



2022

Environmental, Social
and Corporate
Governance Report

SG Micro Corp



About this Report

Report Purpose

This report (the "Report") is the first Environmental, Social, and Corporate Governance (ESG) Report issued by SG Micro Corp and our subsidiaries (referred to as "SGMICRO" or "the Company", "Company", "we" or "us"). The purpose of the Report is to facilitate a transparent dialogue between SGMICRO and our stakeholders regarding our environmental, social, and governance practices and to address their expectations in a comprehensive and structured process.

Reporting Period

The reporting period is from January 1, 2022, to December 31, 2022. For a more comprehensive perspective, some of the information in the Report goes beyond this period.

Scope of Report

Unless otherwise specified, the information disclosed in the Report covers the same scope as the information included in the SGMICRO annual report.

Notes on Data and Currency

The data and cases used in the Report are sourced from SGMICRO's internal documents. The reporting currency is Renminbi (RMB).

Preparation Basis

- ISO 26000:2010 Guidance on Social Responsibility
- 2030 UN Sustainable Development Goals (SDGs)
- Global Reporting Initiative's GRI Standards
- Chinese National Standards: GB/T 36001-2015 Guidance on Social Responsibility Reporting
- The Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0), published by the Corporate Social Responsibility Research Center of the Academic Division of Economics at the Chinese Academy of Social Sciences
- The Rules Governing the Listing of Securities on the Shenzhen Stock Exchange related to Social Responsibility

Report Version and Availability

The report can be accessed and downloaded from the CNINFO website (<http://www.cninfo.com.cn>) and the official website of SGMICRO (<http://cn.sg-micro.com>). The Report is available in both Chinese and English versions and published in electronic form. In case of any discrepancy, the Chinese version shall prevail. Your feedback on this ESG report is greatly appreciated. Please do not hesitate to reach out to us at Investors@sg-micro.com if you have any questions or feedback.

CONTENTS

Contents

02 Message from the Chairman

04 About SGMICRO

06 Performance Highlights

07 Corporate Strategy and Culture

07 Awards and Recognition

Strong Corporate Governance

Shaping a Sustainable Future

- 10 Sound Governance Structure
- 13 Enhanced Risk Control
- 14 Regulated Business Conduct
- 16 Data Security and Information Confidentiality
- 17 Continuous Improvement of Sustainable Corporate Governance

Create a Better Society

Foster a Harmonious and Beautiful Community

- 44 Facilitating Environmental and Ecological Protection
- 47 Embracing Social Responsibility

Focusing on R&D

Launching Competitive Products

- 22 Commitment to Superior Product Quality
- 24 Delivery of Exceptional Customer Service
- 25 Drive for Win-Win Industry Partnerships
- 26 Topic 1: Upgrading the New Engine of Green R&D
- 30 Topic 2: Building A Resilient and Responsible Supply Chain

48 Key Performance Indicators

51 Index of Indicators

54 Glossary of Terms

55 Feedback and Suggestions

People-Oriented

Ensuring the Health and Development of the Workforce

- 34 Labor and Human Rights
- 35 Talent Recruitment
- 36 Talent Development
- 38 Performance Management
- 38 Employee Retention
- 39 Employee Communication
- 40 Safety and Health

Message from the Chairman

Since its establishment, SGMICRO has been dedicated to providing customers with high-performance, high-quality, and eco-friendly analog and mixed-signal integrated circuit (IC) products. Our focus on product innovation allows us to create value for society by reducing energy consumption, protecting our environment and thus improving the quality of our lives. SGMICRO has introduced over 4,300 products in 30 categories, serving customers in a broad range of markets. Our products play a vital role in addressing the critical sustainability challenges faced by our planet. We stand ready to rise to the challenges faced by our humanity and the sustainability of our planet. We are dedicated to not only do our part in reducing the environmental footprint of our supply chains but also to develop the technologies of future which reduce energy consumption and promote the use of renewable energy sources. We hold steadfast to our founding values and remain focused on product diversification in energy conservation, environmental protection, and our other social responsibilities. We continuously explore and develop green technologies and strive to launch energy-efficient and eco-friendly products that reduce product energy consumption. We are dedicated to pursuing eco-friendly

operations, green workplaces, green and environmentally friendly supply chains. We strive to become a benchmark for green and environmentally responsible development in our industry.

Despite the challenges in 2022, we remain committed to our social responsibilities and rigorously pursue continuous improvement in our operation and management guidelines. In 2022, we effectively managed our cash flows, attracted new talent and cultivated our existing talent. We are committed to cultivating an inclusive workforce where all our employees regardless of their social, ethnic or gender have a voice, and are provided with equal opportunity for growth. We also enhanced our risk management capacity, resulting in more robust operations. While successfully controlling costs, we prioritized our employee development and welfare programs and maintained a stable workforce.

In 2022, we stayed focused on exploring and developing new innovative technologies and products while consolidating our existing core competitive technologies and products portfolio. We invested 626 million RMB in R&D, accounting for 19.63% of revenue. 263 patents were filed

throughout the year, representing a growth of 43% from the previous year. We were granted 70 new invention patents, over four times the previous year. Many of these patents are related to energy efficiency improvements by reducing chip energy consumption.

In 2022, our analog IC products, known for high efficiency and low power consumption, were widely utilized in a broad range of markets such as new energy vehicles, photovoltaic energy storage, intelligent manufacturing, and green household appliances; creating value while serving our common goal of energy conservation and environmental protection.

In 2022, SGMICRO adopted a more responsible approach and collaborated with our stakeholders to advance our sustainable economic, social, and environmental development. We responded proactively to various unexpected events and environmental fluctuations throughout the year. We contributed to society without much fanfare and pageantry with a strong sense of responsibility and mission.

We firmly believe that the development of a company is not solely a matter of individual action but rather a shared de-

velopment with the entire society. A company, its employees, and the whole society should be a mutually supportive and harmonious unit, where everyone works together to overcome difficulties in the pursuit of common prosperity. As a leader in China's analog IC design industry, we always keep our shared responsibilities and mission in mind. We are fully aware of the crucial role of our social responsibility in driving social progress. SGMICRO is dedicated to providing the best quality analog IC products by actively investing in R&D and innovation, and continuously injecting vitality into the development of the IC industry to promote a healthy and robust supply chain. While pursuing economic benefits, we attach great importance to fulfilling our social responsibilities and collaborative partnerships. By closely linking sustainability goals with our social responsibilities, we will shape a sustainable future for generations to come while ensuring the continued prosperity of our business.

Zhang Shilong
Chairman and CEO



About SGMICRO

Founded in 2007, SG Micro Corp was publicly listed on the SZSE ChiNext on June 6, 2017. The company specializes in the research, development, marketing and sales of high-quality high-performance analog ICs, for a wide range of applications in the industrial, automotive, communications, consumer electronics, and medical equipment markets. The company has over 1,200 employees and serves more than 5,000 customers.

SGMICRO has introduced over 4,300 analog mixed signal products in 30 categories with excellent reliability and consistent quality, including precision signal-conditioning products such as amplifiers, ADCs, DACs, and interface circuits, as well as many energy-efficient power management products, such as DC/DC converters. The wide range of our innovative analog IC solutions enable our customers to better target diversified and rapidly growing markets, including intelligent equipment, mobile electronics, green energy, and others. Our analog IC products offer innovative solutions for a broad range of applications in industrial control, automotive, communication devices, consumer electronics, medical equipment markets, and other emerging electronics markets including the Internet of Things, renewable energy, intelligent wearables, AI, smart home, intelligent manufacturing and new generation of mobile devices.

SGMICRO is committed to providing customers with superior performance and high-quality analog IC products, addressing market trends and customer needs. The products are designed and produced by qualified OEM manufacturers in accordance with the industry's highest standards backed by a strict and complete quality assurance system, to ensure that all products have been through rigorous testing, resulting in world-class product consistency and reliability. The superior products and attentive support services contribute to the company's continued growth of sales and customer base.

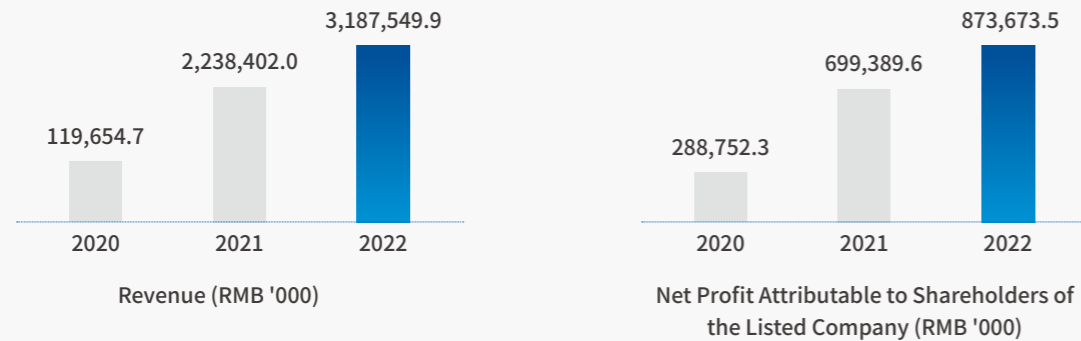
SGMICRO has strived to achieve a leading position in the analog IC industry through advanced design, superior performance, and excellent quality over the past two decades. The company is committed to improving our environment through advancements in technology and technical innovation.

Looking ahead, SGMICRO will stay at the forefront of technology innovation by continuously investing in leading research and delivering cutting-edge solutions to attain an even stronger leadership position.

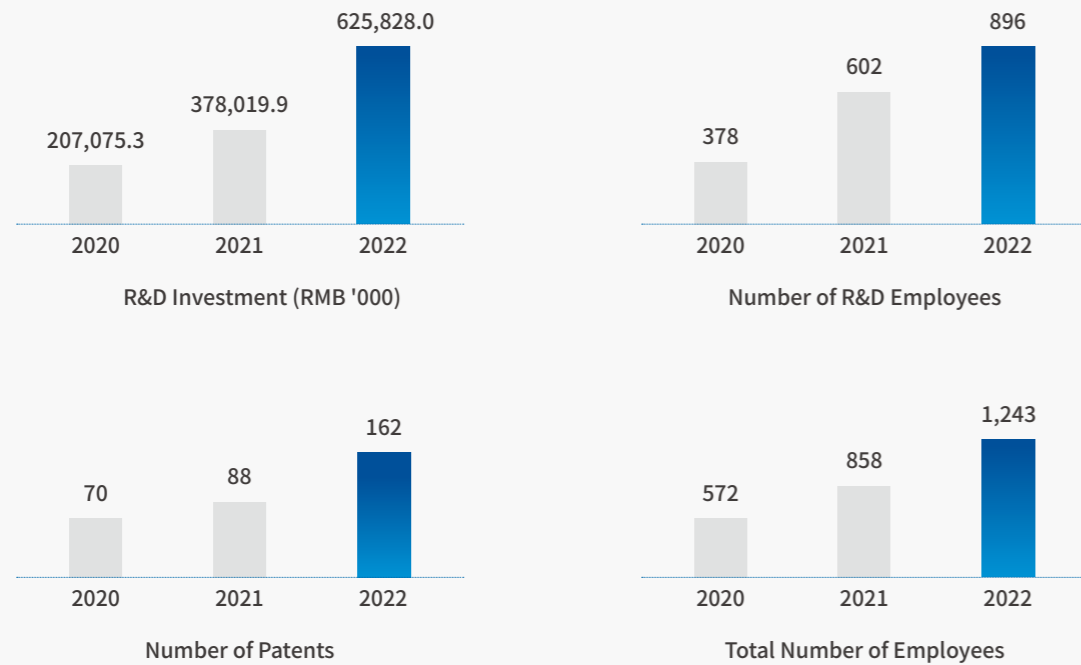


Performance Highlights

Financial Highlights



Social Performance



Environmental Performance

Water Consumption

5,157.50 cubic meters

Power Consumption

3,243,158.97 kWh

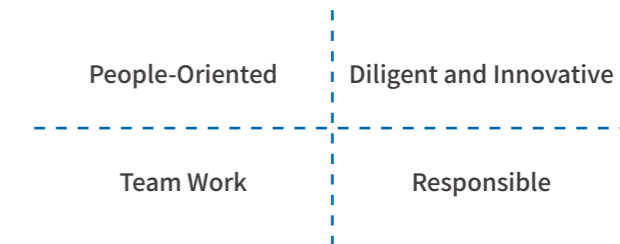
Corporate Strategy and Culture

Corporate Strategy

SGMICRO is committed to pursuing our business goals while creating value for society by implementing innovative initiatives to address market-oriented strategies. We take great care in our strategic planning while prioritizing R&D, seeking solutions to critical technical challenges, and upgrading existing products. As part of our ongoing efforts to strengthen our position as a leader in the analog chip industry in China, we are focused on developing cutting-edge, high-performance analog IC technology to become a world-renowned brand in this field.

Corporate Culture

Rooted in our unique, cohesive and vibrant culture, is respect for human rights and dignity. All our employees are treated with respect and dignity wherever we do business.



Awards and Recognition

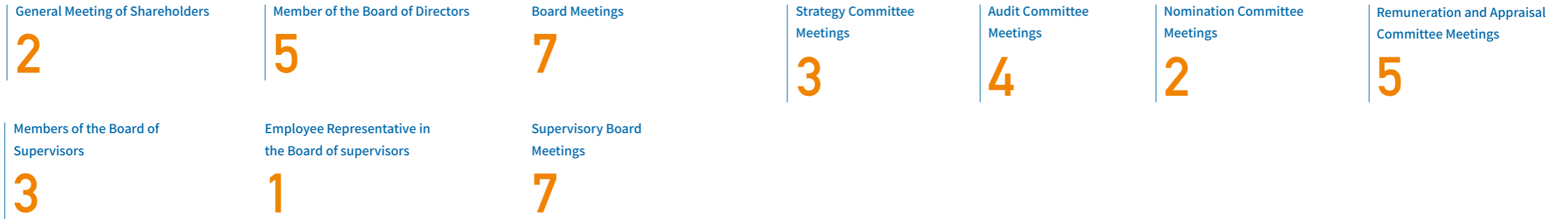
- Global Electronics Achievement Awards Innovative Product of the Year
- The 17th China Chip Award for Outstanding Technological Innovation Product
- Top 10 China IC Brands
- The 14th Awards of the Value of Listed Companies in China
- Top 50 Valuable Company Listed on the ChiNext Market
- Top 10 Management Team from Companies Listed on the ChiNext Market
- Outstanding Secretary to the Board of Directors of Companies Listed on the ChiNext Market
- The 22nd Golden Bull Awards for Listed Companies
- The Most Valuable Company for Investment at the Golden Bull Awards
- The Investor Relations Management Award at the Golden Bull Awards

Strong Corporate Governance

Shaping a Sustainable Future

We have undertaken significant measures to improve our corporate governance. Our streamlined governance system has been integrated with our compliance management systems to safeguard the interests of our stakeholders, while continually enhancing our corporate value.

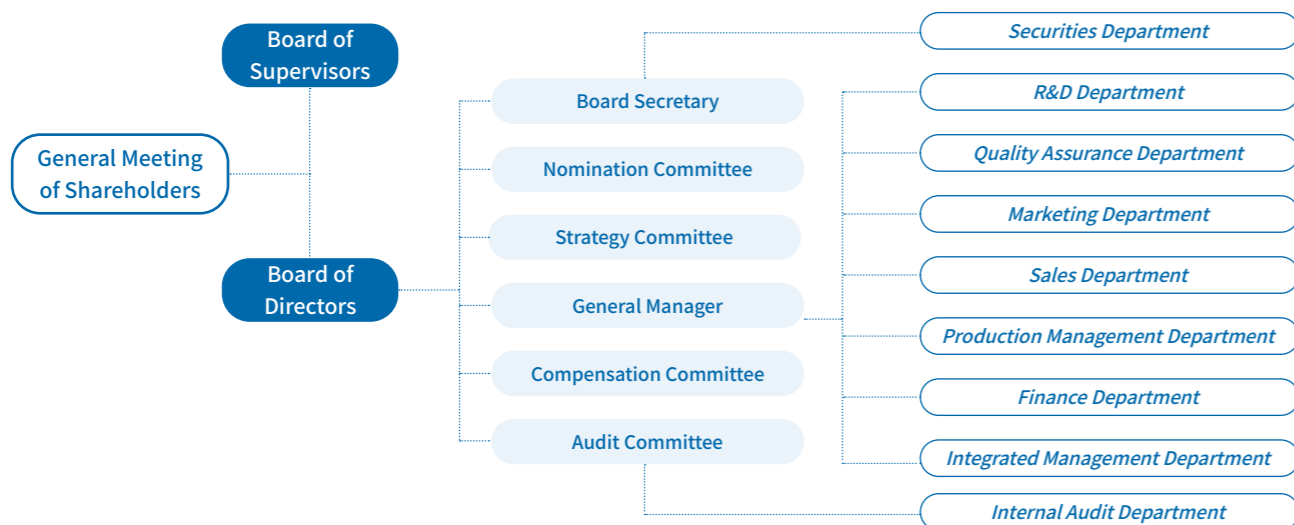
Sound Governance Structure



Board Structure and Governance

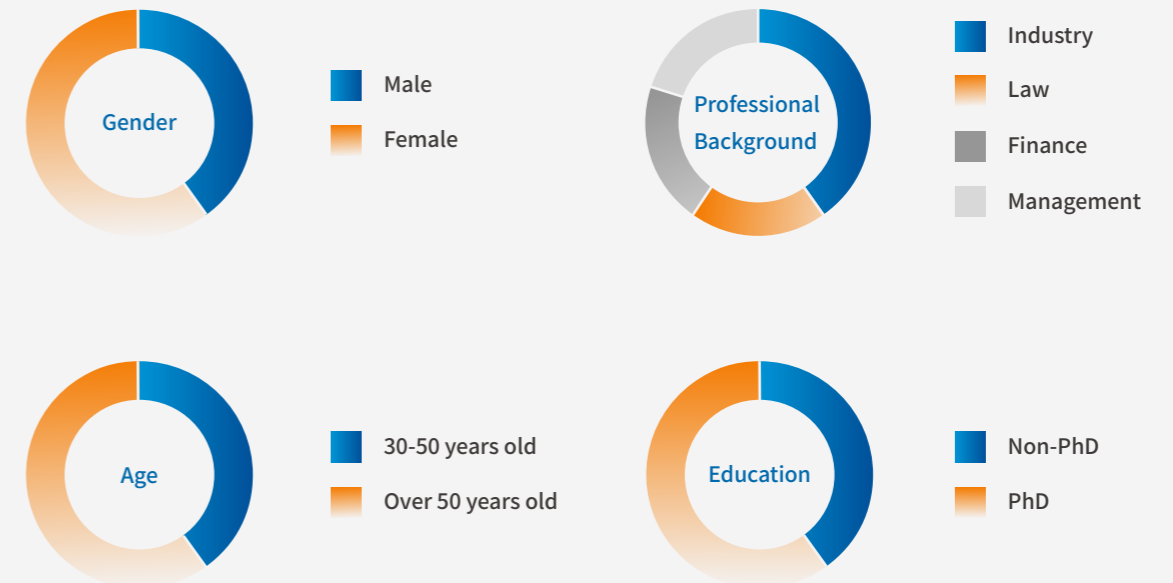
We have always strived to promote Integrity as a foundation of our corporate culture. Our focus and effort to operate with integrity, has optimized and strengthened our corporate governance. We regard the transparent and smooth information disclosure to our stakeholders as a key element of our continued long-term growth and profitability.

Corporate governance is a top priority for SGMICRO. Accordingly, we have established a robust corporate governance structure in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and other relevant laws and regulations. We have also established a corporate governance structure mainly comprising of the Shareholders' Meeting, the Board of Directors (the Board), and the Board of Supervisors. The Board of Directors consists of four committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee, and the Compensation Committee. These committees have independent responsibilities and operate in accordance with the relevant rules and regulations free from interference from other departments or individuals at the Company. The respective committees provide professional opinions and recommendations to the Board of Directors for sound decision-making and compliant operations. Furthermore, we have established an office of the General Manager under the leadership of the Board of Directors. The General Manager serves as the head of SGMICRO's management team. The responsibilities of the Board, executive officers, supervisors, and the management team are clearly defined and standardized, forming a mechanism of independent oversight and strong corporate governance.



Diverse Board of Directors

We believe the board of directors plays a critical role in ensuring that the company is operating in a responsible and effective manner. SGMICRO's Board of Directors includes five members who serve on committees that match their diverse professional backgrounds and industry experience. The experienced and thoughtful Board of Directors strengthens the competitive advantage of SGMICRO and improves the efficiency and quality of material decisions, establishing a solid foundation for our long-term growth. For information on the members of the Board, please refer to the Company annual report.



Taxation

SGMICRO is a responsible taxpayer and aims to fully comply with all our statutory obligations and to provide full disclosure to the tax authorities in each country in which we operate. Our tax strategy is closely aligned with our sustainability strategies and is managed in line with our overall high standards of governance.

Information Disclosure

The Board of Directors oversees and manages the disclosure of information. The Board Secretary coordinates and organizes specific matters related to information disclosure, while the Securities Affairs Representative assists the Secretary. We are committed to providing authentic, accurate, complete, and timely disclosure of information in strict compliance with the relevant laws and regulations, such as the *Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the ChiNext Market*, *Measures for the Administration of Information Disclosure by Listed Companies*, and *the Articles of Association*. At SGMICRO, we place importance on the strict implementation of our information disclosure system and managing the confidentiality of insider information. This is a critical component of safeguarding the interests of our investors. We disclose information through diverse channels, including CNINFO and media outlets designated by regulatory authorities, such as the China Securities Journal, Shanghai Securities News, Securities Times, and Securities Daily, to ensure equal access to information for all shareholders.

In 2022

a total of **172** periodic reports, interim announcements, and other documents were disclosed by the company.

Recognition for Information Disclosure

In July 2022, the Shenzhen Stock Exchange released the Announcement on the Results of the 2021 Annual Information Disclosure Assessment for Companies Listed on the ChiNext Market. SGMICRO was granted an A grade in recognition of our outstanding disclosure practices.

Dividend

We place significant importance on providing our shareholders with a reasonable return on their investment. We aim to safeguard the short-term and long-term interests of our shareholders by distributing profits while balancing the company's long-term growth targets. Since going public in 2017, SGMICRO has had a consistent dividend policy that is explicitly outlined in our Articles of Association. The Board of Directors proposes the annual profit distribution plan based on our Articles of Association, profitability, funding availability, and operational requirements. The independent directors will review and provide an unbiased assessment of the plan, which will then be reviewed and submitted for approval at the Shareholders' Meeting.

Item	Unit	2022	2021	2020
Total cash dividend amount (tax included)	RMB '000	118,730.4	78,246.6	51,809.3
Capital reserves converted to share capital	Share	118,730,383	78,246,572	51,809,322

Note: The above information is consistent with the company's actual dividend distribution.

Investor Relation Management

We have established the Investor Relations Management guideline to facilitate and enhance our communication with investors and promote their understanding and awareness of SGMICRO. The Board Secretary is designated to manage stakeholder engagement. The Secretary is responsible for coordinating SGMICRO's interactions with investors, organizing meetings and activities, and answering inquiries through diverse channels, such as regular reports, site visits, communication and roadshows, dedicated phone calls, email, fax, and investor relations platforms. We proactively interact with investors and ensure they gain a deeper understanding of SGMICRO.

In 2022, we conducted thorough communication with investors through performance briefings, interactions on irm.cninfo.com.cn, an interactive platform, and other means. On June 22, we held the 2021 Performance Briefing on p5w.net, an investor relations interaction platform. We will further enhance our investor relations management to improve our information transparency and safeguard the legitimate rights and interests of all our shareholders.

Enhanced Risk Control

At SGMICRO, we have a rigorous internal control management mechanism and a well-defined internal control management policy. Our risk management system is backed by robust internal control management measures that help ensure its effective operation.

Establishment of An Internal Control System

We continuously enhance and refine our internal control system in compliance with relevant laws and regulations, such as *Basic Standard for Enterprise Internal Control*, as well as other internal control supervision requirements. This is achieved by conducting regular and targeted internal control monitoring and refining our internal control policies and assessment tools. We have established a risk management and internal control system, comprising the Audit Committee and the Internal Audit Department, to supervise and assess our internal control management. Through ongoing operation, analysis, and assessment, our internal control system has been instrumental in mitigating operational and management risks, thus facilitating the achievement of our internal control objectives.

Internal Control

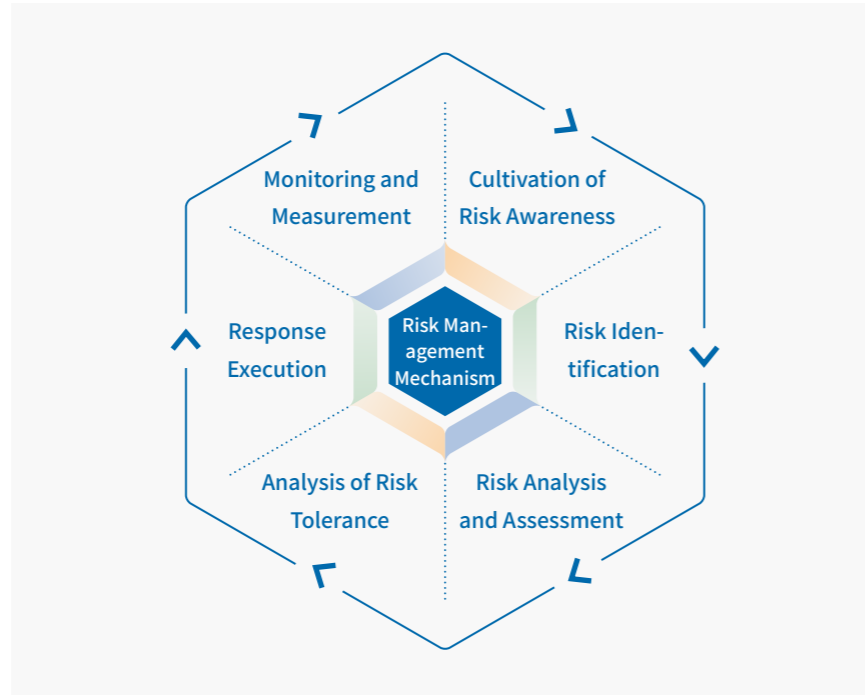
We have taken steps to enhance the awareness and responsibility of our management teams and employees in key internal control positions. They are fully aware of the significance of internal control systems in improving corporate management, strengthening risk prevention and control, and facilitating SGMICRO's high-quality development. We have also designated specific persons who are responsible to ensure the strict implementation of our internal control system.

The Board of Directors bears the responsibility for establishing, strengthening, and implementing internal controls. It is the responsibility of the Audit Committee, which is accountable to the Board of Directors, to oversee our internal controls. The Board of Supervisors oversees the establishment and implementation of internal controls by the Board of Directors. The Internal Audit Department monitors and assesses the effectiveness of our internal controls under the guidance of the Audit Committee. This department also reports on internal control deficiencies identified during the monitoring and assessment process in accordance with our internal audit procedures. The department has the authority to directly report the significant internal control deficiencies or risks to the Audit Committee and the Board of Supervisors. The department may assist the relevant departments in resolving these deficiencies.

We assess the effectiveness of our internal controls annually and disclose the assessment results in our Internal Control Self-Assessment Report.

Risk Management

We attach great importance to the assessment of business risks. By utilizing an efficient risk assessment system, we can identify and analyze potential risks in areas such as policy, operations, and finance based on our internal control mechanisms, strategic planning, and industry characteristics. By thoroughly assessing and sorting the risks and considering the characteristics, significance, and probability of occurrence, we can manage and tackle any potential risks promptly.



Regulated Business Conduct

Our business is guided by the principles of authenticity, compliance, resilience, and sustainability. Our data is authentic and valid, and our operations are legally compliant. We crack down on any commercial bribery and oppose unfair competition. We strictly comply with all relevant laws and regulations to maintain a fair, equitable competition and commercial ethics environment. We are committed to securing business opportunities through our superior products, customer service, and quality consistent with our founding principles of high integrity business practices.

Management Mechanism

To manage our internal business conduct, we have developed policies such as the Integrity and Anti-Corruption Management Standards in accordance with our strict integrity guidelines. We strictly prohibit any form of bribery, corruption, embezzlement, extortion, misappropriation of funds, or any related conduct. We also mandate that all employees refrain from promising, offering, giving, granting, or accepting any improper and illicit benefits.

To foster a transparent and ethical business environment, our primary distributors and suppliers are required to sign the Integrity and Honesty Pledge and other relevant documents. They must commit that all of their business transactions are transparent and accurately reflected in their business accounts and records. Our distributors and suppliers are subject to periodic audits and continuous monitoring to ensure that their business practices comply with our anti-corruption requirements.

Feedback Channels

The employees and partners shall refuse to engage in any conduct such as bribery, corruption, embezzlement, extortion, or misappropriation of funds during their daily business activities. Furthermore, anyone who comes across or suspects any unlawful activity must inform SGMICRO by email, phone, or mail.

The clear reporting system and streamlined handling process ensure that the reporting process and outcomes are fair and just. Furthermore, we take strict measures to protect the information of whistleblowers and prohibit retaliation for good faith reporting.

Email: informer@sg-micro.com

Hotline: 010-88825716-818



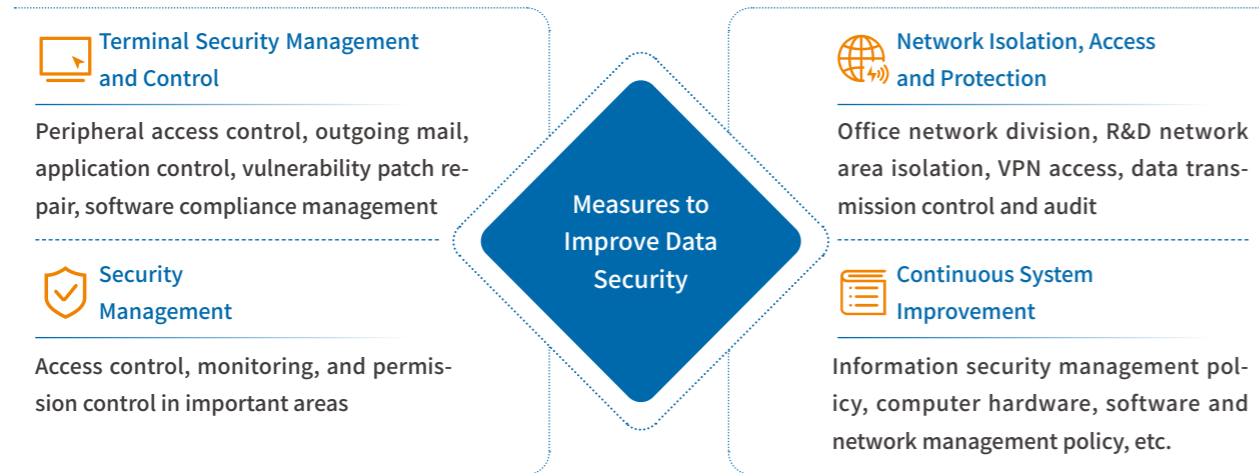
Data Security and Information Confidentiality

SGMICRO attaches great importance to information security. We continuously invest in resources to enhance our information security management, strengthen our security defense systems and facilities and improve our corporate cybersecurity level.

Data Security

The company established an information security management committee and team. Taking the international standard ISO27001 "Information Security Management System" as the benchmark policy. Drawing upon guidelines such as *National Security Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, the Law of the People's Republic of China on Guarding State Secrets*, and the *Information Security Technology: Baseline for Classified Protection of Cybersecurity 2.0*, we have tailored our security policies and practices to suit our industry requirements and current status. We take continuous actions to protect our information security and improve our cybersecurity defense. While complying with the Information Security Emergency Response and Business Continuity Plan, we aim for effective prevention, timely control, and maximum elimination of hazards and impacts of unexpected events.

We regularly hold information security awareness training sessions for all new employees and send out reminders from time to time to strengthen their information security awareness. Moreover, we carry out special training to minimize the impact of security incidents on our business and ensure the safety and stability of our business operations. In 2022, no material information security accident occurred in the Company.



Information Confidentiality

We have implemented relevant management guidelines to protect our assets from unauthorized access or attacks and prevent information risks to the greatest extent. We require employees to abide by all relevant national laws and regulations while using our networks. All employees should strictly follow our confidential information protection guideline, and not steal or leak our information. With employing institutional and technical measures, we effectively protect the information of the Company.

In order to protect the data and information of customers, we have implemented and improved upon the information protection mechanisms in accordance with national laws and regulations such as the *Personal Information Protection Law of the People's Republic of China* and national specifications such as the *Information Security Technology - Personal Information Security Specification*; ensuring all customers' information and data are used and stored as per relevant regulations.

Continuous Improvement of Sustainable Corporate Governance

SGMICRO always values and adheres to the management concept of sustainable development. We have been actively promoting sustainable development of the Company. According to the characteristic of our industry and our corporate strategy, we have set up a governance system specifically suitable for our company growth.

ESG Management System

We always believe that sound ESG management is the foundation of high-quality sustainable development. Therefore, we have established an ESG management system led by the Office of the Board of Directors and participated by the heads of all operational and functional departments. The ESG Working Group, affiliated to the Office of the Board of Directors, coordinates all ESG management, communication, and information disclosure activities, and reports ESG work progress and results to the Board of Directors. Operational and functional departments of human resources, operation, quality, internal control, and information technologies take part in their corresponding ESG activities.

In 2022

SGMICRO ESG Working Group led the project to compile the ESG Report 2022 and plans to carry out more ESG-related activities in 2023.

Analysis of Material Topics

Taking into account the expectations of internal and external stakeholders, business scope, and sustainability status, we carry out the identification, evaluation, and analysis of material topics. We determined the list of material sustainable topics that are critical to the Company and stakeholders based on questionnaires.

Material Topics of ESG		
Environmental Issues	Social Issues	Corporate Governance Issues
<ul style="list-style-type: none"> • Clean technology • Action on climate change • Energy use and management • Water resource utilization and management • Waste management • Green operation 	<ul style="list-style-type: none"> • Product quality control • Product R&D and innovation • Customer service quality • Sustainable supply chain • Employee rights, benefits, and welfare • Employee training and development • Employee health and safety • Career development and incentives • Industrial cooperation and industry-university-research cooperation • Fostering a Harmonious and Beautiful Community 	<ul style="list-style-type: none"> • Corporate governance • Composition and operation of the Board of Directors • Performance of the Board of Supervisors • Disclosure of information • Investor relations management • Anti-corruption and business ethics • Compliance management • Risk management • Business information and data protection • Intellectual property management

Expectations and Responses of Stakeholders

Stakeholders	 Investors	 Government and Regulatory Agencies	 Customers	 Employees	 Suppliers/Service Providers	 Cooperative Organizations (non-profit organizations, scientific research institutions, etc.)	 Community and the Public	 Media
Expectations and request	<ul style="list-style-type: none"> • R&D and innovation • Investor relations management • Board Structure and Governance • Risk management • Internal control • Business information and data protection 	<ul style="list-style-type: none"> • Anti-corruption • Engagement in community philanthropy • Company information disclosure • Risk control 	<ul style="list-style-type: none"> • Product responsibility management • R&D and innovation • Industrial exchange and cooperation • Anti-corruption 	<ul style="list-style-type: none"> • Compliant guarantee of rights and interests • Sophisticated compensation system • Smooth promotion system • Rich staff activities 	<ul style="list-style-type: none"> • Supply chain management • Mutual benefit and progress 	<ul style="list-style-type: none"> • Supply chain management • School-enterprise cooperation • Industrial exchange and cooperation 	<ul style="list-style-type: none"> • Environmental management • Anti-corruption • Engagement in community philanthropy 	<ul style="list-style-type: none"> • Disclosure of information • Engagement in community philanthropy • Industrial exchange and cooperation
Communication and response	<ul style="list-style-type: none"> • General Meeting of Shareholders • Disclosure of information • Smooth communication channels for investors • Reasonable profit distribution • Performance briefing • Information security system 	<ul style="list-style-type: none"> • Documentation system • Policy execution • Disclosure of information • Compliance with regulations • Community charity activities 	<ul style="list-style-type: none"> • Quality management system • Technical seminar • Customer satisfaction survey 	<ul style="list-style-type: none"> • Protection of employee rights and interests • Convening of staff assemblies • Multichannel career development path • Staff training • Employee activities 	<ul style="list-style-type: none"> • Screening and review of suppliers • Cooperation with suppliers • Adherence to transparency 	<ul style="list-style-type: none"> • Screening and review of suppliers • Industrial forum • Industry-university-research cooperation 	<ul style="list-style-type: none"> • Community activities • Exchange and interview 	<ul style="list-style-type: none"> • Establishment of clear media communication channels • Exchange and interview • Community charity activities • Participation in industrial exhibitions

Focusing on R&D

Launching competitive products

SGMICRO specializes in the research and development of analog components and modules and benchmarks against the world's top-ranking analog manufacturers. Our products are superior to those of peers worldwide in some key metrics. The outstanding product performance and quality, timely and effective support, and services has won the trust and recognition of the large base of our customers.

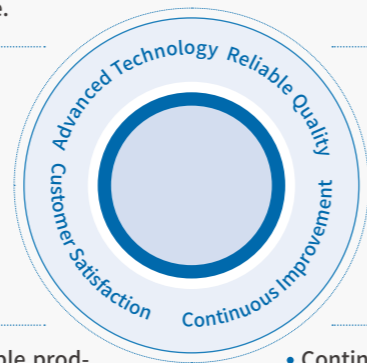


Commitment to Superior Product Quality

SGMICRO is committed to providing superior performance and excellent quality analog IC products. The products are designed and manufactured in accordance with the industry's highest standards backed by a strict, and complete quality assurance system, to ensure that all products have been through rigorous testing, with world-class product consistency and reliability.

Quality Assurance

- Relying upon globally leading technologies and technology development, we have increased our market share with products having advanced technologies and higher performance.
- Create robust and reliable products in pursuit of quality reliability as the highest goal.



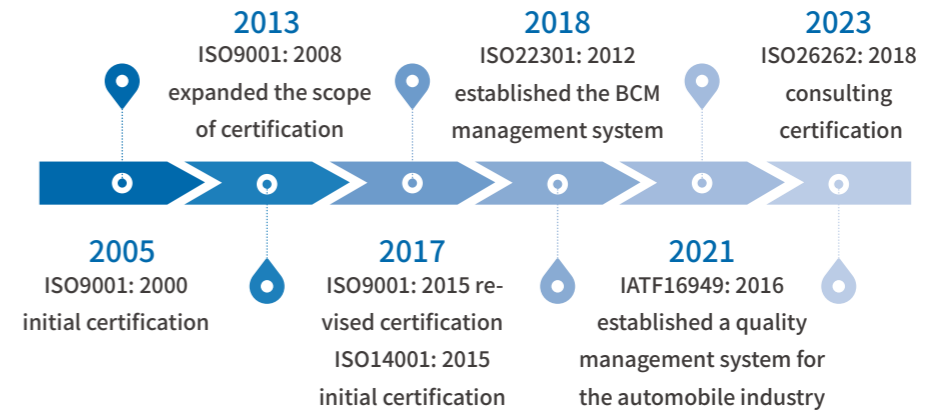
- Consistent and stable product quality is key to customer satisfaction. We always strive for higher levels of product quality and service.
- Continuous improvement of product quality is the fundamental to our growth. We continuously improve our quality management system to guarantee continuous improvement of product quality.

Quality System

We have established a comprehensive quality assurance system according to the best industry standards. We strictly control the quality of every product by following our management policy of "advanced technology, reliable quality, customer satisfaction, and continuous improvement". We use a two-pronged approach to guarantee our product quality. On one hand, we preferentially select wafer foundries and assembly & test factories with the highest reliability and yield rate. On the other hand, we test every new product against the highest standards to ensure their highest quality and reliability, thus guaranteeing our product quality while continuously expanding our product lines. We have been certified by the ISO9001 Quality Management System and the ISO14001 Environmental Management System.



Quality Management System Certificate

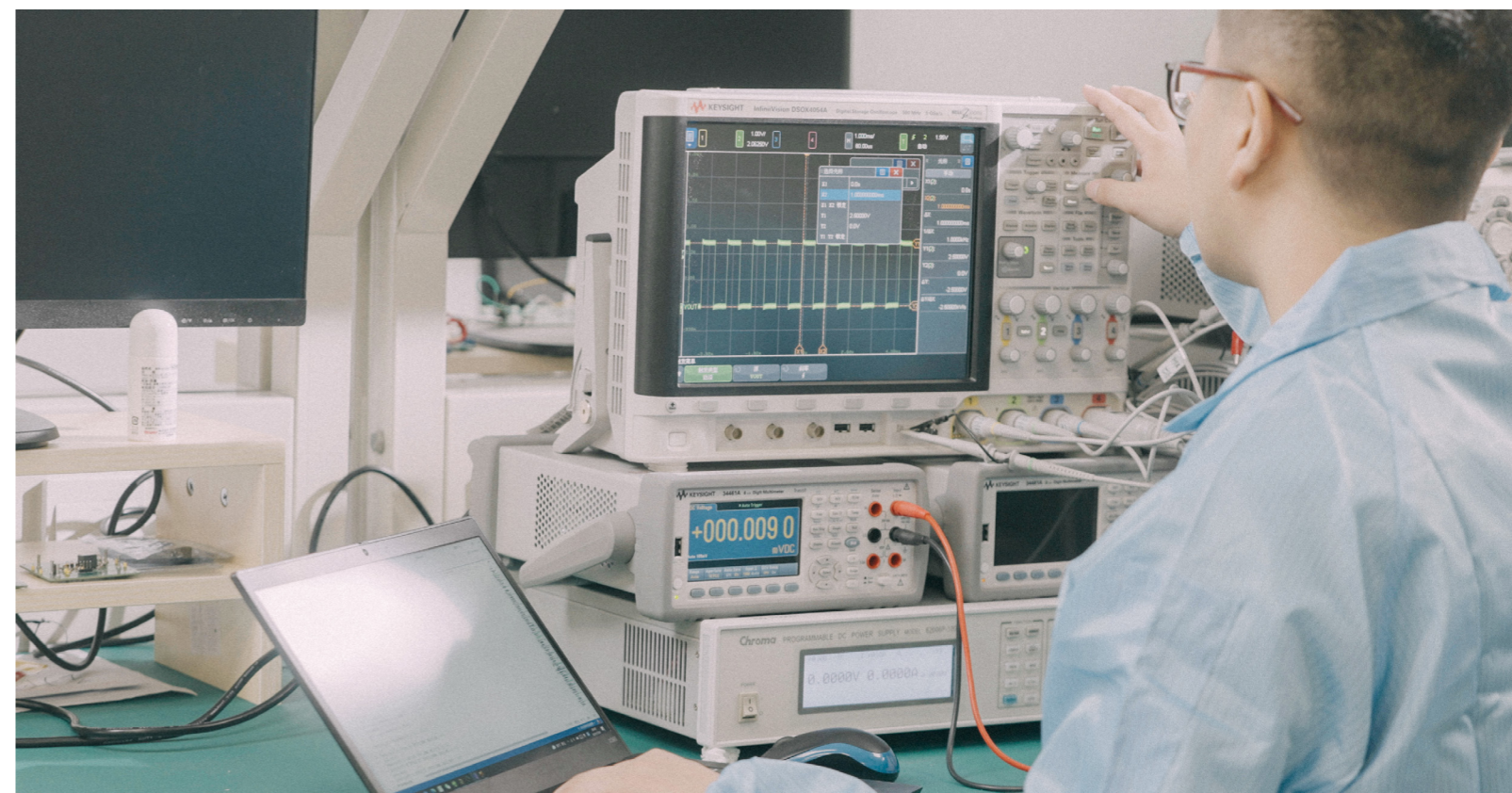


Quality Process Management

According to the *Product Quality Law of the People's Republic of China*, we established rigid product quality standards and a strict quality management process to manage product design, production, and sale processes in a controlled state and repeatedly screen and test the products at each level before they are placed in our warehouse and shipped. Meanwhile, we have established specific procedures to collect and respond to any customer complaint and feedback in a timely manner, in order to eliminate or minimize the adverse effect of defective and potentially hazardous products on customers and protect the rights of our customers.

Quality Improvement

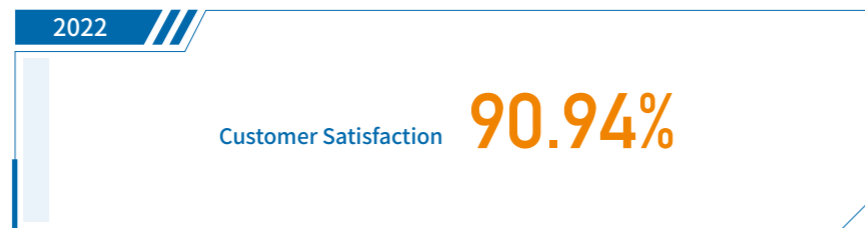
By strictly controlling design rules, manufacturing techniques, production processes, and testing and inspection, we improve product quality, enhance product anti-interference, and maintain production yield and stability at a high level. Meanwhile, our rigid quality control system ensures the consistency and reliability of our products. In terms of product performance and quality, we compete and rank amongst the first-ranking domestic and international competitors consistent with a competitive market.



Delivery of Exceptional Customer Service

Consistent with the standard practices of the integrated circuit industry and our specific company characteristic, we mainly rely on distribution channels of product distribution supplemented by direct sales in order to improve the efficiency of our sales channels and acquire more customers and promote our products.

By strictly controlling design rules, manufacturing techniques, production processes, and testing and inspection, we improve product quality, enhance product anti-interference, and maintain production yield and stability of product quality at a high level. Meanwhile, our rigid quality control system ensures the consistency and reliability of our products. In terms of product performance and quality, we compete and rank amongst the first-ranking domestic and international competitors consistent with a competitive market.



Drive For Win-Win Industry Partnerships

While actively participating in industry associations and forums, we are engaged in the formulation of many industry standards and committed to promoting inter-company information exchange and industrial development. Meanwhile, we actively carry out industry-university research activities and cultivate new forces for our industry.

Industrial Cooperation

We have joined the following industrial associations:

Industry Association	Title
China Semiconductor Industry Association	Director of the Integrated Circuit Design Branch
China Integrated Circuit Innovation Association	Director
Beijing Semiconductor Industry Association	Director
Fast Charging Alliance	Senior member
Shanghai Integrated Circuit Industry Association	Member

We have participated in the formulation of the following regulations:

Standard No.	Name of the Standard	Classification
GB/T 4377-2018	Semiconductor Integrated Circuits - Measuring Method of Voltage Regulators	National Standard
GB/T 14028-2018	Semiconductor Integrated Circuits - Measuring Method of Analogue Switch	National Standard
GB/T 35010.3-2018	Semiconductor Die Products - Part 3: Guide for Handling, Packing, and Storage	National Standard
QB/T 5511-2020	Lithium-ion Battery Charger for Electric Bicycles	Industrial Standard
QB/T 5513-2021	Battery Management System of Lithium-ion Battery for Electric Bicycles	Industrial Standard

Case Attended *electronica* to Demonstrate Technological Advancement

We attended the world-leading electronics trade fair "*electronica*" held in Munich, Germany in November 2022. At this conference we demonstrated our advanced technologies and expertise in "factory automation and control", "photovoltaic inverter and energy storage", and "electric vehicles".



Topic One

Upgrading the New Engine of Green R&D

While attaching great importance to technology research and development and being focused on technical innovation, SGMICRO continuously increases R&D investment, values the protection of intellectual property, leads the environmental protection and innovation of the industry, and actively promotes green R&D technologies to new heights.

R&D Strategy

Innovation is the foundation of our sustainable growth and development. We regard product R&D capability as one of our most important competitive advantages. Since our inception, we have set up a comprehensive R&D management system and process to develop and enhance our in-house research and development. We have continuously increased our investment in R&D in pursuit of technical innovation and to secure critical key technologies. Meanwhile, we develop key technologies and products addressing market and customer demands. As a result, we provide customers in our key target markets with globally competitive products and solutions. While prioritizing maintaining our leadership in the research and development of existing technologies, we also actively pursue next-generation technologies and products.

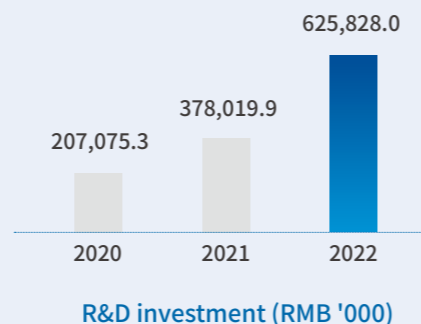
R&D Investment

Since our inception, our R&D investment has been continually increasing, which has allowed our team to grow rapidly and further enhance our innovation capability in core technologies. We have independently developed and accumulated a multitude of core technologies with key intellectual properties in analog chips for signal chain and power management markets. Utilizing these technologies, we have introduced to the market a full product portfolio that can satisfy market needs and is "diversified, comprehensive, and specialized for their target market segments". Some of our products have reached internationally recognized competing levels for their key indicators.



R&D Outcomes

We have won several awards in the industry, including the Beijing Science and Technology Advancement Award, the Beijing Invention Patent Award, and the "China Chip" Outstanding Product of Technological Innovation Award.



Awards Won by The Laboratories (Partial)

- Beijing Enterprise Technology Center
- Beijing Engineering Laboratory
- Beijing Design Creative Center

Research and Development Talents

We always value the development and retention of our key talent team, continuously develop and grow analog integrated circuit expertise highly aligned with our corporate culture and values, and actively recruit and attract talent through multiple channels. In 2022, we saw a significant increase in company size. In particular, the hiring of senior researchers and developers further enhanced our R&D capability.

Key Indicators

Number of researchers and developers in 2022

896

Growth of R&D personnel over 2021

294

YoY growth

48.84%

Green R&D

While conducting research and development on green technologies, we advance the development and application of green low-carbon technologies, develop energy-saving products, and apply them to green end-products to boost sustainable development.

Develop Green and Energy-saving Products

SGMICRO is committed to creating green environmentally friendly products throughout their entire lifecycle. We develop high performance analog chips with high quality reducing power consumption. In addition, our products' wafer fabrication and packaging processes comply with environmental protection standards. All our products are fully compliant with the REACH SVHC and RoHS2.0 green standards.

- Optimize the design of the product to reduce power consumption by adopting dynamic power consumption control technology and controlling or shutting down unnecessary circuit and functional modules in real time and minimizing the quiescent current consumption of chips
- Adopt the PWM pulse width modulation technology to improve the power conversion efficiency of DC/DC converters and effectively reduce energy loss. These technologies extend the stand-by time and operating time of portable electronic devices
- Utilize an optimized design to reduce the number of chip layers, to cut the consumption of raw materials, save costs, and shorten the production cycle



Case // Adhere to the green design concept and continue to launch green and energy-saving products

The energy consumption of low quiescent current operational amplifiers, comparators and low quiescent current DC/DC converters is reduced under stable and regulated voltage conditions. The carbon emission footprint throughout the entire life cycle of end products is reduced, thus reducing negative environmental impacts.

By efficiently controlling battery charge and discharge processes, high-performance battery management and protection products can extend the operating life of batteries and reduce the service cost of equipment. This will in turn reduce the consumption of our natural resources.

With a dimension of 0.64mm x 0.64mm, the ultra-small packaged low-drop-out linear regulator can help reduce the consumption of raw materials and improve the space efficiency of end products.

Application of Green Terminal

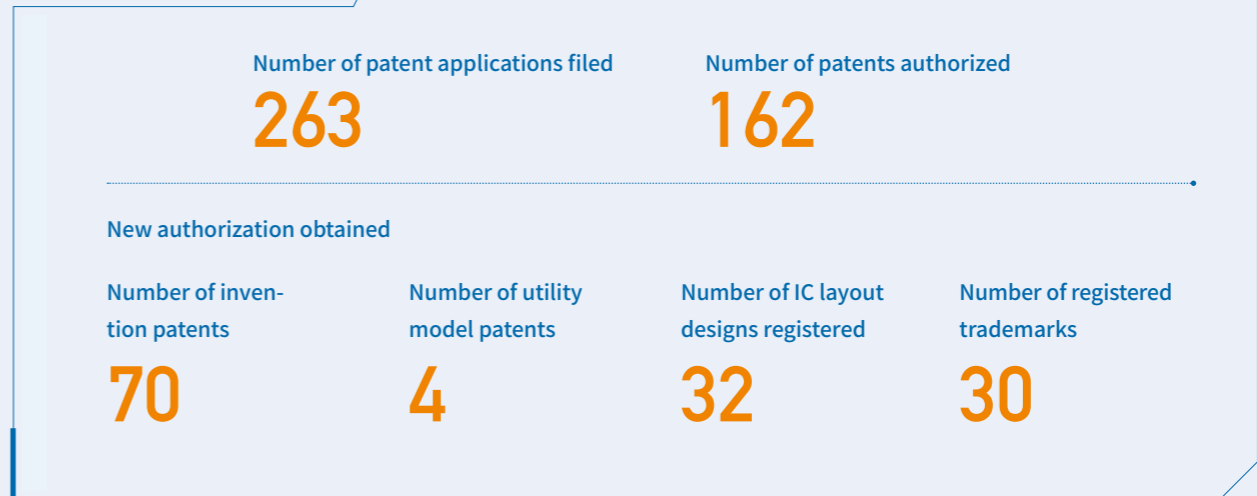
Our operational amplifiers, comparators, voltage references, analog switches, temperature sensors, microprocessor monitoring circuits and many other products are widely used in electric vehicles, photovoltaic energy storage inverters, wind power generation, and other terminal products of green energy, as well as green and energy-saving terminal products such as inverter air conditioners.



Intellectual Property

Aligning with our management philosophy of continuous innovation and intellectual property protection, SGMICRO safeguards intellectual property and has complied with the Intellectual Property Management Work Manual in accordance with the corresponding guidelines and characteristics of the Company and IC industry. The principles are to ensure matters are handled properly, effectively, systematically, accurately and promptly. The guidelines establish a common set of expectations to standardize the workflow involving intellectual property, and to raise company-wide awareness of intellectual property protection.

In the reporting period



R&D Outcomes

SGMICRO has strived to achieve a leading position in the analog IC industry through advanced design, superior performance and excellent quality over the past two decades. As China's first semiconductor company listed on the A-shares market specializing in the analog IC design covering signal chain and power management, we have been rated as one of "Top 10 China IC Brands" by a renowned media agency in the industry since 2008, is the only enterprise that has been on the list continuously.

In 2022, we received recognition shown as follows:

Name of Award	Recipient	Organizations and Group	Time of Award
"China Chip" Outstanding Technological Innovation Product	GaN driver SGM48520	China Center for Information Industry Development	January 2022
Top 10 China IC Brands	The Company	AspenCore, a global leading technology media organization in electronic industry (EE Times China)	August 2022
National Advantageous Enterprises in Intellectual Property	The Company	China National Intellectual Property Administration	October 2022
Product of the Year	Automotive Precision Programmable Reference - LM431BQ	AspenCore, a global leading technology media organization in electronic industry (EE Times China)	November 2022
Product Gold-Lion Award	24-Bit High-Precision ADC SGM58601	elecfans	December 2022

Topic Two

Building A Resilient and Responsible Supply Chain

SGMICRO developed a more integrated global supply chain management system, clarified our commitment to conflict-free minerals and strengthened the screening and review of suppliers, and worked with suppliers to build a resilient green supply chain.

Procurement Management

We strictly screen and classify our suppliers which optimizes our supplier management system, reduces costs, and improves our supplier base.

We have established and formulated the New Supplier Evaluation and Approval Procedure according to ISO9001, IATF16949, and ISO14001 certifications. Newly introduced suppliers must go through the procedure of site visits, fundamental information investigations, preliminary evaluations, on-site audit, and appraisal verification. The new suppliers that meet our rigid standards in technology, process capability, production capacity, and quality management systems will be included in the Approved Vendor List (AVL).

Suppliers on our AVL are subject to the Supplier Performance Monitoring and Improvement Regulations and are reviewed quarterly and annually. As for the suppliers that have failed to meet the performance expectation, we will propose an improvement plan to ensure the closed-loop management of suppliers, so that our goal of growing with suppliers can be met.

Commitment to Conflict-free Minerals

We are committed to avoiding the environmental and social harm caused by conflict minerals. In the process of screening suppliers, we perform due diligence on suppliers with regards to conflict minerals to make sure that the products do not contain tantalum, tin, tungsten, gold, or other minerals that are directly or indirectly sourced from conflict-affected areas. In addition, we require all our suppliers to commit that none of the products provided to us contain any conflict minerals, and all the minerals they use are sourced from smelters or countries identified by Responsible Minerals Initiative (RMI). In the reporting period, all the minerals and raw materials involved in the supply chain of SGMICRO came from smelters or countries identified by RMI.

Screening of Suppliers

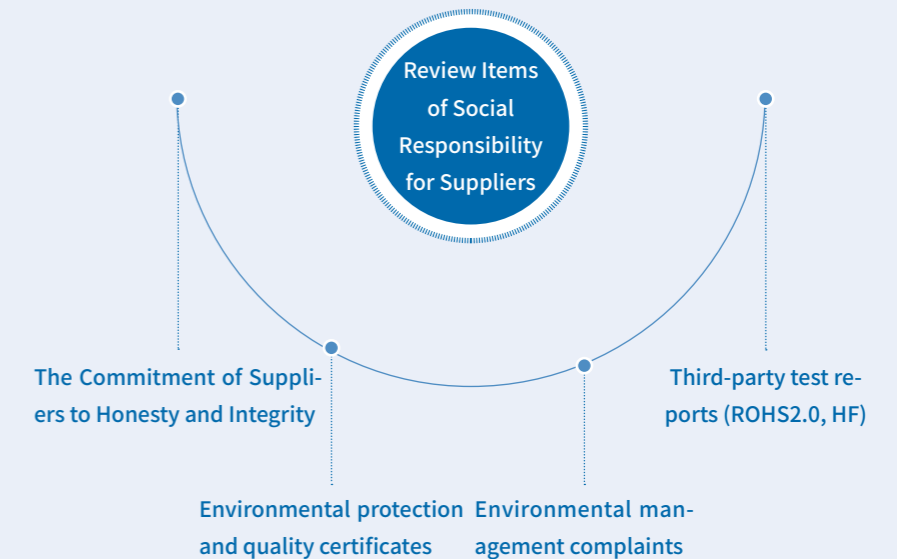
We preferentially choose large-scale established suppliers with sufficient industrial experience. When we collect information on our suppliers, the ISO14001 Environmental Management System Certificate is compulsory while the QC080000 and ISO45001 Occupational Health and Safety System Certificates are optional but preferred.

The manufacturing of our integrated circuit products is outsourced. All of our manufacturing suppliers are certified by ISO9001 and ISO14001 and most suppliers are certified by QC080000 and OHSAS18001. Suppliers of automotive-grade products are certified by IATF16949.

Audit of Suppliers

We integrate the annual audit of our suppliers into our efforts to continuously enhance our social responsibilities adhering to the principles of transparency and integrity. We urge suppliers to operate in compliance with laws and regulations, code of business conduct, market rules and ethical standards. We also require suppliers to commit that they will abide by local human rights laws and regulations, will not support forced labor or child labor, and will not purchase or use conflict minerals or other disputed raw materials. We require them to make declarations of compliance with relevant environmental protection standards.

We regularly review the performance of our suppliers and form a performance appraisal table which contains scoring items on suppliers' social responsibility performance. As for suppliers whose scores are below the average, we will require them to make improvements before a specified deadline. Suppliers that have failed to score above the average successively will be removed from our Approved Vendor List.



Cooperation with Suppliers

As one of the leaders in analog IC design, we hold supplier conferences to exchange information on the development roadmap of IC products. When suppliers' technical capability cannot satisfy the need for our new products or when we need to expand the production capacity of our mass-produced products, we will help suppliers build new production lines or expand the existing capacity by purchasing equipment on our own, to satisfy the needs for developing, producing, or delivering of our new products.

Furthermore, with the extensive deployment of suppliers and high-level management of safety inventories, we can reduce supply chain risks and increase supply chain resilience.

Promotion of the Green Supply Chain

With an aim to build a green supply chain, we require all partners in our supply chain to provide the latest third-party test reports for the raw materials and products they provide to us, so as to ensure that raw materials and products comply with relevant laws and regulations on environmental protection as well as other certification system requirements.

We adopt environmentally friendly, degradable, and recyclable packaging materials in our products. Documents in our production flow are paperless as much as possible, and replaced by barcode scanning and online transmission for delivery, thus striving for a green supply chain.



People-Oriented

Ensuring the Health and Development of the Workforce

SGMICRO has always regarded its employees as its most valuable asset. Being a people-oriented company and upholding a philosophy of growing together with its employees, SGMICRO has always advocated a talent philosophy of "combining moral integrity with professional competence, being dedicated to work and loving the team, pursuing excellence, and being pragmatic and responsible", with an emphasis on providing good working conditions and fostering mutual development and growth.

Labor and Human Rights

SGMICRO strictly abides by applicable laws and regulations, such as the *Civil Code of the People's Republic of China* and the *Labor Law of the People's Republic of China*. We respect and safeguard the legitimate rights and interests of all our employees. We continuously improve the "Codes of Social Responsibility", clarify employee rights and develop harmonious labor relations.

🔒

Anti-Forced Labor

SGMICRO does not use and tolerate the use of forced labor or involuntary labor by means of threats, strictly complying with labor laws and regulations in China and other applicable countries and regions.

👶

Combat Child Labor

We prohibit the use of child labor and underage labor within our workforce and will not cooperate with any supplier who intentionally uses child or underage labor.

💰

Compensation and Benefits

In accordance with local laws and regulations, employees are paid based on performance and are provided all legally mandated benefits, including social insurance and housing provident fund. In addition, the Company provides for a comprehensive benefit system including but not limited to annual physical checks, employee outings, cultural and recreational activities, festival benefits, and other benefits. Salaries are paid monthly, and there have been no cases of arbitrarily withholding of wages.

📅

Paid Leave and Wages

Employees are entitled to paid annual leave in accordance with the Labor Law and the Labor Contract Law, and wages during annual leave are paid accordingly. Wedding and funeral leaves, maternity leaves, parental leaves, and national statutory holidays and rest days as stipulated by applicable laws and regulations are not included in annual leave.

🛡️

Protect Human Rights

SGMICRO formulates policies and procedures to protect the human rights and interests of employees. Our employees are treated with dignity and respect. They are not subject to harsh or inhumane treatment, including sexual harassment, physical punishment, mental or physical oppression, verbal abuse, or threats.

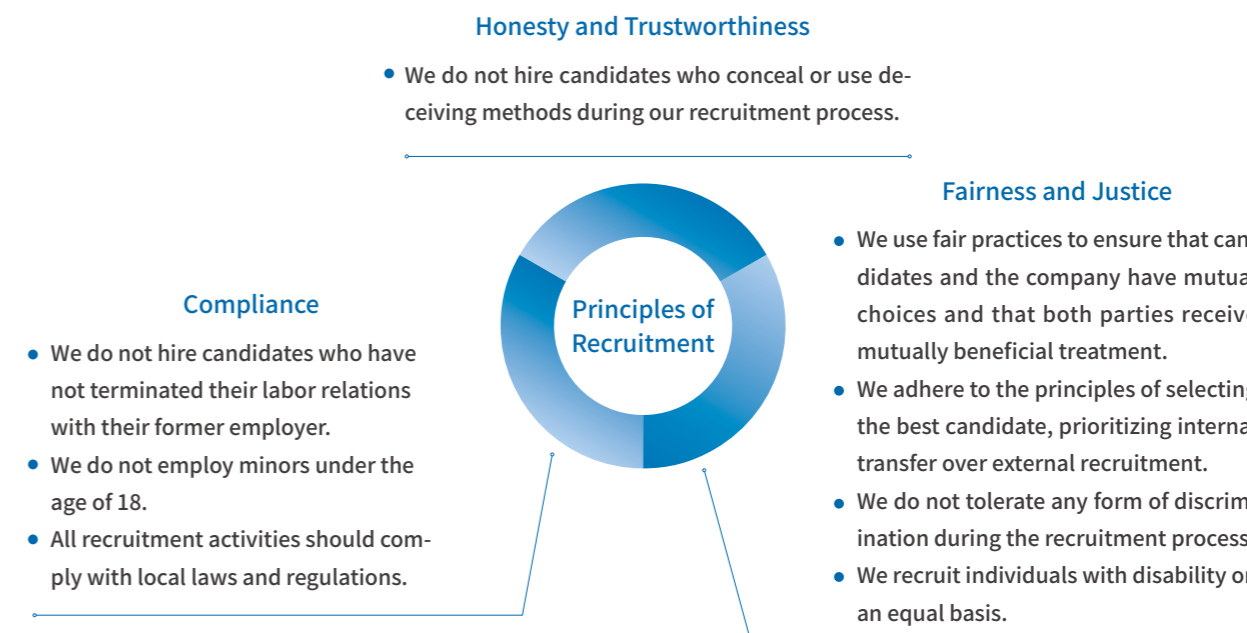
⚖️

Non-discrimination

SGMICRO provides fair and equal job opportunities to each candidate. We strive to cultivate an inclusive workforce. The decision on recruitment, compensation, bonus, training opportunities, promotion, dismissal, and retirement is based solely on performance capabilities and position requirements. In our hiring and employment practices, our workforce is not discriminated against based on age, race, color, national origin, religion, disability, gender, ethnicity, social class, or political affiliation. Employees are not compelled to undergo mandatory medical examinations that discriminate against them.

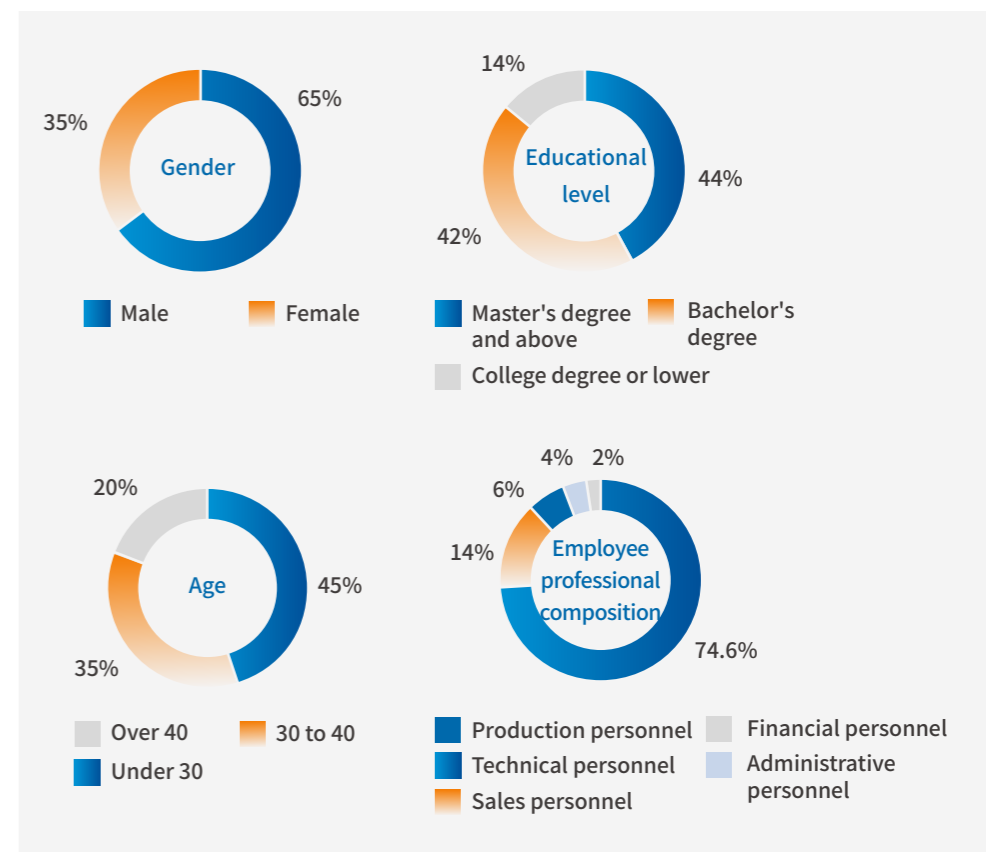
Talent Recruitment

Adhering to the people-oriented concept and the principles of compliance, inclusiveness, fairness, and honesty in the recruitment process, we have formulated the "Code of Talent Recruitment" to truly implement equal and diverse recruitment.



In 2022

the company employed
11 individuals with
 disability



Talent Development

Career Development Pathway

The company has established a diverse career development pathway, motivating employees to align personal career development goals with the growth of the company. Along with the growth of the Company, personal careers, and professional skills are developed and enhanced.

We are committed to employee growth and development and launch training and development programs that are tailored to meet the needs of different positions and levels of expertise and competency and enable them to achieve their professional goals.

Technical Pathway

We are able to expand our business by successfully meeting the continuously increasing demands of our customers and our target market. More opportunities for development of products requiring higher levels of innovation and complexity are open to related employees, resulting in the continuous improvement of their technical capabilities.

Management Pathway

The company provides a smooth promotion pathway, providing equal career development opportunities for employees who are willing to undertake higher management responsibilities, allowing them to fully utilize their management skills and expertise to fulfill their career progression goals.

Staff Training

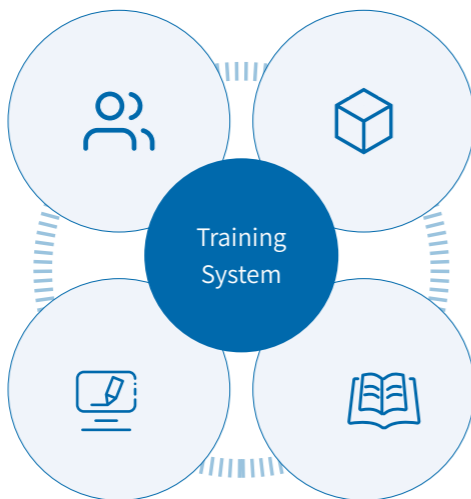
The company continuously improves employees' competence to better meet our growing business needs and ensure that employees achieve individual career development goals along with SGMICRO's rapid growth process, by establishing the "Training Management Guidelines".

New Employee Orientation

Helps fresh graduates and new employees quickly integrate into the Company and the team

Professional Training

Training on professional skills, for enhancing professional ability, accumulating knowledge, and sharing experience



Fundamental Training

Fundamental training on workspace skills and occupational skill upgrade

Management Courses

Provides career progression guidance and assistance for newly promoted managers and helps current managers with continued learning and growth

Staff Training Achievements in 2022

- Improved the "Training Management Guideline"
- Integrated training from various business units into a unified management training process, increased the evaluation process and promoted the effectiveness of the training program
- Streamlined the training process, clarified the responsibilities of all parties, and continuously improved the efficiency of our training process

In 2022

Over **80** % of the employees attended the training

Employees completed **520** hours of training

Case

Towards the Light, Illuminating the Future

In August 2022, SGMICRO held the "Towards the Light, Illuminating the Future" new employee orientation. In the orientation, SGMICRO shared corporate culture, guidelines, and procedures and arranged training sessions to supplement their skills to enable them to quickly integrate into our workforce. These training sessions assisted our fresh graduate recruits in the process of transition from students to full-time employees; laying a solid foundation for their future career development.



Performance Management

The competition for talent in the semiconductor sector is fierce. SGMICRO developed and continuously improved its "Performance Management Guidelines" aligning with our corporate culture. To drive continued successful operational and financial performance, we further optimized the performance assessment framework to encourage cross-functional collaboration, in order to create a common driver for excellence and achieve our annual goals.

While clearly defining performance indicators, we equally attach importance to the personal development of our employees and further refine their job requirements toward achieving this goal. Employees achieve career goals along with the rapid growth of SGMICRO.

We review corporate culture at least annually to ensure that our competitive advantage is continuously strengthened and inherited.

In 2022

The portion of employees who have undergone performance assessment or career development assessment reached **97%**

Employee Retention

SGMICRO formulates "Compensation Management Guidelines" and provides market-competitive pay to inspire employees, allocate human resources effectively and achieve our business goals.

Internally, SGMICRO architectures a performance-oriented strategy to evaluate and recognize employees based on performance and competency. The out-performing employees will be rewarded accordingly.



Externally, SGMICRO adopts a moderately leading compensation strategy to continually attract high-quality talent in the fiercely competitive labor market.

It supports the achievement of business objectives by considering the company's core values and employee performance, balancing fairness and competitiveness.

The compensation package consists of market-competitive fixed base salary and performance-based bonuses, as well as long-term stock awards, to align with the company strategy.

Stock Option Award

In addition, the company has been attracting and retaining professional and management talents who value and recognize the company's culture and values through its long-term equity incentive plan, injecting vitality into the company's sustained growth.

In recent years, the company has been continuously strengthening the long-term incentive mechanisms and carrying out four incentive plans that closely align company's performance with employee benefits.

Equity incentive plan	Quantity of granted shares	Total staff covered by the plan
Restricted stock and stock option incentive plan in 2017	1.69 million shares	263
Stock options incentive plan in 2018	2.22 million shares	372
Restricted stock incentive plan in 2021	2.10 million shares	763
Stock options incentive plan in 2022	2.81 million shares	635

Employee Communication

To foster a positive and transparent working environment, SGMICRO established a "Communication Management Procedure" and regularly holds all-staff meetings to update the employees on the latest business developments. We continuously emphasize our corporate culture, management philosophy, and promote communication and feedback among team members.

HR and other departments interact with different employee groups to convey our corporate culture and management philosophy. We are listening to our employees, learning about their evolving needs and advice, and responding with appropriate support. We foster a workplace where all our employees' voices are heard.

In addition, SGMICRO set up "Suggestion Boxes" in the offices, managed by the HR team to collect ongoing employee feedback and forward them to concerned departments and persons for follow up.

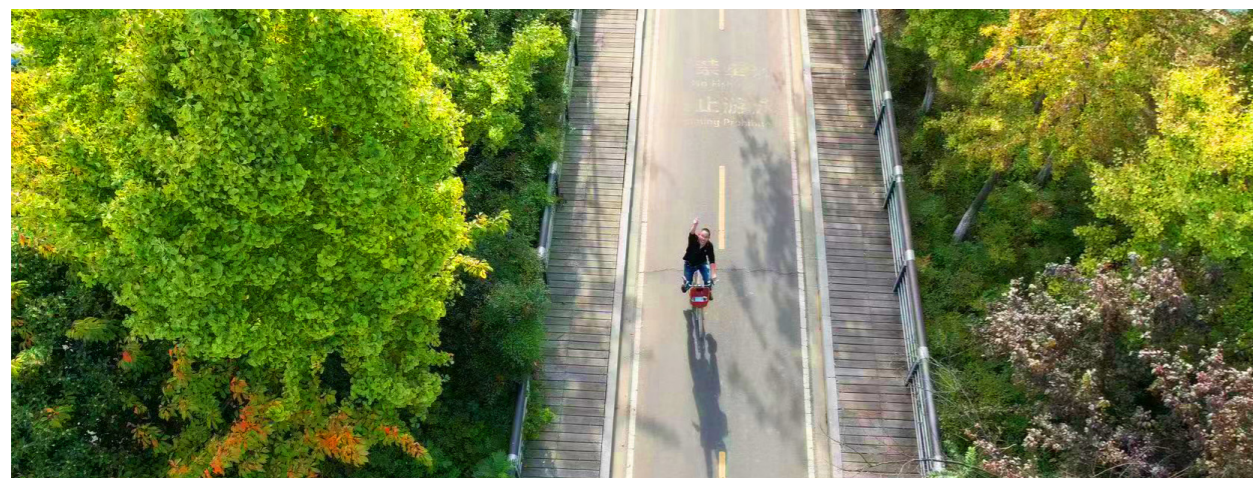


Safety and Health

As a people-oriented company, we offer a variety of benefits to our employees such as insurance and housing funds, flexible work hours and paid holidays for employees in order for them to create a balance between work and their personal life. At SGMICRO, employees have the option to join team-building activities and domestic and international travel to connect with each other and rejuvenate. Customized holiday gifts are offered and in some cities shuttle buses and canteens are provided to advocate green commuting. We provide sports venues to encourage employees to actively participate in physical exercise. We also provide condolences and care for seriously ill employees and their families.

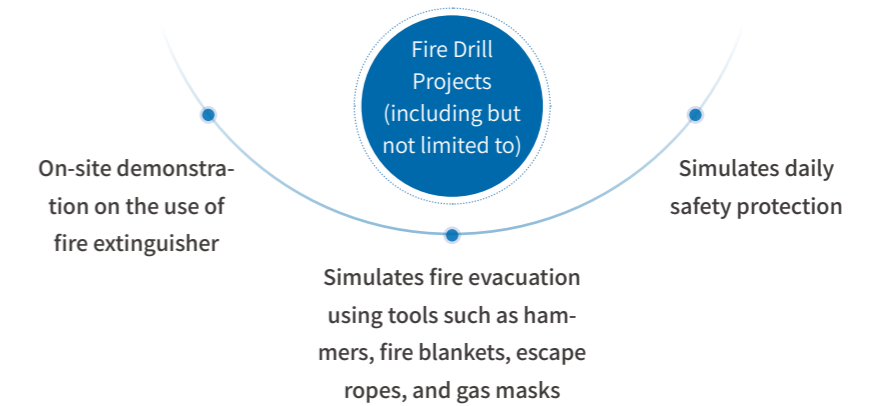
In addition, we strongly support women returning to work after maternity leave. We encourage more female employees to explore and pursue career progression in the IC field and to get involved in our management ranks.

We attach great importance to employees' health and safety and established manuals according to the Occupational Health and Safety Management System. We also set up an ESH (environment, safety, health) team to identify and evaluate relevant risks. In 2022, we identified no material risk and compiled a comprehensive checklist for general risk items and conducted regular inspections as required.



Safety Training

In accordance with ESH management requirements, we conduct annual fire drills to identify and promptly address problems and deficiencies in advance, ensuring timely response in case of fire incidents.



Office Environment

We are committed to providing a safe, healthy, and comfortable workplace by setting up user-friendly multifunctional areas such as leisure areas, dining areas, and telephone rooms. Moreover, we procure high-standard environmentally friendly materials and equipment to eliminate or minimize any negative impact on employees' health.

Laboratory

The laboratory is equipped with air purifiers, exhaust devices, and filters. The filter elements are regularly replaced by a professional company. We have also specially designed an independent soundproof room to reduce noise pollution from our air compressor and conducted anti-static treatment in our laboratory. Electrostatically sensitive equipment in our lab is grounded.

Decoration Materials

We require that all decoration materials be environmentally friendly. We hired an organization certified by CMA (China Inspection Body and Laboratory Mandatory Approval) to carry out air quality testing before reallocation, according to GB/T 18883-2022 "Indoor Air Quality Standard" issued by the Chinese National Health Commission. We also arranged for a qualified air treatment company to conduct on-site air treatment to further optimize indoor air quality.



Create a Better Society

Foster a Harmonious and Beautiful Community

SGMICRO is devoted to building a harmonious and beautiful community, persisting in sustainable operation and carbon emission reduction, and laying a solid foundation for sustainable development. We undertake our social responsibilities by taking an active role in welfare programs, making charitable donations, and fulfilling our social obligations.



Facilitating Environmental and Ecological Protection

SGMICRO integrates green concepts into its production and operations and promotes sustainable actions to make SGMICRO a more sustainable workplace and help employees incorporate social respectability into their personal life.

Environmental Management

SGMICRO has been upholding the environmental policy of "Compliance, prevention, continuous improvement, and green operation" for years and strictly abides by national, local and industrial environmental laws and regulations such as *Environmental Protection Law and Energy Conservation Law*. The company has prepared documents like *Control Procedures for Environmental Factor Assessment and Control Procedures for Environmental Objectives, Indicators, and Schemes* to highlight and bring into view the established environmental objectives and indicators into management and review; putting the requirements for environmental management into practice. We have obtained the ISO14001 Environment Management System Certification, with all our products complying with REACH SVHC and RoHS2.0 standards.

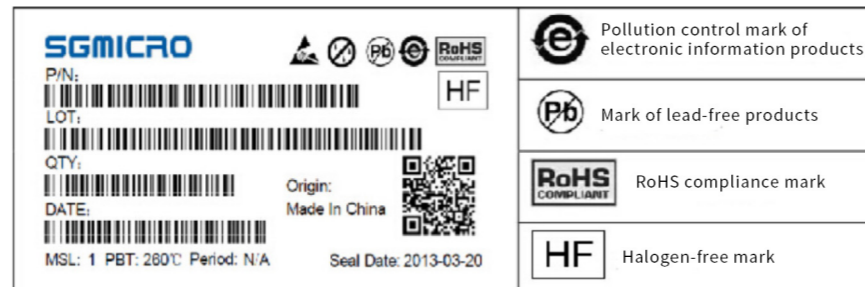


Environment Management System Certificate

We hold annual training on relevant content based on the ISO14001 Environment Management System to continuously increase our employees' environmental awareness. In 2022, 100% of our employees attended the training related to environmental protection.

Green Packaging

We strictly follow domestic, international, and industrial regulations on hazardous substances and have developed "Standard Operating Procedures for Environmental Materials Management" to ensure the content of prohibited substances in our products comply with relevant regulations and customer requirements. We observe all laws and regulations on prohibited and restricted substances and actively practice environmental protection by requiring all of our products to be green, with corresponding green labels placed on them.



Compliance with RoHS in EEE

All the products are investigated and tested as per RoHS and are confirmed to satisfy all regulations and customer needs within the specified time.

REACH Statement

In accordance with the REACH statement, we confirm that our products do not contain any volatile or intentionally released substances and chemical agents directly exported to the EU, with less than 0.1% of SVHC substances as required per EU's REACH bill.

Packaging and Packaging Waste Directive (94/62/EC)

The directive requires that the total concentration of heavy metals (Pb, Cd, Hg, and Cr6+) in packaging shall not exceed 100ppm.

Other Substances

We don't use molding compounds that contain red phosphorus flame retardant or antimony oxide flame retardant as substitute halogen-free materials. All the products or raw materials are free from PFOS or PFOA substances. SGMICRO investigates the supply chain which might contain impurities in the molding compound and require the factories to control the sum of impurities under 50ppm.

Halogen-free Requirements

All our products are halogen-free and made of qualified materials. In addition to the Pb-free and RoHS marks on the label, we have a HF mark. We provide relevant material composition lists and third-party test reports to show the compliance of our products.



Waste Management

Solid Waste

Sorting and Disposal of Hazardous Solid Waste

Scrap ink cartridges and toner cartridges: unified recycling and disposal

Waste battery: unified recycling and disposal with battery recycling bins

Waste PCBs, samples, and tin dross: unified recycling and grinding with a video of the process

As we are mainly engaged in chip design and R&D instead of direct manufacturing, we don't produce industrial wastewater or waste gas.

Our operation produces solid waste and electronic waste, for which we have prepared relevant management measures and implemented 100% classified storage with clear marks. Meanwhile, we have set up classified collection stations in the operation area and held special training on waste management to advocate garbage sorting and waste recycling. Furthermore, we have signed a contract of entrusted waste disposal with a third-party institution and kept a register of waste disposal, to ensure the waste is properly handled as per relevant regulations.

We entrust qualified institutions to recycle scrap electronic products, test equipment and other electrical equipment. Scrap ink cartridges, toner cartridges, computers, etc. are kept by the local administrative department or IT department and then recycled with a record by qualified recyclers on a regular basis, thus effectively controlling environmental risks.

Noise Pollution Control

We strictly execute the GB12348-2008 *Class-III Standard for Factory Noise of Industrial Enterprises* and keep the noise of our factory below 65dB during the day and below 55dB at night (22:00 to 6:00 the next day). We regularly examine the noise pollution points to ensure up-to-standard emissions and regularly maintain the noise-producing equipment to reduce noise pollution.

Green Office

We developed the "Guidelines on Office Management" and arranged the public areas and corridors as required by ISO14001. We added necessary water dispensers, notice columns, escape way signs, fire extinguishers, waste sorting and collection points, greening, etc., with regular cleaning, patrol, and rectification. We assigned personnel to clean the offices, office areas, meeting rooms, and interior public areas to guarantee clean and appropriate workspaces.

As we attach importance to environmental protection, we require using green decoration materials for all office areas, strictly control the indoor air quality, and setting a noise-reducing phone call room on each floor to ensure a quiet and green office environment.



Embracing Social Responsibility

SGMICRO is well aware of our social responsibilities. We take an active participation in creating a better society and fostering a harmonious and beautiful community.

We made charitable donations of money and medical equipment to the local medical institutions and assisted them building a comprehensive healthcare system.

Key Indicators

As of the end of the reporting period, the donations totaled RMB **5.1** million



Key Performance Indicators

Environmental Performance

Sector	Item	Unit	In 2022
Power Consumption	Power consumption	kWh	3,243,158.97
Water Resource	Water consumption	m ³	5,157.50
Daily Operation	Office paper consumption	Ton	4.07
Greenhouse Gas	Total greenhouse gas emissions (Scope I + II)	tCO ₂ e	1,861.12

Notes:

- The disclosed data on power consumption and water consumption come from some regions where the Company is located.
- Paper used in daily operations is outsourced. We try to practice paperless offices as much as possible.
- The emission of greenhouse gas is the sum of Scope I and Scope II. The greenhouse gas emission of Scope I is calculated according to our natural gas consumption, our liquefied petroleum gas consumption, and the corresponding emission factor, while that of Scope II is calculated according to the outsourced power and the corresponding emission factor.

Technical R&D Performance

Sector	Item	Unit	In 2022
Sci-tech and Innovation	R&D investment	RMB '000	625,828.0
	Number of R&D staff	Number	896
Intellectual Property	Total number of granted patents	Number	162
	Number of patents newly applied for	Number	263
	Number of newly granted invention patents	Number	70
	Number of valid trademarks	Number	109

Staff Performance

Sector	Item	Unit	2022	
Employee Hiring	Total number of employees	Number	1,243	
	By gender	Male	Number	812
		Female	Number	431
	By age	Over 40 years old	Number	241
		30 to 40 years old	Number	440
		Under 30 years old	Number	562
	By education background	Graduate and above	Number	524
		Undergraduate	Number	547
		College graduate and below	Number	172
	By employee category	Number of females in senior management	Proportion	11
	By category	Production personnel	Number	77
		Technical personnel	Number	917
		Sales personnel	Number	175
		Financial personnel	Number	19
Administrative personnel		Number	55	
	Individuals with disability	Number	11	
	Net increase in personnel	Number	385	
Employee Training	Total hours of training for an employee	Hour	520	

Corporate Governance Performance

Sector	Item	Unit	2022	
Corporate Governance	Number of general meetings of the board	Number	7	
	Number of Meetings of Board Committees	Compensation Committee	Number	5
		Strategy Committee	Number	3
		Nomination Committee	Number	1
		Audit Committee	Number	4
	Number of board members		Number	5
	By Gender	Male Directors	Number	2
		Female Directors	Number	3
	By category	Executive Directors	Number	1
		Non-executive Directors - Non-independent Directors	Number	2
		Non-executive Directors - Independent Directors	Number	2
	Number of Supervisory Board Members		Number	3
	Number of Employee Supervisors		Number	1
	Number of Senior Executives		Number	3
	By Gender	Male Senior Executives	Number	1
		Female Senior Executives	Number	2
Financial Highlights	Revenue	RMB '000	3,187,549.9	
	Net profit attributable to shareholders of the listed company	RMB '000	873,673.5	
	Dividend	RMB '000	118,730.4	
	Basic earnings per share	RMB	2.4533	

Index

GRI Index

Instructions: SG Micro Corp reported the information quoted in this GRI content index according to GRI standards between January 1, 2022, and December 31, 2022.

Index of Indicators

GRI Standard	Disclosure Item	Chapters and Sections	
GRI2: General Disclosure 2021	2-1	Details of the organization	About SGMICRO
	2-3	Reporting period, reporting frequency, and contact	About the Report
	2-7	Employees	Labor and Human Rights
	2-9	Governance structure and composition	Sound Governance Structure
	2-12	The supervisory role of the supreme governing body in terms of management influence	Sound Governance Structure
	2-14	The role of the supreme governing body in the sustainable development report	Continuous Improvement of Sustainable Corporate Governance
	2-22	Statement about the sustainable development strategy	Continuous Improvement of Sustainable Corporate Governance
	2-29	Participation methods of stakeholders	Continuous Improvement of Sustainable Corporate Governance
GRI 3: Material Issues 2021	3-1	The process of determining material issues	Continuous Improvement of Sustainable Corporate Governance
	3-2	List of material issues	Continuous Improvement of Sustainable Corporate Governance
	3-3	Management of material issues	Continuous Improvement of Sustainable Corporate Governance
GRI 201: Economic Performance 2016	201-1	Directly produced and allocated economic value	Performance Highlights
GRI205: Anti-corruption 2016	205-1	Operation points that have received corruption risk assessment	Regulated Business Conduct
GRI207: Tax Revenue 2019	207-1	Taxation policy	Sound Governance Structure
GRI 305: Emissions 2016	305-4	Greenhouse gas emission intensity	Key Performance Indicators
GRI 306: Waste 2020	306-2	Management of waste-related significant impacts	Facilitating Environmental and Ecological Protection
	306-3	Waste produced	Facilitating Environmental and Ecological Protection
	306-5	Waste under disposal	Facilitating Environmental and Ecological Protection
GRI 308: Environmental Assessment on Suppliers 2016	308-1	New suppliers screened out with environmental assessment dimensions	Building A Resilient and Responsible Supply Chain

GRI standard	Disclosure item	Chapters and sections
GRI 401: Employment 2016	401-2	Benefits for full-time employees (excluding temporary or part-time employees)
	401-3	Childcare leave
GRI 403: Occupational Health and Safety 2018	403-3	Occupational health service
	403-6	Promoting the health of workers
GRI 404: Training and Education 2016	404-1	Average training hours per employee per year
	404-2	Skill improvement scheme and transition assistance scheme for employees
	404-3	Proportion of employees that receive regular performance and career development assessments
GRI 405: Diversity and Equal Opportunities 2016	405-1	The diversity of governing bodies and employees
GRI 413: Local Communities 2016	413-1	Having operation points where local communities can participate in or influence the evaluation and development plans
GRI 414: Social Assessment on Suppliers 2016	414-1	New suppliers screened out with social assessment dimensions
GRI 417: Marketing and Identity 2016	417-1	Requirements for product and service information and identification
GRI 418: Customer Privacy 2016	418-1	Proven complaints about invasion of customer privacy or loss of customer materials

CASS-ESG 5.0

Contents	CASS-ESG 5.0	
About the Report	P1	
Message from the Chairman	P2	
About SGMICRO	P4	
Corporate Strategy and Culture	P4	
Awards and Recognition	P4	
Strong Corporate Governance Shaping a Sustainable Future	Sound Governance Structure	G1.1, G1.2, G1.10, G3.7
	Enhanced Risk Control	G1.3
	Regulated Business Conduct	G1.6, G1.7, G1.9
	Data Security and Information Confidentiality	S5.6
	Continuous Improvement of Sustainable Corporate Governance	G3.1, G3.5, G3.6, G3.7
Focusing on R&D Launching Competitive Products	Commitment to Superior Product Quality	S5.1, S5.5
	Delivery of Exceptional Customer Service	S5.3, S5.5, S5.7
	Drive for Win-Win Industry Partnerships	V2.5, V2.7
Topic: Upgrading the New Engine of Green R&D	V1.1, V1.4, V2.1, V2.2, V2.3	
Topic: Building A Resilient and Responsible Supply Chain	S6.1, S6.2	
People-Oriented Ensuring the Health and Development of the Workforce	Labor and Human Rights	S1.1, S1.2
	Talent Recruitment	S1.1, S1.2
	Talent Development	S2.1, S2.2, S2.3, S2.4
	Performance Management	S2.4
	Employee Retention	S1.7
	Employee Communication	S1.6
Create a Better Society Foster a Harmonious and Beautiful Community	Safety and Health	S1.10, S3.1, S3.7
	Facilitating Environmental and Ecological Protection	E1.1, E1.8, E1.14, E3.5
	Embracing Social Responsibility	V3.4, V3.7
Key Performance Indicators	A2	
Index of Indicators	A4	
Feedback and Suggestions	A5	

Glossary of Terms

Term	Notes
ADC	Analog to Digital Converter
DC/DC	DC/DC converter, a converter that converts a DC power supply into another DC power supply of different voltage or current
LED	Light Emitting Diode, a solid-state semiconductor device with diode characteristics that can convert electrical energy into light energy
LDO	Low Dropout linear regulator, an integrated circuit regulator that can provide steady supply voltage at a relatively low loss
MOSFET	Short for Metal-Oxide-Semiconductor Field-Effect Transistor, a transistor device widely applied in integrated circuits
SVHC	Substances of Very High Concern
RoHS	The restriction of the use of certain hazardous substances in electrical and electronic equipment
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals

Feedback and Suggestions

Dear reader,

Thank you for reading this first Environmental, Social, and Corporate Governance (ESG) Report of SG Micro Corp. In order to improve the quality of the report, we're looking forward to your valuable feedback. Please send an e-mail to Investors@sg-micro.com with your feedback. All your advices and suggestions will be taken seriously.

1. What's your overall comment on this report?

Very good Good Ordinary Bad Very bad

2. Do you think the report can reflect the Company's significant economic, social, and environmental influences?

Yes No

3. What do you think of the clarity, accuracy, and integrity of the information, data, and indicators disclosed in the report?

Fairly high High Average Low Very low

4. What do you think of the structural arrangement of the report?

Fairly reasonable Reasonable Average Poor Very poor

5. Is the report well designed in form and format for easy reading?

Very good Good Ordinary Bad Very bad

6. Is there anything you're concerned with but fail to find in the report? If so, please write down your concerns.

7. Which part of the report are you most interested in?



Add.: F11, Building D, No. 87, North Xisanhuan Road, Haidian District, Beijing
Email: investors@sg-micro.com
Tel.: 010-88825397