construction which began in June 2006.

The STOA authorizes SMC SLEX to carry out the rehabilitation, construction and expansion of the SLEX Project, comprising of Toll Roads (TR).

On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase I of the SLEX, i.e., TR1, TR2 and TR3, and approved the implementation of the initial toll rate for the said Phase I.

Under the STOA, toll revenue collected from SLEX is the property of SMC SLEX. On the other hand, MATES shall collect and retain custody of, and remit the toll revenue collected to SMC SLEX. Toll rates are subject to periodic adjustment based on the formula provided under Section 8.07(1) of the STOA, subject to the conditions thereunder.

The STOA allows SMC SLEX and MATES to assign absolutely to the Lenders (i.e., the banks or financial institutions providing financing for the Project) all or any part of the toll revenue provided that expenses for the operation and maintenance of SLEX are met. However, any assignment of the toll revenue must comply with the conditions set forth under the STOA.

The STOA may be terminated as a result of occurrence of events of default as enumerated in Section 11 thereof. In addition to default on the part of MATES, SMC SLEX or the Grantor, the STOA may be terminated in whole or in part by reason of requisition, a final decision by a court of competent jurisdiction and force majeure. Depending on the ground for termination, SMC SLEX may be entitled to just compensation for or the fair market value of the SLEX, as the case may be.

The STOA includes provisions for Material Adverse Grantor Action ("MAGA"), which refers to any action, inaction, representation, issuance or operation of the Grantor which has a material adverse effect on (i) any of the rights, privileges, enjoyment, exercise thereof by SMC SLEX and MATES; (ii) the ability of SMC SLEX to comply with the financial and contractual obligations of the Company relative to the toll road. Among events (included but not limited) considered as MAGA are:

- Non-delivery, late delivery or incomplete delivery of the road right-of-way, where the parties have failed to agree on a solution to address the same pursuant to a prescribed procedure;
- Failure or refusal by the Grantor to adjust the toll rate as a result of the imposition of new or amended regulations that are treated as a variation under the STOA;
- Any unjustifiable refusal by the Grantor to allow MATES to operate the toll road or segment for which a CSC or TOP has been issued;
- The failure or refusal of the Grantor to compensate SMC SLEX for the non-implementation by the Grantor of the periodic toll rate adjustment;
- Any change in any applicable law, regulation or policy which makes it unlawful or impossible for SMC SLEX and MATES to comply with its obligation under the STOA;
- Any unjustified failure to cause the issuance, re-issuance or replacement of permits, licenses, certificates or registrations within a period of 3 months from the date of the Notice to Proceed;
- Any failure by the Grantor to make an agreed variation payment; and
- Any failure by the Grantor to meet an obligation arising from a force majeure event.

Toll Adjustment Mechanism

SMC SLEX is entitled to apply for a toll rate adjustment every two (2) years from 2011 based on the toll rate adjustment formula provided for in the STOA. The adjustment on the toll rate primarily takes into consideration changes in Consumer Price Index.

On or before September 30 of the relevant year, SMC SLEX, in coordination with MATES, shall submit to TRB, a written petition for the adjustment of the authorized toll rates applying the periodic toll rate adjustment formula. Approved periodic toll rate adjustment shall be published once a week for three (3) consecutive weeks in a general circulation newspaper, the first publication being not later than November 30 of the relevant year. Resulting current authorized toll rate shall be enforceable and collectible by SMC SLEX effective January 1 of the immediately succeeding year.

CORPORATE STRUCTURE/PROJECT CONSORTIUM

SMC SLEX is 80.0% owned by SLEX Holdings and 20.0% owned by the ROP. SLEX Holdings is 100.0% owned by AAIBV. AAIBV is 95.0% owned by SMHC and the remaining 5.0% is owned by Padma.

A diagram of the corporate structure of SMC SLEX is disclosed as a Supplementary Schedule to the Company's 2020 Audited Financial Statements ("Annex A - Supplementary Schedules").

On March 5, 2015, Padma conveyed and transferred to SMHC its shares in AAIBV equivalent to 44% of the outstanding AAIBV shares. Said conveyance resulted to SMHC owning 95.0% of the outstanding shares of AAIBV. This effectively increased the ownership of SMHC in the various subsidiaries of AAIBV including SMC SLEX and MATES.

As of December 31, 2020, SMC SLEX does not have any subsidiaries.

SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.)

SLEX Holdings was incorporated in the Philippines on January 9, 1998, primarily to engage in general construction, project management and administration. SLEX Holdings was originally incorporated under the name "Hopewell Crown Infrastructure, Inc.". SLEX Holdings is a wholly-owned subsidiary of AAIBV, a company organized and existing under the laws of the Netherlands.

Philippine National Construction Corporation ("PNCC")/Republic of the Philippines ("ROP")

PNCC is a corporation organized and existing under and by virtue of the laws of the Philippines and was known previously as the Construction and Development Corporation of the Philippines ("CDCP"). It was granted the franchise to construct, operate and maintain the North Luzon Expressway, South Luzon Expressway and Metro Manila Expressway by virtue of P.D. No. 1113 issued on March 31, 1977, as amended by P.D. No. 1894 issued on December 22, 1983. By its express terms, the franchise of PNCC under P.D. No. 1113 expired 30 years after its issuance on April 1, 2007. Upon the expiration of its franchise, the concession over the SLEX was deemed automatically vested in the Company and MATES by virtue of the STOA.

PNCC was not involved in the construction and financing activities of SLEX Project but invested as an equity partner in SMC SLEX and MATES and operation and maintenance companies.

On April 25, 2012, SMC SLEX received a written notice from the Department of Finance of the conveyance of the interest of PNCC in SMC SLEX to the ROP by way of a Deed of Assignment. This was a consequence of the expiration of the franchise of PNCC under P.D. No. 1113, which resulted in the automatic transfer to the ROP of the toll road facilities of PNCC under P.D. No. 1113 and all the shares, interest and participation of PNCC in the Company.

San Miguel Holdings Corp. ("SMHC")

SMHC is a wholly owned subsidiary of SMC, one of the largest and most diversified conglomerates in the Philippines. SMHC has investments in various infrastructure companies, among others, which hold concession rights to the following:

- 70.11% stake in SMC TPLEX Corporation which holds a 35-year concession to build and operate an 89.21 km four-lane expressway that will connect Tarlac and Pangasinan to Rosario, La Union;
- 99.92% stake in Trans Aire Development Holdings Corp., the company which holds a 25-year contract-add-operate-transfer concession for the rehabilitation and operation of the existing terminal and other facilities, construction and operation of a new terminal at the Caticlan airport;
- 100% stake in SMC Mass Rail Transit 7 Inc. which holds a 25-year build-gradual transfer-operate-maintain-and manage concession on the SMC Mass Rail Transit 7 project, a 22 km light rail transit route, from North Ave. in EDSA up to San Jose Del Monte, Bulacan that will link with LRT Line 1 and MRT Line 3;
- 100% stake in SMC NAIAX Corporation which holds a 30-year build-operate-transfer-concession of the 5.46 km. NAIA Expressway that links the Skyway system to the following: Roxas Boulevard, Diosdado Macapagal Blvd., Pagcor City and the 3 Ninoy Aquino International Airport terminals; and
- 100% stake in Star Infrastructure Development Corporation which holds a 35-year build-transfer-operate concession on the STAR (41.9 kms.) from Sto. Tomas, Batangas to Batangas City.

Padma Fund LP ("Padma")

Padma is a limited partnership which has various investments in leading infrastructure companies in Indonesia and operates a number of toll roads in Indonesia. Padma is directly owned by Padma Investments Pte. Ltd. and managed by a general partner, Parallax Capital Management.

Jointly, Padma and SMHC (through AAIBV) also have interests in various toll road companies such as: (i) 87.84% interest in SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation), the company which holds a 30-year concession over the Skyway system, which spans from Buendia, Makati to Alabang, Muntinlupa and (ii) 90.0% interest in SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.), the company which holds a 30-year concession over Skyway Stage 3, which extends from Buendia, Makati to Balintawak, Quezon City.

TRANSACTIONS WITH RELATED PARTIES

Operation and Management

The Joint Venture Agreement ("JVA") for the construction, operation and maintenance of the SLEX was executed between PNCC and SLEX Holdings on October 11, 1999, and was subsequently amended by an Amended Joint Venture Agreement ("AJVA") executed on August 22, 2000, both of which were duly approved by the Government Corporate Monitoring and Coordinating Committee ("GCMMC"), the joint venture agreement and the AJVA and the President of the Philippines. The GCMCC is chaired by the Executive Secretary and its members are the Secretary of Finance, the Head of the Presidential Management Staff, the Secretary of Trade and Industry, the Director General of the National Economic Development Authority, the Governor of the Bangko Sentral ng Pilipinas, the Secretary of Budget and Management, the Chief Presidential Legal Adviser, the Chief Government Corporate Counsel.

PNCC, SLEX Holdings and Alloy Manila Toll Expressway, Inc. ("AMTEX"), the latter being a toll operations specialist, have further established MATES, the operations and maintenance company of the SLEX. As provided for under the AJVA, SLEX Holdings, AMTEX and PNCC hold 30%, 30% and 40% equity in MATES, respectively. PNCC further granted to MATES the usufruct over the franchise under P.D. No. 1113 with respect to the operation and maintenance of the SLEX, which has likewise been duly approved by the President of the Philippines, in compliance with the express requirements of the franchise. Upon the expiration of P.D. No 1113 on April 1, 2007, the concession to operate the SLEX was deemed automatically vested in MATES by virtue of the STOA.

Manila Tollway Expressway Systems, Inc. ("MATES")

MATES is the toll road operator for the SLEX. MATES was incorporated in the Philippines on January 13, 2006 and was organized to engage in the business of operating and maintaining toll roads and toll road facilities, interchanges, and related facilities, including the operation and management of toll collection systems, traffic control systems, and such other systems located or found within the toll roads.

In December 2011, SMC, through its wholly-owned subsidiary, SMHC and AAIBV, the joint venture corporation of SMHC and Padma, concluded the agreements for the purchase and acquisition of an indirect equity interest equivalent to 60% in MATES.

MATES is subject to the guidelines and standards prescribed in the Operations & Maintenance Manual, the Basic Design and such additional regulations or standards imposed by the TRB. SMC SLEX and MATES executed an Operations and Maintenance Agreement ("OMA") on May 14, 2008, which was amended on May 13, 2014. Pursuant to the OMA, MATES is responsible for the operation and maintenance ("O&M") of the SLEX, consisting of the conduct of the 24-hour operation of SLEX and is responsible for the physical collection of toll revenues, toll monitoring and revenue validation, establishment and implementation of rules and regulations on the highway, information service and customer service programs for motorists, and traffic management. It is accountable for the routine maintenance of the roadway, utilities, and facilities of SLEX, and the implementation and maintenance of the systems and facilities provided by SMC SLEX.

Under the OMA, SMC SLEX pays MATES, as the Operator of the SLEX, a mutually agreed fixed annual O&M fee. The O&M fee takes into account the cost to operate and maintain SLEX and the depreciation and financing charges, if any. In 2014, SMC SLEX and MATES agreed to an annual O&M fee of ₱600 million exclusive of Value-Added-Tax, subject to regular review by both parties in the event that the Fee is no longer sufficient. The parties agreed in 2016 to increase the annual O&M Fee to ₱680 million effective 1 January 2017, and again in 2019, for a further adjustment to ₱700 million effective 1 January 2020.

Fees Paid to PNCC

Under the AJVA, SMC SLEX is obligated to pay PNCC a revenue share of 1.75% of gross toll revenues from the start of the hand over to MATES of the SLEX, which revenue share increased to 3% in May 2015. This shall be maintained until the end of the concession period. Pursuant to Guidelines issued by the TRB on October 1, 2012, 90% of the revenue share is paid directly to the ROP, while 10% of the revenue share is paid to PNCC.

RISKS RELATING TO THE BUSINESS OF SMC SLEX

Enforceability, Amendment, Revocation, Requisition or Termination of the STOA

The continuity of operations of SMC SLEX is highly dependent on the continued effectivity of the STOA which contains all the obligations and responsibilities of SMC SLEX for the 30-year concession over the SLEX, which will expire on February 1, 2036.

Under the STOA, SMC SLEX was granted the exclusive privilege, right and obligation to construct, design and finance SLEX, while MATES was assigned the exclusive privilege, right and responsibility to operate and maintain said toll road. Non-performance of the said obligations may result to either the termination, in whole or in part, of the STOA. Such termination may adversely affect the operations, financial condition and future plans of SMC SLEX.

Depending on the ground for termination of the STOA, SMC SLEX may be entitled to receive just compensation or the fair market value of the SLEX, whichever is higher. Furthermore, in the event of dispute arising out of or in connection with the STOA, SMC SLEX endeavors to amicably settle the same with the Government and if necessary, exhaust all legal remedies available to it.

To date, SMC SLEX remains compliant with and continues to perform its obligations under the STOA. SMC SLEX intends to continue the faithful performance of its obligations to construct, design and finance the SLEX.

Inability of the Operator to Perform its Responsibilities

MATES as the Operator of SLEX may not be able to perform its obligations under the STOA or the OMA. There is no assurance that MATES will not experience future disruptions in its operations due to factors such as labor disputes and inability to timely procure materials necessary to undertake the repair and maintenance of the SLEX. In addition, any changes in labor laws and regulations may result in MATES having to incur substantial additional cost to comply with minimum wage increase and other labor laws. Any of these events may have a material adverse effect on the business, financial condition and results of operations of SMC SLEX

In the event that MATES will not be able to fulfill its obligations as set out in the STOA or the OMA, SMC SLEX shall nominate a qualified substitute operator under the STOA.

Changes in the Legal and Regulatory Environment

The operations of SMC SLEX are subject to a number of national and local laws. In particular, SMC SLEX is heavily regulated by the TRB and is subject to certain permits and consents from government agencies. Though the STOA specifically outlines the obligations and responsibilities of TRB, the failure of TRB to comply with said obligations and responsibilities may have a material adverse effect on the financial condition and results of operations of SMC SLEX

The operations of SMC SLEX are also subject to other taxes. While SMC SLEX believes that it should not be made liable for real property tax based on the provisions of Presidential Decree No. 1894, which grants fiscal incentives to, among others, the concession holder of SLEX, it may still be made liable for and required to pay. Thus, the revenue stream of SMC SLEX may be vulnerable to these changes in interpretation of tax laws by various taxing authorities, both local and national.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The bill requires the approval of the Congress and by the President of the Philippines to be enacted a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and consequently was not yet submitted to the President of the Philippines. Upon submission to the President of the Philippines, he may either approve it or exercise his veto to stop the enactment of the bill.

Since the bill is not considered substantively enacted, the current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020. The bicameral committee approved the bill on February 1, 2021. As at March 11, 2021, the bill is yet to be approved by the President of the Philippines.

Current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020.

There is no assurance that changes in laws, rules or regulations or the interpretation thereof, including the imposition of increased taxes and tariffs, the withdrawal of valuable tax holidays and/or concessions, the imposition of exchange controls, and the other changes that may adversely impact obligation of counterparties with respect to the Project, will not result in SMC SLEX having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities. Failure to comply may result in financial penalties, administrative and/or legal proceedings against SMC SLEX

SMC SLEX is in constant consultation and coordination with the relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, SMC SLEX maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that SMC SLEX becomes involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings, SMC SLEX endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

Inability to Secure Toll Rate Adjustments

The commercial success of the infrastructure business and projects of SMC SLEX depends in part on its ability to implement toll rate adjustments. While toll rate adjustments are permitted pursuant to pricing formulas set forth in the STOA, these are still subject to the review and approval of the TRB. Any constraint on the ability of SMC SLEX to adjust toll rates may have a material adverse effect on its business, financial condition and results of operations.

SMC SLEX has filed four (4) petitions for periodic toll rate adjustment with the TRB, the first of which was filed on July 20, 2012 and subsequently amended on October 24, 2012 and November 28, 2012. The application submitted in 2012 was due for implementation beginning January 1, 2013 but has yet to be acted upon by the TRB.

The second petition for periodic toll rate adjustment was filed with and received by the TRB on September 30, 2014. However, a Motion for Leave to Amend the Petition was filed by SMC SLEX on November 19, 2014 for the purpose of clarifying and further supporting the basis for the computation of the adjusted toll rate. To date, SMC SLEX has not yet submitted a revised petition for periodic toll rate adjustment to the TRB.

The third petition for toll rate adjustment was filed with and received by the TRB on September 28, 2018. The application submitted in 2018 was due for implementation beginning January 1, 2019 but has yet to be acted upon by the TRB.

The fourth and latest petition was filed and received by the TRB on September 30, 2020. The application submitted in 2020 was due for implementation beginning January 1, 2021 but has yet to be acted upon by the TRB.

SMC SLEX continues to engage in comprehensive discussions and good working relationship with the TRB to obtain a proper resolution of the pending toll rate adjustments. The administration under President Duterte has given focus and aims to increase infrastructure spending to 5% of GDP and this has provided great optimism to the infrastructure sector. It is a positive indication that long delayed PPP projects will be implemented, including the approvals of pending Toll Rate adjustments.

Decrease in Utilization and Traffic Volume

The commercial success of SMC SLEX depends on its ability to maintain or increase utilization of SLEX. The revenue of SMC SLEX is primarily dependent on traffic volume, which, in turn, may be affected by a variety of external factors. These factors may include the following: existence or construction of alternative routes, movement of oil prices and development of alternative means of transportation such as railways. These events may decrease the number of vehicles that utilize the infrastructure facilities of SMC SLEX. In particular, rising oil prices could result in less passenger vehicle volume, which could decrease revenue received from the toll road operation. Any decrease in utilization or any factor that would decrease utilization could have a material adverse effect on the business, financial condition, results of operations and prospects of SMC SLEX

SMC SLEX continually adopts efficiency programs and systems thereby increasing vehicle throughput and toll road utilization by motorists. For more information on the efficiency programs and systems of SMC SLEX, please refer to "Business Strategies of the Company" on page 16.

Disruption of Operations

The operation of SLEX could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters and other unforeseen events. These disruptions can result to a decrease in traffic volume that could have a material adverse effect on the business, financial condition and results of operations of SMC SLEX.

SMC SLEX undertakes necessary precautions to minimize risk of any significant operational problems at the SLEX through effective maintenance practices and inculcation of a culture of continuous improvement. SMC SLEX also has protocols and mechanisms in place to address these disruptions.

Technology and Obsolescence

The future success of the modernization of the operations of SMC SLEX may depend, in part, on its ability to adapt to changes and developments in technology and security and safety devices, apart from the Radio Frequency Identification ("RFID") which it has already implemented. SMC SLEX may not be able to obtain new technologies on a timely basis or on satisfactory terms or implement them in an appropriate or effective manner. There is no assurance that SMC SLEX would be able to adopt and successfully implement new technologies. In addition, there is no assurance on how emerging and future technological changes could affect the efficiency of operation and future prospects of SMC SLEX.

SMC SLEX undertakes prudent review and due diligence in the adoption of new technologies. SMC SLEX constantly monitors the market to detect emerging technological changes and allow it to react to the external environment appropriately.

Uninsured Losses

SMC SLEX may not be able to avail full insurance coverage for unexpected losses caused by natural disasters, breakdowns or other events that could affect the infrastructure facilities of SLEX.

Any accident (including but not limited to vehicular accidents) that may occur in the infrastructure facilities could result in significant losses. It could suffer a decline in traffic volume, receive adverse publicity and be forced to invest significant resources in addressing such losses, both in terms of time and money. There is no assurance that there will be no such accidents in the future.

Any unexpected losses caused by such events could have a material adverse effect on its business, financial condition and results of operations of SMC SLEX.

SMC SLEX believes that it can withstand such events with its business strategies in place, including the continued adoption of efficiency programs and systems, expansion of toll road portfolio, and sustained strong financial position that will maximize shareholder value.

SMC SLEX also has in place a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives.

Access to Financing

The future projects of SMC SLEX are expected to be funded through a combination of internally generated funds and external fund-raising activities through debt and capital markets. The access of SMC SLEX to financing to fund new projects and for refinancing of maturing debts is subject to many factors which may include, but not limited to: Philippine banking regulations, limiting bank exposure to a single borrower or related group of borrowers; compliance with existing debt covenants, perception in the capital markets regarding SMC SLEX and the industry in which it operates. These may also include other factors which are not within the control of SMC SLEX such as general conditions in the debt and equity capital markets, political instability, economic downturn, social unrest and changes in the Philippine regulatory environment. In addition, while there are growing signs of recovery from the current disruptions in the global, capital and credit markets which began in the second half of 2007, such disruption may recur, continue indefinitely and intensify and such disruption could adversely affect the access of SMC SLEX to financing. Any inability of SMC SLEX to obtain financing from banks, other financial institutions and capital markets may adversely affect the financial ability of SMC SLEX to continue on-going business and execute its future plans, financial conditions and future prospects.

SMC SLEX can also rely on its strengths, which include a sustainable stream of cash flow, strong parent company support, and an experienced management team, to navigate and address its inability to obtain financing.

Non-Delivery of Right of Way ("ROW")

The construction of a toll road, including expansion works, is highly dependent on the delivery of the ROW which is the responsibility of the government. Inability of the government to acquire the properties included in the coverage of the ROW may result to a delay in the delivery of the ROW. Such delay may significantly affect the schedule of construction or non-completion of the toll road which may have an impact on the operation, financial condition and future projects of SMC SLEX.

SMC SLEX continues to be in constant consultation and coordination with the relevant government agencies and other approving bodies to ensure the timely delivery of the ROW. The signed Memorandum of Agreement between the Department of Public Works and Highways (DPWH) and the TRB regarding ROW acquisition for TR4 is a positive development towards the implementation of the project according to the timeline.

Compliance with Environmental Standards

The construction of major roads and bridges are considered environmentally critical projects for which an Environmental Impact Study ("EIS") and an Environmental Compliance Certificate ("ECC") are mandatory. Environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

The strong compliance culture of SMC SLEX and the processes are in place to manage adherence with laws and regulations mitigate this risk.

RISKS RELATING TO THE PHILIPPINES

Political or Social Instability and Acts of Terrorism

The Philippines has from time to time experienced political and social instability, including acts of political violence and terrorism. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current or future governments will adopt economic policies conducive to sustaining economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and operation environment in the Philippines, which could have a material impact on the business, financial position and results of operation of SMC SLEX.

Economic Instability

Economic instability could have a negative effect on the financial results of SMC SLEX and its ability to service debt.

The government has taken steps toward economic reforms and good governance. Reform measures in the fiscal and banking sectors have resulted in the improvement of investor confidence and increased economic activities.

The Philippines cemented its position as an investment grade credit. In October 2013, Moody's Investor Services ("Moody's) upgraded the Philippines' rating from Ba1 to Baa3, with a positive outlook. In May 2013, Standard & Poor's ("S&P") raised the Philippines' long-term foreign currency denominated debt rating by one notch to BBB- from BB+. The rating upgrade by S&P came shortly after Fitch Ratings upgraded the Philippines to BBB- from BB+ in March 2013. In May 2020, S&P Global Ratings affirmed the long-term sovereign credit rating of the Philippines of BBB+. Moody's also maintained its Baa2 rating with a stable outlook in July 2020 while Fitch Ratings affirmed the country's long-term foreign currency issuer default rating of BBB in January 2021.

The sovereign ratings of the Government may directly affect companies operating in the Philippines, as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that international credit rating agencies will not downgrade the credit ratings of the Government in the future. Any such downgrades could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including SMC SLEX, to raise additional financing.

Territorial Disputes with Neighboring Countries

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claims over the disputed territories are supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the period of 2011 to 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings.

The United Nations Arbitral Tribunal, in its decision dated 12 July 2016, stated that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's "nine-dash line" (an area which includes the Spratly island and its many reefs), is invalid. It concluded that there was no legal basis for China to claim historic rights to resources within the sea areas falling within the "nine-dash line".

Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of SMC SLEX could be adversely affected as a result.

Natural Disasters

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, volcanic eruptions, earthquakes, mudslides, droughts, storm surges and severe floods. The Philippines has also experienced power outages, both from insufficient power generation and from disruptions such as typhoons. These types of events may impair the economic conditions in the affected areas, as well as the overall Philippine economy, and may materially disrupt and adversely affect the business and operations of SMC SLEX.

While SMC SLEX carries insurance for certain catastrophic events, of types, in amounts and with deductibles that SMC SLEX believes are in line with general industry practices in the Philippines, there are losses for which SMC SLEX cannot obtain insurance at a reasonable cost or at all. In addition, SMC SLEX carries business interruption insurance; however, should an uninsured loss or a loss in excess of insured limits occur, SMC SLEX could lose all or a portion of the capital invested, as well as anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the business, financial condition and results of operations of SMC SLEX.

MANAGEMENT OF RISKS

SMC SLEX is in constant consultation and coordination with the relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, SMC SLEX maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that SMC SLEX becomes involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings, SMC SLEX endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

Constant monitoring of the market allows SMC SLEX to detect risk exposures and react to the external environment appropriately. Although there is no assurance that SMC SLEX will be able to fully overcome the adverse effects of any or all crisis, it has in place a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives. SMC SLEX believes that it can withstand such events with its business strategies in place, including the continued adoption of efficiency programs and systems, expansion of toll road portfolio and sustained strong financial position that will maximize shareholder value.

COMPLIANCE WITH ENVIRONMENTAL LAWS

SMC SLEX is in compliance with environmental laws. In addition, SMC SLEX immediately takes action on any environmental issues raised to address it in compliance with environmental laws. On an annual basis, operating expenses incurred by SMC SLEX to comply with environmental laws are nominal relative to the total costs and revenues of SMC SLEX.

BUSINESS STRATEGIES OF THE COMPANY

Continually Adopt Efficiency Programs and Systems

SMC SLEX has completed the migration of the old electronic toll collection system to the RFID system which will decrease the average transaction time at the toll booths. There is also an on-going replacement of various toll equipment under its preventive maintenance program.

In relation to the implementation of the Department of Transportation's Department Order 2020-012 for the mandatory cashless toll payments in all expressways, the SLEX toll collection system is fully equipped to implement the mandate. Existing toll collection processes have also been adjusted to adapt to the transition. The shift promotes adherence to health protocols as it limits human intervention in the use of expressways. Other intended benefits are to reduce overall toll-collection costs, eliminate fraudulent cash handling, reduce traffic congestion and improve overall level of service to motorists.

Its Auto Sweep RFID installation and reloading have been expanded to include more toll plazas and various toll service facilities under the SMC tollways group, various Petron branches, SM Malls and other locations.

In addition, SMC SLEX is in the initial stage of implementing the Seamless Integration System ("SIS") Project wherein SLEX will be directly linked to STAR. All these enhancements in the toll collection system will translate to a more efficient flow of traffic, increased vehicle throughput and more predictable travel time for the motorists. (See also Toll Operations).

Expand Further the Toll Road Portfolio of SMC SLEX

SMC SLEX aims to extend the reach of SLEX by completing full construction of TR4, a new 66.74 km 4-lane toll road from TR3 in Sto. Tomas, Batangas to Lucena City in Quezon province thereby increasing SLEX to 102.84 km. SMC SLEX may also consider the possibility of an extension of the concession period for SLEX.

Sustain Strong Financial Position that Will Maximize Shareholder Value

SMC SLEX continues to engage in a comprehensive discussion and maintain a good working relationship with the regulators such as the TRB, other toll road operators and stakeholders in order to obtain the proper resolution of pending toll rate adjustments which is essential to augmenting the existing strong and stable cash flows.

TOLL OPERATIONS

Toll Revenues/Traffic Performance

The tables below show the historical traffic volume for the past five years and CAGR* of SLEX per vehicle class:

In AADT	2015		2016		2017		2018		2019		2020	
Class 1	227,381	83%	261,546	83%	281,063	83%	296,994	83%	305,960	84%	226,638	82%
Class 2	30,961	11%	34,747	11%	36,587	11%	38,043	11%	38,959	11%	29,732	11%
Class 3	15,636	6%	17,987	6%	19,514	6%	20,479	6%	21,270	6%	18,561	7%
Total	273,978	100%	314,280	100%	337,164	100%	355,516	100%	366,189	100%	274,931	100%

In AADT	Class 1	Class 2	Class 3	Total
2012	175,785	29,598	11,918	217,301
2013	188,093	30,383	12,759	231,235
2014	202,693	30,303	14,128	247,124
2015	227,381	30,961	15,636	273,978
2016	261,546	34,747	17,987	314,280
2017	281,063	36,587	19,514	337,164
2018	296,994	38,043	20,479	355,516
2019	305,960	38,959	21,270	366,189
2020	226,638	29,732	18,561	274,931
CAGR*	3.2%	0.1%	5.7%	3.0%

*Compounded Annual Growth Rate

Majority of motorists traversing the SLEX consists of Class 1 vehicles, accounting for 82% of total traffic volume in 2020. Traffic volume in Southern Luzon continuous to be enhanced by the rapid expansion of residential and industrial areas, spurred by the government's decentralization drive to stimulate business activities outside Metro Manila.

The consistent growth in traffic volume was momentarily interrupted by the implementation of the Enhanced General Quarantine (ECQ) that started on March 16, 2020 until May 15, 2020 in the National Capital Region (NCR) and several provinces in Luzon. The restrictions that were imposed in response to the COVID-19 pandemic which allowed only essential travel during the period resulted to significant decrease in traffic volume. The Company allowed the healthcare workers with private vehicles to travel the expressway toll free. Special RFID stickers or converted existing stickers were provided. Around 3% of the total monthly traffic volume were granted toll free passage. Traffic flow have shown a recovery after the ECQ was lifted in certain areas which were converted to either Modified ECQ, General Community Quarantine (GCQ) or Modified GCQ. On June 1, 2020, NCR was placed under GCQ which allowed certain sectors to resume full operations.

Overall, the Annual Average Daily Traffic ("AADT") in SLEX registered a CAGR of 3.0%, from 7.7% in 2020. With the opening up of the economy, the industrial and socio-economic activities in the Calabarzon area are expected to gain strength again and boost the traffic volume. For more information on the impact of the quarantine on the operating results of SMC SLEX, please refer to Annex B. - Management's Discussion and Analysis of Results of Operations and Financial Condition.

Manila Toll Expressway Systems Inc.

I. **TOLL COLLECTION**

Toll Collection is the lifeblood of the company as its primary function is to collect revenue from the motorists for the use of the toll road. In the performance of its functions, transaction time in the toll plazas has been identified as one of the primary causes of traffic congestion. To mitigate this, several throughput enhancement initiatives has been in place to address the problem.

Toll Plaza Transaction Time Improvement Initiatives

1. Additional manual exits (bollard) at Calamba Alpha (4) and Ayala Toll plazas (4).
2. Reconfiguration of toll lanes at Ayala toll plazas SB & NB (i.e. ETC users keep right to constrict all CASH paying motorists at the leftmost lanes to avoid crisscrossing with ETC motorists).
3. Additional dedicated ETC lane at Sta. Rosa NB exit to hasten flow of ETC traffic.
4. Reversible lane at Cabuyao NB for throughput enhancement at the NB entry.

II. TRAFFIC SAFETY MANAGEMENT & SECURITY

Whereas Toll Collection basically derives revenue, Traffic Management keeps the flow of traffic moving as smoothly, safe, and as efficiently as possible. Traffic management's role is to enforce traffic laws and laws related to the operations of an expressway. In its mandate to keep the traffic flowing, the following initiatives have been implemented.

Traffic Improvement Initiatives

1. **Motor Vehicle Safety Inspection**
   - Due to the increasing number of stalled vehicles particularly class 2 & 3 trucks affecting the traffic flow not only of SLEX but Skyway as well, top management has directed the implementation of this program to ensure the roadworthiness of these vehicles in compliance with the Land Transportation Code of the Phil. (R.A. 4136).

   - Based on statistics, the most common problems encountered by stalled vehicles are as follows:
     a) Tire/Wheel Failure
     b) Engine Problem
     c) Mechanical Problem (under chassis)

   - A Motor Vehicle Inspection station was established after the Calamba Toll Plaza NB for a routine safety check of the vehicle's roadworthiness before being allowed to travel the SLEX. Subject of the inspection are mostly heavy vehicles and dilapidated vehicles which are prone to obstruction along the tollway if stalled. If a vehicle is found not roadworthy, they are instructed to take the nearest exit. Their plate numbers are likewise put on alarm to all entry plazas to prevent possible re-entry. If the erring vehicle does re-enter thru another toll plaza, they are apprehended and issued a temporary operator's permit.

2. **Traffic Management Forums with Bus Operators and Trucking Companies**
   To supplement the enforcement initiatives related to vehicle safety and roadworthiness, Traffic Management Forums are regularly conducted with various transport groups to raise awareness on safety and the need to properly maintain their vehicles.

3. **Intensified Speed and Lane Management Operations**
   In line with management's directive to keep the SLEX a safe and efficient expressway, speed management and lane management operations have been intensified. Vehicles which travel over and under the speed limit are apprehended (minimum 60kph all vehicles; maximum 100kph for class 1; 80kph for class 2 & 3). Similarly, for lane management, class 2 and 3 vehicles are directed to use only the middle and outer lanes. The innermost lane is dedicated as overtaking lane for class 1 vehicles only.

Accident Management

In cases of accidents, emergency response personnel and equipment are available 24/7 and deployed by the Command Center to respond to any emergency.

1. Two (2) ambulances as provided by Lifeline
2. Six (6) Tow Trucks - Automobile Association of the Philippines
3. Eighteen (18) Patrol Vehicles and Eleven (11) Motorcycles
4. One (1) Quick Response Team (QRT) for incident clearing services

Traffic Incident Management (TIM) Protocols

- Incidents are detected by the Traffic Command Center through the use of CCTVs and patrols roving and stationed at various locations along the SLEX.

- Accidents or any unusual incidents are called in by either field or Command Center personnel to dispatch the necessary teams to respond to the incident. As a matter of protocol, patrol personnel are always the first to be dispatched to the incident area to assess the situation followed by the appropriate emergency response teams (towing, ambulance, fire truck, & QRT).

- TSMSD also undertakes performance approach designed to detect, respond and clear disabled vehicles from the roadway as well as attend to other contingencies such as presence of debris, obstructions along the roadway, grass/bush fire, oil/chemical spills, occurrence of flash floods/ponding/fallen trees and billboards, abandoned vehicles, vehicle fire, stoning, theft, vandalism, etc.

- Similarly, traffic congestion at Toll Plazas during heavy traffic turnout are monitored. Patrollers undertake established forced flow mitigation strategies to address such situations.

- The primary intent of the Traffic Incident Management is to prevent incidents from causing toll road capacity curtailment. In cases where capacity is reduced, the aim is to restore it at the quickest possible time. In order to implement TIM, TSMSD personnel carries out the following;

    1. Detect and determine that a traffic incident has taken place in coordination with the Command Center.
    2. Verifies and reports the precise location of the incident.
    3. Informs motorists in coordination with Command Center, through alarms, variable messaging signs, social media, and customer hotline.
    4. Perform site management and assessment of incidents. Establish priorities (casualties & injuries if any) and prevent additional traffic from getting trapped on site).
    5. Perform effective site traffic management to mitigate traffic disruption (flow management) and prevent secondary crashes by installing necessary traffic control devices.
    6. Removal or clearing the roadway of vehicles, wreckage, spilled materials (engine oil, fuel), & other debris.
    7. Road capacity recovery and restoration of traffic flow at the incident site.

Average Response Time for Incidents

For 2020, the average response time to incidents by traffic management personnel is less than ten (10) minutes. This is reckoned from the time that an incident is reported to the Command Center to the arrival of the patrol personnel at the incident site.

III. TRAFFIC COMMAND CENTER

The Traffic Command Center is the operational support group of the Traffic Safety Management & Security Department and serves as the eyes of the expressway. Command Center Operations is 24 / 7 and its primary duty is to monitor the traffic situation of the SLEX including all areas of responsibility. The Command Center also serves as the center of operations where top management can basically monitor any traffic situation and give the appropriate command to all field personnel.

- Traffic surveillance monitoring is conducted 24/7 thru the CCTV cameras which are spread throughout the entire length of the SLEX from Alabang, Muntinlupa to Sto. Tomas, Batangas.

- A total of sixteen (16) high-definition, IP CCTV cameras with a 360-degree view of its surroundings have been installed, comprising the first phase of the upgrading and rehabilitation of the SLEX CCTV Project. Once completed thirty- two (32) new cameras capable of 360 degree viewing of the main carriageway will be made available to improve the surveillance capabilities of the Command Center.

- Additional 3 PTZ cameras were installed in line with the rehabilitation and completion of the previous CCTV Rehabilitation Project. Expected completion will be before the end of 2021.

- Five (5) Variable Messaging Signs (VMS) or electronic billboards are also installed at strategic locations of the expressway to provide informative messages to the motoring public.

- An online traffic navigator application, which is being updated regularly by the Command Center has also been launched and is available for download on mobile phones through the Android or IOS platforms. The application will give its user real time traffic situation of the Southern Tollway System comprising of STAR Tollway, SLEX, and Skyway.

- A dedicated customer hotline to respond to customer queries, reports, or call for assistance is also available and is being handled by the Command Center and a dedicated Contact Center. Customer hotline are as follows:
  - o Mobile : 0917-687-7539 (OUR SLEX)
  - o Landline : 02-318-8655 (TOLL)

- Global Positioning System (GPS) Trackers has also been installed on all patrol vehicles for ease of monitoring and faster dispatch to respond to any activity within the SLEX area of responsibility.

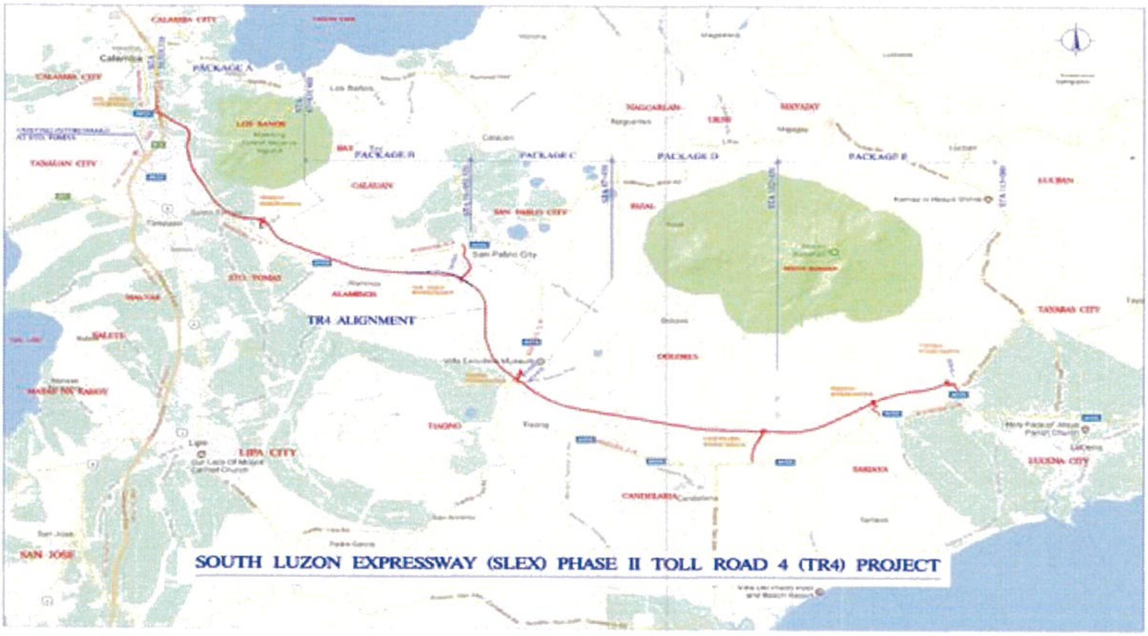
OTHER SOURCES OF INCOME

SMC SLEX and MATES also generate income through service facility fees by providing access to gasoline stations and retail outlets along the highway. The income from the said sources amounted to ₱22.2 million for the period ended 31 December 2020 and forms part of the other income of SMC SLEX.

EXPANSION PLANS

Project Toll Road 4 ("TR4")

This project covers the construction of a new 66.74 km (4-lane toll road) that will extend the SLEX operating toll roads from TR3 in Sto. Tomas, Batangas to Lucena City in Quezon Province per the STOA and the Final Engineering Design (FED.)



Concession Period: 35 Years

Estimated Project Costs: ₱26.1 Billion

Target Completion: 2024

Project Status:

1. Final Engineering Design Drawings (FED) for Sections A to F already approved.
2. Construction works along Alaminos, Laguna and Tiaong, Quezon are ongoing.
3. Right-of-Way acquisition is on-going.

Other On-going and Future Projects

SMC SLEX endeavors to continuously pursue improvement projects such as road widening, additional lanes and toll plazas, rehabilitation and other road repair works, flood mitigation activities and other safety features that will ensure operational efficiency with emphasis on the safety of the motorists. It has spent ₱ 165.7 million in 2020, ₱234.1 million in 2019 and ₱183.9 million in 2018 for the repair and restoration of the toll road. A total of ₱1.1 billion has been spent to date on the undertaking. The Company also procured vehicles and equipment amounting to ₱71.4 million and incurred additional expansion costs of ₱302.2 million during the year, including ₱190.0 million for TR4 project development costs.

The SMC SLEX Board approved the 2021 capital budget of ₱5.440 billion for the following activities:

PERIODIC REPAIR AND MAINTENANCE	**Cost: ₱345.9 million**
Toll road, toll plaza and facilities maintenance	
EXPANSION PROJECTS	**Cost: ₱4.6 billion**
TR 4 (including ROW cost)	
Additional lanes and toll plaza	
ENHANCEMENT ACTIVITIES	**Cost: ₱477.7 million**
Seamless Tollway Project and other enhancement projects	
Preventive maintenance for toll collection system/network enhancement projects	

Item 2. Properties

All properties of SLEX Inc, i.e., buildings, toll plazas, toll collection system form part of the service concession rights under the STOA. At the end of the concession period, these properties will be turned over to the ROP.

Item 3. Legal Proceedings

As of date of this Report, SMC SLEX is not a party to any material pending legal proceeding (including any bankruptcy, receivership or similar proceedings) affecting SMC SLEX or any of its material assets. While not deemed material legal proceedings based on the amount of the claims involved, the following legal proceedings involving SMC SLEX were the subject of news reports, and therefore generated public interest but Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the financial position and results of operations of SMC SLEX:

1. 2012 Petition for Periodic Toll Rate Adjustment

   In 2012, SMC SLEX and MATES filed (a) a Petition for Periodic Toll Rate Adjustment dated July 20, 2012, which was received by the TRB on July 26, 2012, (b) an Amended Petition dated October 24, 2012, which was received by TRB on the same date, and (c) a Second Amended Petition dated November 28, 2012, which was received by the TRB on the same date (collectively, the "2012 Petition") pursuant to the right of SMC SLEX and MATES to a Periodic Toll Rate Adjustment under 8.07(1) of the STOA. The 2012 Petition prayed for an adjustment of the ATR for the SLEX effective January 1, 2013. To date, no toll rate adjustment has yet been made.

2. 2014 Petition for Periodic Toll Rate Adjustment

   Pursuant to the STOA which provides that SMC SLEX is entitled to a periodic adjustment of its ATR every two years beginning 2011, SMC SLEX and MATES filed a Petition for Periodic Toll Rate Adjustment dated September 30, 2014 (the "2014 Petition"), which was received by the TRB on the same date. SMC SLEX and MATES reiterated that the conditions under Section 8.07(1) of the STOA have been satisfied; (a) that neither the Investor (i.e., SMC SLEX) nor the Operator (i.e., MATES) is in default under the STOA; and (b) more than 365 days have lapsed since the date of effectivity of the Toll Operation Permit and the Toll Operation Certificate for Phase 1 of the Project. Considering that the ATR for the South Luzon Expressway had not been adjusted on the basis of the 2012 Petition, the 2014 Petition prayed for an adjustment of the ATR for the SLEX effective January 1, 2015.

The periodic toll rate adjustment was computed by considering the following factors and circumstances: (a) the application of the Periodic Toll Rate Adjustment formula contained in Section 8.07(1) of the STOA using the latest available Consumer Price Index as of August 2014; (b) the adjustment in the ATR based on the income tax holiday (ITH) incentive granted by the Board of Investments (BOI) ; and (c) the recovery of the uncollected portion of the appropriate gross toll revenue that the SMC SLEX and MATES should have been able to collect for the period of January 1, 2013 to December 31, 2014 on the basis of the 2012 Petition.

In the event that the 2014 Petition is not approved in time for the adjusted toll rates to be implemented by January 1, 2015, the 2014 Petition likewise prayed for the provisional grant of the periodic toll rate adjustment effective January 1, 2015, in accordance with the Letter of Instructions No. 1334-A and Rule 5, Section 2, and Section 5 of the 1995 Rules of Practice and Procedure of the TRB.

To date, no toll rate adjustment has yet been made.

3. 2018 Petition for Periodic Toll Rate Adjustment

Under Section 8.07(1) of the STOA, SMC SLEX and MATES ("Petitioners") are allowed a periodic toll rate adjustment every other year provided it meet certain conditions.

Pursuant to this, the Petitioners, not being in default under the STOA and with more than 365 days already having lapsed since the date of the effectivity of the TOP and TOC for the SLEX Project, filed a Petition for Periodic Toll Rate Adjustment on September 28, 2018, which was received by the TRB on the same date.

The Periodic Toll Rate Adjustment was computed considering the following factors: (a) the Periodic Toll Rate Adjustment formula provided in Section 8.07(1) of the STOA, using the Consumer Price Index as of August 2018; (b) the ITH incentive granted by the BOI; and (c) due to the earlier 2012 and 2014 Petitions not having been acted upon, the recovery of uncollected revenue for the period January 1, 2013 to December 31, 2014 and January 1, 2015 to December 31, 2016.

Also, pursuant to Section 2, Rule 5 of the TRB's 2013 Rules of Procedure, the Petitioners included an Application for Provisional Relief, praying for provisional approval of the Periodic Toll Rate Adjustment for the period from January 1, 2019 to December 31, 2020, taking into consideration the toll rate adjustment for the period January 1, 2013 to December 31, 2014 and January 1, 2015 to December 31, 2016, the subject of the pending 2012 and 2014 Petitions.

To date, no toll rate adjustment has yet been made.

4. 2020 Petition for Periodic Toll Rate Adjustment

Under Section 8.07(1) of the STOA, SMC SLEX and MATES ("Petitioners") are allowed a periodic adjustment in the toll rate every other year provided it meet certain conditions.

The Petitioners, not being in default under the STOA and with more than 365 days already having lapsed since the date of the effectivity of the TOP and TOC for the SLEX Project, are entitled to a periodic adjustment of the toll rate, the determination of which would be dependent on several relevant factors. Petitioners filed a Petition for Periodic Toll Rate Adjustment on September 30, 2020 which was received by the TRB on the same date.

Subject to the initial verification by the TRB Board of the computation of petitioners of the periodic Toll Rate Adjustment, petitioners implored that they be granted authority or approval to adjust the Toll Rate effective 1 January 2021 based on the toll rate adjustments for the period 1 January 2013 to 31 December 2014, 1 January 2015 to 31 December 2016, and 1 January 2019 to 31 December 2020, which are subject of the pending 2013, 2015 and 2019 Petitions, respectively; immediately issue an order for publication of this Petition for Toll Rate Adjustment for 2021; and in the remote event that the instant petition remains pending by 1 January 2021, be granted provisional approval for the periodic Toll Rate adjustment for the two (2)-year period from 1 January 2021 to 31 December 2022.

To date, no toll rate adjustment has yet been made.

5. *Rodolfo M. Cuenca vs. The Toll Regulatory Board, The Commission on Audit, Philippine National Construction Corporation, Manila North Tollways Corporation, Citra Metro Manila Tollways Corporation, South Luzon Tollway Corporation, and Manila Toll Expressway Systems, Inc.* (Civil Case No. 13-919, Regional Trial Court, Makati City, Branch 132)

This is a Petition for Injunction filed by Petitioner Rodolfo M. Cuenca ("Petitioner") against the TRB, Commission on Audit ("COA"), PNCC, MNTC, CMMTC (now SMC Skyway Corporation), MATES and SMC SLEX (collectively the "Defendant Tollway Corporations").

Petitioner, a shareholder of PNCC, alleged that the TRB failed to prepare and finalize the implementing rules and guidelines relative to the determination of the net income of PNCC from the operations of the Defendant Tollway Corporations, which should be remitted to the National Government ("NG"). According to Petitioner Cuenca, the TRB has only issued the TRB Interim Rules and Guidelines, which provide a temporary and arbitrary formula. The directive to the TRB to prepare and finalize the implementing rules and guidelines was made by the Supreme Court in the consolidated cases entitled "Ernesto B. Francisco, Jr., et al. vs. Toll Regulatory Board, et al." (G.R. Nos. 166910, 169917, 173630 and 183599; October 19, 2010) which involved, among others, the effects of the expiration of P.D. No. 1113.

Petitioner Cuenca also alleged that MNTC, SMC Skyway Corporation, MATES and SMC SLEX, as the assignees of the PNCC franchise, with the consequent obligation to remit its share with the NG, have been doing so without the final formula to be computed under the final implementing rules and guidelines that has yet to be issued by the TRB and the COA. Thus, the Defendant Tollways Corporations may have remitted, and may remit, much more that what should actually be remitted to the NG as the share of PNCC in their income.

On the basis of the foregoing, Petitioner Cuenca prayed for the (1) TRB and COA to come up with and release the final implementing rules and guidelines embodying the final formula relative to the determination of the net income remittable by PNCC to the NG; (2) PNCC and Defendant Tollways Corporations be enjoined from remitting any and all amounts directly to the NG until TRB and COA shall have issued the final implementing rules and guidelines relative to the determination of the net income remittable by the PNCC to the NG; and (3) in the alternative, for PNCC and Defendant Tollways Corporations be ordered to consign with the trial court any and all amounts that they are ready to remit to the NG until the TRB and COA have issued the final implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the NG.

On September 28, 2013, petitioner filed a Motion for Issuance of Writ of Preliminary Injunction, which after the court conducted hearings, issued a Resolution dated April 30, 2014 granting

Petitioner Cuenca's application for injunctive relief, enjoining the implementation of the TRB Interim Rules and Guidelines and directing MNTC and SMC SLEX, et al. to remit to the PNCC the entire amounts under their respective Supplemental Toll Operations Agreements. Nonetheless, the TRB and the COA filed a Petition for Certiorari (With Urgent Prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) with the Supreme Court to assail the propriety of the Resolution granting the preliminary injunction. In due course, the Supreme Court issued a restraining order, which enjoined the implementation of the injunctive writ issued by the trial court. The SC Petition remains pending with the Supreme Court and the restraining order issued by the Supreme Court remains in effect.

Thus, on 26 August 2014, SMC SLEX, et al. filed a Manifestation and Motion praying, among others, that their Motion for Reconsideration be considered moot since the Supreme Court has taken cognizance of the TRB and COA's Petition for Certiorari and has assumed jurisdiction to review the validity of the trial court's Resolution dated 30 April 2014. The trial court has yet to act on the said Manifestation and Motion. In view of the filing and pendency of the SC Petition, the trial court effectively suspended the proceedings, albeit conducts periodic status conferences.

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

At the Annual Stockholders Meeting of the Company held on July 28, 2020, stockholders representing 99.99% of the issued and outstanding capital stock, i.e., SLEX Holdings owning 80% and the ROP owning 20% of the issued and outstanding capital stock, and the individual stockholders holding one (1) qualifying share each, unanimously approved the following matters:

1. the approval of the acts of the Board of Directors and management for the year 2019;

2. the election of the directors for the year 2020 - 2021; and

3. the appointment of the auditing firm Reyes Tacandong & Co. as the external auditor of the Corporation for the year ended December 31, 2020.

The stockholders who own and control 99.99% of the issued and outstanding capital stock, and who voted in favor of the aforesaid matter, are as follows:

Name of Stockholder	Class of Securities	Number of Shares	% of Outstanding Shares
SMC SLEX Holdings Company Inc.	Common	2,899,999,991	80.00%
Republic of the Philippines	Common	724,999,998	20.00%
Ramon S. Ang	Common	1	0.00%
Mario K. Surio	Common	1	0.00%
Jose P. De Jesus	Common	1	0.00%
Lorenzo G. Formoso III	Common	1	0.00%
Fema C. Q. Piramide-Sayson	Common	1	0.00%
Antonette C. Tionko	Common	1	0.00%
Paola Sherina A. Alvarez	Common	1	0.00%
Jose Portugal Perez (independent director)	Common	1	0.00%
Consuelo Ynares-Santiago (independent director)	Common	1	0.00%

No other matter was submitted for the vote of the stockholders. No proxies were solicited for the purpose of voting on the matters presented for the vote of the security holders.

The foregoing information was duly reported by SMC SLEX to the SEC under SEC Form 17-C filed with the SEC on July 28, 2020.

PART II – OPERATIONAL AND FINANCIAL INFORMATION
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

SMC SLEX has an authorized capital stock of ₱4,000,000,000.00 comprised of 4,000,000,000 common shares with par value of ₱1.00 per common share. As of December 31, 2020, SMC SLEX has issued and outstanding 3,625,000,000 common shares. The common shares of SMC SLEX are neither traded in any market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of SMC SLEX.

Stockholders

As of December 31, 2020, SMC SLEX has 13 stockholders, 2 of which are the principal corporate/juridical entity shareholders, and 11 of whom are individuals with at least one qualifying share each. The following sets out the shareholdings of the aforementioned 13 stockholders and the approximate percentages of their respective shareholdings to the total outstanding common stocks of SMC SLEX:

Name of Stockholder	Class of Securities	Number of Shares	% of Outstanding Shares
SMC SLEX Holdings Company Inc.	Common	2,899,999,991	80.00%
Republic of the Philippines	Common	724,999,998	20.00%
Ramon S. Ang	Common	1	0.00%
Ery Shadik Wahono	Common	1	0.00%
Mario K. Surio	Common	1	0.00%
Jose P. De Jesus	Common	1	0.00%
Lorenzo G. Formoso III	Common	1	0.00%
Fema C. Q. Piramide-Sayson	Common	1	0.00%
Nadiya W. Stamboel	Common	1	0.00%
Antonette C. Tionko	Common	1	0.00%
Paola Sherina A. Alvarez	Common	1	0.00%
Jose Portugal Perez (independent director)	Common	1	0.00%
Consuelo Ynares-Santiago (independent director)	Common	1	0.00%

Dividend Policy

Dividends shall be declared out of the available unappropriated retained earnings of SMC SLEX, subject to the fulfillment of the following requirements:

- Compliance with existing loan covenants including ratios; and
- Provision for major capital expenditures as may be provided under existing loan covenants.

Historically, the Board of Directors of SMC SLEX has approved the declaration and payment of the following dividends to the shareholders in the past three (3) years, as follows:

2020

Date of Declaration	Amount (₱)	Type of Dividend	Payment Date
March 3, 2020	580,000,000	Cash	March 12, 2020

2019

Date of Declaration	Amount (₱)	Type of Dividend	Payment Date
March 7, 2019	1,196,250,000	Cash	March 13, 2019
August 28, 2019	1,377,500.000	Cash	September 12, 2019

2018

Date of Declaration	Amount (₱)	Type of Dividend	Payment Date
March 7, 2018	652,500,000	Cash	March 13, 2018
September 13, 2018	1,268,750,000	Cash	September 14, 2018

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

Other than the promissory notes issued in connection with the corporate notes facility of SMC SLEX, SMC SLEX has not sold unregistered or exempt securities nor has it issued securities constituting an exempt transaction within the past three (3) years.

Item 6. Management's Discussion and Analysis

The Information required may be found on "Annex B" attached hereto.

Item 7. Financial Statements

The 2020 Audited Financial Statements of South Luzon Tollway Corporation (now SMC SLEX Inc.) and Supplemental Schedules, Supplementary Schedule as required by PAR. 6 PART II of SRC Rule 68 as Amended and the Statement of Management Responsibility are attached hereto as "Annex A".

Item 8. Information on Independent Accountant and Other Related Matters

A. External Auditors for the period ended 31 December 2020, 31 December 2019 and 31 December 2018

At the Annual Stockholders' Meeting held on July 28, 2020, stockholders representing 99.99% of the issued and outstanding capital stock, unanimously approved the appointment of the auditing firm Reyes Tacandong & Co. as the external auditor of the Corporation for the year ended 31 December 2020.

The aggregate fees billed by RT & co. are shown below, with comparative figures for 2020, 2019 and 2018.

	2020	2019	2018
Audit and Audit Related Fees	₱1,320,000	₱1,320,000	₱1,300,000

The Audit Committee has an existing policy to review and pre-approve audit and non-audit services rendered by the independent auditors of the Company. The Audit Committee does not allow SMC SLEX to engage independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that such independent auditors maintain the highest level of independence from the SMC SLEX, both in fact and appearance. To date, SMC SLEX has not engaged its independent auditors to render non-audit services.

C. Changes in and disagreements with Accountants on Accounting and Financial Disclosures

There are no disagreements with the External Auditors on Accounting and Financial Disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The table below sets forth each member of the Board of Directors of the Company as of 31 December, 2020:

Name	Position	Citizenship	Year Appointed
Ramon S. Ang	Chairman	Filipino	2012
Ery Shadik Wahono	Director	Indonesian	2012
Mario K. Surio	Director	Filipino	2012
Jose P. de Jesus	Director	Filipino	2013
Lorenzo G. Formoso III	Director	Filipino	2015
Fema C. Q. Piramide-Sayson	Director	Filipino	2012
Nadiya W. Stamboel	Director	Indonesian	2012
Antonette C. Tionko	Director	Filipino	2017
Paola Sherina A. Alvarez	Director	Filipino	2018
Consuelo Ynares-Santiago	Independent Director	Filipino	2015
Jose Portugal Perez	Independent Director	Filipino	2017

The table below shows the members of the Board of Directors as of the date of this Annual Report:

Name	Position	Citizenship	Year Appointed
Ramon S. Ang	Chairman	Filipino	2012
Mario K. Surio	Director	Filipino	2012
Jose P. de Jesus	Director	Filipino	2013
Lorenzo G. Formoso III	Director	Filipino	2015
Aurora T. Calderon	Director	Filipino	2021
Ferdinand K. Constantino	Director	Filipino	2021
Joseph N. Pineda	Director	Filipino	2021
Antonette C. Tionko	Director	Filipino	2017
Paola Sherina A. Alvarez	Director	Filipino	2018
Jose Portugal Perez	Independent Director	Filipino	2017
Consuelo Ynares-Santiago	Independent Director	Filipino	2015

Certain information on the business and working experiences of the Directors for the last five (5) years set out below.

Ramon S. Ang has served as the Chairman and Executive Director of the Company since 2012. He is concurrently the President and CEO of the Company since 10 December 2020. He is also the Vice Chairman, Chief Operating Officer and President of SMC. He holds, among others, the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel, Inc., Chairman of the Board of Directors of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia) and Eagle Cement Corporation; and Vice Chairman of the Board, President, and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc., Chairman of the Board and Chief Executive Officer, and President and Chief Operating Officer of SMC Global Power Holdings Corp., Chairman of the Board and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc. and San Miguel Aerocity Inc.; Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp., Chairman of the Board of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc. and SEA Refinery Corporation; President of San Miguel Northern Cement, Inc. and President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice-Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

Mario K. Surio, Filipino, born 1946, has served as a Director of the Company since 2012. He is a Technical Consultant of the Office of the President and COO of San Miguel Corporation since 2005. He is a Director of SMC TPLEX Corporation, Ginebra San Miguel, and San Miguel Yamamura Packaging Corp. Mr. Surio has a Bachelor of Science degree in Chemical Engineering from University of Santo Tomas.

Jose P. De Jesus, Filipino, born 1934, has served as a Director of the Company since 2013. He is presently the Chairman of Converge ICT Solutions Inc. since June 2020. He served as the Chairman of Clark Development Corporation from 2017 until November 2020, and the Vice Chairman of COMSTECH Integration Alliance, Inc. from 2014 until February 2019. He served as the Chairman of Metroworks ICT Construction Inc. from May 2014 until February 2019. He was the President and Chief Operating Officer of MERALCO from February 2009 to June 2010, the Secretary of the Department of Transportation and Communications from July 2010 to June 2011, Secretary of the Department of Public Works & Highways from January 1990 to February 1993, and the President and Chief Executive Officer of Manila North Tollways Corporation from January 2000 to December 2008. He was a Lux in Domino Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of Nationwide Development Corporation and KingKing Gold & Copper Mines, Inc. He is a Trustee of Bantayog ng mga Bayani Foundation, Eisenhower Fellowship Association of the Philippines, Kapampangan Development Foundation and Holy Angel University. Mr. de Jesus is a graduate of AB Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago.

Lorenzo G. Formoso III is a Senior Vice President and the Head of the Infrastructure Business of San Miguel Corporation. He has served as a Director of the Company since 2015. He is a Director and Vice Chairman of SMC Mass Rail Transit 7 Inc., a Director of Trans Aire Development Holdings Corp. since 2010, Alloy Manila Toll Expressways, Inc. since 2012, SMC SLEX Holdings Company Inc. since 2012, Chairman and Director of Skyway O&M Corporation since 2012 and of Intelligent E-Processes Technologies Corp., and TPLEX Operations and Maintenance Corporation, of SMC TPLEX Holdings Company, Inc. since 2010, of SMC TPLEX Corporation since 2009, Director of Manila North Harbour Port Inc. since 2010 and Director of SMC Skyway Stage 3 Corporation since 2015. He served as the Assistant Secretary in the Department of Transportation and Communications from 2006 to 2009, and Deputy Commissioner of the Commission on Information and Communications Technology under the Office of the President from 2005 to 2006. He was the Corporate Counsel and Compliance Officer of Chikka Holdings Ltd British Virgin Islands, Chikka Private Ltd Singapore and Chikka Asia, Inc. Manila from 2000 to 2005. Mr. Formoso was also the Founding Partner of Bocobo Rondain Mendiola Cruz & Formoso from 1992 to 2000, an associate of Angara Abello Concepcion Regala & Cruz from 1990 to 1992 and an associate of Neumiller & Beardslee from 1987 to 1990. He obtained his law degree from the University of

California, Davis School of Law in 1987 and was admitted to the State Bar of California in 1987 and to the Philippine Bar in 1992.

Aurora T. Calderon is a member of the Finance Committee of the Company since December 10, 2020. She is a director of several subsidiaries of SMC Infrastructure, including SMC Skyway Corporation, SMC Skyway Stage 3 Corporation and SMC Skyway Stage 4 Corporation. She is also a Director of SMC since 2014, and also the Senior Vice-President, Senior Executive Assistant to the President and Chief Operating Officer of SMC since 2011. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc. and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also a member of the Board of Directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Co. Ltd., San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp. and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc. Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC.

Ferdinand K. Constantino is the Chief Finance Officer and Treasurer of SMC and the Treasurer of San Miguel Food and Beverage, Inc. since 2018. He also served as a Director of SMC from 2010 to 2018. He is the Treasurer of several subsidiaries of SMC Global Power. He also holds, among others, the following positions in other publicly-listed companies: Director of Top Frontier Investment Holdings, Inc., and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). He is also the President of Anchor Insurance Brokerage Corporation; Chairman of the San Miguel Foundation, Inc., and SMCGP Philippines Power Foundation Inc. He is also a director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Pure Foods International Ltd., SMC Skyway Corporation, San Miguel Aerocity Inc. and Northern Cement Corporation. He was formerly a director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served SMC as Chief Finance Officer of the San Miguel Beer Division; Chief Finance Officer and Treasurer of San Miguel Brewery Inc.; Director of San Miguel Pure Foods Company, Inc. and of San Miguel Properties, Inc; and Chief Finance Officer of Manila Electric Company. He holds directorships in various domestic and international subsidiaries of SMC during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

Joseph N. Pineda is a member of the Audit and Risk Oversight Committee of the Company since December 2020. He is the Senior Vice President and Deputy Chief Finance Officer of SMC. He was formerly Vice President prior to his promotion in 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since 2005. He is also director of several subsidiaries of SMC Infrastructure, including SMC Skyway Corporation, SMC Skyway Stage 3 Corporation and SMC Skyway Stage 4 Corporation. He is a director of Philippine Dealing System Holdings, Corp. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries.

Antonette C. Tionko was elected a Director of the Company in March 2017, to replace one of the former nominees of the ROP for the year 2017-2018. She is currently an Undersecretary for Revenue Operations Group and the Corporate Affairs Group of the Department of Finance. She was previously a partner in SyCip Gorres Velayo & Co., Tax Services Division, and has over twenty-four (24) years extensive experience in the taxation of financial institutions, particularly banks, insurance companies and mutual funds, and is also knowledgeable in the taxation of the upstream Oil and Gas Industry. She is a lawyer by profession, and obtained her Juris Doctor degree from the Ateneo de Manila Law School in 1991. She also completed the Harvard University Program of Instruction for Lawyers in 1997, and the Asian Institute of Management program on Leadership and Strategy for the 21st Century in 2010.

Paola Sherina A. Alvarez was elected a Director of the Company in May 2018. She is a lawyer by profession and is currently an Assistant Secretary of the Department of Finance for various groups such as International Finance, Disaster Risk Financing and Climate Change, Green Finance, Financial Technologies, Communications, and Special Concerns. She also acts as liaison officer of the DOF to the House of Representatives and the Senate. She is likewise a member of the Board of Directors of Manila Toll Expressway Systems, Inc. Ms. Alvarez graduated from the De La Salle University-Manila in 2008 with a Bachelor of Arts degree in International Studies, major in European Studies. She received her Juris Doctor of Law degree from the Ateneo de Manila University in 2014. After passing the bar, she joined the Del Rosario and Del Rosario Law Office in April 2015, where she stayed until October 2015, handling labor, immigration and corporate matters. In November 2015, she joined the PDP Laban as its spokesperson. Atty. Alvarez also served as the Spokesperson of the Department of Finance from 2016 – 2018.

Jose Portugal Perez, Filipino, born 1946, has served as an Independent Director of the Company since 2017. He is also an Independent Director of Eagle Cement Corporation, San Miguel Yamamura Asia Corporation, and Bloomberry Resorts Corporation. He served as an Associate Justice of the Supreme Court from December 2009 until his retirement therefrom in December 2016. In 2017, he became the Dean of the School of Law of Manuel L. Quezon University. Mr. Perez obtained his Bachelor of Laws (LIB) degree from the University of the Philippines College of Law in 1971.

Consuelo Ynares-Santiago, Filipino, born 1939, has served as an Independent Director of the Company since 2015. She is also an Independent Director of SMC Global Power Holdings Corp. since 2011, Anchor Insurance Brokerage Corporation since 2012, Phoenix Petroleum Phil. Inc., and Top Frontier Investment Holdings, Inc., since 2013. She served as an Associate Justice of the Supreme Court from 1999 to 2009; Associate Justice of the Court of Appeals from 1990 to 1999; Regional Trial Court Judge of Makati, Branch 149 from 1986 to 1990; Metropolitan Trial Court Judge of Pasig, Brach 69 from 1983 to 1984 and of Caloocan City, Branch 41 from January to October 1983, a Municipal Judge in Cainta, Rizal from 1973 to 1983; and as a Legal Officer of the Securities and Exchange Commission from February 1986 to July 1973. She obtained her law degree from the University of the Philippines in 1962.

Board Attendance

1. The following is the attendance of the directors at the meetings of the Board of Directors of the Corporation held during the fiscal year 2020:

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Ramon S. Ang	28 July 2020	Five (5)	Five (5)	100.00
Member	Jose P. de Jesus	28 July 2020	Five (5)	Five (5)	100.00
Member	Shadik Wahono	28 July 2020	Five (5)	(none)	0.00
Member	Lorenzo G. Formoso	28 July 2020	Five (5)	Five (5)	100.00
Member	Mario K. Surio	28 July 2020	Five (5)	Four (4)	80.00
Member	Nadiya W. Stamboel	28 July 2020	Five (5)	(none)	0.00
Member	Fema C. Q. Piramide-Sayson	28 July 2020	Five (5)	Five (5)	100.00
Member	Antonette C. Tionko	28 July 2020	Five (5)	Four (4)	80.00

Member	Paola Sherina A. Alvarez	28 July 2020	Five (5)	Four (4)	80.00
Independent	Jose Portugal Perez.	28 July 2020	Five (5)	Five (5)	100.00
Independent	Consuelo Ynares-Santiago	28 July 2020	Five (5)	Five (5)	100.00

The stated election date of the directors of July 28, 2020 is the date of the annual stockholders' meeting for the year 2020.

The foregoing events were duly reported to the Securities and Exchange Commission (SEC) under SEC Form 17-C filed on July 28, 2020.

Set below are the names, positions and years of appointment of the Executive Officers and senior management of the Company as of December 31, 2020:

Name	Position	Year Position was Assumed
Ramon S. Ang	Chairman of the Board/President	2012/2020
Raoul Eduardo C. Romulo	Treasurer/CFO	2015/2020
Virgilio S. De Guzman	Deputy CFO	2015
Jose C. Laureta	Corporate Secretary	2020
Shaina Anella B. Ramirez	Assistant Corporate Secretary	2013
Patrick Philip L. Capulong	Alternate Assistant Corporate Secretary	2013

Certain information on the business and working experiences of the Executive Officers and Senior Management for the last five (5) years set out below.

Raoul Eduardo C. Romulo, Filipino, born 1961, has served as Treasurer since 2015. He is currently the President of TPLEX Operations and Maintenance Corporation, a Director of Manila Toll Expressway Systems, Inc. and Treasurer of SMC SLEX Holdings Company Inc. and Alloy Manila Toll Expressways, Inc. Mr. Romulo is a BS Marketing Management and AB Psychology graduate of De La Salle University (1984) and has an MBA in International Finance from Fordham University Graduate School of Business (1988).

Virgilio S. De Guzman, Filipino, born 1957, has served as Deputy CFO since 2015 and served as the Treasurer of the Company from 2012 until 2015. He is currently a finance consultant for SMHC. He is also the Deputy CFO of SMC Skyway Corporation, where he also served as its Treasurer from November 2012 to April 2015. He has served as the Comptroller and Treasurer of SMC TPLEX Corp. since October 2012. He was Executive Assistant to the Chief Finance Officer of Manila Electric Company in 2009 and was the Vice President and Chief Finance Officer of Coca-Cola Bottlers Phils. Inc. from 2002 to 2007. He has served as the Vice President and Treasurer of San Miguel Beverages Inc. from 2007 to 2009. Mr. De Guzman is an AB Economics (Cum Laude) graduate of De La Salle University and a Master's Degree in Business Administration candidate at the Ateneo De Manila Graduate School of Business.

Jose C. Laureta is the Corporate Secretary and Compliance Officer of the Company since 2020. He is also the Corporate Secretary of SMC Skyway Corporation; and a Corporate Secretary of the various toll road subsidiaries of SMHC, among others, Manila Toll Expressway Systems, Inc., Skyway O&M Corporation, SMC SLEX Holdings Company Inc., Alloy Manila Toll Expressways, Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways, Inc.), Stage 3 Holdings Tollway Corporation and Atlantic Aurum Investments Philippines Corporation. He obtained his law degree from the University of the Philippines in 1956, and his Master's Degree in Law in Yale University in 1964. He is also a faculty member of the UP College of Law.

Shaina Anella B. Ramirez, Filipino, born 1982, has served as the Assistant Corporate Secretary of the Company since 2013. She is currently an Associate General Counsel of San Miguel Holdings Corp. (SMC

Infrastructure) and assists in the performance of the duties of the corporate secretary of the toll road companies which are indirectly owned by San Miguel Holdings Corp. She also serves as the Assistant Corporate Secretary of Manila Toll Expressway Systems, Inc., Skyway O&M Corporation, SMC SLEX Holdings Company Inc., Alloy Manila Toll Expressways, Inc., and SMC Skyway Corporation. She was a junior associate in the Corporate and Special Projects Department of Villaraza Cruz Marcelo & Angangco from 2010 to 2013 and of Nisce Mamuric Guinto Rivera & Alcantara from 2008 to 2010. She obtained her law degree from the University of the Philippines College of Law in 2008 and was admitted to the Philippine Bar in 2009. She obtained her Bachelor of Arts in Public Administration from the National College of Public Administration and Governance from the same university in 2002.

Patrick Philip L. Capulong, Filipino, born 1977, has served as the Alternate Assistant Corporate Secretary of the Company since 2013. He is currently a Legal Associate of San Miguel Holdings Corp. and assists in the duties of the corporate secretary of the toll road companies which it indirectly owns. He also serves as the Alternate Assistant Corporate Secretary of Manila Toll Expressway Systems, Inc., Skyway O&M Corporation, SMC SLEX Holdings Company Inc., Alloy Manila Toll Expressways, Inc. and SMC TPLEX Corporation. He was previously employed with the Civil Aviation Authority of the Philippines (CAAP) and the Bureau of Customs. He obtained his bachelor's degree in Philosophy and Human Resources Development from San Beda College, Manila and his Bachelor of Laws degree from the Philippine Law School.

SIGNIFICANT EMPLOYEES

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

FAMILY RELATIONSHIPS

As of December 31, 2020, there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors and/or executive officers of the Company.

INVOLVEMENT OF DIRECTORS AND OFFICERS IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five years.

Item 10. Executive Compensation

The executive officers of the Company do not receive any compensation from SMC SLEX. The following table summarizes the aggregate compensation paid or estimated to be paid to the pertinent officers and directors of the Company during the periods indicated below (in million pesos):

Name	Year	Salary (₱ millions)	Bonus (₱ millions)
(1) All other officers and managers as a group	2020 2019 2018	₱1.99 ₱3.55 ₱2.77	₱0.00 ₱0.19 ₱0.46

Standard Arrangements

The executive officers are not covered by standard employment contracts and employees' retirement plan and can be terminated upon appropriate notice. Other than reasonable per diem, the directors of the Company have not received any salary or compensation for their services as directors. There are no other special arrangements pursuant to which any director was compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board.

Other Arrangements

There are no other arrangements for which the Directors are compensated by the Company for services other than those provided as a Director.

Employment Contract

In lieu of an employment contract, the Directors are elected at the annual meeting of stockholders for a one (1) year term. Any Director elected in the interim will serve for the remaining term until the next annual meeting.

Warrants or Options Outstanding

There are no warrants or options held by Directors or Executive Officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Records and Beneficial Owners of more than 5% as at December 31, 2020

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	%
Common	SMC SLEX Holdings Company Inc. 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City Stockholder	Beneficial and record owner	Filipino [foreign-owned (Dutch)]	2,900,000,000 [1]	80%
Common	Republic of the Philippines c/o Department of Finance, Roxas Boulevard, Manila Stockholder	Beneficial and record owner	Filipino	725,000,000 [2]	20%
1	Inclusive of seven (7) shares held by its individual nominees and two (2) shares held by the independent directors, to qualify them to the Board of Directors				
2	Inclusive of two (2) shares held by its individual nominees to qualify them to the Board of Directors				

(b) Security Ownership of Directors and Management as at 31 December 2020

Title of class	Name of Director	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ramon S. Ang	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Filipino	Nil
Common	Ery Shadik Wahono	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Indonesian	Nil
Common	Mario K. Surio	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Filipino	Nil
Common	Jose P. de Jesus	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Filipino	Nil
Common	Lorenzo G. Formoso III	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Filipino	Nil
Common	Nadiya W. Stamboel	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Indonesian	Nil
Common	Fema C. Q. Piramide-Sayson	One (1) share held in trust for SMC SLEX Holdings Company Inc.	Filipino	Nil
Common	Antonette C. Tionko	One (1) share held in trust for ROP	Filipino	Nil
Common	Paula Sherina A. Alvarez	One (1) share held in trust for ROP	Filipino	Nil
Common	Jose Portugal Perez	Independent director	Filipino	Nil
Common	Consuelo Ynares-Santiago	Independent director	Filipino	Nil

(c) Security Ownership of Certain Records and Beneficial Owners of more than 5% as of December 31, 2020

Same as in paragraph (a) above.

(d) Security Ownership of Directors and Management as of December 31, 2020

Same as in paragraph (b) above.

None of the members of the Board of Directors and Management of SMC SLEX own 2.0% or more of the outstanding capital stock of SMC SLEX.

(e) Voting Trust Holders of 5% or more

SMC SLEX is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

(f) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

The Company, in the ordinary course of business, has entered into transactions with stockholders, affiliates and other related parties principally consisting of advances and reimbursement of expenses, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sale and purchase of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

Except for the transactions discussed in Note 17 ("Related Party Transactions") to the accompanying financial statements, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between SMC SLEX and any: (i) director or executive officer, direct or indirect owner of 10% or more of the outstanding shares in SMC

SLEX; (ii) close family member of such director, executive officer or owner; (iii) associates of SMC SLEX; (iv) enterprises controlling, controlled by or under common control with SMC SLEX; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, executive officer or owner of 10% or more of the outstanding shares in SMC SLEX or any close family member of such director, executive officer, or owner.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

(a) The evaluation system established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance

The evaluation by SMC SLEX to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

(b) Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance

Towards full compliance with the adopted leading practices on good corporate governance, SMC SLEX is undertaking the following measures: (a) vetting of the qualifications of the directors and key officers; (b) ensuring attendance of the directors in the Board meetings and in the meetings of various committees in which they are members, by proper scheduling of the meetings; (c) scheduling of corporate governance seminars and training to ensure attendance by the directors and key officers; and (d) establishment of and adherence to appropriate standard operating procedures to ensure that proper operational controls are in place.

On July 28, 2020, the Board of Directors of the Corporation approved and adopted further amendments and revisions to its Manual on Corporate Governance, in compliance with the requirement of the Securities and Exchange Commission (SEC) in SEC Memorandum Circular No. 24, series of 2019, to render public companies and registered issuers compliant with the provisions of the 2019 Code of Corporate Governance for Public Companies Registered Issuers, issued on December 19, 2019. On November 27, 2020, the Board also approved all acts required to render the Corporation compliant with the Revised Manual, such as, but not limited to, the creation of the Board committee charters, and approval of the Code of Business Conduct and Ethics prescribed under the 2019 Code and embodied in the Revised Manual.

(c) Any deviation from the company's Manual of Corporate Governance

In the year 2020, a deviation by the Corporation from the Manual was the inability of all directors to attend a seminar or training program on corporate governance, as prescribed under Section 2.2.1.4 of the Manual. Specifically, the following directors and officers were unable to attend seminars in 2020 for the reasons stated below:

i) Directors Ery Shadik Wahono and Nadiya W. Stamboel, due to scheduling conflicts arising from the performance of their duties as officers of companies outside the Philippines; and

ii) Assistant Corporate Secretary Alvin B. Bugtas, due to scheduling conflicts arising from his work as a private practitioner.

(d) Any plan to improve corporate governance of the Company

Pursuant to its commitment to good governance and business practice, SMC SLEX continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of SMC SLEX and its stockholders. It shall examine existing provisions in its Revised Corporate Governance Manual, and align the same, as applicable, with SEC Memorandum Circular No. 24, series of 2019, or the Code of Corporate Governance for Public Companies and Registered Issuers.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

1. The 2020 Audited Financial Statements of South Luzon Tollway Corporation (now SMC SLEX Inc.) with receipt confirmation from the BIR, and the Statement of Management Responsibility (Annex A)
2. Schedule of Reconciliation of Retained Earnings available for dividend declaration (Annex A – Supplementary Schedules)
3. Schedule of Financial Soundness Indicators (Annex A – Supplementary Schedules)
4. Supplementary Schedule as required by PAR. 6 PART II of SRC Rule 68 as Amended (Annex A – Supplementary Schedules)
5. Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries (Annex A – Supplementary Schedules)
6. The Management Discussion and Analysis of Results of Operations and Financial Condition (Annex B)
7. The 2020 Sustainability Report (Annex C)

(b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the period from January to December 2020, on the dates and concerning the information indicated below:

- SEC Form 17-C dated March 3, 2020 and filed with the SEC on March 4, 2020, to report the actions taken and approvals made by the Board of Directors at its regular meeting held on March 3, 2020 –

    a) the declaration of a cash dividend of ₱0.16/share in the total amount of ₱580,000,000.00, to be paid out of the retained earnings of the Corporation as of December 31, 2019, and payable to all shareholders of record as of the date of the approval of the declaration, on 12 March 2020 in accordance with the cash flow of the Corporation; and

    b) the setting of 1 April 2020 as the record date for the purpose of determining the stockholders entitled to notice of and attendance at the Annual General Meeting to be held on 14 May 2020 in accordance with the By-Laws of the Corporation.

- SEC Form 17-C dated 20 April 2020 and filed with the SEC on the same date, to report on the following –

a) the postponement of the Annual General Meeting on 14 May 2020, and any further postponements on the rescheduled meeting thereafter; and

b) the setting of 5 May 2020 as the new record date for the purpose of determining the stockholders entitled to notice of and attendance at the Annual General Meeting and resetting of the Annual General Meeting of the Corporation to either: (a) any day falling within sixty (60) days from 14 May 2020, or (b) any day falling within sixty (60) days from the date of formal lifting of the Extended ECQ, or any further extensions, whichever is later.

- SEC Form 17-C dated 3 July 2020 and filed with the SEC on the same date, to report on the postponement of the Annual Stockholders' Meeting scheduled on 15 July 2020 to 28 July 2020.

- SEC Form 17-C dated July 28, 2020 and filed with the SEC on the same date, to report on the following –

  a) Actions taken and approvals made by the stockholders at the Annual Stockholders' Meeting held on July 28, 2020

     - Appointment of the auditing firm Reyes and Tacandong & Co. as the external auditor of the Company for the year ended December 31, 2020
     - Election of the Board of Directors for the year 2020-2021
     - Approval of the official actions of the Board of Directors during the year 2019
     - Approval of the minutes of the annual general meeting held on May 9, 2019

  b) Actions taken and approvals made by the Board of Directors at its Organizational Meeting held on July 28, 2020 held immediately after the Annual Stockholders' Meeting

     - Appointment of the corporate officers for the year 2020-2021
     - Appointment of the Chairpersons and members of the Board Committees
     - Approval of the minutes of the regular meeting of the Board held on March 3, 2020
     - Approval of the Revised Manual on Corporate Governance to be submitted to the Securities and Exchange Commission in compliance with SEC Memorandum Circular No. 24, series of 2019.

- SEC Form 17-C dated September 28, 2020 and filed with the SEC on the same date, to report the actions taken and approvals made by the Board of Directors at its regular meeting held on September 28, 2020 –

  a) the minutes of the organizational meeting of the Board of Directors held on 28 July 2020

  b) the supplemental capital expenditures budget for 2020 in the amount of Twenty Three Million Six Hundred Fifty Thousand Three Hundred Twenty Three Pesos (₱23,650,323.00), to fund additional capital expenditure projects

  c) the closure of the specific depository and clearing accounts, which were opened in the year 2016, in relation to the termination of the deposit pick-up agreement with the Philippine National Bank

- SEC Form 17-C dated November 27, 2020 and filed with the SEC on the same date, to report the actions taken and approvals made by the Board of Directors at its regular meeting held on November 27, 2020 -

  a) the minutes of the regular meeting of the board held on 28 September 2020;

b) the operating expenditures (OPEX) and capital expenditures (CAPEX) budget for 2021 in the amount of Five Billion Four Hundred Forty Million Six Hundred Ninety Thousand Pesos (₱5,440,690,000.00);

c) the Code of Business Conduct and Ethics, pursuant to the Revised Manual on Corporate Governance of the Corporation;

d) the Committee Charters, namely, the Corporate Governance Committee Charter, Audit and Risk Oversight Committee Charter, Internal Audit Charter and Related Party Transaction Committee Charter, pursuant to the Revised Manual on Corporate Governance of the Corporation;

e) the renewal of the Salary Loan Facility with the Bank of Commerce;

f) the Corporation to accept all the specific and general terms and conditions of the Board of Investments in relation to the approval of the registration as a New Operator of Tollways Project (South Luzon Expressway Toll Road 4) on a Non-Pioneer Status under Executive Order No. 226 and the 2017 Investments Priorities Plan, as listed in the BOI Project Approval Sheet attached to the BOI letter to the Corporation dated 9 October 2020

- SEC Form 17-C dated December 10, 2020 and filed with the SEC on the same date, to report the actions taken and approvals made by the Board of Directors at its special meeting held on December 10, 2020 –

  a) The appointment of new corporate officers for the year 2020-21
  b) The appointment of the new chairpersons and members of the Board committees
  c) The change of corporate name from **South Luzon Tollway Corporation** to **SMC SLEX Inc.**
  d) The change pf the principal office address from **Sitio Latian, Barangay Mapagong, Calamba City, Laguna** to **11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City, Metro Manila**
  e) The designation of new authorized signatories for corporate transactions.

SIGNATURE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April _____, 2021.

By:

RAMON S. ANG
Chairman and President

SIGNATURE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April ____, 2021.

By:

RAOUL EDUARDO C. ROMULO
Treasurer and CFO

SIGNATURE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April ____, 2021.

By:

JOSE C. LAURETA
Corporate Secretary and Compliance Officer

REPUBLIC OF THE PHILIPPINES)
Mandaluyong City) S.S.

SUBSCRIBED AND SWORN to before me this 14th day of April 2021, affiant(s) exhibiting to me their respective government issued identification cards as herein below listed, as competent evidence of their identity:

NAME	Government Issued Identification/Issue Date/Expiry Date/Place Issued
Ramon S. Ang	Passport No. P2247867B/22 May 2019/21 May 2029/DFA Manila
Raoul Eduardo C. Romulo	Passport No. P3142300A/30 May 2017/29 May 2022/DFA Manila
Jose C. Laureta	Senior Citizen ID No. 97672/28 November 2008/Quezon City

Doc. No. 36;
Page No. 9;
Book No. II;
Series of 2021.

MICHAEL ANGELO O. LOPEZ NOTARY PUBLIC ROLL NO. 56916 MANDALUYONG CITY, PHILIPPINES

MICHAEL ANGELO O. LOPEZ
Commission No. 0445-19
Notary Public of Mandaluyong City
Until June 30, 2021
11th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 56916
PTR No. 4536933; 01/06/2021; Mandaluyong City
IBP No.137867; 01/05/2021; Makati Chapter
MCLE Compliance No. VI-0005149;12/08/2017

"ANNEX A"

I. STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

II. AUDITED FINANCIAL STATEMENTS OF SOUTH LUZON TOLLWAY CORPORATION AS AT DECEMBER 31, 2020, with receipt confirmation from the BIR

III. REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES
   a. Reconciliation of Retained Earnings Available for Dividend Declaration
   b. Financial Soundness Indicators
   c. Schedules required by Par. 6 Part II of the Revised Securities Regulation Code Rule 68
      i. Financial Assets – N/A
      ii. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties) – N/A
      iii. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements – N/A
      iv. Long-term Debt – Page 2
      v. Indebtedness to Related Parties – Page 3
      vi. Guarantees of Securities of Other Issuers – N/A
      vii. Capital Stock – Page 4
      viii. Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries – Page 5

SLEX SMC SLEX INC.
SMC INFRASTRUCTURE

11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **SMC SLEX Inc. (formerly South Luzon Tollway Corporation)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the year ended **December 31, 2020** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in overseeing the Company's financial reporting process.

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

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, have expressed its opinion on the fairness of presentation upon completion of such audit.

Ramon S. Ang
Chairman and President

Raoul Eduardo C. Romulo
Treasurer

Rosemarie D. Yasay

From:	eafs@bir.gov.ph
Sent:	Thursday, April 15, 2021 5:32 PM
To:	Rosemarie D. Yasay
Cc:	Raoul Eduardo C. Romulo
Subject:	Your BIR AFS eSubmission uploads were received
Follow Up Flag:	Follow up
Flag Status:	Flagged

Hi SMC SLEX INC.,

Valid files

- EAFS207247094OTHTY122020.pdf
- EAFS207247094RPTTY122020.pdf
- EAFS207247094TCRTY122020-01.pdf
- EAFS207247094ITRTY122020.pdf
- EAFS207247094AFSTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-CD9ADGG707GD9978FQRXMM1S30M12NVZTR**
Submission Date/Time: **Apr 15, 2021 05:32 PM**
Company TIN: **207-247-094**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	0	1	0	6	2	2

COMPANY NAME

SOUTH LUZON TOLLWAY CORPORATION (A Subsidiary of MTD Manila Expressways, Inc.)

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

Sitio Latian, Barangay Mapagong, Calamba City, Laguna

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corsec.sbr@smhc.sanmiguel.com.ph	(02) 8-584-4688	0917 813 0910

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13	2nd Thursday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Virgilio S. De Guzman	vdeguzman@shmc.sanmiguel.com.ph	(02) 8-584-4688	–

CONTACT PERSON'S ADDRESS

Sitio Latian, Barangay Mapagong, Calamba City, Laguna

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
South Luzon Tollway Corporation
Sitio Latian, Barangay Mapagong
Calamba City, Laguna

Opinion

We have audited the financial statements of South Luzon Tollway Corporation (the Company) (a subsidiary of MTD Manila Expressways, Inc.), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2020, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for and Impairment Assessment of Service Concession Rights
The Company's service concession rights, which represent 64% of its total assets as at December 31, 2020, is accounted for in accordance with Philippine Interpretations from International Financial Reporting Interpretations Committee 12, *Service Concession Arrangements* (PI IFRIC 12). Based on management's assessment, the arrangement under the Supplemental Toll Operation Agreement (STOA) for the operation of the toll roads at the South Luzon Expressway is covered by PI IFRIC 12 and is accounted for using the intangible asset model. Management also assesses the impairment of its service concession rights whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. These matters require the use of significant judgments and estimates and hence, are significant to our audits.

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

We reviewed the specific provisions of the STOA and assessed the appropriateness of the application of PI IFRIC 12. We reviewed the additions during the year and ascertained that the additions met the criteria for capitalization of service concession rights. We also reviewed management's assessment that there is no indicator of impairment of the service concession rights by evaluating the historical results of operations and toll revenue projections, its compliance with the STOA and the significant economic trends that may affect toll operations. Further disclosures are included in Note 3, Summary of Significant Accounting Policies; Note 4, Significant Judgments, Accounting Estimates and Assumptions and Note 8, Service Concession Rights.

Provision for Resurfacing and Maintenance Obligation

The Company's concession agreement includes, among others, the periodic maintenance and restoration of the concession asset. IFRIC 12 requires that these contractual obligations related to the concession be recognized and measured in accordance with Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*. The recognition and measurement of the obligation involves the use of significant management assumptions and estimates.

We reviewed and assessed the reasonableness of assumptions used by management in determining the obligation. Further disclosures are included in Note 3, Summary of Significant Accounting Policies; Note 4, Significant Judgments, Accounting Estimates and Assumptions and Note 13, Provision for Resurfacing and Maintenance Obligation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8534275
Issued January 5, 2021, Makati City

March 9, 2021
Makati City, Metro Manila

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	December 31 2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱3,998,698**	₱5,021,860
Trade and other receivables	6	**243,911**	103,606
Other current assets	7	**54,376**	46,434
Total Current Assets		**4,296,985**	5,171,900
Noncurrent Assets			
Service concession rights	8	**9,216,607**	9,468,941
Property and equipment	9	**277,047**	312,037
Computer software	9	**1,908**	2,863
Advances to contractors	10	**469,280**	470,481
Deferred tax assets	19	**75,946**	74,960
Right-of-use (ROU) assets	10	**25,815**	27,527
Other noncurrent assets	10	**3,612**	7,528
Total Noncurrent Assets		**10,070,215**	10,364,337
		₱14,367,200	₱15,536,237
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	11	**₱513,520**	₱407,906
Current portion of:			
Provision for resurfacing and maintenance obligation	13	**169,838**	165,840
Long term-debt	12	**–**	2,395,909
Income tax payable		**138,899**	201,413
Total Current Liabilities		**822,257**	3,171,068
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	12	**4,877,047**	4,869,385
Provision for resurfacing and maintenance obligation	13	**251,549**	250,086
Net retirement liability	18	**3,142**	3,835
Total Noncurrent Liabilities		**5,131,738**	5,123,306
Total Liabilities		**5,953,995**	8,294,374
Equity			
Capital stock		**3,625,000**	3,625,000
Retained earnings	14	**4,786,903**	3,615,737
Remeasurement gain on retirement liability	18	**1,302**	1,126
Total Equity		**8,413,205**	7,241,863
		₱14,367,200	₱15,536,237

See accompanying Notes to Financial Statements.

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands Except Earnings Per Share)

		Years Ended December 31		
	Note	**2020**	2019	2018
REVENUE FROM TOLL OPERATIONS	15	**₱4,555,327**	₱6,230,567	₱6,092,811
COST OF SERVICES	16	**1,787,750**	1,777,702	1,703,289
GROSS PROFIT		**2,767,577**	4,452,865	4,389,522
OPERATING EXPENSES	16	**244,759**	246,870	180,665
OPERATING INCOME		**2,522,818**	4,205,995	4,208,857
OTHER INCOME (CHARGES)				
Interest and other financing charges	12	**(407,274)**	(475,950)	(442,749)
Construction revenue	8	**307,682**	118,346	71,236
Construction costs	8	**(307,682)**	(118,346)	(71,236)
Interest income	5	**110,003**	167,884	80,043
Income from service facility agreements (SFA)	15	**22,157**	36,096	30,097
Rental income	15	**2,135**	14,450	2,114
Foreign exchange gain (loss) - net	15	**(60)**	(87)	94
Reversal of long-outstanding liabilities	15	**–**	19,470	–
Other income	15	**1,472**	6,161	5,080
		(271,567)	(231,976)	(325,321)
INCOME BEFORE INCOME TAX		**2,251,251**	3,974,019	3,883,536
INCOME TAX EXPENSE	19	**500,085**	831,925	809,792
NET INCOME		**1,751,166**	3,142,094	3,073,744
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain (loss) on retirement liability	18	**176**	126	(205)
TOTAL COMPREHENSIVE INCOME		**₱1,751,342**	₱3,142,220	₱3,073,539
BASIC/DILUTED EARNINGS PER SHARE	20	**₱0.48**	₱0.87	₱0.85

See accompanying Notes to Financial Statements.

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except Par Value per Share and Number of Shares)

		Years Ended December 31		
	Note	**2020**	2019	2018
CAPITAL STOCK - ₱1 par value				
Authorized - 4,000,000,000 shares				
Issued and outstanding - 3,625,000,000 shares		**₱3,625,000**	₱3,625,000	₱3,625,000
RETAINED EARNINGS				
Balance at beginning of year		**3,615,737**	3,047,393	1,894,899
Net income		**1,751,166**	3,142,094	3,073,744
Dividends declared	14	**(580,000)**	(2,573,750)	(1,921,250)
Balance at end of year		**4,786,903**	3,615,737	3,047,393
REMEASUREMENT GAIN ON RETIREMENT LIABILITY				
Accumulated actuarial gain				
Balance at beginning of year		**1,126**	1,000	1,205
Remeasurement gain (loss) on retirement liability	18	**176**	126	(205)
Balance at end of year		**1,302**	1,126	1,000
		₱8,413,205	₱7,241,863	₱6,673,393

See accompanying Notes to Financial Statements.

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	2020	2019	2018
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱2,251,251	₱3,974,019	₱3,883,536
Adjustments for:				
Amortization of service concession rights	8	560,016	559,275	554,316
Interest and other financing charges	12	407,274	475,950	442,749
Interest income	5	(110,003)	(167,884)	(80,043)
Provision for resurfacing and maintenance obligation	13	155,572	209,793	184,157
Depreciation and amortization	9	103,618	102,503	75,078
Retirement benefits	18	438	590	538
Unrealized foreign exchange loss (gain) - net		122	290	(71)
Reversal of long-outstanding liabilities		–	19,470	–
Operating income before working capital changes		3,368,288	5,174,006	5,059,722
Decrease (increase) in:				
Trade and other receivables		(149,376)	(82,601)	929
Other current assets		(7,942)	(5,076)	(6,782)
Other noncurrent assets		3,916	8,803	5,247
Increase in				
Accounts payable and other current liabilities		116,609	16,226	56,524
Net cash generated from operations		3,331,495	5,111,358	5,116,178
Income tax paid		(563,584)	(841,641)	(618,840)
Resurfacing and maintenance paid	13	(165,671)	(234,079)	(183,863)
Interest received		119,024	155,531	80,043
Contributions to the retirement plan	18	(1,106)	(2,191)	–
Retirement benefits paid directly from book reserve	18	–	(228)	–
Net cash provided by operating activities		2,720,158	4,188,750	4,393,518
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Service concession rights	8	(302,227)	(115,296)	(68,266)
Property and equipment	9	(71,416)	(113,828)	(121,533)
Computer software	9	–	–	(416)
Decrease (increase) in advances to contractors		1,201	(451,435)	(19,046)
Net cash used in investing activities		(372,442)	(680,559)	(209,261)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	12	(2,400,000)	–	–
Dividends	14	(580,000)	(2,573,750)	(1,921,250)
Interest and other financing charges paid	12	(390,756)	(423,433)	(417,420)
Cash used in financing activities		(3,370,756)	(2,997,183)	(2,338,670)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(122)	(290)	71
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,023,162)	510,718	1,845,658
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,021,860	4,511,142	2,665,484
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱3,998,698	₱5,021,860	₱4,511,142
NONCASH FINANCIAL INFORMATION				
Capitalized depreciation of property and equipment to service concession	9	₱5,455	₱3,050	₱2,970

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(Amounts in Thousands Except When Otherwise Stated)

1. Reporting Entity

General Information

South Luzon Tollway Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2000, by virtue of a joint venture agreement between MTD Manila Expressways, Inc. (MTDME) and the Philippine National Construction Corporation (PNCC), primarily to engage in the rehabilitation, construction and expansion of the South Luzon Expressway (SLEX) from Alabang viaduct to Lucena, Quezon (SLEX Project) and other allied businesses necessary or otherwise engaging in any work upon the toll roads.

The Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Company shall have a perpetual corporate life.

The Company is 80% owned by MTDME (the Parent Company). The ultimate parent of the Company is Top Frontier Investment Holdings, Inc. (Top Frontier), a holding company incorporated in the Philippines.

The registered office address of the Company is Sitio Latian, Barangay Mapagong, Calamba City, Laguna.

On December 10, 2020, the Board of Directors (BOD) and stockholders approved the following changes in the Company's Articles of Incorporation:

a) Change in the corporate name to SMC SLEX Inc.; and
b) Change in the Company's registered address to 11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City.

The above amendments were subsequently approved by the SEC on February 22, 2021.

Retail Bond Issue

The Company has issued public bonds (the Bonds) with aggregate principal of ₱4,900.0 million and ₱7,300.0 million as at December 31, 2020 and 2019, respectively. The Bonds were listed at the Philippine Dealing System Holdings Corp. (PDS) on May 22, 2015 (see Note 12).

Supplemental Toll Operation Agreement (STOA)

On February 1, 2006, the Company executed the STOA with Manila Toll Expressway Systems, Inc. (MATES), PNCC and the Republic of the Philippines (ROP or the Grantor) through the Toll Regulatory Board (TRB). The STOA authorizes the Company by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX Project, comprising of Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City, Quezon). The concession granted shall expire 30 years from February 1, 2006.

On December 14, 2010, the TRB issued the Toll Operations Certificate (TOC) for Phase 1 of the SLEX i.e. TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting April 1, 2011.

In 2019, the Company commenced construction of the TR4 and which is still ongoing as at December 31, 2020.

Assignment of PNCC Shares

In 2012, the Company received a letter from the Department of Finance informing the Company of the conveyance by PNCC to the ROP of its shares of stock in the Company, by way of a deed of assignment. Moreover, the Company also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of a qualifying share in the Company in favor of the ROP.

Memorandum of Agreement on the Inter-Operability of the SLEX and the Muntinlupa-Cavite Expressway

On July 21, 2015, the Company entered into a Memorandum of Agreement (MOA) with Ayala Corporation (AC), on the inter-operability of the SLEX and Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

The MOA on inter-operability provides the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened on July 24, 2015 and is operatingas a toll expressway.

Approval of the Financial Statements

The financial statements of the Company as at and for the years ended December 31, 2020, 2019, and 2018 were approved and authorized for issue in accordance with a resolution by the BOD on March 9, 2021.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Basis of Measurement

The financial statements are presented in Philippine Peso (Peso), which is the functional currency of the Company. All values are rounded off to the nearest thousands (₱000) unless otherwise indicated.

The financial statements have been prepared on a historical cost basis except for provision for resurfacing and maintenance obligation and retirement liability which are measured at the present value of the estimated amount of costs that are expected to be incurred. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Further information about the assumptions made in measuring fair value is included in Note 22, *Fair Value of Financial Instruments.*

3. Summary of Significant Accounting Policies

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – This sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  (a) a new chapter on measurement;

  (b) guidance on reporting financial performance;

  (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and

  (d) clarifications on important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Amendments to PFRS 3 - *Definition of a Business* – The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The adoption of the amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

<u>Amended PFRS Issued But Not Yet Effective</u>
Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, is summarized below.

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments updated PFRS 3 to refer to the 2018 Conceptual Framework; added a requirement that, for transactions and other events within the scope of PAS 37 or Philippine Interpretation IFRIC 21, Levies, an entity applies PAS 37 or Philippine Interpretation IFRIC 21 instead of the 2018 Conceptual Framework to identify the liabilities it has assumed in a business combination; and added an explicit statement that an entity does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2020, with earlier adoption permitted.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that the costs of fulfilling a contract comprise both the incremental costs (e.g., direct labor and materials); and an allocation of other direct costs (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied with earlier adoption permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle contain changes to four standards, of which the following is applicable to the Company –

  - This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify that the classification a liability as current or non-current liability is based on the rights that exist at the end of the reporting period; specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; add guidance about lending conditions and how these can impact the classification; and include requirements for liabilities that can be settled using an entity's own instruments.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

Under prevailing circumstances, the adoption of the amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost (b) financial assets at fair value through other comprehensive income (FVOCI), and (c) financial assets at FVPL. The classification of a financial instrument largely depends on the business model of the Company and its contractual cash flow characteristics.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed, and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Company;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Company considers the contractual terms of the financial asset in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition, "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets.

As at December 31, 2020 and 2019, the Company does not have financial assets at FVPL and FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- it is held within a business model with the objective of holding the financial assets to collect contractual cash flows; and

- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, cash and cash equivalents, trade and other receivables and deposits (included under "Other noncurrent assets") of the Company are classified under this category (see Notes 5, 6 and 10).

Financial Liabilities

Classification. The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at December 31, 2020 and 2019, the Company does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2020 and 2019, accounts payable and other current liabilities (excluding statutory payables) and long-term debt of the Company are classified under this category (see Notes 11 and 12).

Debt issue costs are shown as contra account against the long-term debt and are amortized over the terms of the related borrowings using the effective interest rate method.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECL) for all financial assets at amortized costs.

ECL are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Trade and Other Receivables. For trade and other receivables without significant financing component, the Company has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Company has established a provision matrix that is based on the historical credit loss experience of the Company, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Assets at Amortized Cost. For other financial assets, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

At each reporting date, the Company assesses whether the financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of financial asset by the Company on terms that Company would not consider otherwise

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties;

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECL on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Derivative Financial Instruments
Derivative financial instruments (including embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Any gains and losses from changes in fair value of these derivatives are recognized immediately in profit or loss, unless they are designated hedging instruments in effective cash flow hedges. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes a party to the contract and performs re-assessment only when there is a change to the contract that significantly modified the contractual cash flows.

An entity determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative on the basis of its terms and conditions (for example, because the embedded derivative is based on an unquoted equity instrument), the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the host contract.

The retail bonds of the Company contain embedded derivatives arising from prepayment option. These embedded derivatives are assessed to be closely related to the host contract, thus these were not bifurcated and separately recognized.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the continuing involvement of the Company in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Other Current Assets
This account mainly consists of deferred input value added tax (VAT) and prepayments.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed goods and services.

Deferred input VAT is classified as part of current assets if it is expected to be claimed against output VAT over no more than 12 months after the reporting date. Otherwise these are classified as noncurrent assets.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are stated at cost less any impairment in value. This account comprises prepayment of real property tax, insurance, advertising and other prepaid items. Prepayments are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Prepayments and other current assets that are expected to be utilized for no more than 12 months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

Service Concession Arrangement

The Company accounts for its service concession arrangement under the intangible asset model as it receives the right (license) to charge users of public service. Under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Company in substance provides construction services in exchange for an intangible asset (the right to charge the users of the toll roads). During the construction of the toll road, construction revenue is recognized by reference to the percentage of completion (POC) measured on the basis of the proportion of costs incurred as of reporting date over the total estimated cost of construction. The Company estimates that the aggregate amount of the construction costs paid to the outside contractors approximates the fair value of the intangible asset. Thus, the construction revenue recognized in the profit or loss approximates the construction costs recognized.

Service Concession Rights

Service concession rights represents the construction costs, including borrowing costs during the construction period of the SLEX Project. Service concession rights is recognized initially at the fair value of the construction services. Following initial recognition, the service concession rights is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it, are normally recognized in the profit or loss as these are incurred to maintain the expected future economic benefits embodied in the service concession rights unless it can be demonstrated that the expenditures will contribute to the increase in revenue from toll operations which meet the definition of an intangible asset.

The Company amortizes the service concession rights using straight-line method over the remaining concession period. The amortization period and method are reviewed at least at each financial year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the profit or loss in the expense category consistent with the function of the intangible assets.

The service concession rights will be derecognized upon turnover to the ROP with no consideration. There will be no gain or loss upon derecognition of the service concession rights which is expected to be fully amortized by then.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets.

	Number of Years
Toll machinery and equipment	2 - 10
Vehicles	3 - 5
Office equipment, furniture and fixtures	2 - 5

The remaining useful lives and depreciation methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully-depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited or charged to current operations.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period of retirement and disposal.

Computer Software
Computer software is stated at cost less accumulated amortization and any impairment in value. The Company capitalizes computer software licensing costs which are being amortized using the straight-line method over five years, the estimated finite useful life of the software. The amortization of the computer software is included under "Depreciation and amortization" account.

The remaining useful lives and amortization method are reviewed regularly to ensure that the periods and method of amortization are consistent with the expected pattern of economic benefits from the computer software.

An item of computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is presented in the statement of comprehensive income in the year the asset is derecognized.

Advances to Contractors

Advances to contractors represent advance payments for services to be incurred in connection with the construction of toll roads and enhancement of the toll collection system. These are capitalized as service concession rights or property and equipment upon actual receipt of services. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and are classified as noncurrent assets.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less cost of marketing and disposals.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to sell), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Equity

Capital Stock. Capital stock represents par value of the issued shares. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Dividends Distribution. Dividends are recognized as a liability and deducted from equity upon declaration. Dividends for the year that are declared after the reporting date are dealt with as an event after the reporting date.

Other Comprehensive Income. Other comprehensive income comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Company pertains to remeasurement gain or loss on retirement liability.

Earnings Per Share

Basic. Basic earnings per share is computed by dividing net income over the weighted average number of shares outstanding during the year.

Diluted. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period, if any.

Revenue Recognition

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the performance of the Company creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the performance of the Company does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The Company recognized revenue from contracts with customers when it has met the following specific performance obligations:

Revenue from Toll Operations. Performance obligation is satisfied when motorists have exited the toll roads. Toll fees are set and regulated by the Toll Regulatory Board (TRB) and are collected by way of cash or charged against Radio Frequency Identification (RFID) accounts. Collections from RFID accounts are initially made by Citra Metro Manila Tollways Corporation (CMMTC), the concessionaire of Skyway, and are regularly settled with the Company.

Construction Revenue. Performance obligation is satisfied over time with reference to the stage of completion of the construction activity at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Income from Service Facility Agreements (SFA). Performance obligation is satisfied over time during the period when access along SLEX is provided to gasoline stations and retail outlets. Access provided to SFA during the month are normally billed and collected subsequently in the month thereafter. Income earned by the Company is variable depending on the volume of sale transactions and the revenue earned by the SFA in the facility.

Revenue from other sources
The following specific recognition criteria must be met before revenue is recognized:

Interest Income. Interest income is recognized as it accrues using the effective interest method.

Others. Other income is recognized when earned.

Cost and Expenses Recognition
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Cost of Services. Cost of services significantly represent operations and maintenance fee, amortization of concession right, PNCC share and provision for resurfacing and maintenance. These are charged to profit or loss as incurred.

Operating Expenses. Operating expenses constitute costs of administering the business. These are charged to profit and loss as incurred.

Construction Costs. Construction costs include all direct materials and labor costs and those indirect costs related to the performance of incidental services under the construction contract. Construction costs are recognized by reference to the stage of completion of the construction activity as of the reporting date. The Company assessed that the costs of subcontracted work to third parties approximates the fair value of the intangible asset acquired in exchange for the construction services. Thus, construction costs are equal to the construction revenue.

Leases
The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset; and

- the Company has the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

The Company as a Lessee. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU Assets. At commencement date, the Company measures ROU assets at cost. The cost comprises:

- the amount of the initial measurement of lease liabilities;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and
- an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

Lease Liabilities. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are recognized in profit or loss as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits. The Company has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The net retirement benefit liability is the aggregate of the present value of the retirement benefit liability and the fair value of plan assets on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The Company recognizes service costs, comprising of current service costs, and net interest expense or income in profit or loss. Net interest expense is calculated by applying the discount rate to the net retirement benefit liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring-related costs.

Plan assets are assets that are held by the long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can these be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurement comprising actuarial gains and losses, return on plan assets and any change in the effect of asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss on subsequent periods.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

Borrowing costs are capitalized as part of "Service concession rights" if they are directly attributable to the construction of the qualifying asset. Capitalization of borrowing costs commences when the activities to prepare for the assets are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the asset is substantially ready for its intended use.

Borrowing costs include interest expense, amortization of debt issuance costs and other costs incurred in connection with the borrowing of funds. Borrowing costs not qualified for capitalization are expensed as incurred.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting date. Foreign exchange differences are credited or charged directly to profit or loss.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax and carryforward benefits of unused tax losses - net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that no accrual for tax liabilities is necessary for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact provision for income tax in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount payable to the taxation authority is included as part of "Statutory payables" account under "Accounts payable and other current liabilities" in the statements of financial position.

<u>Related Parties</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Material related party transactions are related party transactions, either individually or in aggregate, over a twelve-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest financial statements.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to effect the current best estimate.

Provision for Resurfacing and Maintenance Obligation. Provision for resurfacing and maintenance obligation pertains to the obligation of the Company under the concession agreement to maintain the toll roads such that the toll road can deliver the specified standard of service at all times. Provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every five years or the expected schedule of major maintenance to maintain the toll roads such that the toll road can deliver the specified standard of service at all times and to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money. On the other hand, routine repairs and maintenance costs are expensed as incurred.

The estimated amount of resurfacing and maintenance costs that is expected to be incurred for no more than 12 months after the reporting date is classified under current liabilities. Otherwise, these are classified as noncurrent liabilities.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the financial position of the Company at reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Segment Information

The Company is engaged in the rehabilitation, construction and expansion of SLEX and considers such as its primary and only operating segment. The asset producing revenues of the Company are located in the Philippines.

4. **Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the financial statements of the Company requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and accounting estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgment

In the process of applying the accounting policies of the Company, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Determining whether the STOA is covered under Philippine Interpretation IFRIC 12. Management has assessed that it is covered by Philippine Interpretation for IFRIC 12, under the intangible asset model, with respect to the rehabilitation, construction and expansion, the Company has (a) the right (license) to collect toll from toll roads users availing of a public service; (b) the grantor controls or regulates the price; and (c) significant residual interest of the toll roads and its facilities will be transferred to the grantor at the end of the STOA.

Recognizing Construction Revenue and Costs. The Company recognizes construction revenue and costs in accordance with PFRS 15, *Revenue from Contract with Customers.* It measures contract revenue at the fair value of the consideration received or receivable. The Company assessed that the costs of subcontracted work to third parties approximate the fair value of the intangible asset acquired in exchange for the construction services, thus construction revenue recognized is equal to the construction costs. Construction revenue and costs recognized in profit or loss amounted to ₱307.7 million, ₱118.3 million and ₱71.2 million in 2020, 2019 and 2018, respectively (see Note 8).

Assessing Embedded Derivatives on Financial Instrument. The long-term debt of the Company contains embedded derivative arising from the early redemption option. Under PFRS 9, the Company is required to evaluate whether the embedded derivative meets the condition for bifurcation at inception. Based on management evaluation, the redemption option is closely related with the host contract since the option's exercise price is approximately equal on each exercise date to the amortized cost of the host debt instrument and the exercise price of the redemption option reimburses the lender for an amount up to approximate of the present value of the lost interest. Accordingly, the related derivative asset or liability is not separately identified and recognized in the financial statements (see Note 12).

Evaluating the Adequacy of Tax Liabilities. The Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Assessing Contingencies. The Company is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the legal counsel of the Company and is based upon an analysis of potential results.

As at reporting date, the Company has a pending claim for the recovery of taxes allegedly collected erroneously. The Company already received a favourable decision from the Regional Trial Court and Court of Tax Appeals (CTA), however, the defendant has filed a Petition for Review before the CTA En Banc. As at March 9, 2021, the final decision by the CTA En Banc has not yet been issued.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessing the ECL of Trade Receivables and Other Financial Assets at Amortized Cost. The allowance for ECL of trade receivables and other financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

ECL of Trade Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL of trade receivables which uses a lifetime expected loss allowance for all trade receivables. The Company estimates ECL on receivables using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

ECL of Other Financial Assets at Amortized Cost

The Company determines the allowance for ECL of other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has recognized provision for ECL on receivables amounting to ₱12.2 million in 2020 (see Note 6). No provision for ECL and was recognized on financial assets in 2019.

The carrying amounts of the Company's financial assets are as follows:

	Note	2020	2019
Cash in banks and cash equivalents	5	**₱3,997,251**	₱5,018,763
Trade and other receivables	6	**243,911**	103,606
Deposits (recorded as part of "Other noncurrent assets" account)	10	**3,612**	3,612

Estimating the Useful Life of Service Concession Rights. The estimated useful life of service concession rights is reviewed periodically and updated if expectations differ materially from previous estimates due to changes in the term of the STOA, pattern of consumption of future economic benefits and legal or other limitations on the use of the concession right. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful life of the service concession rights. The carrying amount of the service concession rights amounted to ₱9,216.6 million and ₱9,468.9 million as at December 31, 2020 and 2019, respectively (see Note 8).

Estimating Useful Lives of Property and Equipment and Computer Software. The Company estimates the useful lives of its property and equipment and computer software based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the property and equipment and computer software based on the factors that include utilization, internal evaluation, technological change, environmental change and anticipated use of the assets.

There were no changes in the useful lives of the property and equipment and computer software in 2020 and 2019. The aggregate carrying amount of property and equipment and computer software amounted to ₱279.0 million and ₱314.9 million as at December 31, 2020 and 2019, respectively (see Note 9).

Assessing the Impairment of Service Concession Rights (SCR) and Other Nonfinancial Assets. The Company assesses at each reporting date whether there is an indication that the service concession rights and other nonfinancial assets may be impaired.

The factors that would trigger an impairment review of SCR include the following, among others:

- decline in toll rates as a result of government imposition or other events;
- significant decline in number of motorists passing through the toll roads; and
- significant change in foreign exchange rate of peso versus US dollar since this will affect the toll rate adjustments.

The factors that the Company considers important which could trigger an impairment review of other noncurrent assets include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The recoverable value of SCR and other nonfinancial assets represents the higher of value-in-use or fair value less cost of disposal. Estimating the value-in-use requires the Company to make an assessment of the expected future cash flows from the use of the nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management's assessment, the SCR and other nonfinancial assets of the Company do not have any indication of impairment. The carrying amounts of these nonfinancial assets are as follows:

	Note	2020	2019
Service concession rights	8	**₱9,216,607**	₱9,468,941
Advances to contractors	10	**469,280**	470,481
Property and equipment	9	**277,047**	312,037
Other current assets	7	**54,376**	46,434
Other noncurrent assets (excluding deposits)	10	**25,815**	31,443
Computer software	9	**1,908**	2,863

Determining Provision for Resurfacing and Maintenance Obligation. The Company recognizes provisions based on estimates on whether it is probable that an outflow of resources will be required to settle a present obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period when such determination is made.

The provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every five to six years or the expected major repairs dates, to restore the assets to a level of serviceability during the concession term and in good condition before the turnover to the ROP. This is based on the best estimate of management of the amount to be incurred to settle the obligation at every major repair date. In calculating the present value of expected future payments for resurfacing and maintenance obligation, the Company adjusts the cash flows for the risk and discounts the adjusted cash flows at the risk-free discount rate.

Provision for resurfacing and maintenance obligation recognized in profit or loss amounted to ₱155.6 million, ₱209.8 million and ₱184.2 million in 2020, 2019 and 2018, respectively. Provision for resurfacing and maintenance obligation as presented in the statements of financial position amounted to ₱421.4 million and ₱415.9 million as at December 31, 2020 and 2019, respectively (see Note 13).

Determining Net Retirement Liability. The determination of the net retirement liability and cost of retirement benefits is dependent on the selection of certain assumptions provided to independent actuaries in calculating such amounts. Actual results that differ from the assumptions of the Company are accumulated and recorded in other comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement obligations.

Retirement benefit costs recognized in profit or loss amounted to ₱0.6 million, ₱1.0 million and ₱0.8 million in 2020, 2019 and 2018, respectively. Net retirement liability amounted to ₱3.1 million and ₱3.8 million as at December 31, 2020 and 2019, respectively (see Note 18).

Assessing the Realizability of Deferred Tax Assets. The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income and type of deductions to be availed in the future (either itemized deductions or optional standard deductions).

The carrying amount of net deferred tax assets amounted to ₱75.9 million and ₱75.0 million as at December 31, 2020 and 2019, respectively (see Note 19).

No deferred income tax assets were recognized on the remaining temporary differences amounting to ₱15.7 million and ₱4.1 million as at December 31, 2020 and 2019, respectively, because management assessed that it is not probable that these temporary differences will result in tax benefit when these reverse in the future (see Note 19).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2020	2019
Cash on hand and in banks	**₱829,733**	₱912,510
Cash equivalents	**3,168,965**	4,109,350
	₱3,998,698	₱5,021,860

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at short-term investment rates.

Total interest income from cash and cash equivalents recognized in profit or loss amounted to ₱110.0 million, ₱167.9 million and ₱80.0 million in 2020, 2019 and 2018, respectively (see Note 15). Interest receivable from short term investments amounted to ₱3.3 million and ₱12.4 million as at December 31, 2020 and 2019, respectively (see Note 6).

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2020	2019
Receivable from Department of Public Works and Highways (DPWH)		**₱230,226**	₱68,602
Trade receivables:			
Third parties		**20,775**	18,575
Related parties	17	**711**	2,446
Interest receivable	5	**3,282**	12,353
Refundable deposits		**1,090**	1,444
Others		**5**	186
		256,089	103,606
Allowance for ECL		**12,178**	–
		₱243,911	₱103,606

Receivables from DPWH are unsecured, non-interest bearing advances made by the Company to acquire real property as a Right-of-Way (ROW) site for the construction of the TR4 Project. Based on the agreement with DPWH, the advances shall be reimbursed by DPWH within 60 days upon receipt of the Company's letter requesting for reimbursement.

Trade receivables are unsecured, noninterest-bearing and are normally collected within 30 days.

Interest receivable pertains to accruals for interest earned from cash equivalents.

Refundable deposits pertain to deposits made to utility service providers during the construction of toll plazas. These are noninterest-bearing and are collectible upon completion of the construction.

Movement in the allowance for ECL is as follows:

	Note	2020	2019	2018
Balance at beginning of year		**₱–**	₱3,189	₱1,556
Provision for ECL	16	**12,178**	–	1,633
Receivables written-off		**–**	(3,189)	–
Balance at end of year		**₱12,178**	₱–	₱3,189

7. Other Current Assets

Other current assets consist of:

	2020	2019
Deferred input VAT	**₱43,030**	₱34,746
Prepayments for:		
Real property tax	**7,937**	7,937
Insurance	**3,334**	3,245
Others	**75**	506
	₱54,376	₱46,434

Deferred input VAT pertains to unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed goods and services. Deferred input VAT is classified as follows:

	Note	2020	2019
Current		₱43,030	₱34,746
Noncurrent	10	–	3,916
		₱43,030	₱38,662

Others pertain to prepayments for server maintenance requirements and bond-related expenses.

8. Service Concession Rights

Service concession rights consist of:

		2020		
	Note	**TR1, TR2 and TR3**	**TR4**	**Total**
Cost				
Balance at beginning of year		**₱14,198,499**	**₱433,948**	**₱14,632,447**
Additions		**114,133**	**193,549**	**307,682**
Balance at end of year		**14,312,632**	**627,497**	**14,940,129**
Accumulated Amortization				
Balance at beginning of year		**5,163,506**	**–**	**5,163,506**
Amortization	16	**560,016**	**–**	**560,016**
Balance at end of year		**5,723,522**	**–**	**5,723,522**
Carrying Amount		**₱8,589,110**	**₱627,497**	**₱9,216,607**

		2019		
	Note	TR1, TR2 and TR3	TR4	Total
Cost				
Balance at beginning of year		₱14,178,446	₱335,655	₱14,514,101
Additions		20,053	98,293	118,346
Balance at end of year		14,198,499	433,948	14,632,447
Accumulated Amortization				
Balance at beginning of year		4,604,231	–	4,604,231
Amortization	16	559,275	–	559,275
Balance at end of year		5,163,506	–	5,163,506
Carrying Amount		₱9,034,993	₱433,948	₱9,468,941

Depreciation of vehicles amounting to ₱2.0 million for TR1, TR2 and TR3 in 2020 and ₱3.5 million, ₱3.1 million and ₱3.0 million in 2020, 2019 and 2018, respectively, for TR4, was capitalized as part of additions to service concession rights (see Note 9).

<u>Construction Revenue and Costs</u>

The Company recognized construction revenue and costs amounting to ₱307.7 million, ₱118.3 million, and ₱71.2 million in 2020, 2019 and 2018, respectively, in reference to the design and construction of additional toll plazas and lanes, and road widening in TR1, TR2 and TR3, and to the planning and development of TR4 project.

9. Property and Equipment and Computer Software

Property and equipment consist of:

	2020			
	Toll Machinery and Equipment	Vehicles	Office Equipment, Furniture and Fixtures	Total
Cost				
Balance at beginning of year	₱593,359	₱39,100	₱11,955	₱644,414
Additions	58,602	10,747	2,067	71,416
Balance at end of year	651,961	49,847	14,022	715,830
Accumulated Depreciation and Amortization				
Balance at beginning of year	299,138	23,021	10,218	332,377
Depreciation and amortization	99,454	5,655	1,297	106,406
Balance at end of year	398,592	28,676	11,515	438,783
Carrying Amount	₱253,369	₱21,171	₱2,507	₱277,047

	2019			
	Toll Machinery and Equipment	Vehicles	Office Equipment, Furniture and Fixtures	Total
Cost				
Balance at beginning of year	₱491,618	₱31,734	₱11,515	₱534,867
Additions	106,022	7,366	440	113,828
Disposals	(4,281)	–	–	(4,281)
Balance at end of year	593,359	39,100	11,955	644,414
Accumulated Depreciation and Amortization				
Balance at beginning of year	205,567	19,340	8,865	233,772
Depreciation and amortization	97,852	3,681	1,353	102,886
Disposals	(4,281)	–	–	(4,281)
Balance at end of year	299,138	23,021	10,218	332,377
Carrying Amount	₱294,221	₱16,079	₱1,737	₱312,037

Depreciation of vehicles amounting to ₱2.0 million for TR1, TR2 and TR3 in 2020 and ₱3.5 million, ₱3.1 million and ₱3.0 million in 2020, 2019 and 2018, respectively, for TR4, was capitalized as part of additions to service concession rights (see Note 8).

The cost of fully-depreciated property and equipment still in use amounted to ₱231.3 million and ₱177.2 million as at December 31, 2020 and 2019, respectively.

The Company disposed fully-depreciated toll machinery and equipment costing ₱4.3 million in 2019. No gain or loss in the disposal of toll machinery and equipment was recognized in 2019.

Computer Software

Computer software pertains to the computer software license obtained by the Company pursuant to the End User License and Service Agreement with San Miguel Information Technology Systems, Inc. (SMITS).

Movements in computer software are as follows:

	2020	2019
Cost		
Balance at beginning and end of year	**₱4,699**	₱4,699
Accumulated Amortization		
Balance at beginning of year	**1,836**	881
Amortization	**955**	955
Balance at end of year	**2,791**	1,836
Carrying Amount	**₱1,908**	₱2,863

Depreciation and amortization charged to operating expenses are as follows (see Note 16):

	Note	2020	2019	2018
Property and equipment		**₱106,406**	₱102,886	₱77,167
ROU asset	10	**1,712**	1,712	–
Computer software		**955**	955	881
Total depreciation and amortization		**109,073**	105,553	78,048
Capitalized to service concession rights	8	**(5,455)**	(3,050)	(2,970)
		₱103,618	₱102,503	₱75,078

10. Advances to Contractors and Other Noncurrent Assets

Advances to Contractors

Advances to contractors pertain to advance payments made to contractors in relation to the construction of toll roads and enhancement of the toll collection system. This will be applied to subsequent billings. Advances to contractors amounted to ₱469.3 million and ₱470.5 million as at December 31, 2020 and 2019, respectively.

Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2020	2019
ROU Asset	17	**₱25,815**	₱27,527
Deposits		**3,612**	3,612
Deferred input VAT		**–**	3,916
		₱29,427	₱35,055

ROU Asset

Movement of ROU asset in 2020 is as follows:

	Note	2020	2019
Cost			
Balance at beginning and end of year		**₱29,239**	₱29,239
Accumulated Amortization			
Balance at beginning of year		**1,712**	–
Amortization	9	**1,712**	1,712
Balance at end of year		**3,424**	1,712
Carrying Amount		**₱25,815**	₱27,527

11. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of:

	Note	2020	2019
Trade:			
Related parties	17	**₱247,800**	₱116,177
Third parties		**81,987**	75,881
Accrued expenses:			
Interest	12	**27,538**	38,533
Others		**29,757**	29,757
Statutory payables		**51,778**	55,494
Retention payable		**47,489**	46,057
Payable to PNCC	17	**14,544**	16,141
Rental deposit	17	**534**	533
Others		**12,093**	29,333
		₱513,520	₱407,906

Trade payables are noninterest-bearing and are normally settled within one year.
Statutory payables pertain to net VAT payable, withholding taxes payable and contributions payable to various government agencies and are normally settled in the following month.

Retention payable pertains to the amounts withheld by the Company from payments made to contractors. These are deducted as a percentage of the amount certified as due to the contractor and will be released upon completion of the construction.

Payable to PNCC pertains to the outstanding consideration for the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise equivalent to 1.75% of the gross toll revenue for the first 5 years, and 3% of the gross toll revenue for the sixth year and onwards, counted from the date of the issuances to MATES of the Toll Operation Permit for the SLEX Project (PNCC share). PNCC share amounted to ₱136.7 million, ₱186.9 million and ₱182.8 million in 2020, 2019 and 2018, respectively (see Note 16). The outstanding balance is generally settled by the Company in the subsequent period.

Accounts payable and other current liabilities - others mainly pertains to accruals of professional fees, utilities, outside services and other expenses which are generally payable within the next reporting period.

The Company provided contingencies for potential claims in the normal course of business. The outstanding balance is included under "Accrued expenses - others". As allowed under PAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"*, further information is not disclosed as it may prejudice the negotiation of the Company with the third party.

12. Long-term Debt

Movement in long-term debt are as follows:

	2020	2019
Principal		
Balance at beginning of year	₱7,300,000	₱7,300,000
Payments	(2,400,000)	–
Balance at end of year	4,900,000	7,300,000
Unamortized debt issue cost		
Balance at beginning of year	34,706	58,485
Less amortization of debt issue cost	11,753	23,779
Balance at end of year	22,953	34,706
	4,877,047	7,265,294
Less current portion	–	2,395,909
Noncurrent portion	₱4,877,047	₱4,869,385

Retail Bond Issue

As discussed in Note 1, in May 2015, the Company issued Bonds to the public with aggregate principal amount of ₱7,300.0 million in three (3) tranches. The fund-raising exercise generated net proceeds of ₱7,212.2 million, after deducting fees, taxes, commissions and related expenses.

The Bonds were issued in three (3) series as follows:

	Principal	Interest Rate	Term
Series A Bonds	₱2,400,000	4.9925% p.a.	Five years and three months
Series B Bonds	2,400,000	5.5796% p.a.	Seven years
Series C Bonds	2,500,000	6.4872% p.a.	Ten years

Series A bonds were redeemed on August 22, 2020.

Interest on the Bonds shall be payable quarterly in arrears starting on August 22, 2015 for the first interest payment date, and every quarter thereafter as long as the Bonds remain outstanding. The Company may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on the following relevant dates (each an "Early Redemption Option Date"). The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of:

a. accrued interest on the Bonds computed from the last interest payment date up to the relevant Early Redemption Option Date; and

b. the product of the principal amount and the applicable early redemption price in accordance with the following schedule:

Years from Issue Date	Series A Bonds	Series B Bonds	Series C Bonds
Three years	101.0%	–	–
Four years	100.5%	–	–
Five years and three months	–	101.0%	–
Six years	–	100.5%	–

Years from Issue Date	Series A Bonds	Series B Bonds	Series C Bonds
Seven years	–	–	102.0%
Eight years	–	–	101.0%
Nine years	–	–	100.5%

Unless previously redeemed, purchased and cancelled, the Series A Bonds, Series B Bonds and Series C Bonds will be redeemed at par or 100.00% of their face value on their respective maturity dates.

Unless the Majority Bondholders shall otherwise consent in writing, the Company shall comply with the following financial covenants:

a. Debt-to-equity ratio (ratio of interest-bearing debt to equity, as defined in the bond offering prospectus of the Company dated May 15, 2015) of not more than 2.5x; and

b. Interest coverage ratio of not less than 3.0x so long as any of the Bonds remain outstanding.

The Company is compliant with its financial covenants as at and for the years ended December 31, 2020 and 2019.

Maturity Schedule
The annual maturities of long-term debt and amortization of debt issue costs are as follows:

Year	Gross Amount of Repayment	Amortization of Debt Issue Costs	Net
2021	₱–	₱6,887	(₱6,887)
2022	2,400,000	6,721	2,393,279
2023	–	3,725	(3,725)
2024	–	3,908	(3,908)
2025	2,500,000	1,764	2,498,236
Total	**₱4,900,000**	**₱23,005**	**₱4,876,995**

Cash Flows from Financing Activities
The reconciliation of the liabilities arising from financing activities is presented below:

	2020			
	2019	**Cash Flows from Financing Activities**	**Amortization of debt issue cost and interest on long-term debt**	**2020**
Long-term debt	**₱7,265,294**	**(₱2,400,000)**	**₱11,753**	**₱4,877,047**
Interest payable	**38,533**	**(390,756)**	**379,761**	**27,538**
	₱7,303,827	**(₱2,790,756)**	**₱391,514**	**₱4,904,585**

	2019			
	2018	Cash Flows from Financing Activities	Amortization of debt issue cost and interest on long-term debt	2019
Long-term debt	₱7,241,515	₱–	₱23,779	₱7,265,294
Interest payable	38,513	(423,432)	423,452	38,533
	₱7,280,028	(₱423,432)	₱447,231	₱7,303,827

Interest and Other Financing Charges

The summary of interest expense and other financing charges is presented below.

	Note	2020	2019	2018
Retail bond:				
Interest on long-term debt		**₱373,308**	₱415,910	₱415,910
Amortization of debt issue cost		**11,753**	23,779	9,364
Other financing charges		**6,502**	7,542	1,510
		391,563	447,231	426,784
Accretion of interest on provision for resurfacing and maintenance obligation	13	**15,560**	28,332	15,716
Interest on net retirement liability	18	**151**	387	249
		₱407,274	₱475,950	₱442,749

Other financing charges consist of structuring fee, debt issuance and maintenance fees and debt security agency fees.

Accrued interest payable related to the bonds amounted to ₱27.5 million and ₱38.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

13. Provision for Resurfacing and Maintenance Obligation

Provision for resurfacing and maintenance obligation pertains to the present value of the estimated contractual obligations of the Company to undertake the financing of the periodic maintenance which includes periodic repavement, renewal and restoration of the SLEX toll roads and toll road facilities, as defined in the STOA.

Movements in provision for resurfacing and maintenance obligation are as follows:

	Note	2020	2019	2018
Balance at beginning of year		**₱415,926**	₱411,880	₱395,870
Provision	16	**155,572**	209,793	184,157
Accretion of interest	12	**15,560**	28,332	15,716
Actual resurfacing and maintenance incurred		**(165,671)**	(234,079)	(183,863)
		421,387	415,926	411,880
Less current portion		**169,838**	165,840	169,006
		₱251,549	₱250,086	₱242,874

Key assumptions used to determine the provision for resurfacing and maintenance obligation are as follows:

	2020	2019	2018
Replacement period	**5 years**	5 years	5 years
Discount rate range	**1.70% to 2.44%**	3.51% to 4.10%	6.79% to 7.02%
Price increase rate	**3.0%**	3.0%	4.0%

Discount rates represent the interest rates of government bonds that are denominated in Philippine Peso, the currency in which the obligation will be paid, with extrapolated maturities corresponding to the expected payment of resurfacing obligation.

Price increase rate is based on the published general inflation rates for the Philippines.

14. Retained Earnings

The Company declared and paid the following cash dividends in 2020, 2019 and 2018:

Date of Declaration	Per Share	Total Amount	Date of Payment
March 3, 2020	₱0.160	₱580.0 million	March 7, 2020
August 28, 2019	0.380	1,377.5 million	September 12, 2019
March 7, 2019	0.330	1,196.3 million	March 15, 2019
September 13, 2018	0.350	1,268.8 million	September 14, 2018
March 7, 2018	0.180	652.5 million	March 13, 2018

The Parent Company received 80% of the dividends declared in 2020 and 2019 amounting to ₱464.0 million and ₱2,059.0 million, respectively (see Note 17).

On March 9, 2021, the BOD approved appropriation of retained earnings amounting to ₱1,923.6 million to fund the cost of budgeted capital expenditures and other improvement projects expected to be completed in 2021.

15. Revenue

Revenue from Contracts with Customers

Disaggregation of Company's revenue from contracts with customers is as follows:

	Note	2020	2019	2018
Revenue from toll operations:				
Cash transactions		**₱2,331,364**	₱3,900,962	₱4,016,427
RFID		**2,223,963**	2,329,605	2,076,384
		4,555,327	6,230,567	6,092,811
Construction revenue	8	**307,682**	118,346	71,236
Income from SFA		**22,157**	36,096	30,097
		₱4,885,166	₱6,385,009	₱6,194,144

Other Income

Other income consists of:

	Note	2020	2019	2018
Interest income	5	**₱110,003**	₱167,884	₱80,043
Rental income		**2,135**	14,450	2,114
Foreign exchange gain (loss) - net		**(60)**	(87)	94
Reversal of long outstanding liabilities		**–**	19,470	–
Other income		**1,472**	6,161	5,080
		₱113,550	₱207,878	₱87,331

Reversal of long-outstanding liabilities pertain to the reversal of an accrued debt issue cost in relation to an expected loan availment which did not transpire.

Other income pertains to penalties charged to SFA, unclaimed change from customers and teller shortages.

16. Cost of Services and Operating Expenses

Cost of services and operating expenses consist of:

	Note	2020	2019	2018
Cost of Services:				
Operations and maintenance	17	₱915,683	₱801,009	₱767,607
Amortization of service concession rights	8	560,016	559,275	554,316
Provision for resurfacing and maintenance obligation	13	155,572	209,793	184,157
PNCC share	11	136,660	186,917	182,784
Insurance		19,819	20,708	14,425
		1,787,750	1,777,702	1,703,289
Operating Expenses:				
Depreciation and amortization	9	103,618	102,503	75,078
Taxes and licenses		49,757	44,460	30,034
Advertising		42,514	54,094	36,794
Salaries and other employee benefits		10,800	13,009	12,479
Provision for ECL	6	12,178	–	1,633
Outside services		9,470	16,100	14,365
Repairs and maintenance		5,656	7,987	1,305
Communication, light and water		3,878	4,427	4,669
Entertainment, amusement and recreation		454	717	344
Transportation and travel		451	851	717
Retirement benefit costs	18	438	590	538
Office supplies		393	532	541
Insurance		226	223	205
Others		4,926	1,377	1,963
		244,759	246,870	180,665
		₱2,032,509	₱2,024,572	₱1,883,954

17. Related Party Transactions

The Company and related parties purchase products and services from one another in the normal course of business. The Company requires approval of BOD for certain limits on the amount and extent of transactions with related parties.

Amount owed by/to related parties are collectible/payable in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

Related Parties	Note	Nature of Transaction	Amount of Transaction 2020	Amount of Transaction 2019	Outstanding Balance 2020	Outstanding Balance 2019
Trade and other receivables	6					
Under common control		Interconcession	₱3,342,686	₱3,904,218	₱–	₱1,838
		Service facility fee	3,166	4,067	428	383
		Sublease of office space	2,136	2,140	170	180
		Teller shortages	640	1,181	93	45
		Overpayments of insurance	–	–	20	–
					₱711	₱2,446
ROU assets						
Under common control	10	Lease of land	₱1,712	₱1,712	₱25,815	₱27,527
Accounts payable and other current liabilities	11					
Under common control		Operations and maintenance	₱915,683	₱801,009	₱177,078	₱76,511
		Construction management	35,330	–	38,863	–
		Share in expenses and lease	15,543	37,749	20,297	38,921
		Interconcession	1,390,880	2,347,695	8,942	–
		Purchase of network devices	1,334	959	1,243	232
		Purchases of fuel	2,133	1,723	284	218
		Purchases of other goods and services	2,383	437	1,093	295
					₱247,800	₱116,177
Under common control		Rental deposit	11	16	534	533
					₱248,334	₱116,710
Net retirement liability						
Under common control	18	Retirement plan	₱1,106	₱2,191	₱1,698	₱523
Parent	14	Dividends	₱464,000	₱2,059,000	₱–	₱–

Receivables from Related Parties

a. The Company entered into a service facility agreement with Petron Corporation for providing access to gasoline stations along the SLEX. The Company charges service facility fee for certain percentage of revenue of the gasoline stations.

b. The Company entered into a lease agreement with Star Infrastructure Development Corporation (SIDC) and Intelligent E-Process Technologies Corporation (IETC) for the sublease of office space to SIDC and IETC located at Calamba, Laguna. Rental deposits in relation to these lease agreements amounted to ₱0.5 million as at December 31, 2020 and 2019 (see Note 11).

ROU Asset

The Company leases from Alloy Manila Toll Expressways, Inc. a parcel of land located at Calamba, Laguna, where its office building for the toll operation center and appurtenant facilities are located. The contract of lease commenced in 2010 after the completion of the toll operation center and shall be coterminous with the concession period, unless sooner terminated in accordance with the applicable provisions of the contract of lease. The Company paid the total lease consideration at the inception of the lease.

ROU asset amounted to ₱25.8 million and ₱27.5 million as at December 31, 2020 and 2019, respectively (see Note 10).

Accounts Payable to Related Parties

a. MATES is engaged in the operation and maintenance of the rehabilitated and expanded SLEX Project pursuant to the STOA. On May 14, 2008, the Company and MATES entered into an Operation and Maintenance (O&M) Agreement to set out the parameters and scope of the operation and maintenance of the SLEX Project, commencing upon the actual or constructive issuance by the TRB of a Toll Operation Permit. On December 14, 2010, TRB confirmed its approval of the issuance of the TOC for the entire Phase 1 of the SLEX Project.

   In 2019, the O&M Agreement was amended to increase the O&M fee from ₱680.0 million to ₱700.0 million effective January 1, 2020.

   In 2020, MATES billed the Company additional operations and maintenance fee for expenses incurred related to COVID-19 including food rations to toll tellers on duty, healthcare and sanitation supplies and personal protective equipment (PPE) amounting to ₱48.7 million.

b. In 2016, the Company and IETC entered into service agreements for the non-exclusive and nontransferable license to use the toll collection system, preventive and corrective maintenance of Intelligent Transportation System, RFID management and customer services. IETC charges a monthly fixed fee for the said services. The agreement is valid until December 31, 2021, renewable for another year upon written notice by IETC.

   Total fees charged by IETC amounted to ₱167.0 million and ₱121.0 million in 2020 and 2019, respectively and are presented as part of "Operations and Maintenance".

c. On May 28, 2010, the Company, with MATES, CMMTC and Skyway O & M Corporation entered into a MOA on Inter-operability of Toll Collection System to ensure the inter-operability of their respective toll collection system and traffic operations in accordance with the TRB guidelines for seamless traffic system and improved quality of service to the motorists throughout the SLEX and the South Metro Manila Skyway Project.

   The Company has toll payable amounting to ₱8.9 million as at December 31, 2020 and toll receivable amounting to ₱1.8 million as at December 31, 2019, resulting from the offsetting of the collections (i.e., cash and RFID transactions) made by the Company in behalf of CMMTC and those collected by CMMTC for the account of the Company. The outstanding balances are normally settled in the subsequent period.

d. In 2020, the Company entered into a one year lease agreement with MATES for the lease of machineries and equipment used for the construction of additional lanes along SLEX. Rent expense capitalized by the Company amounted to ₱8.4 million.

   In 2019, MATES billed the Company for costs incurred in asphalt repairs including cost for the related manpower and equipment rentals amounting to ₱38.9 million.

e. The Company also purchased fuel and other goods and services from various related parties. These are settled within the respective related parties' normal settlement period.

Revenue Regulations (RR) No. 19-2020
In July 2020, the Bureau of Internal Revenue (BIR) issued RR No. 19-2020, prescribing the use of the new BIR Form 1709, Information Return on Related Party Transactions, and the required documentary attachments which include but not limited to transfer pricing documentation.

Subsequently, the BIR issued RR No. 34-2020 prescribing the guidelines and procedures for the submission of BIR Form 1709, transfer pricing documentation and other supporting documentations. Under RR No. 34-2020, the following are required to file and submit the BIR Form:

a) Large taxpayers

b) Taxpayers enjoying tax incentives (BOI, PEZA, ITH, preferential tax rate)

c) Taxpayers reporting net operating losses for the current taxable year and the immediately preceding 2 consecutive taxable years; and

d) A related party, which has transactions with the above

The Company is considered a large taxpayer in accordance with the criteria under RR No. 1-1998 and consequently, the Company is covered by the requirements and procedures provided by the RR.

Compensation of Key Management Personnel
Compensation of key management personnel of the Company amounted to ₱2.0 million, ₱2.6 million and ₱3.2 million in 2020, 2019 and 2018, respectively. There are no termination benefits, share-based payments or other long-term employee benefits given to key management personnel.

18. Net Retirement Liability

In November 2018, the Company with San Miguel Holdings Corp. (SMHC), MATES, SIDC and Star Tollway Corporation (the Participating Companies), jointly established the SMHC Multi-employer Retirement Plan (the Plan), which will provide, through a retirement fund, the payment of benefits to each participating regular employees of the Company when they are retired, disabled or separated from service, or in the event of death, at definite amounts to their beneficiaries effective January 1, 2019. As of the reporting date, the Company has 19 regular employees, which are all members of the Plan.

The Plan is a defined benefit retirement plan and the Participating Companies shall contribute to the fund in accordance with the results of the valuation conducted by an independent actuary.

All contributions made by the Participating Companies to the retirement fund shall be held solely and exclusively, for the benefits of the participating and qualified members and no part of the fund shall be used for or diverted to purposes other than for the exclusive benefit of such members and will not revert to the Participating Companies.

The net retirement liability is based on a report of actuarial valuation done by an independent external actuary dated December 29, 2020.

Components of Net Retirement Benefit Liability

	2020	2019
Present value of defined benefit obligation	**₱4,840**	₱4,358
Fair value of plan assets	**(1,698)**	(523)
	₱3,142	₱3,835

Changes in the Present Value of Defined Benefit Obligation
Movements in the present value of defined benefit obligation as follow:

	2020	2019
Balance at beginning of year	**₱4,358**	₱5,403
Current service cost	**438**	590
Net interest cost	**200**	387
Remeasurement gain on defined benefit obligation	**(156)**	(155)
Retirement benefits paid from retirement fund	**–**	(1,639)
Retirement benefits paid directly from book reserve	**–**	(228)
Balance at end of year	**₱4,840**	₱4,358

The components of retirement benefit costs recognized in profit or loss are as follows (see Note 16):

	Note	2020	2019	2018
Current service cost	16	**₱438**	₱590	₱538
Net interest cost	12	**151**	387	249
		₱589	₱977	₱787

Changes in the Fair Value of Plan Assets
Movements in the fair value of the plan assets are as follows:

	2020	2019
Balance at beginning of year	**523**	₱–
Contributions paid	**1,106**	2,191
Interest income	**49**	–
Remeasurement gain (loss)	**20**	(29)
Retirement benefits paid	**–**	(1,639)
Balance at end of year	**₱1,698**	₱523

Plan assets consist of cash and cash equivalents and marketable securities as at December 31, 2020 and 2019. The plan assets are not subject to significant risk of changes in value.

The accumulated net actuarial gain recognized as at December 31 is as follows:

	2020	2019
Balance at beginning of year	**₱1,126**	₱1,000
Net remeasurement gain of defined benefit obligation	**176**	126
Balance at end of year	**₱1,302**	₱1,126

The sensitivity analysis of the present value of the DBO as at December 31, 2020 to changes in assumptions follows:

	Change in Assumptions	Effect to DBO
Discount rate	+100 bps	(₱431)
	-100 bps	499
Salary rate	+100 bps	₱489
	-100 bps	(431)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2020:

	Amount
Payable in the next five years	₱3,003
Payable more than five years to 10 years	1,413

The principal assumptions used to determine retirement benefits cost and obligation are as follows:

	2020	2019	2018
Discount rates	**3.06%**	4.60%	7.16%
Salary increase rates	**4.00%**	5.00%	7.00%

19. Income Taxes

a. The taxable income of the Company is subject to the regular corporate income tax rate of 30%. The Company opted to use the Optional Standard Deduction (OSD) resulting in an effective tax rate of 18% of gross profit.

   The details of provision for (benefit from) income tax are as follows:

	2020	2019	2018
Current	**₱501,071**	₱832,674	₱812,746
Deferred	**(986)**	(749)	(2,954)
	₱500,085	₱831,925	₱809,792

b. The deferred tax assets of the Company as at December 31 is as follows:

	2020	2019
Provision for resurfacing and maintenance obligation	**₱75,850**	₱74,866
Rental deposits	**96**	94
	₱75,946	₱74,960

   The deferred income tax assets were measured using the effective income tax rate of 18% based on optional standard deduction.

c. As at December 31, 2020 and 2019, the Company has the following temporary differences for which no deferred income tax assets were recognized in the statements of financial position. Management has assessed that it is not probable that these temporary differences will result in a tax benefit when these reverse in the future.

	2020	2019
Provision for ECL	**₱12,178**	₱–
Retirement liability	**3,142**	3,835
Unrealized foreign exchange loss	**85**	290
	₱15,405	₱4,125

d. The reconciliation of statutory income tax rate to the effective income tax rate in the statements of comprehensive income is summarized below.

	2020	2019	2018
Income tax computed at statutory tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Electing OSD over itemized deductions	**(7.07%)**	(8.82%)	(8.95%)
Income subjected to final tax	**(1.47%)**	(0.65%)	(0.21%)
Nondeductible expenses	**0.60%**	0.26%	0.09%
Change in unrecognized deferred tax assets	**0.08%**	0.06%	–
	22.14%	20.85%	20.93%

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Bill)

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The bill requires the approval of the Congress and by the President of the Philippines to be enacted a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and consequently was not yet submitted to the President of the Philippines. Upon submission to the President of the Philippines, he may either approve it or exercise his veto to stop the enactment of the bill.

Since the bill is not considered substantively enacted, the current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020.

The bicameral committee approved the bill on February 1, 2021. As at March 9, 2021, the bill is yet to be approved by the President of the Philippines

20. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	2020	2019	2018
Net income for the year	**₱1,751,166**	₱3,142,094	₱3,073,744
Divided by the outstanding shares	**3,625,000**	3,625,000	3,625,000
Earnings per share - basic and diluted	**₱0.48**	₱0.87	₱0.85

Diluted earnings per share is equal to the basic earnings per share since the Company does not have potential dilutive shares.

21. Financial Risk and Capital Management Objectives and Policies

The principal financial instruments of the Company are cash and cash equivalents, trade and other receivables, deposits (included under "Other noncurrent assets" account), accounts payable and other current liabilities (excluding statutory payables) and long-term debt.

The main purpose of these financial instruments is to fund the operations of the Company and to finance the construction and improvement of toll roads and property and equipment.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Company. The risk management policies of the Company are established to identify and manage the exposure of the Company to the financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Company.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD and management of the Company review and approve policies for managing each of these risks as summarized below.

<u>Credit Risk</u>
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counter parties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the credit risk of the Company is attributable to financial assets at amortized cost. The Company enters into contracts only with counterparties who have low credit risk, maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

The credit quality of financial assets is being managed by the Company using internal credit ratings. The table below shows the credit quality by class of financial asset based on the rating system of the Company as at December 31, 2020 and 2019:

	2020			
	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Impaired	Total
Cash and cash equivalents*	₱3,997,251	₱–	₱–	₱3,997,251
Trade and other receivables	230,226	13,685	12,178	256,089
Deposits	3,612	–	–	3,612
	₱4,231,089	₱13,685	₱12,178	₱4,256,952

**Excluding cash on hand amounting to ₱1.4 million.*

	2019			
	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Impaired	Total
Cash and cash equivalents*	₱5,018,763	₱–	₱–	₱5,018,763
Trade and other receivables	68,602	35,004	–	103,606
Deposits	3,612	–	–	3,612
	₱5,090,977	₱35,004	₱–	₱5,125,981

**Excluding cash on hand amounting to ₱3.1 million.*

The Company evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Company determines if credit risk have increased significantly when financial assets are more than 30 days past due.

Generally, receivables are written off if collection cannot be made despite exhausting all extra-judicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Company does not hold collateral as security.

<u>Liquidity Risk</u>

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from a counterparty.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing for long-term financial liabilities as well as cash outflows due in the day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. The Company regularly evaluates its projected and actual cash flows.

The table below summarizes the maturity profile of the financial liabilities of the Company as at December 31, 2020 and 2019 based on contractual undiscounted payments used for liquidity management.

2020	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Liabilities						
Accounts payable and other current liabilities*	**₱461,742**	**₱461,742**	**₱461,742**	**₱–**	**₱–**	**₱–**
Long-term debt**	**4,877,047**	**5,819,309**	**365,043**	**2,684,697**	**2,769,569**	**–**
	₱5,338,789	**₱6,281,051**	**₱826,785**	**₱2,684,697**	**₱2,769,569**	**₱–**

**Excluding statutory payables amounting to ₱51.8 million.*
***Excluding unamortized debt issue cost amounting to ₱22.9 million and including interest payable to maturity amounting to ₱919.3 million.*

2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Liabilities						
Accounts payable and other current liabilities*	₱352,412	₱352,412	₱352,412	₱–	₱–	₱–
Long-term debt**	7,265,294	8,572,729	2,778,565	295,386	2,446,015	3,052,763
	₱7,617,706	₱8,925,141	₱3,130,977	₱295,386	₱2,446,015	₱3,052,763

**Excluding statutory payables amounting to ₱55.5 million.*
***Excluding unamortized debt issue cost amounting to ₱34.7 million and including interest payable to maturity amounting to ₱1,272.7 million.*

Capital Management

The primary objective of the management is to ensure that it maintains a strong credit rating and stable capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and process from the previous years.

The capital considered by the Company is the equity as disclosed in the statements of financial position. The Company monitors its capital using debt to equity ratio, which is total debt divided by the total equity. The Company's debt to equity is at 0.58 times and 1.0 times as at December 31, 2020 and 2019, respectively. The Company includes all interest-bearing loans and borrowings in total debt and excludes other comprehensive from total equity.

22. Fair Value of Financial Instruments

Set out below is a comparison by category of the carrying amounts and fair values of all of the financial instruments of the Company that are carried in the financial statements:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at amortized cost				
Cash and cash equivalents*	**₱3,997,251**	**₱3,997,251**	₱5,018,763	₱5,018,763
Trade and other receivables	**243,911**	**243,911**	103,606	103,606
Deposits	**3,612**	**3,612**	3,612	3,612
	₱4,244,774	**₱4,244,774**	₱5,125,981	₱5,125,981

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities at amortized cost				
Accounts payable and other current liabilities**	₱461,742	₱461,742	₱352,412	₱352,412
Long-term debt	4,877,047	4,902,560	7,265,294	7,312,480
	₱5,338,789	₱5,364,302	₱7,617,706	₱7,664,892

**Excluding cash on hand amounting to ₱1.4 million and ₱3.1 million as at December 31, 2020 and 2019, respectively.*
***Excluding statutory payables amounting to ₱51.8 million and ₱55.5 million as at December 31, 2020 and 2019, respectively.*

Cash in Banks and Cash Equivalents, Trade and Other Receivables and Accounts Payable and Other Current Liabilities. Carrying amounts approximate the fair values at reporting dates due to the short-term maturities of these financial instruments.

Deposits. Deposit has no definite fixed term. Carrying amount is assessed to approximate the fair values at reporting date as the timing of future cash flows cannot be determined reliably.

Long-term Debt. The estimated fair value of the Bonds was calculated using the quoted (unadjusted) market prices in active market (Level 1).

As at December 31, 2020 and 2019, there were no financial instruments carried at fair value. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2020, 2019 and 2018.

23. Operating Segment Information

The Company is engaged in rehabilitation, construction and expansion of SLEX Project and considers its toll operations, comprising of both cash and RFID transactions, as its one and only operating segment.

The Company has only one geographical segment as all of its assets are located in the Philippines. The Company operates and derives principally all of its revenue from domestic operations. Thus, geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the statements of financial position.

As at December 31, 2020 and 2019, the Company does not have a customer from which 10% or more of the revenue was derived from.

24. Other Matters

Effect of the Coronavirus Disease 2019 (COVID-19) Pandemic

On March 8, 2020, under Proclamation No. 922, the Office of the President declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation No. 929, a state of calamity was declared throughout the Philippines due to the spread of the COVID-19 for a period of six months and an enhanced community quarantine (ECQ) was imposed in the island of Luzon, including the National Capital Region (NCR) from March 15, 2020 to May 15, 2020. The ECQ guidelines included the restrictions on movements outside the residence, ranging from stay-at-home to total lockdowns, suspension of mass transport facilities, closure of educational establishments and alternative work arrangements were implemented. Only essential businesses were allowed to operate, subject to certain conditions and limitations on operating capacity.

The ECQ was eased starting May 16, 2020 with the government converting most cities to a modified enhanced community quarantine (MECQ) including the NCR and Cebu until May 31, 2020 while some regions were placed under either a general community quarantine (GCQ) or a more lenient modified general community quarantine (MGCQ). On June 1, 2020, the NCR was placed under GCQ which allowed certain business sectors to resume full operations such as agriculture, food manufacturing and supply chains, and certain forms of public transportation. On August 4, 2020, the NCR was again placed under MECQ until August 31, 2020, in view of the continuing rise in COVID-19 cases.

The NCR has been reverted back to GCQ as at December 31, 2020.

The Company's revenue generation was negatively affected by the COVID-19 pandemic due to the travel restrictions imposed by the government during the ECQ.

The extent to which the COVID-19 pandemic will further affect the Company's operations will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to control the spread of the virus and mitigate its impact, which are highly uncertain and cannot be predicted.

25. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

SOUTH LUZON TOLLWAY CORPORATION
(A Subsidiary of MTD Manila Expressways, Inc.)
SUPPLEMENTARY INFORMATION REQUIRED BY
BUREAU OF INTERNAL REVENUE

Revenue Regulations No. 15-2010
The 2020 information required by the above regulation is presented below.

Output VAT
Output VAT declared by the Company for the year ended December 31, 2020 and the revenues upon which the same was based consist of:

	Gross Amount of Revenues	Output VAT
Sales subject to VAT	₱4,583,145,785	₱549,977,494
Input VAT claimed against output VAT		(168,842,216)
VAT payments		(340,171,362)
		₱40,963,916

The sale of services of the Company reported in the VAT returns are based on actual collections received, and hence, may not be the same as the amount presented in the statement of comprehensive income.

The net VAT is included as part of "Statutory payables" under "Accounts payable and other current liabilities" account in the statement of financial position.

Input VAT
The input VAT paid for by the Company for the year ended December 31, 2020 is shown below:

	Amount
Balance at beginning of year	₱–
Add: Input tax on capital goods forwarded to the current period	8,005,583
Current year's domestic purchases payments for:	
Services	160,871,063
Capital goods exceeding ₱1.0 million	5,329,848
Goods other than capital goods	2,623,227
Less: Input tax on capital goods deferred for the succeeding period	(7,987,505)
Applied against output VAT	(168,842,216)
Balance at end of year	₱–

All Other Local and National Taxes
All other local taxes paid for the year ended December 31, 2020 consist of:

Local business tax	₱39,216,943
Real property tax	10,413,688
Community tax	10,500
Annual registration fee	1,000
Others	115,246
	₱49,757,377

Withholding Taxes
Withholding taxes paid by the Company for the year ended December 31, 2020 consist of:

Expanded withholding tax	₱27,960,891
Final withholding tax	27,500,613
Withholding tax on compensation	808,690
Fringe benefit tax	186,092
	₱56,456,286

Tax Assessments and Tax Cases
The Company has no outstanding tax assessments and tax cases as at and for the year ended December 31, 2020.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone +632 8 982 9100
Fax +632 8 982 9111
Website www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
South Luzon Tollway Corporation
Sitio Latian, Barangay Mapagong
Calamba City, Laguna

We have audited the accompanying financial statements of South Luzon Tollway Corporation (the Company) (a subsidiary of MTD Manila Expressways, Inc.) as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019 and 2018 on which we have rendered our report dated March 9, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has two (2) stockholders owning one hundred (100) or more shares each as at December 31, 2020 and 2019.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8534275
Issued January 5, 2021, Makati City

March 9, 2021
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
South Luzon Tollway Corporation
Sitio Latian, Barangay Mapagong
Calamba City, Laguna

We have audited in accordance with Philippine Standards on Auditing, the financial statements of South Luzon Tollway Corporation (the Company) (a subsidiary of MTD Manila Expressways, Inc.) as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019 and 2018, and have issued our report thereon dated March 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2020
- Financial Soundness Indicators as at December 31, 2020 and 2019
- Schedules required by Part II of Revised SRC Rule 68 as at December 31, 2020

These schedule are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by PFRS and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted.

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

REYES TACANDONG & CO.
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These information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
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Issued January 5, 2021, Makati City

March 9, 2021
Makati City, Metro Manila

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020

(Amounts in Thousands)

		Amount
Unappropriated retained earnings, as adjusted to available for dividend distribution at beginning of year		₱3,540,777
Net income actually earned during the year:		
Net income during the year closed to retained earnings	₱1,751,166	
Movement in deferred tax assets during the year	(986)	1,750,180
Less cash dividends		(580,000)
Total retained earnings available for dividend declaration at end of year		₱4,710,957

Reconciliation:

Unappropriated retained earnings as shown in the financial statements at beginning of year	₱3,615,737
Net deferred tax assets at beginning of year	(74,960)
Retained earnings available for dividend declaration at beginning of year	₱3,540,777
Unappropriated retained earnings as shown in the financial statements at end of year	₱4,786,903
Net deferred tax assets at end of year	(75,946)
Retained earnings available for dividend declaration at end of year	₱4,710,957

Subsequent Event

On March 9, 2021, the BOD approved the appropriation of ₱1,923.6 million to fund the cost of improvement projects and other capital expenditures which are expected to be completed in 2021.

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2020 AND 2019s

(Amounts in Thousands)

Ratio	Formula	2020	2019
Current ratio			
	Total Current Assets	₱4,296,985	₱5,171,900
	Divided by: Total Current Liabilities	822,257	3,171,068
	Current ratio	5.22:1.0	1.63:1.0
Acid test ratio			
	Total Current Assets	₱4,296,985	₱5,171,900
	Less: Other current assets	54,376	46,434
	Quick assets	4,242,609	5,125,466
	Divide by: Total Current Liabilities	822,257	3,171,068
	Acid test ratio	5.16:1.0	1.62:1.0
Solvency ratio			
	Net income before depreciation and amortization	₱2,414,797	₱3,803,872
	Total liabilities	5,953,995	8,294,374
	Solvency ratio	0.41:1.0	0.46:1.0
Debt-to-equity ratio			
	Total long-term debt	₱4,877,047	₱7,265,294
	Total equity (excluding OCI)	8,411,903	7,240,737
	Debt-to-equity ratio	0.58:1.0	1.0:1.0
Asset-to-equity ratio			
	Total assets	₱14,367,200	₱15,536,237
	Total equity	8,413,205	7,241,863
	Asset-to-equity ratio	1.71:1.0	2.15:1.0
Interest rate coverage ratio	Cash, beginning	₱5,021,860	₱4,511,142
	EBITDA*	3,477,615	5,269,129
	Dividends paid	580,000	2,573,750
		7,919,475	7,206,521
	Interest expense over the next 12 months	304,129	403,263
	Interest cover ratio	26.04:1.0	17.87:1.0

Ratio	Formula	2020	2019
Return on equity			
	Net income	**₱1,751,166**	₱3,142,094
	Total equity	**8,413,205**	7,241,863
	Return on equity	**0.21:1.0**	0.43:1.0
Return on assets			
	Net income	**₱1,751,166**	₱3,142,094
	Total assets	**14,367,200**	15,536,237
	Return on asset	**0.12:1.0**	0.20:1.0
Net profit margin			
	Net income	**₱1,751,166**	₱3,142,094
	Total revenue	**4,555,327**	6,230,567
		0.38:1.0	0.50:1.0

**As defined in the debt covenant, excluding other charges amounting to ₱6.7 million and ₱7.6 million as at December 31, 2020 and 2019, respectively.*

SOUTH LUZON TOLLWAY CORPORATION

(A Subsidiary of MTD Manila Expressways, Inc.)

SEC SUPPLEMENTARY SCHEDULE AS REQUIRED BY PAR. 6 PART II OF THE REVISED SECURITIES REGULATION CODE RULE 68

DECEMBER 31, 2020

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Schedule D. Long term debt
December 31, 2020
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Long-term debt –current portion" in related Statement of Financial Position	Amount shown under caption "Long-term debt - net of current portion" in related Statement of Financial Position
Retail bonds	₱4,900,000	₱–*	₱4,877,047*

*net of debt issue cost

Schedule E. Indebtedness to Related Parties
December 31, 2020
(Amounts in thousands)

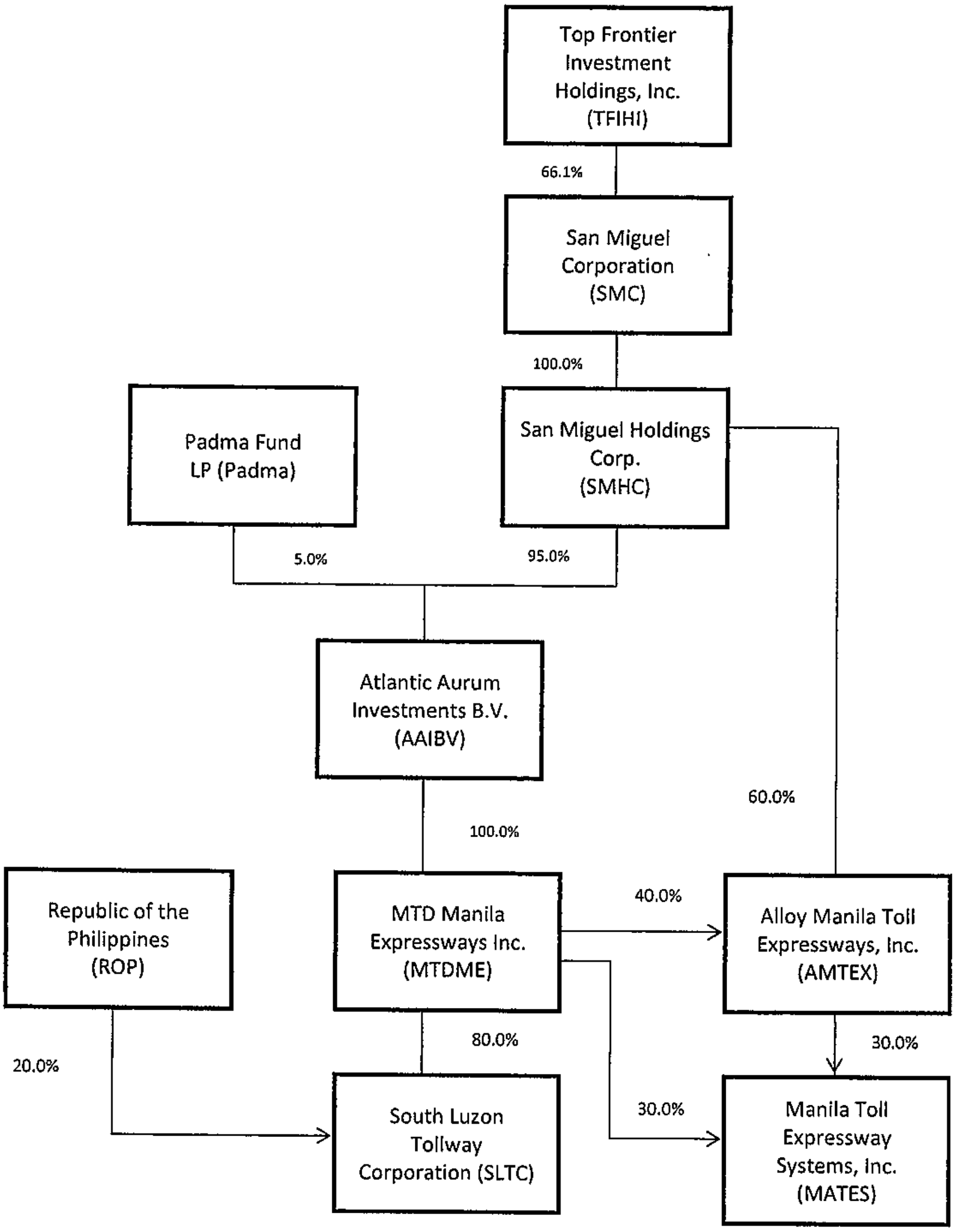
Name of related party	Beginning Balance	Ending balance
Manila Toll Expressway Systems Corp.	₱100,917	₱138,009
Intelligent E-Processes Technologies Corp.	14,178	59,363
Archen Technologies, Inc.	–	38,863
Citra Metro Manila Tollways Corporation	–	8,942
San Miguel Holdings Corp.	115	1,141
Petron	218	283
Others	749	1,199
	₱116,177	₱247,800

Schedule G. Capital Stock
December 31, 2020

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Capital Stock - ₱1.00 par value	4,000,000,000	3,625,000,000	–	2,899,999,991	10	724,999,999

SOUTH LUZON TOLLWAY CORPORATION
(A Subsidiary of MTD Manila Expressways, Inc.)

H. Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries
DECEMBER 31, 2020



"ANNEX B"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the attached Audited Financial Statements of SMC SLEX Inc. (formerly South Luzon Tollway Corporation) or the "Company", as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018. All necessary adjustments to present fairly the financial position as at December 31, 2020 and 2019, and financial performance and cash flows for the years ended December 31, 2020, 2019 and 2018, have been made.

SUMMARY OF FINANCIAL INFORMATION

Statements of Comprehensive Income

	December 31		
(in Php millions)	**2020**	**2019**	**2018**
REVENUE FROM TOLL OPERATIONS	**4,555.3**	6,230.6	6,092.8
COST OF SERVICE	**1,787.7**	1,777.7	1,703.3
GROSS PROFIT	**2,767.6**	4,452.9	4,389.5
OPERATING EXPENSES	**244.7**	246.9	180.7
OPERATING INCOME	**2,522.9**	4,206.0	4,208.8
OTHER INCOME (CHARGES)	**(271.6)**	(232.0)	(325.3)
INCOME BEFORE INCOME TAX	**2,251.3**	3,974.0	3,883.5
PROVISION FOR INCOME TAX	**500.1**	831.9	809.8
NET INCOME	**1,751.2**	3,142.1	3,073.7
OTHER COMPREHENSIVE INCOME	**0.2**	0.1	(0.2)
TOTAL COMPREHENSIVE INCOME	**1,751.4**	3,142.2	3,073.5
EBITDA	**3,212.1**	4,943.6	4,875.3

Statements of Financial Position

(in Php millions)	2020	2019
ASSETS		
Current assets	**4,297.0**	5,171.9
Service concession rights	**9,216.6**	9,468.9
Property and equipment	**277.0**	312.0
Computer software	**1.9**	2.9
Other noncurrent assets	**574.7**	580.5
TOTAL ASSETS	**14,367.2**	15,536.2
LIABILITIES AND EQUITY		
Current liabilities	**822.3**	3,171.1
Long term debt	**4,877.0**	4,869.4
Other liabilities	**254.7**	253.9
Total Liabilities	**5,954.0**	8,294.4
Equity	**8,413.2**	7,241.8
TOTAL LIABILITIES AND EQUITY	**14,367.2**	15,536.2

I. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Bases of Measurement

The financial statements are presented in Philippine Peso, which is the functional currency of the Company.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange of incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must include, at a minimum, 'an input and a substantive process that together significantly contribute to the ability to create an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  The adoption of the amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, is summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle –

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023 –

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Under prevailing circumstances, the adoption of the amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

II. KEY TRANSACTIONS DURING THE YEAR

Cash dividends declared and paid by the Company are as follows:

Date Approved	Per Share	Total Amount	Payment Date
March 3, 2020	₱0.16	₱580.0 million	March 12, 2020
August 28, 2019	0.38	1,377.5 million	September 12, 2019
March 7, 2019	0.33	1,196.3 million	March 13, 2019
September 13, 2018	0.35	1,268.8 million	September 14, 2018
March 7, 2018	0.18	652.5 million	March 13, 2018

III. FINANCIAL INFORMATION

DESCRIPTION OF REVENUE, COST AND EXPENSES AND INTANGIBLE ASSETS

Revenue from Toll Operations

The Company generates revenue from the use of the toll road and the toll is paid by way of cash or charges against an RFID account. The motorist is charged a fixed rate on a per kilometer basis and the total amount depends on the distance travelled in between entry and exit points on the highway.

Toll revenues amounted to ₱4,555.3 million, ₱6,230.6 million and ₱6,092.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Costs and Expenses

The costs and expenses of SLTC consist of the following:

- Operations and maintenance fee pertain to the costs incurred for the operation and maintenance of the toll roads and toll road facilities, interchanges, and related facilities, including the operation and management of toll collection systems, traffic control systems, and such other systems located or found within the toll roads. This is presented in the Audited Financial Statements under "Operations and Maintenance".

- Repair and maintenance of the toll collection system pertain to payment under the service agreements for the non-exclusive and non-transferable license to use the toll collection system, preventive and corrective maintenance of intelligent Transportation System, RFID management and customer service. The Company has implemented the Department of Transportation's Department Order 2020-012 for the mandatory cashless toll payments in all expressways. Existing toll collection processes have been adjusted to adapt to the transition. Total charges are presented in the Audited Financial Statements under "Operations and Maintenance".

- Service concession rights are amortized on a straight-line basis over the years stated in the STOA or approximately 26 years from start of commercial operations and are charged to the operations. Service concession rights represent the construction costs, including borrowing costs during the construction period of the South Luzon Expressway (SLEX) Project.

- PNCC share represents the revenue share of Philippine National Construction Corporation (PNCC) on the gross toll revenues of SLTC. The initial rate was at 1.75% of the gross toll revenue for the first 5 years, and increased to 3% of the gross toll revenue for the sixth year until the end of the concession.

- Provision for resurfacing and maintenance obligation pertains to the obligation of the Company under the STOA to maintain the toll roads within the specified standard of service at all times. Provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every 5 to 6 years or the expected maintenance dates, to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the Republic of the Philippines (ROP).

- Insurance costs represent annual premiums paid on the insurance coverage for the toll roads and toll road facilities, interchanges and related structures, including the toll operation buildings and machinery and equipment.

- Salaries and other employee benefits are for management and administrative personnel.

- Depreciation of property and equipment is attributable to toll operations and office administration.

- Repairs and maintenance pertain to vehicle and equipment repairs.

- Taxes and licenses pertain to business and real property taxes on toll operation buildings and other structures paid to local government units.

- The Company has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

- Other administrative expenses include advertising expense, amortization of right-of-use asset, communication and transportation expenses, professional fees, entertainment and office supplies.

Costs and expenses amounted to ₱2,032.5 million, ₱2,024.6 million and ₱1,884.0 million in 2020, 2019 and 2018, respectively.

Other Income and Charges

- Interest expense and other financing charges pertain to interest and related finance charges in 2020, 2019 and 2018 due on retail bonds issued by the Company in 2015. Retail bonds amounting to ₱2,400.00 million were redeemed and settled in 2020.

- Interest income is interest received from time deposit placements, short term investments and cash in banks.

- Foreign exchange gain or losses were minimal and mainly derived from US dollars transactions for procurement of equipment and year-end translation of the US dollar bank accounts in 2020, 2019 and 2018.

- Other income pertains mainly to regular fees obtained from the service facilities along the SLEX, such as gasoline stations and locators inside the service facilities.

Other charges (net of other income) amounted to ₱271.6 million, ₱232.0 million and ₱325.3 million in 2020, 2019 and 2018, respectively.

Income Tax

The 2020 provision for income tax of the Company consists of current tax of ₱501.1 million and deferred tax benefit of ₱1.0 million.

In 2020, 2019 and 2018, the taxable income of the Company is subject to the regular corporate income tax rate of 30%. The Company opted to use the Optional Standard Deduction (OSD) resulting in an effective tax rate of 18% of gross profit. For more information, please refer to Results of Operations – provision for income tax on page 11 and 12.

Earnings Per Share

Basic

Basic earnings per share is computed by dividing net income over the weighted average number of shares outstanding during the year.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period.

Diluted earnings per share is equal to the basic earnings per share since the Company does not have potential dilutive shares.

Basic and diluted earnings per share were computed as follows:

	2020	2019	2018
Net income for the year	**₱1,751,165,528**	₱3,142,094,469	₱3,073,743,385
Divided by the outstanding shares	**3,625,000,000**	3,625,000,000	3,625,000,000
Earnings per share - basic and diluted	**₱0.48**	₱0.87	₱0.85

Intangible Assets – Service Concession Rights

Service concession rights represent the construction costs, including borrowing costs during the construction period of the SLEX Project. Service concession right is recognized initially at the fair value of the construction services. Following initial recognition, the service concession right is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it are normally recognized in the profit or loss as these are incurred to maintain the expected future economic benefits embodied in the service concession right unless it can be demonstrated that the expenditures will contribute to the increase in revenue from toll operations which meet the definition of an intangible asset.

The service concession rights are amortized on a straight-line basis over the years stated in the STOA which is approximately 26 years from start of commercial operations and is being assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least at each financial year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the profit or loss in the expense category consistent with the function of the intangible assets.

The service concession rights will be derecognized upon turnover to the ROP with no consideration. There will be no gain or loss upon derecognition of the concession rights which is expected to be fully amortized by then.

There is no change in the estimated useful life of the service concession right. The carrying amount of the Company's service concession rights amounted to ₱9,216.6 million and ₱9,468.9 million as at December 31, 2020 and 2019, respectively.

Provision for Resurfacing and Maintenance Obligation.

Provision for resurfacing and maintenance obligation pertains to the Company's obligation under the concession agreement to maintain the toll roads such that the toll road can deliver the specified standard of service at all times. Provision for resurfacing and maintenance obligation requires an estimation of the periodic cost, generally estimated to be every five to six years or the expected schedule of major maintenance to maintain the toll roads such that the toll road can deliver the specified standard of service at all times and to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money. On the other hand, routine repairs and maintenance costs are expensed as incurred. The estimated amount of resurfacing and maintenance costs that is expected to be incurred for no more than 12 months after the reporting date is classified under current liabilities. Otherwise, these are classified as noncurrent liabilities.

Provision for resurfacing and maintenance obligation recognized in profit or loss statement amounted to ₱155.6 million, ₱209.8 million and ₱184.2 million in 2020, 2019 and 2018, respectively.

Provision for repairs and maintenance obligation amounted to ₱421.4 million and ₱415.9 million as at December 31, 2020 and 2019, respectively.

RESULTS OF OPERATIONS

Year Ended December 31, 2020 compared to Year Ended December 31, 2019

Revenue from Toll Operations

At the start of 2020, traffic volume in Southern Luzon continues to be enhanced by the rapid expansion of residential and industrial areas in Southern Luzon. The consistent growth in traffic volume was momentarily interrupted by the implementation of the Enhanced General Quarantine (ECQ) that started on March 16, 2020 until May 15, 2020 in the National Capital Region (NCR) and several provinces in Luzon. The restrictions that were imposed in response to the COVID-19 pandemic which allowed only essential travel during the period resulted to significant decrease in traffic volume. The Company allowed the healthcare workers with private vehicles to travel the expressway toll free. Special RFID stickers or converted existing stickers were provided. Around 3% of the total monthly traffic volume were granted toll free passage. Traffic flow have shown a recovery after the ECQ was lifted in certain areas which were converted to either Modified ECQ, General Community Quarantine (GCQ) or Modified GCQ. On June 1, 2020, NCR was placed under GCQ which allowed certain sectors to resume full operations.

With the significant decrease in traffic volume, toll revenue decreased by 27% from ₱6,230.6 million to ₱4,555.3 million.

Costs and Expenses

The Company spent ₱165.7 million for resurfacing activities in 2020. The provision for resurfacing and maintenance of the toll road was lower in 2020 due to the restrictions under the community quarantine. The Company continues to conduct regular review of the projected maintenance activities to ensure that the maintenance program is calibrated to reflect the requirement in a timely manner. The program also aims to restore the level of serviceability during the concession term within the standards set by the STOA.

While general and administrative expenses decreased due to the temporary closure of offices and arrangement for the Company's employees to work from home, additional expenses were incurred in relation to the Company's response to COVID-19 as it implemented the necessary health and safety measures for all its employees. These COVID related expenses were reimbursed to MATES as part of the cost of operations and maintenance.

Interest Expense and Other Financing Charges

The Company redeemed and paid its Series A retail bonds amounting to ₱2,400.00 million in August 2020. This resulted to a decrease in interest and financing charges from ₱476.0 million to ₱407.3 million. Other financing charges include amortization of the debt issue costs and the accretion of interest on the provision for resurfacing and maintenance obligation. Refer also to Note 12 of the 2020 Audited Financial Statements attached to the Annual Report as "Annex A ".

Interest Income

Interest income decreased by ₱57.9 million due to lower placements.

Other income

The decrease in other income was mainly due to lower service facilities income. Such income is normally driven by traffic growth as it results to higher number of motorists availing of the goods and services of the fuel stations and various locators in the area. However, the travel restrictions brought about by the various community quarantine in NCR and Southern Luzon severely impacted the traffic volume.

Provision for income tax

With the expiry of the Income Tax Holiday incentive in 2016, the Company's taxable income is already subject to the regular corporate income tax rate of 30%. The Company opted to use the OSD resulting in an effective tax rate of 18% of gross profit. Current tax expense amounted to ₱501.1 million and deferred tax benefit of ₱1.0 million.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The bill requires the approval of the Congress and by the President of the Philippines to be enacted a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and consequently was not yet submitted to the President of the Philippines. Upon submission to the President of the Philippines, he may either approve it or exercise his veto to stop the enactment of the bill.

Since the bill is not considered substantively enacted, the current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020. The bicameral committee approved the bill on February 1, 2021. As at March 11, 2021, the bill is yet to be approved by the President of the Philippines.

Current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020.

Other Comprehensive Income

Remeasurement gain on defined benefit obligation amounting to ₱0.2 million and ₱0.1 million 2020 and 2019, respectively, were recognized in other comprehensive income.

As a result of the foregoing, EBITDA* amounted to ₱3,212.1 million, a significant decrease of 35% from 2019, while total comprehensive income decreased by 44%, from ₱3,142.2 million to ₱1,751.4 million.

*Computations differ from loan covenant definition

Year Ended December 31, 2019 compared to Year Ended December 31, 2018

Revenue from Toll Operations

Traffic volume in Southern Luzon continues to be enhanced by the rapid expansion of residential and industrial areas. Calamba and Sto. Tomas, Batangas have been categorized as the 10th richest city and 4th richest municipality in 2018, respectively, while the province of Batangas was the 3rd richest province for the years 2017 and 2018. These areas are all located in booming CALABARZON. The provinces of Cavite and Laguna are top choices for people looking for spacious housing facilities as a practical option to tiny condominium units offered at steep prices in Metro Manila.

Due to the increase in economic activity, SLTC toll revenue increased by 2% from ₱6,092.8 million to ₱6,230.6 million.

Costs and Expenses

The costs and expenses increased by 7% mainly due to the repair and maintenance on toll road and equipment.

The Company also spent ₱234.1 million for resurfacing activities in 2019. The provision for resurfacing and maintenance of the toll road was higher in 2019 as a result of the regular review of the projected maintenance activities vis a vis the actual costs charged during the year. The review ensures that the maintenance program is calibrated to reflect the requirement in a timely manner. The program also aims to restore the level of serviceability during the concession term within the standards set by the STOA.

Interest Expense and Other Financing Charges

The retail bonds have fixed rates hence interest expense is stable. Other financing charges include amortization of the debt issue costs and the accretion of interest on the provision for resurfacing and maintenance obligation.

Interest Income

Interest income increased by ₱87.8million due to higher available cash for placements and higher rates in 2019.

Other income

The increase in other income was mainly due to rental income and write-off of long-outstanding payables. Fees from service facilities along the expressway also increased by 20%. Such income is partially driven by traffic growth as it resulted to higher number of motorists availing of the goods and services of the fuel stations and various locators in the area.

Provision for income tax

With the expiry of the Income Tax Holiday incentive in 2016, the Company's taxable income is already subject to the regular corporate income tax rate of 30%. The Company opted to use the OSD resulting in an effective tax rate of 18% of gross profit. Current tax expense amounted to ₱832.7 million and deferred tax benefit of ₱0.8 million.

Other Comprehensive Income

Remeasurement gain on defined benefit obligation amounting to ₱0.1 million and remeasurement loss amounting to ₱0.2 million 2019 and 2018, respectively, were recognized in other comprehensive income (loss).

As a result of the foregoing, EBITDA* amounted to ₱4,943.6 million, an increase of 1% from 2018, while total comprehensive income increased by 2%, from ₱3,073.5 million to ₱3,142.2 million.

*Computations differ from loan covenant definition

Year Ended December 31, 2018 compared to Year Ended December 31, 2017

Revenue from Toll Operations

The toll revenues of SLTC increased by 5% from ₱5,808.6 million to ₱6,092.8 million due 4% to increase in traffic volume, driven by the sustained growth of residential and industrial areas backed by the government's decentralization push to stimulate business activities in areas outside Metro Manila, amid expanding housing development and strong consumer socio-economic activity in the Calabarzon area.

Costs and Expenses

The costs and expenses increased by 12% mainly due to the repair and maintenance on toll road and equipment. The Company also completed the replacement of its toll collection system in order to comply with the mandate to regularly upgrade all equipment to keep up with the demands of the increasing traffic volume.

The provision for periodic obligation on the resurfacing and maintenance of the toll road was higher in 2018, as a result of the regular review of the projected maintenance activities vis a vis the actual costs charged during the year. The review ensures that the maintenance program is calibrated to reflect the requirement in a timely manner. The program also aims to restore the level of serviceability during the concession term within the standards set by the STOA.

Interest Expense and Other Financing Charges

The retail bonds have fixed rates hence interest expense is stable. Other financing charges include amortization of the debt issue costs and the accretion of interest on the provision for resurfacing and maintenance obligation.

Interest Income

Interest income increased by 206% due to higher available cash for placements and higher rates in 2018.

Other income

The increase in other income by 18% was mainly due to collections from service facilities along the expressway. Such income is partially driven by traffic growth as it results to higher number of motorists availing of the services of the fuel stations and various locators in the area.

Provision for income tax

The Company's taxable income is already subject to the regular corporate income tax rate of 30%. The Company opted to use the OSD resulting in an effective tax rate of 18% of gross profit resulting to provision for current tax expense of ₱812.7 million and deferred benefit tax of ₱2.9 million in 2018.

Other Comprehensive Income

Remeasurement loss on defined benefit obligation amounting to ₱0.2 million and remeasurement gain amounting to ₱0.9 million was recognized in other comprehensive income (loss), in 2018 and 2017, respectively.

As a result of the foregoing, EBITDA* amounted to ₱4,875.3 million, an increase of 2% from 2017, while total comprehensive income decreased by 4% from ₱2,962.1 million to ₱3,073.5 million.

*Computations differ from loan covenant definition

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	December 31		
	2020	2019	2018
Net cash provided by operating activities	**2,720.2**	4,188.8	4,393.5
Net cash used in investing activities	**(372.4)**	(680.5)	(209.3)
Net cash used in financing activities	**(3,370.8)**	(2,997.2)	(2,338.7)
Effect of foreign exchange rate changes	**(0.1)**	(0.3)	0.1
Net Increase in cash and cash equivalents	**(1,023.1)**	510.8	1,845.6
Cash at the beginning of the year	**5,021.9**	4,511.1	2,665.5
Cash at end of the year	**3,998.8**	**5,021.9**	**4,511.1**

Cash Flows from Operating Activities

January to December 2020

Net cash provided by operating activities amounted to ₱2,720.2 million as a result of net cash generated from operations of ₱3,331.5 million, income tax paid of ₱563.6 million, contributions paid to retirement plan of ₱1.1 million, actual resurfacing and maintenance of ₱165.7 million and interest received amounting to ₱119.0 million.

January to December 2019

Net cash provided by operating activities amounted to ₱4,188.8 million, as a result of net cash generated from operations of ₱5,111.4 million, payment for income tax of ₱841.6 million, contributions paid to retirement plan of ₱2.2 million, payment of retirement benefits of ₱0.2 million, actual resurfacing and maintenance of ₱234.1 million and receipt of interest income of ₱155.5 million.

January to December 2018

Net cash provided by operating activities amounted to ₱4,393.5 million, as a result of net cash generated from operations of ₱5,116.2 million, income tax paid of ₱618.8 million, payments for resurfacing and maintenance of ₱183.9 million and interest received amounting to ₱80.0 million.

Cash Flows from Investing Activities

January to December 2020

During the year, several crucial investments were pursued by the Company to expand its revenue stream, such as enhancement costs for TR1, 2 and 3 in the amount of ₱112.2 million, TR4 Project development costs amounting to ₱190 million and procurement of property and equipment amounting to ₱71.4 million.

January to December 2019

Cash was used for investing activities consisting of expansion of the operating segments TR 1, 2 and 3 and project development costs for TR4 amounting to ₱115.3 million as well as advances to TR4 contractors amounting to ₱451.4 million. It also includes procurement of toll and other equipment amounting to ₱113.8 million, as the company embarks on the preventive maintenance replacement of the toll collection system and traffic control and surveillance system.

January to December 2018

Cash from investing activities include costs of expansion for TR1, 2 and 3 as well as various activities in preparation for the TR4 Project amounting to ₱68.3 million, advances to contractors of ₱19.0 million and procurement of property, and equipment amounting to ₱121.5 million.

Cash Flows from Financing Activities

January to December 2020

Net cash used in financing activities consisted of the payment of dividends of ₱580 million, redemption and payment of series A retail bonds of ₱2,400 million and bond interest and other financing charges of ₱390.8 million.

January to December 2019

Cash used for financing activities consist of dividend payment of ₱2,573.8 million and debt servicing for bond interest and other financing charges of ₱423.4 million.

January to December 2018

Net cash used in financing activities consisted of payment of dividends of ₱1,921.3 million and bond interest and other financing charges of ₱417.4 million.

Capital Management

The objective in managing capital is to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance and to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Company monitors its capital using debt to equity ratio, which is total debt divided by total equity. The Company includes within total debt, interest bearing loans and borrowings. In determining the debt-to-equity ratio, the Company excluded other comprehensive income as part of equity.

Key Performance Indicators

For the measurement of the Company's financial soundness, see Supplementary Schedule of Financial Soundness Indicators attached to Annex A of the Annual Report.

Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements with other entities.

Other Matters

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no material changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the liquidity of the Company.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.
- The effects of seasonality or cyclicality on the operations of the business of the Company are not material.

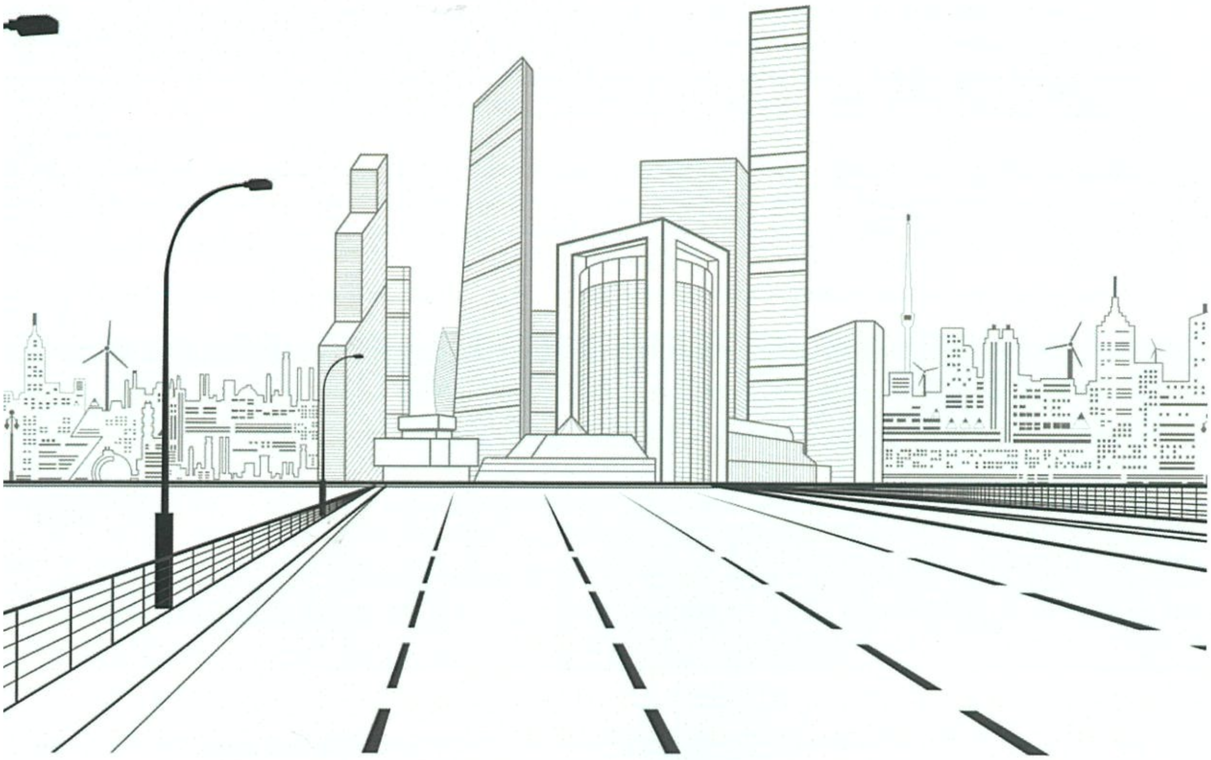
"ANNEX C"

2020 SUSTAINABILITY REPORT

SMC INFRASTRUCTURE

SLEX SMC SLEX INC.

2020 Sustainability Report



MESSAGE FROM TOP MANAGEMENT

At SMC SLEX Inc. (formerly South Luzon Tollways Corp.),[1] sustainability is at the core of every promise that we deliver. These major infrastructures have the paved way for social, economic, and environmental changes not only in South Luzon but also its surrounding areas.

Anchored on San Miguel Corporation's core values is our innate pursuit of excellence. Exceptional business and ethical standards are instilled in us, and we ensure that the decisions we make will always lead to the greater good.

MALASAKIT is in our blood; it is a product of a selfless commitment to our company, our colleagues, our community, and most of all, our planet. We are stewards of the Earth, and amidst Climate Change and other natural environmental issues, we must ensure that we hand it over to the next generation in a state that is better than what it is now. In this regard, we take the responsibility of achieving the Sustainable Development Goals (SDGs) of the United Nations to heart.

Achieving this commitment will only be made possible through the power of collaboration. It is only by working together that we will be able to achieve greater heights.

This is why our initial strategy is to collaborate with all concerned functions of SMC SLEX Inc. to be able to identify factors that may affect our organization and how our business, in turn, may affect our neighbors. We should continue to be a positive force in our communities and always do what is best for the greatest number of people.

We enjoin everyone to work passionately to be able to continue our advocacies in doing what is right, and to take accountability for our decisions, because our stakeholders are not just our employees and the communities, but the environment as well. We know that we are contributing to the bigger picture of saving the Earth through innovation, the responsible use of natural resources and its preservation.

Let us continue to build better roads that not only lead people to their destinations. Let the roads we build be paths wherein we could lead the next generation to a planet that is sustainable, and that is full of promise. Let us lead the way, and hope that we may also inspire everyone in the community to do the same.

This is we what we do in SMC SLEX Inc. and SMC Infrastructure—we strive to build a better world.

[1] Per Certificate of Filing of Amended Articles of Incorporation dated 22 February 2021.

Company Details

Name of the Organization	SMC SLEX Inc. (formerly South Luzon Tollway Corporation)
Location of Headquarters	11/F San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila
Location of Operations	Alabang, Muntinlupa to Sto. Tomas, Batangas
Report Boundary: Legal Entities (e.g. subsidiaries) included in this Report	SMC SLEX Inc. (Note: SMC SLEX Inc. has no subsidiaries)
Business Model, including Primary Activities, Brands, Products, and Services	Toll road construction expansion and rehabilitation of the South Luzon Expressway
Reporting Period	01 January 2020 to 31 December 2020
Highest Ranking Person responsible for this Report	Raoul C. Romulo Corporate Information Officer SMC SLEX Inc.

Explain how you applied the materiality principle in identifying material topics.

The Sustainability Accounting Standards Boards' (SASB) approach to materiality, as well as the GRI and the SEC's model, guided SMC SLEX Inc. (formerly SLTC), herein thereafter referred to as the *"Company"*. in complying with determining its materiality process. The Company reviewed key disclosures from past annual reports and identified additional topics that have the most impact on the sustainability issues facing its subsidiaries.

After arriving at an initial set of material topics, material topics, the Company then conducted interview and consultations with group heads and technical teams. Guided by the management team of the Company, a series of detailed mapping exercises were then held to further identify topics that are material to each of the Company's respective industries. The resulting set of material topics were then reassessed and filtered according to the structure of this reporting template.

As SMC SLEX Inc. continues to improve its processes, enhance its policies and develop responsive services, the Company's materiality processes and topics shall be reviewed and updated accordingly. Impacts, risks, opportunities and management approach required by the Securities and Exchange Commission are done on a topic level such as disclosures are often crosscutting between several metrics.

Economic

Economic Performance

DISCLOSURE	AMOUNT (in Millions)	UNITS
Direct economic value generated (revenue)	4,665	Php
Direct economic value distributed:		
(a) Operating costs (including payment to suppliers)	1,307	Php
(b) Employee wages and benefits	11	Php
(c) Dividends given to stockholders and interest payments to loan providers	953	Php
(d) Taxes given to government	821	Php

Impacts and Risks

One of the main thrusts of the Company is to invest in new ways that will enable the Company to provide better service to the public and to the commuters. As such, it has lease obligations and long-term debts that can affect its ability to attract additional financing, thereby limiting growth plans and flexibility in planning and operations. Other factors that may limit the availability of financing include limitations imposed by Philippine regulations with respect to a bank's exposure to a single borrower or related group of borrowers; existing debt covenants of the SMC Group, ability to service new debt, and public perception of other industries affiliated with. Other risks include the following:

- Inherent risks in the completion of infrastructure business;
- Enforceability of concession agreements;
- Inability to secure concession agreements;
- Inability to secure tariff increases;
- Decrease in utilization; and
- Obtaining new concessions or projects.

Inability to completely address these in a timely manner can have an adverse effect on its operations, which in turn may lead to reduction of manpower and/or service areas. Moreover, major business risks for the Company have been identified in its 2020 SEC Form 17-A.

Management Approach to Identified Impacts and Risks

The Company ensures the hiring and retention of key employees to allow successful integration, proper management and alignment of the acquired companies. The Company ensures that its hired personnel undergo various training and mentoring programs to ensure that business is conducted in an ethical and sustainable manner, and is at par with the Company's standards. External experts are also

The Company, with the guidance of its management and Board of Directors (BOD), strategically reviews and monitors profit growth, and maintains a health balance sheet with a balanced mix of debt and equity to maximize the Company's market value. Profiles for capital ratios are set in light of changes in the external environment and the risks underlying the Company's operations and industries.

The Company's Audit and Risk Committee regularly reviews risk management controls and procedures, together with its Internal Audit Department, and assists the BOD in fulfilling its oversight responsibility of corporate governance processes.

To mitigate credits risks, the Company is guided by creditworthy application of transaction limits and close risk monitoring. The Company conducts regular internal control reviews to monitor the granting of credit and management of credit exposures.

Furthermore, the Company is composed of reputable BOD officers and an experienced management team that is capable of immediately responding to any adverse event that may ensue.

Opportunities and Management Approach

With the continuous growth of the financial value that the Company generates, more value is given to it in terms of development of new road extensions and services, improvement of operations, increase in brand visibility, as well as exploration of additional public-private partnerships.

Procurement Practices

As a general policy, the Company supports local suppliers and prioritizes them in sourcing materials and services provided that the quality and quantity requirements are met at competitive rates.

Impacts and Risks

The Company follows and adheres to a certain quality of material, facilities and services it procures whether directly or indirectly. It does not tolerate any improper facilitation of supplier selection, negotiation and delivery of appropriate goods and services as this may severely affect the Company's reputation and profits.

Substandard materials and fraudulent contractors will dampen operational efficiency and product quality.

Management Approach to Identified Impacts and Risks

The Company believes that as part of the San Miguel Corporation group, it can take advantage of the distribution network operations which can significantly provide economies of scale and opportunities for synergy in production, research and development, distribution, procurement and marketing.

The Company, as part of the SMC group, is part of a centralized procurement system through the SMC Procurement Group. The SMC Corporate Procurement Group streamlines the procurement

SMC business units thereby decreasing the number of procedures in the procurement of goods and increasing the Company's efficiency. Because of this advantage, the Company becomes a part of an effective management of supplier accreditation and capacity, cost efficiency, timely delivery and quality of materials, facilities and services.

Opportunities and Management Approach

The Company will continue to invest in its people, processes and technology through staff training, improved communication processes, upgrading of business tools. The Company takes advantage of the SMC Procurement Group's synergy with local suppliers, where applicable. By actively engaging with qualified third party suppliers, the Company, through the SMC Procurement Group, is able to give its suppliers an opportunity to improve their financial condition.

[Climate-Related Risk and Opportunities]

The Company recognizes that the supply-chain of its goods and supplies may be disrupted by weather conditions, natural disasters and potential infrastructure damages due to sea level raise. These are all major threats to the Company's operations. For the Company, immediate effects rests heavily on scarcity of raw materials and energy costs. Natural disasters, exacerbated by climate change may interrupt opportunities.

The Company identifies and mitigates these climate change risks and impacts which are given priority and have been part of its strategy to ensure product availability and business continuity. Immediate actions include the consideration of proximity to supply chain markets, resilience of infrastructure to extreme weather conditions, in the expansion and establishment of new facilities. Some facilities are also equipped with the best technology to minimize risks due to temperature fluctuations.

The Company, however, recognizes the need for further research and long-term solutions to potential financial and reputational impacts brought about by climate change assistance on the areas of pollution prevention and waste mitigation, waste treatment and disposal, site assessment and remediation, environmental management and engineering, and compliance and permitting requirements.

There are also Health, Safety, and Environment Policies that affirm the Company's commitment to comply with regulatory requirements and protect and preserve the natural environment. The Company believes that mitigating climate change will deliver favorable impacts to its stakeholders and promote operational excellence to its businesses.

Furthermore, the Company has aligned its own sustainability approach to the United Nations Sustainable Development Goals .

Anti-Corruption
Training on Anti-Corruption Policies and Procedures

DISCLOSURE	QUANTITY	UNITS
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicate to	100	%
Percentage of directors and management that have received anti-corruption training*	0	%
Percentage of employees that have received anti-corruption training	0	%

*Annual training on good governance attended by the Company's BOD and management which may include anti-corruption discussions. There is no specific training for management or employees, that caters solely on the topic.

Anti-Corruption
Incidents of Corruption

DISCLOSURE	QUANTITY	UNITS
Number of incidents in which directors were removed or disciplined for corruption	0	#

DICLOSURE	QUANTITY	UNITS
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Impacts and Risks

Incidences of corruption and lack of transparency present serious legal, reputational, and economic risks and may diminish the Company's ability to deliver value to its stakeholders. The Company recognizes that even the smallest unethical act can threaten the efficiency of its operations. Dishonesty in the recruitment process or financial disclosures, and bribery in the supply chain, can take away resources that the Company could use to deliver quality products and services in a timely and efficient manner. Not only will this result in financial losses due to possible sanctions and lawsuits and the cost of resolving the issue, corruption can also severely affect morale and productivity.

The cost of rectifying a corrupt incidence may even trickle down to the consumer. If left unchecked, corruption can damage the Company's reputation, which will drive away its customers, disappoint business partners and discourage investors.

Corruption can affect market share and weaken business development and, for severe cases, the loss of business. Corruption can affect market share and weaken business development and, for severe cases, the loss of business.

Management Approach to Identified Impacts and Risks

A strong anti-corruption culture is essential in maintaining the good reputation and operational excellence of the Company. Guided by Corporate Governance Manual and Code of Conduct and Ethics, the Company ensures that all employees, subcontractors, and suppliers uphold a high standard of professionalism and integrity.

Every employee is mandated to use resources, assets, and information solely for the purpose required by their respective office.

The Company officers are required to undergo an annual Corporate Governance training. This training covers good governance practices and policies. Employees are encouraged to speak out and call the attention of management to any suspected wrongdoing within the organization.

The Company also acknowledges that it has the right to protect itself from possible conflicts of interest on the part of its employees, which might affect its financial and business viability. Thus, the Company requires directors, officers, and employees to disclose the extent of their business interests. Failure to disclose fully is a ground for temporary disqualification.

In addition, Company employees are encouraged not to accept any gifts as they may be used to extract personal favors, especially in matters of hiring, awarding dealerships and contracts, and similar activities.

Likewise, the Company guarantees strict compliance with all local laws pertaining to anti-corruption practices. Transactions with government counterparts and regulators are transparent, in order to ensure trust and confidence in the Company's employees.

Opportunities and Management Approach

The Company will continue to implement governance policies to avoid risk of incidents of corruption. Groups formed within the management for internal audit will continue to be vigilant when business decisions are made. The Company has also increased the efforts to emphasize anti-corruption topics and discussions, mainly during the annual training on the Company's policy and good governance.

Environmental

Resource Management

Energy Consumption within the Organization

DISCLOSURE	QUANTITY	UNITS
Energy consumption (renewable sources)	n/a	GJ
Energy consumption (gasoline)	757.47	GJ
Energy consumption (LPG)	n/a	GJ
Energy consumption (diesel)	25,805.14	GJ
Energy consumption (electricity)	4,439,646.00	kWh

Impacts and Risks

The Company's energy runs primarily through electricity although it is constantly striving to look at the possibility of relying on green energy capabilities. The Company also recognizes the need for an efficient energy management system to ensure lower operational costs.

Management Approach to Identified Impacts and Risks

The Company has established Environmental Management Systems which includes the regulation of energy consumption of air conditioners, elevators and lights through power scheduling programs. Air emissions, effluents and solid waste volumes are also being monitored. The Company has likewise moved towards paperless transactions and has started conducting programs and trainings on conservation measures for all employees.

Resource Management

Reduction of Energy Consumption

DISCLOSURE	QUANTITY	UNITS
Energy reduction	757.47	GJ
Energy consumption (gasoline)	757.47	GJ
Energy consumption (LPG)	n/a	GJ
Energy consumption (diesel)	25,805.14	GJ
Energy consumption (electricity)*	3,886,774.00	kWh

*For OCC and Toll Plazas only

Opportunities and Management Approach

The Company continuously studies ways to develop a series of power consumption reduction schemes to be implemented in the upcoming years.

Resource Management

Water Consumption within the Organization

DISCLOSURE	QUANTITY	UNITS
Water withdrawal		
(a) Ground water	25,790.50	Cubic meters
(b) Water districts	6,779.00	Cubic meters
Water consumption	32,569.50	Cubic meters
Water recycled and reused	0.00	Cubic meters

Impacts and Risks

Water can be critical to the Company's processes and operations. The instability of water supply in the Philippines, could lead to price hikes and supply shortages that will adversely affect its businesses. Likewise, price increases for the use of deep well water or by water utility service providers could adversely affect operating costs, which could adversely affect the Company, its financial condition, results of operations, and prospects.

Management Approach to Identified Impacts and Risks

In 2017, along the Company's Shareholders, it made the commitment to cut utility and domestic (non-scarce and non-product) water use by:

- Eliminating wastage of water across operations through adaptation of stricter measures to improve the efficiency of the Company's water use, as well as utilize water-saving technology and implement conservation programs;
- Reusing and recycling more water; and
- Making use of alternative water resources.

Opportunities and Management Approach

The Company realizes the importance of documenting practices and approaches of leading business units, for the benefit of other businesses making their own strategies, as well as for preparing company-wide implementation of initiatives.

The Company continues to encourage employees to strengthen efforts to increase water use efficiency in workplace operations and individual activities.

Resource Management

Materials Used by the Organization

DISCLOSURE	QUANTITY	UNITS
Materials used by weight or volume		
(a) Renewable	n/a	kg/ liters
(b) Non-renewable	n/a	kg/ liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	n/a	%

Impacts and Risks

Every raw material carries risks intrinsic to the economic, social, and environmental aspects of producing and delivering them. For the Company, it will be the risk of losing access to asphalt, concrete, steel, wood, clay.

The Company may face disruptions in the supply of major raw materials. It is key to the success of the Company's operations that it acquires high quality raw materials and uses efficient processes in production. Using substandard materials will produce substandard products for its customers, whereas if processes are inefficient, these will result in low yields leading to wasted raw materials.

With the large quantities needed as input for the Company's products, wastage of these materials due to process inefficiency may impact the local (Philippine or Southeast Asia) supply of mentioned materials.

Management Approach to Identified Impacts and Risks

The Company manages materials consumption through efficient processing systems and inventory management within plant operations. Operational processes are engineered to be efficient, fully utilizing input materials with minimal wastage. The Company is equipped with the latest technology managed by highly skilled teams who ensure processes are constantly efficient and regularly monitored. To further minimize wastage, materials leftover from production processes are assessed for viability. If materials are deemed viable and will not compromise the batch, they will be re-used in production.

The Company diligent monitors materials, ensuring the delivery of suppliers and contingency suppliers, and use of alternative primary materials. Moreover, the Company is not dependent on one or a limited number of suppliers for its primary raw materials and essential supplies requirements .

Opportunities and Management Approach

The Company combines strengths and finds the complementary capabilities of its Shareholders to maximize the value of materials.

This dynamic coordination can be further developed by examining processes and materials and identifying all material derivatives and by-products which may be distributed to other business units' supply chain as inputs, thereby maximizing each raw material.

Resource Management

Ecosystem and Biodiversity

DISCLOSURE	QUANTITY	UNITS
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected	n/a	
Habitats protected or restored	n/a	ha
IUCN Red List species and national conservation list species with habitats in areas affected by operations	n/a	

Impacts and Risks

The Company is responsible for assessing and decreasing impacts to surrounding ecosystems and biodiversity. These impacts include loss of trees due to clearing activities for construction natural systems being interrupted because of operations; loss of biodiversity due to noise pollution, depletion of groundwater resources, and degradation of water systems due to wastewater effluents. These impacts to biodiversity and ecosystems not only have legal repercussions but have consequences to local communities as well.

Management Approach to Identified Impacts and Risks

The Company is fully aware of its role in the mitigation, restoration, and conservation of the areas wherein their operations are located. The Company believes that conservation of the environment is a crucial aspect of achieving excellence in operational efficiency. This entails closely monitoring facility effluents and emissions and obtaining environmental management certifications as a standard for mitigating impact.

Opportunities and Management Approach

The Company continuously seeks ways to improve and find opportunities within its operations in order to minimize impacts on neighboring ecosystems. Strengthened by the plans and capabilities of its mother company SMC Infrastructure, the Company can conduct more thorough assessment for upcoming development projects. From the planning stage to the completion of greenfield projects, the Company also has the opportunity to ensure that installations and new technologies are suitable to the natural resources and existing ecosystem, and also induce the improvement and proliferation of biodiversity.

Environmental Impact Management

AIR EMISSIONS

Air Pollutants

DISCLOSURE	QUANTITY	UNITS
NOx	402.70 μg/Ncm	kg
SOx	296.90 μg/Ncm	kg
Persistent Organic Pollutants (POPs)	n/a	kg
Volatile Organic Compounds (VOCs)	11.20 ppm kg	kg
Hazardous Air Pollutants (HAPs)	n/a	kg
Particulate Matter	2,598.50 μg/Ncm	kg

Impacts and Risks

These emissions, may be a health and safety risk to employees, customers, and nearby communities as concentrations of air pollutants may cause respiratory ailments.

Management Approach to Identified Impacts and Risks

The Company manages air emissions by closely monitoring by-product levels, making sure that reduction target levels are met. This is in accordance with EMS systems in place in different facilities, as well as environmental compliance standards (SOx, NOx, PM, CO and opacity) set by DENR and the World Bank (WB).

Opportunities and Management Approach

The Company believes that research and development play vital roles in maintaining its position and market leadership, and consequently setting the mark for cleaner and more efficient processes. The huge challenges of climate change and the urgent need for global emissions reductions have paved the way for advancements in green technology, which include certain processes and materials that manage air emissions and also streamline operation. The Company is continuously studying these developments in order to find ways to integrate these new practices and technologies to increase efficiency. The Company is also looking into increasing air pollutant monitoring.

Environmental Impact Management

SOLID AND HAZARDOUS WASTE

Solid Waste

DISCLOSURE	QUANTITY	UNITS
Total solid waste generated	10,580.00	kg
Reusable	n/a	kg
Recyclable	8,107.00	kg
Composted	n/a	kg
Incinerated	n/a	kg
Residuals/Landfilled	2,473.00	kg

Impacts and Risks

Inefficient management of waste poses health and environmental risks. The poor handling of solid waste may also affect the sanitation of its various sites, which is a crucial aspect in manufacturing quality products. Additional costs may also lead to regulatory ramifications, such as penalties and the need to replace contaminated products.

The Company delegates the task of transporting solid wastes to appropriate landfills relative to site locations to DENR accredited waste haulers.

The Company recognizes the vital role in making sure wastes are properly collected, sorted and stored. If solid wastes are not properly managed, it can cause the proliferation of pests and illnesses, as well as potentially leaching into the local groundwater table.

Management Approach to Identified Impacts and Risks

The Company implements a comprehensive solid waste management program to protect public health and the environment. The Company fully complies with the Ecological Solid Waste Management Act (RA 9003). , thus:

- Collection of production scraps for recycling;
- Proper waste segregation;
- Banning single use plastics;
- Returning damaged or substandard materials to suppliers;
- Selling of scrap metals to 3rd parties;
- Recycling of plastics; and
- Recycling and reusing paper.

Opportunities and Management Approach

Several programs can be developed specific to the Company's needs in recycling and waste reduction. A specific division or business task force may be created to fully centralize the collection and management of these solid wastes.

for example, collected solid wastes can be recycled or used as roads which the Company has started looking at, while collected solid wastes from infrastructure business can be recycled and used for other projects. There is also a potential in integrating practices from international operations and seeking counsel from globally renowned partners to develop efficient solid waste management systems.

Environmental Impact Management

SOLID AND HAZARDOUS WASTE

Hazardous Waste

DISCLOSURE	QUANTITY	UNITS
Total weight of hazardous waste generated	547.00	kg
Total weight of hazardous waste transported	2,264.00*	kg

*includes hazardous wastes generated in 2019.

Impacts and Risks

The Company has a number of hazardous wastes. Such wastes that come from the processes in the Company operations are:

- busted fluorescent lamps;
- ink cartridges;
- batteries;
- oil with water and dirty oil;
- kitchen grease;
- contaminated rags or pads; and
- ACL paints with lead.

All these pose serious risks that may compromise the health and safety of employees working in the facilities if not properly stored, treated, and transported. Soil, surface water, and groundwater pollution due to ineffective containment, storage, and/or disposal of hazardous wastes negatively impact public health and the environment. In addition, improper solid and hazardous waste management could have regulatory ramifications.

Management Approach to Identified Impacts and Risks

The Company has its own hazardous waste storage facilities in strategic locations away from foot traffic and direct sunlight. Emergency equipment and procedures are also in place to neutralize and contain hazardous materials in the event that a spill occurs. The Company also negotiates with its suppliers regarding the collection of broken light bulbs, old car and generator batteries, printer toners, and other wastes that need special handling.

Opportunities and Management Approach

The Company recognizes the need to engage employees to contribute to the Company's targets toward sustainability. This may be an opportunity to tackle effluents management as an integral part of going towards a holistic water management system. With this in place, the Company is moving toward examining baseline data on its effluents and set targets to achieve a minimum-to-zero discharge operations, through a carefully-planned water recycling scheme whose implementation tailor-fit to standard business processes.

Environmental Impact Management

Effluents

DISCLOSURE	QUANTITY	UNITS
Total volume of waste discharges	0.00	cubic meters
Percent of wastewater recycled		%

Impacts and Risks

The Company recognizes that processes may have an impact on water bodies surrounding various locations, which may possibly contribute to water pollution, especially if discharges do not meet DENR effluent standards. Sewage discharges or liquid wastes may contain micro plastics or harmful chemicals detrimental to nearby water systems if they fail to undergo careful treatment and management.

Management Approach to Identified Impacts and Risks

The Company ensures that its facilities have efficient wastewater treatment systems, manned by technical experts to monitor and regulate effluents, and that these systems are at par with industry standards by aiming to achieve and go beyond standards set by the EMS ISO 14001 certifications. This involves monitoring the properties and quality of effluents, as well as marine life where it is discharged, to fully understand the impact.

Opportunities and Management Approach

The Company recognizes the need to engage employees to contribute to the Company's targets toward sustainability. This may be an opportunity to tackle effluents management as an integral part of going towards a holistic water management system. With this in place, the Company is moving toward examining baseline data on its effluents and set targets to achieve a minimum-to-zero discharge operations, through a carefully-planned water recycling scheme whose implementation tailor-fit to standard business

Environmental Compliance

Non-Compliance with Environmental Laws and Regulation

DISCLOSURE	QUANTITY	UNITS
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	NOV: Genset PTO for Alabang NB Toll Plaza	PhP
No. of non-monetary sanctions for non-com-	n/a	#
No. of cases resolved through dispute resolution mechanism	n/a	#

More than regulatory compliance, company-wide standards for operational excellence considers environmental aspects. As a baseline to go beyond standards, the Company aims to receive certifications from both locally and internationally renowned institutions that ensure systems are in place for efficient processes in the operations.

Impacts and Risks

Ensuring that the Company's facilities are compliant with all pertinent environmental laws and regulations helps protect the environment and natural resources, as well as the continuity of business operations. The DENR-EMB, LGUs, and other authorities hold the authority to stop the Company's operations whenever they fail to comply with standards and secure the relevant permits and controls.

The ability to operate can be revoked in the event that the Company is not able to renew necessary licenses, permits, and other authorizations, as necessary. This applies to daily operations, plant maintenance, production of materials, and corporate head offices. Other than the cost of penalties, there may be a significant amount of loss if operations are disrupted for a day or more. Any form of non- compliance can also expose the Company to both safety and reputational risks.

Management Approach to Identified Impacts and Risks

In order to maintain a high level of compliance to environmental laws and regulations, the Company ingrains a strong culture of compliance among employees, ensuring that all requirements, permits, and approvals, are secured in a timely manner.

To help achieve full regulatory compliance, the Company monitors their facilities' compliance with the following laws and regulations:

- RA 8749 – Clean Water Act
- RA 9275 – Clean Air Act
- RA 9003 – Solid Waste Management Act
- RA 6969 – Hazardous Wastes Management Act
- RA 7586 – NIPAS Act
- Nuclear Waste Control Act of 1990
- Ecological Solid Waste Act of 2000

Full compliance to all of the relevant laws of the Philippine Government are also ensured and are applied to Company operations.

Opportunities and Management Approach

Together with the Internal Audit, Audit and Risk Committee, and Monitoring Teams per business unit, the Company will strive to make sure that all business activities remain compliant to all pertinent regulations. Synergizing its environmental systems and centralized IT system, the Company can streamline the process of obtaining data relevant to compliant documents. The Company is also looking into training most, if not all departments involved regarding these regulations. The Company will seek consultations from outside organizations for a check-and-balance and proper audit of prepared compliance documents.

SOCIAL

Employee Management
EMPLOYEE HIRING AND BENEFITS
Employee Data

DISCLOSURE	QUANTITY	UNITS
Total number of employees*	27	#
(a) Female employees	12	#
(b) Male employees	15	#
Attrition rate**	3.7 %	rate
Ratio of lowest paid employee against minimum wage	1.96:1	ratio

*Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

**Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Employee Management
EMPLOYEE HIRING AND BENEFITS
Employee Benefits

LIST OF BENEFITS	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	16.66%	33.33%
(a) PhilHealth	Y	n/a	n/a
(b) Pag-ibig	Y	16.66%	-
Parental leaves	N	n/a	n/a
Vacation leaves	Y	66.66%	100%

LIST OF BENEFITS	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Sick leaves	Y	33.33%	30%
Medical benefits (aside from Phil-Health)	Y	8.3%	13.3%
Housing assistance (aside from Pag-IBIG)	Y	n/a	n/a
Retirement fund (aside from SSS)	Y	-	-
Further education support	N	n/a	n/a
Company stock options	N	n/a	n/a
Telecommuting (remote working)	Y	100%	n/a
Flexible-working Hours	N	n/a	n/a

Impacts and Risks

The Company is known to provide quality employment and offers a competitive employment package. Despite this, there is no assurance that current employees will be satisfied with their compensation in the long run. With the continuous growth of the Company, employee count is also expected to increase, that could also affect the internal dynamic of employees in the Company. There is also the inevitable risk of losing key personnel due to the following:

- Employees may be displaced from original residence and therefore become dissatisfied;
- Employees may think benefits are not enough or that they are unfit for the job;
- Circumstances that may lead to failure to comply to the contribution obligation set under the Social Security Act 2018;
- Loss of employees due to underperformance;
- Loss of employees due to perceived under compensation; or
- Resignation of trained key personnel for personal reasons.

Management Approach to Identified Impacts and Risks

The human resource (HR) department streamlines the processing and delegation of talent, and ensures that employees are screened thoroughly to meet the standards of the Company's shareholders. With the Company's strategy to diversify and expand, key management personnel from acquired companies are retained to maintain expertise and leverage.

Benefits include bonuses, leaves, medical and dental, hazard pay, overtime pay, and even educational programs. In addition to statutory benefits, the Company provides healthcare (including medical and dental clinics and wellness centers), miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits, and survivor security and death benefits.

In addition to the statutory benefits, the Company initiates benefits to provide for the increased security of its employees, especially those assigned in different sites, in the following areas: health care, leaves, miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits, and survivor security and death benefits. Medical and dental clinics and services and wellness centers are available to employees in head offices and some plant facilities.

The Company actively supports its employees with their desire for further studies, essential for career growth and development. Outstanding employees are given the chance to take on opportunities that would allow them to accelerate their career. The HR department has a structured plan according to a Leadership Development Framework that covers honing the skills of the employee from leading others to leading the whole enterprise. This includes learning sessions that allow one to be experienced and knowledgeable regarding planning, leading, organizing and controlling a strategy, from the perspective of the initial managerial level, up until executive level.

Opportunities and Management Approach

People are vital to the Company. The Company will continuously strive to improve employee engagement and satisfaction to lower employee turnover, and making sure that employees are well-compensated and well-trained. The Company will also find opportunities for improvement through the analysis of attrition rates and employee feedback. The Company continues to look for ways to improve the wellbeing and development of its employees.

Employee Management

Employee Training and Development

DISCLOSURE	QUANTITY	UNITS
Total training hours provided to employees	56	hours
(a) Female employees	52	hours
(b) Male employees	4	hours
Average training hours provided to employees	4.26	hours/ employee
(b) Female employees	4.33	hours/ employee
(b) Male employees	4	hours/ employee

Impacts and Risks

The Company, like its Shareholders, is governed by the core value of Malasakit: taking care of one another and investing in the growth of everyone in the Company. A significant part of the Company's success depends on the high level of skills and technical know-how of its people. The Company ensures all employees receive proper training and opportunities for continuing education. Despite the availability of training programs across the Company, there remain inherent risks in these areas:

- Employees may refuse to undergo training or lack training retention;
- Insufficient training in unforeseen learning tracks may slow employee development, in turn the workforce may not be competent enough to meet changing standards;
- Insufficient training in the handling of materials and equipment may lead to decreased productivity and safety hazard; and
- Poorly structured training might have little to no impact on employee growth.

Management Approach to Identified Impacts and Risks

In order to address the above-mentioned risks, the Company ensures that all employees receive training to align their knowledge and skills with their designated teams before they formally begin working. Required training for head office staff and site staff are closely monitored by respective department leads and the HR department. The Company also provides space for career growth and development through training programs and seminars throughout the year. The Company makes sure that employees participate in internal channels for growth and knowledge sharing through internal newsletters and emails facilitated by the HR department.

Not only does the Company equip its employees with the necessary competencies to do their jobs well, they are given avenues for career progression, should they choose to take them. The Company provides an education program for qualified employees who are seeking to expand their expertise.

Opportunities and Management Approach

Given the initiatives to develop the Company's employees, existing modules can be further structured and developed into a professional certification program. These can be integrated to complement, supplement, or work towards completion of certifications that are recognized by their respective industries. By awarding this certificate, employees are more incentivized to complete training hours and attentively participate in training.

Employee Management

Diversity and Equal Opportunity

DISCLOSURE	QUANTITY	UNITS
% of female workers in the workforce	44.44	%
% of male workers in the workforce	55.56	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Impacts and Risks

The Company gives employee candidates equal opportunity regardless of race or sexual orientation.

Depending on the business unit, task, department, or area of business, the Company recognizes the need for a diversified workplace to keep doors open for dialogue and varying perspectives. Should favoritism of any kind occur (e.g. men are hired over women due to perceived superiority in the required technical skills), the Company might face reputational risks as a top employer, thereby decreasing the chance of acquiring the right talent. This would also induce a biased working atmosphere and culture that stifles new ideas and points of view.

Management Approach to Identified Impacts and Risks

The Company is an equal opportunity employer that hires based on personal skills, knowledge, and capabilities of each candidate. The HR department also ensures that recruiters abide by the standard of conduct during the hiring process:

- Respect for People: recognize each other as individuals and commit to nurturing each other's individual capabilities;
- Integrity: conduct business in a manner which is ethical, fair and right, andin all reasonable circumstances, above reproach;
- Manpower Selection and Placement Policy: selection process is based on merits and aptitudes;
- Diversity and Gender Equality ;

- Adhere to the Republic Act 6725 which protects against the discrimination of women with respect to the terms and conditions of their employment;

- Observes the Anti-Discrimination act of 2017 protects employees from discrimination in all operations of business units;

- Do not consider age, gender, religious, ethnic affiliations as bases for prospective employment;

- Maintains 0 cases of discrimination by ensuring open-door culture and open dialogue activities such as one-on-one employee-management meetings, team building, coffee table discussions, monthly communication, regular toolbox sessions; and

- Makes sure the business is free from risk of child labor, forced and compulsory labor, and violation of people's freedom of association.

Opportunities and Management Approach

The Company shall continue to expand the reach of job postings and enhance the hiring process to enable more candidates to bid for the open positions. The Company shall also keep abreast on pertinent labor laws and opportunities to assist the government and/or the local community in upholding diversity and equal opportunity in the workplace.

Employee Management

Labor Management Relations

DISCLOSURE	QUANTITY	UNITS
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

Impacts and Risks

Maintaining good labor-management relations induces a healthy and productive workplace. Employee feedback and grievances are crucial to achieving an inclusive and harmonious working environment.

Management Approach to Identified Impacts and Risks

The Company maintains a good labor relationship and a constant line of communication with its employees. Above all, the Company respects the rights of its employees and allows for freedom of association and collective bargaining. Simultaneously, the Company reserves the right to conduct investigations and pursue disciplinary actions should there be any violations to its rules and regulations.

Opportunities and Management Approach

The Company will continue to induce a strong compliance culture with labor laws and engage with employees to hear any grievances, and act accordingly.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

DISCLOSURE	QUANTITY	UNITS
Safe Man-Hours	0	Man hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	0	#

Labor Laws and Human Rights

DISCLOSURE	QUANTITY	UNITS
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Labor Laws and Human Rights

TOPIC	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Company Policy Reference No. HRAD-012 "Policy Against Violence of Women & their Children
Child labor	Y	Company Policy Reference No. HRAD-012 "Policy Against Violence of Women & their Children
Human rights		

Impacts and Risks

Clear measures for occupational health and safety, compliance to labor standards, and respect for human rights, constitute good working conditions and enable employees to perform to their full potential. The Company has identified various risks to maintain good working conditions that may hamper the productivity of its businesses and its people.

Employees, especially those working in manufacturing facilities are exposed to industrial risks and hazards that may cause injury or even death. Common risks in manufacturing facilities include the following hazards:

• Physical hazards due to moving parts, uneven and slippery surfaces, as well as broken tools and equipment;

• Cuts and wounds due to sharp objects, pinch points, and other equipment/materials; Electric hazards due to powerlines, exposed electrical components, weather and environmental conditions, and corroded components;

• Respiratory health hazards due to air pollution and dangerous chemicals; and

• Idiopathic environmental hypersensitivity due to exposure to electric and magnetic fields.

Site staff and visitors are also at higher risk if there is lack of appropriate safety training and protocols set should the above-mentioned risks occur. All these hazards would also increase Lost Time Injury (LTI) rate, leading to a decrease in plant productivity and output levels.

More than occupational hazards, abiding by labor law and human rights ensures a safe working space for employees. Violations may disrupt operations and adversely affect operations and business performance. Other than the fines and legal ramifications to the Company, violations to labor laws and human rights negatively impact overall employee well-being.

Management Approach to Identified Impacts and Risks

The Company maintains a high standard of safety and encourages its employees to foster a culture of safety in their workplaces. It always aims to exceed standards prescribed by local regulatory bodies such as Occupational Safety and Health Administration (OSHA) and Department of Labor and Employment (DOLE). A task force is assigned to address immediate concerns that affect the health and safety of employees should emergencies such as disease outbreak arise.

Additionally, the Company's facilities undergo yearly safety audits to monitor its workplace conditions, safety performance, and other key metrics. Findings from these audits are used to improve existing procedures and controls to further boost the Company's productivity without sacrificing the safety of employees .

On the ground, daily toolbox meetings covering hazards and safety measures are done before the start of work to keep employees on their toes. Plants and sites are also equipped with disaster preparedness kits, along with people with the proper training to execute emergency safety protocols. Visitors to any of the facilities are also required to undergo safety briefings before they enter.

The Company spares no expense in providing its workers with the best personal protective equipment (PPE) specific to their tasks. Each facility has its own stock of PPEs readily available for employees and guests. Furthermore, machines are equipped with emergency shutdown switches and protocols.

All of the Company's facilities also conduct regular disaster and emergency drills. These are done in coordination with the local fire departments, police departments, and Red Cross/Crescent. Regular training prepares employees to react promptly and appropriately to any emergency that may occur at the facilities. Workers should at least have Basic Occupational Health and Safety Training (BOHS). Strict implementation of rules regarding the use of PPE is implemented at worksites. Each head office and facility has a fully-equipped infirmary and ambulance should any emergency occur.

As stated in the Company's Code of Business Conduct and Ethics, policies to protect the employees are "guided by the principles of Industrial Peace, Respect for Rights, Right to Discipline, and Good will and Faith." Should there be grievances towards management, employees have the right to raise them. On the other hand, employees found guilty of an offense shall undergo a thorough investigation process that follows the Company rules and regulations, implemented in accordance with the labor law. The Company ensures that human rights are protected through internal policies aligned with labor and other relevant laws.

These include:

- Establishment of Environment, Health and Safety Committee in plants;
- Conduct of safety orientation, Leadership Safety Walks, peer-to-peer work activity observations, safety inspections and meetings;
- Reporting of near-misses and workplace fields;
- Identification of possible OHS hazards, assessment of risks and control measures;
- Provision of comprehensive OHS trainings to employees prior to deployment to power plants, customized based on function (i.e. protocols on permits to work in confined spaces of entry, work at heights and hot work safety) with periodic refresher courses during their stay; and
- Establishment of Incident Management Procedure for the investigation of work-related incidents and illnesses and the conduct of root cause analysis.

Opportunities and Management Approach

The Company puts their people first above every concern – their safety and well-being is the priority. The HR department is continuously developing initiatives to make sure employees receive sufficient training and the appropriate team-building activities to constantly ensure a safe and healthy workplace.

Supply Chain Management

While the Company has its group-wide supplier accreditation policy, it will not be disclosed as it is deemed confidential. The supplier accreditation policy demands that an accredited supplier abide by statutory requirements as well as standards set by the Company. Each supplier contract includes a clause that ensures adherence to laws that tackle topics such as, but not limited, to environmental performance, forced labor, child labor, human rights, bribery, and corruption.

Impacts and Risks

The Company as a part of the SMC Infrastructure Group, has established its Procurement Governance Group (PGG) in an effort to streamline the process of accrediting suppliers. The Company does not depend on a limited list of suppliers. Although supplier accreditation involves thorough screening by the PGG, there may be inherent supply chain management risks that may impact the performance and reputation of the Company.

Risks in the supply chain could involve awarding contracts to suppliers that do not meet the standards and are not compliant to environmental regulation standards and labor laws. Violation of these laws by suppliers would negatively impact the Company's brand and reputation. Moreover, these would cause project delays and would also result in higher construction and production costs. Expiring legal documents and hidden grievances that were missed during the accreditation process may pose reputational risks to the Company, as well as possible disruption to operations. The negligence of suppliers and other contractors in environmental, labor, human rights, and corruption parameters stand to adversely affect the Company's reputation and performance.

Management Approach to Identified Impacts and Risks

Other than legality and capacity, the Company through SMC Infrastructure and the SMC Group also consider the following criteria when accepting suppliers:

- Suppliers who are engaged in Wastewater Treatment and Environmental-Related Service are required to provide DENR Certification to ensure that they are compliant with the Clean Air Act of 1999 and its Implementing Rules and Regulations

• Suppliers are required to provide trade references with contact information in order for the Supplier Management Team crosscheck their performance and services.

The good governance practices are also considered such as:

• Supporting the protection of human rights and making sure that people's rights are not abused ⊠ Working to eliminate forced labor, child labor, and discrimination in the workplace.

• Preventing corruption in all forms such as fraud, bribery, and extortion. As part of the corporate supplier management policy, the suppliers are asked to accept the policy on integrity and honesty in all of its dealings

Supplier must follow laws that protect their workers and abide by Philippine laws. These specific compliance requirements are stated in each of their contracts. This standard set of requirements and/or contract clauses is to be followed by all subsidiaries.

Opportunities and Management Approach

The supplier management policy is a work in progress through the SMC Infrastructure and SMC Group.

[Relationship with Community]

Impacts and Risks

The Company recognizes its impact on communities especially as plans for growth and expansion of the Company materialize. Construction of new operational sites may pose health and safety hazards and degrade natural resources originally serving the community. In rare but inevitable cases, possible displacement of informal communities in prospective areas will greatly impact the lives of local communities.

Management Approach to Identified Impacts and Risks

Before all projects start construction, an extensive study is conducted in the form of an Environment Impact Assessment (EIA) in order to determine the viability of a certain location. his study takes a few years to complete, therefore exhausting all potential negative effects the projects may have and formulating the needed mitigating measures to address these effects.

Once a site is selected, the business unit coordinates with the local government unit for a stakeholder engagement session. This session is used to inform the local community about the project and provide an open forum for them to state their concerns.

Further, the Company strives to connect with the local communities and seek mutually beneficial relationships with them. Partnerships can include opening hiring opportunities to those who live near the sites and providing support for local government projects. In the event that a project will affect the livelihood and culture of indigenous peoples, the Company will immediately coordinate with the National Institute for Indigenous Peoples before proceeding.

Opportunities and Management Approach

The Company is always exploring such programs that can induce a harmonious working relationship with community organizations and LGUs leading to mutually beneficial agreements and outcomes.

Customer Management

Customer Satisfaction

DISCLOSURE	SCORE	DID A THIRD PARTY CONDUCT THE CUSTOMER SATISFACTION STUDY (Y/N)?
Customer Satisfaction	0	N

Customer Management

Health and Safety

DISCLOSURE	QUANTITY	UNITS
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Impacts and Risks

The Company's customer satisfaction is determined by quality of agreed output, regulatory compliances compliances that may delay operations, and good working relationship with customers. Terminated agreements due to low performance or other issues may stain reputation and hinder accumulation of new clients. Low customer satisfaction usually signals inefficient service, posing a risk to the Company's revenues and reputation.

While there are strictly implemented product safety policies, there is no direct assurance that services would always be free from all accidents, and that services would always be safe from risks from natural hazards and human errors. Such risk can have an impact on the customers and the Company.

Management Approach to Identified Impacts and Risks

The Company always ensures that materials are of high quality; designing structures to be resilient to natural disaster, and hiring highly qualified engineers and architects.

The Company strives to build lasting relationships with their partners. Channels for dialogue are always open should complaints or misunderstandings occur. The Company implements a centralized and dedicated customer service unit that can be reached via its website, email, customer hotline, and social media pages. Complaints and concerns are strategically addressed through this institutionalized system.

Opportunities and Management Approach

There is a realized opportunity to increase customer engagement through social media, regular interviews, and focus group discussions.

Customer Management

Marketing and Labelling

DISCLOSURE	QUANTITY	UNITS
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Impacts and Risks

The Company uses a mix of traditional and non-traditional communication channels for the Company. The Company may also encounter customer feedback that may tarnish its brand and reputation If the marketing strategies of the Company are not successful, timely, or responsive to changes in consumer preferences, the business and prospects of the Company could be materially and adversely affected.

Management Approach to Identified Impacts and Risks

The Marketing skilled government and public relations and customer teams that handle customer relations. Task forces are trained to receive customer complaints and direct them to the right people to resolve issues, complaints, or grievances.

Opportunities and Management Approach

The Company will continue to ensure that its collaterals will reflect the services in an authentic manner that upholds consumer interests.

Customer Management

Customer Privacy

DISCLOSURE	QUANTITY	UNITS
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer Management

Data Security

DISCLOSURE	QUANTITY	UNITS
No. of data breaches, including leaks, thefts and losses of data	1	#

Impacts and Risks

The Company places a high value on the privacy of its customers, employees and suppliers, and thus strictly adheres to the Data Privacy Act. Even with a solid record in data security, the Company does not let its guard down, as any data breach can compromise the security of the Company. It may result in a loss of employee and public trust, and may decrease the Company's stock market value.

• Data obtained from customers are considered inputs for overall system analysis of the Company. Any breach in data could expose confidential information and business plans, resulting in penalties and damaged client relations.

• Inefficient data security will lead to data breaches and could expose sensitive information such as client lists and fuel formulations.

Management Approach to Identified Impacts and Risks

The Company has set internal standards that protects any personal data collected from customers and these are made known to them through a Privacy Statement. Customer data provided to the Company, through any medium, in connection customer comments, suggestions, and complaints is considered and treated as Personal Data. Said data is only used by the Company to further inquire about, and address the customer's concern, provide updates, as well as seek additional feedback. Personal data are retained in the the Company database for a maximum period of five years.

Technical, organizational, and physical measures are put in place to protect the confidentiality, integrity, and availability of Personal Data from destruction, unauthorized access, alteration, disclosure, fraudulent misuse, and/or any other unlawful processing, as well as other natural and human dangers.

In addition to the Company's compliance with the Data Privacy Act, the Company requires its employees to undergo data privacy training. The Company's established Data Privacy and Security Office trainings to increase the awareness of and ensure proper implementation of the Data Privacy Act.

Newsletters regarding methods for protecting company and personal data are also disseminated. The Company's networks are also secured with state-of-the-art firewalls and security systems. .There are also strict policies with regards to data sharing within and outside the organization.

Transfers of important and sensitive data between departments require the approval of the managing authority. Also, all engagement with third parties require that a Non-Disclosure Agreement be signed.

Employees are issued laptops which have pre-installed anti-virus software, and these are constantly updated. Central Processing Units (CPUs) in employees' workstations have their USB ports disabled, preventing the unnecessary copying of documents. For those employees working remotely, necessary software was secured for them to access files remotely. The use of this software and data transfers are constantly monitored to ensure the security of data.

Opportunities and Management Approach

The Company shall continuously improve existing data security systems in place through proper dissemination of guidelines and technical upgrades.

UN SUSTAINABLE DEVELOPMENT GOALS

Service Category: Expressways, Railways, Airport, Trade

- Annual average daily traffic (AADT) reached more than 800 thousand in 2020

CONTRIBUTION TO SOCIETY	POTENTIAL NEGATIVE IMPACT OF CONTRIBUTION	MANAGEMENT APPROACH TO POTENTIAL NEGATIVE IMPACTS
Diversify, innovate, and upgrade industries for economic development through efficient transportation systems The Company provides reliable and resilient infrastructure that supports economic development and human well-being, generates employment, and facilitates tourism. The infrastructure business streamlines transportation, thereby increasing business and industry productivity in the metro and in nearby provinces as well. An increase in productivity from industries produces better goods and services. These in turn support the needs of a growing population, providing more opportunities for employment and helping improve overall quality of life.	**Environmental impacts of infrastructure** Infrastructure development projects contribute to air pollution during construction and utilization. As land acquired is transformed to suit corresponding infrastructure, soil erosion and loss of biodiversity may occur. There are also environmental impacts of GHG emissions from transportation, significantly contributing to climate change. **Social impacts of infrastructure** Infrastructure projects are subject to the negotiation of right-of-ways by the government and the cooperation of local communities. New projects may entail the displacement of communities which ultimately may affect their quality of life. Construction of roads and public transport systems may also cause increased traffic jams and consequently, public inconvenience. Social impacts may also be carried out as the	**Continuous innovation** In an effort to reduce environmental impact as infrastructures are built, partnerships with organizations are made to formulate plans that involve sustainable materials and systems. The Company has also pilot-tested a road construction using materials mixed with plastic waste. **Expansion of urbanization** With the growing density in Metro Manila, there is a need to divert industrialization from central business districts. This may be solved through the connectivity provided by the transportation systems developed by SMC to and from untapped provincial centers. The aim is to promote and stimulate business activities in these cities as a way to ultimately solve traffic congestion and increase overall economic productivity in the country.

infrastructure is used. Because of the progressive industrialization brought about by efficient transportation systems, cities or central business districts (CBDs) in particular may experience congestion which have environmental and social impacts in itself (pollution, increase of communicable diseases, etc.)

Traffic Management Task Force for road projects

During construction, negative impact to traffic flow is mitigated through a traffic management task force together with relevant government organizations. The task force is responsible for planning alternate routes and on- ground management of vehicle traffic.

Applicable SDG Goals and Targets

SDG Contribution: Goal # 8 – Decent Work and Economic Growth

• 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labor-intensive sectors

SDG Contribution: Goal # 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

• 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

• 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

SDG Contribution: Goal # 11 – Sustainable Cities and Communities

• 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport