

Semiconductor Manufacturing International Corporation
中芯国际集成电路制造有限公司
(incorporated in the Cayman Islands with limited liability)

Internal Audit Charter

(adopted by the Board on October 26, 2004 and amended by the Board on July 26, 2005 and November 10, 2015, respectively)

Purpose

The purpose of this charter is to establish the Internal Audit position within SMIC, authorize its access to records, personnel, and physical properties relevant to the performance of audits, and to define the responsibilities of internal auditing.

Function

Internal audit is an independent and objective assessment function within SMIC to evaluate and contribute to the improvement of risk management, control, and governance systems.

Internal Audit activities for SMIC are the responsibility of the Chief Corporate Auditor, who reports to the Audit Committee and to the Chief Executive Officer. In other words, the Internal Audit should perform the audit function under the direction of Audit Committee and CEO.

Internal Audit shall have an independent status within SMIC and shall not be involved in the day to day internal checking systems in the company. Internal Audit has no operating responsibility or authority over the departmental operations that it audits.

Deterrence of fraud and unethical behavior against Code of Business conducts is the responsibility of management. Internal Audit is responsible for examining and evaluating the adequacy and the effectiveness of the antifraud controls, whistleblower programs and code of business conducts implementation taken by management to fulfill this obligation.

Authority

Internal Audit has free and full access to all functions, records, properties and personnel relevant to the performance of audits (which for avoidance of doubt, shall not include Board related matters and Compliance Office records). The Chief Corporate Auditor provides reports to the Audit Committee at least once a quarter and may upon request meet privately with Committee members, without members of management or the independent accounting firm present.

SMIC CIPP Security 3 - Confidential

The information contained herein is the confidential property of SMIC, and shall not be distributed, reproduced, or disclosed in whole or in part without prior written permission of SMIC

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Responsibilities

SMIC's system of risk management and internal control is designed to ensure the achievement of business objectives in operations, financial reporting integrity and compliance with applicable laws and regulations. Internal Audit is responsible for evaluating the adequacy and effectiveness of the risk management and internal control structure of the Company.

The scope of Internal Audit includes:

- Reviewing management's control to ensure the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established or to be established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, when appropriate, verifying the existence of assets.
- Appraising the economy and efficiency with which resources are employed.
- Identifying significant risks to the ability of the Company to meet its business objectives, communicating them to management and ensuring that management has taken appropriate action to guard against those risks.
- Evaluating the effectiveness of controls supporting the operations of the Company and providing recommendations as to how those controls could be improved.

Skills and Experience

SMIC is committed to maintaining a progressive and qualified internal audit team as well as for the professional development of its staff. Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

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Internal Audit Approach and Standards

SMIC adopts a risk-based approach in planning and carrying out the audit engagements. A corporate risk assessment is performed annually to prioritize the areas for control evaluation. Based on the result of the risk assessment, audit plans are developed to identify the specific subject areas and business processes for evaluation.

SMIC is committed to comply with the provisions set forth in the Sarbanes-Oxley Act of 2002. In support of the management internal control assessment statement required by Section 404 of the Act, testing of key financial reporting controls in identified financial systems and processes is part of the annual audit plan.

The Chief Corporate Auditor shall submit the annual audit plan to the Audit Committee and CEO for approval.

Internal audits are conducted in conformance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. All audit findings are reported to management, who is responsible for determining and implementing the corrective action necessary to eliminate deficiencies in the system of internal control. Internal Audit conducts follow-up procedures to verify that the corrective action implemented by management is effective in strengthening internal controls.

Significant internal control findings, management's corrective action and the follow-up results of management's corrective action are reported to and discussed with the Audit Committee and senior management of the Company.

Internal Audit should communicate with the external auditor, under the instructions from the Audit Committee, for the significant audit findings and any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls.

Reviews

The effectiveness of the Internal Audit function should be assessed at least once a year. The review should focus on issues such as the organizational status within SMIC, independence and objectivity, performance, and qualification of staff.