

**SEMICONDUCTOR MANUFACTURING  
INTERNATIONAL CORPORATION**

**Policy on Directors and Senior Management Remuneration**  
(approved and adopted approved by the Board on July 26 2005)

1. **Title :**  
Policy on Directors and Senior Management Remuneration.
  
2. **Purpose:**  
Pursuant to the Corporate Governance Policy adopted by the Board of the Company, the Company is required to establish policy on the remuneration of directors and senior management.  
This policy is to outline the policy of the Company in respect of directors and senior management remuneration.
  
3. **General Policy for determining directors and senior management remuneration**
  - 3.1. Levels of remuneration should be sufficient to attract and retain the directors and senior management needed to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose. No director nor senior management should be involved in deciding his or her own remuneration.
  
  - 3.2. The Compensation Committee should consult the Chairman of the Board and/or CEO about their proposals relating to the remuneration of other executive directors, if any, and have access to professional advice if considered necessary.
  
  - 3.3. The Compensation Committee shall have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management (meaning the same category of persons as referred to, and is required to be disclosed, in the Company's annual report as defined in the Compensation Committee Charter of the Company) including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Compensation Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of directors, employment conditions elsewhere in the group and desirability of performance-based remuneration.
  
  - 3.4. The Compensation Committee should:
    - i. review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
  
    - ii. review and approve the compensation payable to executive director(s) and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

- iii. review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation is otherwise reasonable and appropriate; and
  - iv. ensure that no director or any of his associates is involved in deciding his own remuneration. The Compensation Committee shall advise shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval.
- 3.5. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), any grant of options to directors (including executive, non-executive and independent non-executive members of the Board), chief executive of the Company, or any of their associates (as defined by the Listing Rules) must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). The independent non-executive, executive and non-executive director shall not be counted in the quorum for the relevant meeting insofar as it related to, nor vote or otherwise participate in any way in relation to matters relating to options granted or proposed to be granted to such director, or any of his associates (as defined by the Listing Rules).
- 3.6. In order to comply with United States laws and regulations, all interested directors shall abstain from voting with respect to any resolutions in which they have an interest.
- 3.7. The Compensation Committee should be provided with sufficient resources to discharge its duties.

#### **4. Amendments**

Any amendments to this policy shall be made in accordance with the Standard Operating Procedure of Directors and Senior Management Remuneration. Amendments shall be effective upon approval by the Board of the Company.