

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION
(incorporated in the Cayman Islands with limited liability)

AUDIT COMMITTEE CHARTER

(approved by the Board on January 25, 2005 and amended by the Board on February 6, 2006, March 23, 2012, November 10, 2015 and September 13, 2019, respectively)

Purpose

The audit committee (the “Committee”) is established by the board (the “Board”) of directors (“Directors”) of Semiconductor Manufacturing International Corporation (the “Company”) primarily for the purpose of overseeing the accounting and financial reporting system and processes of the Company, audits of the financial statements of the Company and the risk management and internal control systems of the Company.

The Committee is responsible for assisting the Board’s oversight of (1) the quality and integrity of the Company’s financial statements and related disclosure, (2) the Company’s compliance with legal and regulatory requirements, (3) the independent auditor’s qualifications and independence, (4) the performance of the Company’s internal audit function and independent auditors, and (5) the effectiveness of the Company’s risk management and internal control systems.

Composition

1. Members. The Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three members and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise under the listing rules of The Stock Exchange of Hong Kong Limited. The Committee shall comprise non-executive Directors only, with a majority of independent non-executive Directors. The members of the Committee shall be appointed annually by the Board.
2. Qualifications. Each member of the Committee shall meet all applicable independence, financial literacy and other requirements of law or any other applicable regulatory authority. At least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. A Committee member shall not simultaneously serve on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such Committee member to serve effectively on the Committee.
3. Chairman. The chairman of the Committee shall be an independent non-executive Director appointed by the Board.

4. Removal and Replacement. The members of the Committee may be removed or replaced, and any vacancies on the Committee shall be filled, by the Board.

Operations

1. Meetings. The chairman of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four times per year. The Committee shall meet separately, periodically, with management, the Compliance Officer, the external/internal counsel, the internal auditors and the independent auditor. The Committee shall also meet separately with the independent auditor at every meeting of the Committee at which the independent auditor is present.
2. Agenda. The chairman of the Committee shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting (at least 3 days before the intended date of a meeting) to permit meaningful review.
3. Report to Board. The Committee shall report regularly to the entire Board on their decisions or recommendations, and shall submit to the Board the minutes of its meetings, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). Subject to the foregoing, the Committee shall in particular report to the Board on matters set out below, identify and make recommendations on any matters where action or improvement is needed. The Committee shall consider other topics as defined by the Board.
4. Self-Evaluation; Assessment of Charter. The Committee shall conduct an annual performance self-evaluation and shall report to the entire Board the results of the self-evaluation. The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board.
5. Minutes. Minutes of meetings of the Committee shall be kept by the secretary of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Director. Minutes of meetings of the Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes shall be sent to all members of the Committee for their comment and records respectively, within a reasonable time after the meeting is held.

Authority and Duties

Independent Auditor's Qualifications and Independence

1. The Committee shall be directly responsible for making recommendations to the Board on the appointment, reappointment, retention, evaluation, oversight and termination of the work of the independent auditor employed by the Company (including resolution of disagreements between management and the independent auditor regarding reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and to approve the remuneration and terms of engagement of that auditor, and any questions of its resignation or dismissal. The independent auditor shall report directly to the Committee, which shall be responsible for:
 - (i) signing the independent auditor's engagement letter for all services or at least reviewing and pre-approving it before management signs it;
 - (ii) discussing with the independent auditor the scope of their work, key risks areas, how the audit plan responds to the risk of financial statement misstatement, and approving modifications to the annual audit plan;
 - (iii) discussing the engagement of any other auditing firm in performing work related to the audit (subsidiaries) and understanding the rationale behind such decisions;
 - (iv) receiving and reviewing all required communications from the independent auditor; and
 - (v) holding regular private meetings with the independent auditor and establishing a protocol to ensure it is notified, directly and on a timely basis, of major issues.

2. The Committee shall have the sole authority to preapprove any non-audit services to be provided by the independent auditor. The Committee shall review with the lead audit partner whether any of the audit team members receive any discretionary compensation from the audit firm with respect to non-audit services procured by the independent auditor. The Committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:
 - (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;

- (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
- (iii) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and
- (iv) criteria for compensation of the individuals performing the audit.

For this purpose, external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally.

3. The Committee shall obtain and review with the lead audit partner and a more senior representative of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities, within the preceding five years, respecting independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and (to assess the independent auditor's independence) all relationships between the independent auditor and the Company. The Committee shall, in addition to assuring the regular rotation of the lead and concurring audit partners, consider whether there should be regular rotation of the audit firm or other members of the independent auditor team.
4. The Committee shall review the experience, qualifications and performance of the senior members of the independent auditor team and to review and monitor the independent auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards. The Committee shall discuss with the independent auditor the nature and scope of the audit and reporting obligations before the annual audit commences. The Committee shall act as the key representative body for overseeing the Company's relations with independent auditor. Without limiting the foregoing, the Committee shall establish the following procedure to review and monitor the independence of external auditors:
 - (i) consider all relationships between the Company and the audit firm (including non-audit services);
 - (ii) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring

compliance with relevant requirements, including those for rotation of audit partners and staff; and

- (iii) meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
5. The Committee shall preapprove the hiring of any employee or former employee of the independent auditor who was a member of the Company's audit team during the preceding three fiscal years. In addition, the Committee shall preapprove the hiring of any employee or former employee of the independent auditor (within the preceding three fiscal years) for senior positions within the Company, regardless of whether that person was a member of the Company's audit team.

Financial Statements and Related Disclosure

6. The Committee shall review the annual audited financial statements and any interim or quarterly financial statements or results with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," before the filing of the Company's reports with the Hong Kong Stock Exchange or any regulatory authorities. The Committee shall also monitor integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly reports and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
- (i) any changes in accounting policies and practices;
 - (ii) the process management uses to compile and consolidate the financial statements;
 - (iii) major judgmental areas;
 - (iv) significant adjustments resulting from audit;
 - (v) the going concern assumptions and any qualifications;
 - (vi) significant changes in financial statements from prior years and from budget, and is provided with sufficient reliable supporting evidence;
 - (vii) compliance with accounting standards; and
 - (viii) compliance with applicable listing rules and legal requirements in relation to financial reporting.

Regarding paragraph (6) above, members of the Committee should liaise with the Company's Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors. The Committee should also consider any significant or unusual items that are, or may need to be reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

7. The Committee shall review with management earnings press releases before they are issued. The Committee shall review generally with management the nature of the financial information and earnings guidance provided to analysts and rating agencies.
8. The Committee shall review with the independent auditor: (a) all critical accounting policies and practices to be used by the Company in preparing its financial statements and the auditor's judgment about the quality of the Company's accounting policies; management judgments and accounting estimates, audit judgments; (b) all alternative treatments of financial information within the applicable accounting standards adopted by the Company that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor, (c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences, reports on observations and recommendations on internal control, engagement letters, independence letters; any disagreements with management; consultation with other accountants; major issues discussed with management prior to retention; difficulties encountered in performing the audit; (d) potential effect on the financial statements of any significant risks and exposures, material uncertainties, specifically going concern issues; (e) deficiencies in internal control; fraud and illegal acts; other information in documents containing audited financial information – the auditor's responsibility and any procedures performed and the results. In addition, the Committee shall review with the independent auditor any audit problems or difficulties and management's response.
9. The Committee shall review with management, and any outside professionals as the Committee considers appropriate, the effectiveness of the Company's disclosure controls and procedures. The Committee shall also review the Company's financial controls.
10. The Committee shall review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on the Company's financial statements.

Performance of the Internal Audit Function and Independent Auditors

11. The Committee shall review with management, the internal auditor and the independent auditor the scope, planning and staffing of the proposed audit for the current year. The Committee shall also review the internal audit function's organization, responsibilities, plans, modifications to annual plan, results, budget and staffing. In addition, management shall consult with the Committee on the appointment, replacement, reassignment or dismissal of the principal internal auditor. The Committee shall ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness. The Committee shall focus particularly on:
- (i) ensuring direct access to internal audit and establishing a protocol with the internal audit to ensure it is notified, directly and on a timely basis, of major issues found;
 - (ii) understanding and approving of the extent to which the internal audit function is outsourced;
 - (iii) holding regular private meetings with the head of internal audit, and obtaining their views on management's involvement in the financial reporting process and, in particular, the ability of management to override information processed by the Company's financial reporting system;
 - (iv) receiving and reviewing periodic update of internal audit's results and significant findings.

Financial Reporting System, Risk Management and Internal Control Systems

12. The Committee shall review with management, the internal auditor and the independent auditor the quality, adequacy and effectiveness of the Company's risk management and internal control systems and any significant deficiencies or material weaknesses in the design or operation of risk management and internal control systems. The Committee shall review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, shall review the Company's risk management and internal control systems. The Committee shall discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Committee shall focus particularly on:

- (i) understanding the current high risk areas and how management addresses those areas;
 - (ii) meeting regularly with internal audit and discussing internal control deficiencies discovered during the course of its work, its recommendations for addressing the deficiencies, and management's response;
 - (iii) monitoring the status of management's corrective action; and
 - (iv) determining whether it is satisfied that management has established appropriate and effective risk management and internal control systems and ensuring their ongoing operations.
13. The Committee shall review the Company's policies with respect to risk assessment and risk management and the group's financial and accounting policies and practices, as well as the effectiveness of the risk management and internal control systems.
14. The Committee shall consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
15. The Committee shall review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

Compliance with Legal and Regulatory Requirements

16. The Committee shall review with management and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Company and any material reports or inquiries from regulatory or governmental agencies.
17. The Committee shall review with the internal or external counsel as the Committee considers appropriate, the adequacy and effectiveness of the Company's procedures to ensure compliance with its legal and regulatory responsibilities. The Committee shall also review the legal and compliance function's organization, responsibilities, plans, results, budget and staffing.

18. The Committee shall review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action.
19. The Committee should establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.
20. The Committee shall obtain reports from management, the internal auditor and the independent auditor regarding compliance with all applicable legal and regulatory requirements, including the Foreign Corrupt Practices Act. The Committee shall focus particularly on:
 - (i) understanding and periodically updating its understanding of the major legal and compliance risks facing the Company, and how management addresses those risks;
 - (ii) receiving and reviewing reports summarizing major findings of regulatory reviews, and considering the impact the findings have on the financial statements;
 - (iii) meeting periodically with the Compliance Officer, any internal or external counsel as the Committee considers appropriate, to discuss the results of any regulatory reviews; and
 - (iv) discussing with management, internal auditors and external auditors the nature and significance of any fraud involving senior management, any fraud causing a material misstatement of the financial statements, and any fraud that involves management or other employees who have a significant role in internal controls. The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight function. The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate. In discharging its oversight role, the Committee shall have full access to all Company books, records, facilities and personnel. The Committee may retain counsel, auditors or other advisors, in its sole discretion.

Annual General Meeting

1. The chairman of the Committee, or in his absence, another member of the Committee or his duly appointed delegate shall attend the annual general meeting of the Company and be prepared to respond to questions at the meeting in relation to the work and responsibilities of the Committee.

Clarification of Audit Committee's Role

The Committee's responsibility is one of oversight. It is the responsibility of the Company's management to prepare consolidated financial statements in accordance with applicable law and regulations and of the Company's independent auditor to audit those financial statements. Therefore, each member of the Committee shall be entitled to rely, to the fullest extent permitted by law, on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the financial and other information provided to the Committee by such persons or organizations.

The Committee should be provided with sufficient resources to perform its duties.