

POLICY ON ACCOUNTABILITY, INTEGRITY, AND VIGILANCE

A. Rationale and General Policy

Consistent with SM's core values of Integrity and being World Class, SM expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company.

Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Ethics, policies and laws so they can be resolved sooner than later.

B. Reporting Mandate

It is the responsibility of all directors, officers, employees and contract workers to comply with and to report violations or suspected violations of the Code of Ethics, policies, or laws in accordance with this policy.

C. Reporting in Good Faith

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code, policies, or law. Any allegations that prove not to be substantiated and have been made maliciously or with knowledge that they were false will be treated as a serious disciplinary offense.

Any good faith report, concern or complaint is fully protected by this policy, even if the report, question or concern is, after investigation, not substantiated.

D. No Retaliation

Anyone who in good faith reports a violation of the Code or policies, or law shall not be retaliated upon or suffer harassment or adverse employment consequence.

E. The Escalation Process of Raising Concerns

Violations or suspected violations of Company policies can be escalated to any of the following:

1. The Head of HR
2. The Compliance Officer
3. The Head of Audit Group
4. The Head of Corporate Governance

Above executives shall acknowledge receipt of complaints in writing within 24 hours from receipt of same.

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F. Confidentiality

Upon the request of the complainant, the Company will use its best efforts to protect the confidentiality of the complainant for any good faith report. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Concerns raised **anonymously** shall not be entertained.

G. Handling of Reported Violations

The Company's Code of Ethics and Code of Conduct, and other relevant rules and regulations, shall serve as guide in determining the penalties and sanctions to be imposed by HR where violations are proven and validated by Internal Audit Group.

The principle of due process shall be observed in the handling of all cases.

The Audit and Risk Management Committee shall be informed of all such complaints or reports and their status to be rendered by the Compliance Officer.

Subject PAIV policy was approved by the SMIC Audit and Risk Management Committee in its meeting on August 8, 2012.