

Social Responsibility

SMIC IN THE COMMUNITY

SMIC has a tradition of supporting the communities in which we operate, both through the involvement of our employees and through philanthropic donations. SMIC has built extensive housing, education, and service communities for its employees near our manufacturing sites and has significantly helped the local communities to grow and prosper with us.

In January of 2005, 2,675 employees of SMIC raised a total of nearly US\$45,000 that was donated to the Red Cross of China for use in disaster relief efforts for the South Asia Tsunami of 2004.

SUPPORT FOR EDUCATION

In addition to building kindergartens and schools for our employee's children, SMIC is also dedicated to support education initiatives in impoverished areas in China. SMIC has been a long-standing supporter of the Enyou Foundation and our senior management has been actively involved in the foundation. SMIC's President, Chief Executive Officer and Executive Director, Richard Ru Gin Chang has helped to build dozens of schools in China's inland provinces such as Yunnan and Gansu. SMIC also has supported Enyou Foundation's Teacher Training Program for the past three years. SMIC provides accommodations, classrooms, volunteer teachers and staff, and other facilities in support of this training program aimed to empower rural educators with modernized teaching skills, methodologies and know-how.

SUPPORT FOR THE ENVIRONMENT

As a reflection of SMIC's dedication to protecting the environment, SMIC achieved ISO14001 certification from the British Standards Institute in 2002. The ISO14001 is a voluntary international standard that establishes requirements for a world-class environmental management system. With this system in place, SMIC can ensure its responsible use of energy and materials through improvements in recycling, waste reduction and pollution prevention. In

2006, SMIC was certified as one of Sony's Green Partners on recognition of SMIC's strong commitment to environmental protection.

SMIC goes through great lengths to recycle, reduce, and reuse energy and materials used in our manufacturing facilities and offices. Our manufacturing plants feature state of the art water recycling systems in which we have multiple applications to recycle and reuse wastewater. At every fab, we have wastewater treatment plants and up to 70% of wastewater can be recycled back into the fabs. The rest of the wastewater is reused in our office toilets and sprinkler systems. At our wafer fab in Beijing, we have large rain water collection facilities as well as air cooling systems to take advantage of the cold air in the winter to help cool the manufacturing facilities through renewable resources. In all office buildings, recycling bins are strategically located near bathrooms, walkways, and cafeterias to promote employee participation in recycling waste materials.

SMIC's core belief in renewable energy is embedded directly in the future direction of our business. In 2005, we broke ground on Fab 10, which will be used to manufacture solar cell panels and modules. We believe that not only the solar power market will be beneficial to our business, but more importantly, we believe that we can contribute in aiding the migration to renewable energy sources through technological advances, increase in manufacturing capacity, and reduction of manufacturing costs.

EMPLOYEE WELL-BEING

At SMIC, we focus on quality control and product innovation while placing emphasis on preventing environmental pollution, conserving energy and natural resources, protecting our human resources, and preventing property loss. We hope to improve employee well-being, protect the environment, and raise environmental protection, safety, and health ("ESH") standards for all SMIC employees and the environment we operate in. Through continuous improvement, we strive to be environmentally responsible and aim to strengthen our operational risk management.

To achieve these goals, SMIC is committed to:

- ensuring employee health and safety and improving environmental quality for employees and lands we operate are the primary responsibilities of every SMIC manager;
- establishing a culture of ownership by distilling ESH values into each SMIC employee, process, product, and service;
- providing regular ESH training to increase employees' knowledge and communication levels;
- exploring and developing new technologies to reclaim, reduce, reuse and recycle;
- following ESH regulations and international protocols while fulfilling customer requirements;
- strengthening new equipment and material auditing and change-management;
- communicating ESH regulations to all SMIC suppliers and contractors; and
- implementing preventative measures and emergency response capabilities to prevent accidents.

Employee Health & Safety. SMIC's safety management philosophy is based on accident prevention and frequent safety audits. Accident prevention is achieved through:

- mandatory staff and vendor safety training;
- compliance of equipment and facilities to international safety standards set by: Semiconductor Equipment and Materials International (SEMI), National Fire Protection Association (NFPA) and Factory Mutual Research Corporation (FMRC);

- continuous improvement in service and product quality and reliability through the implementation of our PDCA (plan, do, check, act) steps, together with internal and external customer feedback.
- regularly scheduled safety audits that are performed in accordance with established world standards to achieve an AAA audit rating, OHSAS18001 internal audit, and self-check rules; and
- establishment of the Emergency Response Center to centralize emergency response at SMIC.

At SMIC, we provide occupational health and hygiene management for the welfare of our employees. This includes the monitoring of indoor air quality (IAQ), illumination, radiation, noise, and drinking water.

In addition, we have on-site health surveillance and primary care services such as:

- 24-hour on-site health center services;
- medical emergency response & disaster planning;
- occupational physical examination and record keeping;
- general physical examination and record keeping;
- injury and illness case management;
- vaccination services; and
- international travel health program.

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OHSAS18001 Certification. SMIC attained OHSAS18001 (Occupation Health and Safety Assessment Series) certification from the British Standard Institute in September 2003. The OHSAS18001 standard is a key component of a corporation's total health and safety management, and is based on international safety and health standards. It aims to reduce work environment risks, protect company assets, and provide employees a safer and healthier working environment.

With this certification, SMIC has achieved a new milestone in safety and risk management. By creating a safer and healthier environment for our employees, it exemplifies to our customers and investors that we are dedicated to lowering risk and building confidence and demonstrates our spirit of "continuous development and improvement".

Employee Care. In addition to health and safety considerations for our employees, SMIC is also keen on taking care of our employees through on the job training and graduate degree opportunities, on-campus housing, social clubs and activities, employee athletic and recreational facilities, primary and secondary education for employee children, and numerous other facilities and services dedicated to enriching the lives of our employees and their families.

Some notable facilities and programs include:

- graduate education and degree programs with Tongji University, Jiaotong University, Fudan University, and Shanghai University;
- more than 500 training classes offered within the Company annually;

- the Company's living quarters features top-quality apartments and houses built by SMIC and rented or purchased by its employees;
- recreation facilities include: swimming pools, in-door gymnasiums, lighted tennis courts, 400m rubberized track, multi-use athletic fields, sauna rooms, ping-pong tables, pool tables, etc.;
- on-campus services: hair salon, massage parlor, supermarket, restaurants, cafes, bookstore, bakery, etc.;
- SMIC Private School: K-12 bilingual education on par with some of the leading international schools in Shanghai;
- SMIC Sports Day features a number of organized games and athletic competitions among SMIC employees and departments. The day is designed to foster teamwork and cooperation between a wide range of employees who might have not worked together on a daily basis;
- Senior Citizen Club: established to care for senior members of the SMIC family by providing arts and craft activities, field trips, support groups and other recreational and educational activities; and
- Sports and Recreation Clubs: A number of clubs encouraging a healthy and active lifestyle. For example the SMIC Triathlon Club sends employee-athletes to a variety of events, ranging from the Shanghai International Marathon to triathlons to local road races.