



2023

**Environmental,
Social, and Corporate
Governance Report**

SG Micro Corp

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Message from the Chairman

The year of 2023 was one of transformation and hope. In a complex world of fluctuating changes, SGMICRO kept a hand on the pulse of our era. We faced up to many challenges with unwavering vigor, seeking the opportunities for a brighter future. SGMICRO has always been resolute in our vision to become a leading comprehensive analog Integrated Circuit company with conviction that technology innovation will provide a new chapter of a more prosperous humanity. Technology, a vital force for societal development, brings a broad wealth of possibilities for mankind with every evolutionary step. We firmly believe continued technological innovation provides our generation with a more beneficial path for the welfare of all and for the sustainable development of our planet.

Since our company's inception we have maintained our focus on developing high-performance, high-quality, eco-friendly IC products.. Behind our commitment is the sincere desire to reduce energy consumption, protect our environment, and improve quality of life, thus creating value for society for generations to come. In 2023, we built on our core competitive technologies and product portfolio while exploring and developing new, innovative technologies and products. The company's production lines cover 32 categories and more than 5,200 products, many of which are already widely utilized in a broad range of markets, such as new energy vehicles, photovoltaic energy storage, intelligent manufacturing, and green household appliances, creating value for our customers while serving our common goal of energy conservation and protecting our environment.

As one of the leading IC design companies, we bear the responsibility of growing our company while we remain dedicated to a sustainable future for all. We are dedicated to creating a green supply chain system by integrating the

sustainable development philosophy into our supplier systems at every stage. The company values improving our teams' diversity, equality, and inclusivity. We are dedicated to creating a fair, inclusive, and safe workspace while offering a competitive salary and benefit system and career development opportunities. Furthermore, SGMICRO is also an active participant in various social welfare events to raise public awareness of sustainable development and social responsibility.

We are committed to improving operational efficiency through lean management practices. By refining comprehensive aspects of our governance, such as the corporate structure, the sustainable framework, and ethical conduct, we enhance the effectiveness of risk and compliance management. Looking back on 2023, the company made steady improvement across various fronts, including our financial strength, team efficiency, and resilience against risks. Amidst a challenging environment, the overall operational performance was robust.

In the future, SGMICRO will take on more responsibilities as we collaborate with our stakeholders to advance the sustainable development of the economy, society, and our environment. As faithful as ever to our sense of responsibility and commitment, we are committed to seeking opportunities for bringing positive transformations in our world when confronted with unforeseen challenges.

Zhang Shilong
Chairman and CEO



About SGMICRO

With a vision to become a leading comprehensive analog ICs company, SGMICRO specializes in the research, development, marketing, and sales of high-quality, high-performance analog ICs. Embracing an engineer-centric culture, the company firmly places meeting customer needs as its core principle. Since inception, we have been developing and producing highly reliable, highly quality analog IC products fuelled by continuous design innovations.

SGMICRO initially focused on developing high-performance operational amplifiers and LDOs, targeting various industrial applications as its core markets. It then strategically expanded its product categories to address the entire signal-chain solutions in analog, mixed-signal conditioning, and a complete line of power management solutions. As a fabless analog IC company, SGMICRO established a longstanding partnership with TSMC from the very beginning. We successfully developed a series of high-precision, low-noise, high-speed operational amplifiers (OpAmp) utilizing CMOS process technology to replace the traditional bipolar processes. This gave the company the initial recognition of our technical expertise and a cost advantage in the market place.

SGMICRO has always committed to independent product development, driven from the importance it attributes to intellectual property rights. This commitment has cultivated a deep in-house technical expertise fostering continuous improvement capabilities. With years of effort, this commitment has led to an impressive proprietary product portfolio. The company simultaneously developed a systematic quality assurance mechanism. Additionally, all the IC products from SGMICRO meet RoHS regulations and other environmental standards.

With an eye for detail and commitment to continuous improvement, SGMICRO is committed to delivering worry-free products. While serving a diverse set of industrial customers, SGMICRO has demonstrated great flexibility in adapting to the most dynamic applications of information and communication-related terminal products. This has extensively enhanced the company's management capability ensuring a stable, and robust supply chain while maintaining cost competitiveness. This has earned the company an excellent reputation with its customers in our short lead-time delivery performance and consistency of delivering high quality products with very high volume.

Since inception, the company has maintained a stable founding team and kept a low employee turnover rate. Consistently and rapidly growing, SGMICRO has been achieving annual profitability since 2009, culminating in its listing on the Shenzhen Stock Exchange on June 6, 2017, under the stock code 300661.

SGMICRO aims to be a global leading supplier of a comprehensive portfolio of analog IC solutions. The company develops direct cooperation with a global set of top brand manufacturers in factory automation, solar inverters, energy storage systems, new energy vehicles, Li-battery formation, white appliances, 5G wireless base station, optical fiber modules, servers, office automation equipment, machine vision, smart phones, audio systems, VR, game console, and smartwatches.

Overview

- Headquartered in Beijing China
- Publicly listed on the SZSE ChiNext (stock code 300661) on June 6, 2017
- Until 2023, the total shipment exceeds 20 billion units
- Until the end of 2023, over 1,400 employees and over 1,000 R&D personnel

Products

5,000+

Customers

5,000+

2023 Revenue

2.616 (RMB Billion)



Social Responsibility Performance Highlights

Environmental Performance

Water consumption (m³)

10,148.00

Power consumption (kWh)

6,734,013.00

Greenhouse gas emissions (Scope 1-2, unit: tCO₂e)

3,851.63

Social Performance

Number of employees

1,415

Employee training coverage rate (100%)

100

Average learning hours

60.5

R&D Performance

Patents obtained

229

Newly applied patents

230

Newly introduced marketable products

900

Awards and Recognition



Top 10 China IC Brands



China Analog IC Industry Leading Excellence Award



SGM8196 Product of the Year



SGM41570 Power Management of the Year



Annual Best Employer Award



The 14th Tianma Award for Investor Relations of Listed Company in China



The Most Valuable Investment Award of Golden Bull 2023



Best Interaction IR Team Award



Corporate Culture

Corporate Strategy

SGMICRO is dedicated to achieving our business objectives while creating value for our society through innovation-driven initiatives aligned with market-oriented strategies. We attach great importance to our strategic planning by prioritizing research and development, seeking solutions to crucial technical challenges, and enhancing our existing products. While continuously strengthening our leading position in China's analog IC industry, we are focused on developing state-of-the-art, high-performance analog IC products and technologies aiming to position ourselves as a globally recognized brand.

Our Culture and Values

SGMICRO upholds values of integrity, accountability, progress, and teamwork, cultivating a work environment that promotes independence, self-confidence, open-mindedness, inclusion, diversification, and a willingness to embrace innovation. Within a context of clear, direct, truthful, complete, and simple communication, SGMICRO urges all employees to understand their job's purpose and value to work collaboratively with their team. We view new challenges as opportunities for growth encouraging employees to exceed expectations, demonstrate their unique value, and achieve personal growth.


With a flat organizational structure, SGMICRO is dedicated to continuous improvement and promotes open and direct exchange across all levels and functions. All managers are actively engaged as mentors providing motivation, assistance and trainings in the resolution of critical issues. Employees are encouraged to take ownership of their work, assuming leadership roles, embracing challenges, and driving innovation. Collaborating with colleagues, they accumulate valuable experience, deepen their understanding, and optimize operations to enhance efficiency. SGMICRO pays special attention to team vitality and efficiency promoting a competitive yet collaborative approach that is synchronized with our objectives while allocating resources based on dynamic evaluations. Combined with a results-oriented performance evaluation system, the employees are empowered to grow alongside the company for long-term development.

The company places a strong emphasis on ethical and legal conduct requiring all employees to align their conduct with legal and social ethical standards. This safeguards the long-term interests of our customers, the company, and employees. Employees are to refrain from providing false or misleading information and strictly adhere to integrity commitments and anti-bribery regulations in all business activities. SGMICRO's commitment to ethical conduct extends across all our operational locations. The governance mechanisms are thoughtfully designed to ensure that the business policies align with all long-term interests and demands of stakeholders, including government entities, society, customers, employees, and shareholders. We actively fulfil social and environmental responsibilities and believe that this will ensure sustainable development over the long term.



 People-oriented

 Diligent and Innovative

 Team Work

 Responsible



Green Comes First

In the face of the mounting challenges posed by climate change around the globe, SGMICRO dedicates itself to actively implement sustainable development practices. Continuous exploration and innovation in every aspect of our daily operations allow us to integrate environmental protection principles and minimize our environmental impact. Moreover, through continuous research and innovation, we promote the development and application of green and low-carbon technologies, contributing to our industry's overall sustainable development.

Green R&D

As a leading analog IC company, our commitment to environmental sustainability are deeply engrained in our technological innovation. As the company continues steadily on its growth path, our cumulative shipped products are estimated to exceed 30 billion units by the end of 2024, which is equivalent to impacting every person worldwide more than four times. Our products have penetrated various industrial and consumer sectors, yielding positive impacts on the environment. Environmental protection principles guide every aspect of our research and development processes. Every product displays our dedication to environmental protection, resource conservation and our practical approach to the industry's green and carbon emission trends.

Our research and development processes are founded in the principles of energy conservation, emission reduction and protecting our environment. From our product definition and design to manufacturing, we place great emphasis on green procedures. During product definition, we focus on technical specifications such as low energy consumption, small size and streamlined processes. In circuit design, we minimize power consumption, chip size and silicon layers while enhancing reliability and lifetime. Throughout manufacturing, we collaborate extensively with our foundry partners to select environmentally friendly raw materials. These efforts ensure our products are designed and manufactured with optimum energy savings and minimum emission-reduction while minimum use of resources and waste. Furthermore, our high quality and long-lasting products help to prolong the lifespan of customers' end products, thereby reducing electronic and packaging waste.



Environmental Management

SGMICRO adheres to industry standards and environmental protection laws and regulations of the People's Republic of China, including the *Environmental Protection Law*, *Water Pollution Prevention and Control Law*, *Air Pollution Prevention and Control Law*, *Prevention and Control of Environmental Pollution by Solid Wastes Law*, and *Environmental Noise Pollution Prevention and Control Law*. As part of our commitment to green and environmentally friendly development, we actively align with national carbon neutrality and peak carbon objectives, fulfilling our social responsibility by promoting energy conservation and emission reduction.

We actively promote the standardization and institutionalization of environmental management, enhancing our organizational structure in the process. Drawing from documents such as *Environmental Impact Assessment and Control Procedure* and *Environmental Objectives, Indicators, and Measures Control Procedure*, we emphasize the management's leadership role in the system.

The company sets multidimensional annual targets for solid waste recycling control rates, noise emissions, energy consumption, health and safety incidents, and hazardous substance non-conformance events. We issued a *Quality Environmental Objective Release Order* to clarify the integration of environmental objectives and indicators into management reviews.

In 2023, the company updated its ISO 14001 environmental management system certification. Utilizing the ISO 14001 environmental management system, we conduct annual training on related content to enhance employee environmental protection awareness. At the time of this report, 100% of the employees participated in environmental protection-related training.

Compliance with applicable laws, regulations, and other requirements.

Continuous improvement of the environmental management system.



Energy conservation, emission reduction, pollution prevention, and control.

Provide the best products and services for green energy customers, promoting a green supply chain.

Responsibilities of Management in Environmental Management



Accountability for an effective environmental management system



Ensure the established environmental policies and objectives are consistent with the company's strategic direction and current ecological context



Integrating environmental management system requirements into organizational business processes



Secure the availability of resources required for the environmental management system



Convey the importance of environmental management system requirements compliance



Guarantee that the environmental management system achieves its intended outcomes



Provide guidance and support to employees so they contribute effectively to the environmental management system



Promote continuous improvement

Energy Conservation and Carbon Footprint Reduction

Responding proactively to the call for environmental protection, SGMICRO highly emphasizes the effective utilization and rational management of energy resources. It integrates energy conservation and emission reduction policies into its core operational processes, aiming to reduce environmental impact while lowering production costs and enhancing competitiveness.

Our Approaches



Regularly inspect, maintain, and repair equipment to promptly identify and resolve faults, ensuring stable operation and efficient energy utilization.



The Integrated Management Department tracks monthly electricity and water usage, conducts statistical analysis, and promptly addresses any anomalies according to established procedures.



Prominent notices in public areas promote water conservation, energy saving, and paper conservation, encouraging employees to incorporate energy-saving awareness into their daily habits.



Variable frequency air conditioners are installed and operated according to company regulations, with summer temperatures not set below 26 degrees Celsius and winter temperatures not exceeding 20 degrees Celsius.



Monthly paper consumption is monitored, and employees are encouraged to reuse paper to minimize waste. Meeting rooms are equipped with electronic monitors to promote paperless office practices.



Energy-efficient LED lighting is installed throughout our office spaces to reduce energy consumption.



Waste and Material Management

Waste Disposal

SGMICRO primarily engages in analog and mixed-signal integrated-circuit (IC) design, research, and sales with no direct involvement in product manufacturing. Our operational activities generate general solid waste and electronic waste. To address this, the company has formulated waste management regulations and practices that include 100% classified storage and precise labelling. Additionally, waste classification recycling points are established in operational areas, and employees undergo waste management training, advocating for waste sorting and recycling. In addition, the company signs waste disposal contracts with third-party processing organizations, maintaining waste disposal records to ensure compliance and proper handling.

As for discarded electronic products, testing kits or fixtures, and various types of electrical equipment, the company entrusts professional institutions with certified recycling qualifications to handle the disposal. Waste toner cartridges, toner drums, computers, and other equipment in various regions are collected and stored by local administrative departments or IT departments. Regular contact is made with environmentally certified recyclers to control environmental risks effectively.



Solid Waste Management



Discarded Batteries

Battery recycling bins are set up for centralized recycling and processing.



Discarded Toner Cartridges and Drums

Centralized recycling and processing



Discarded Circuit Boards, Samples, and Solder Dross

Centralized recycling and crushing are conducted, with video documentation of the crushing process.

Noise Pollution Prevention and Control

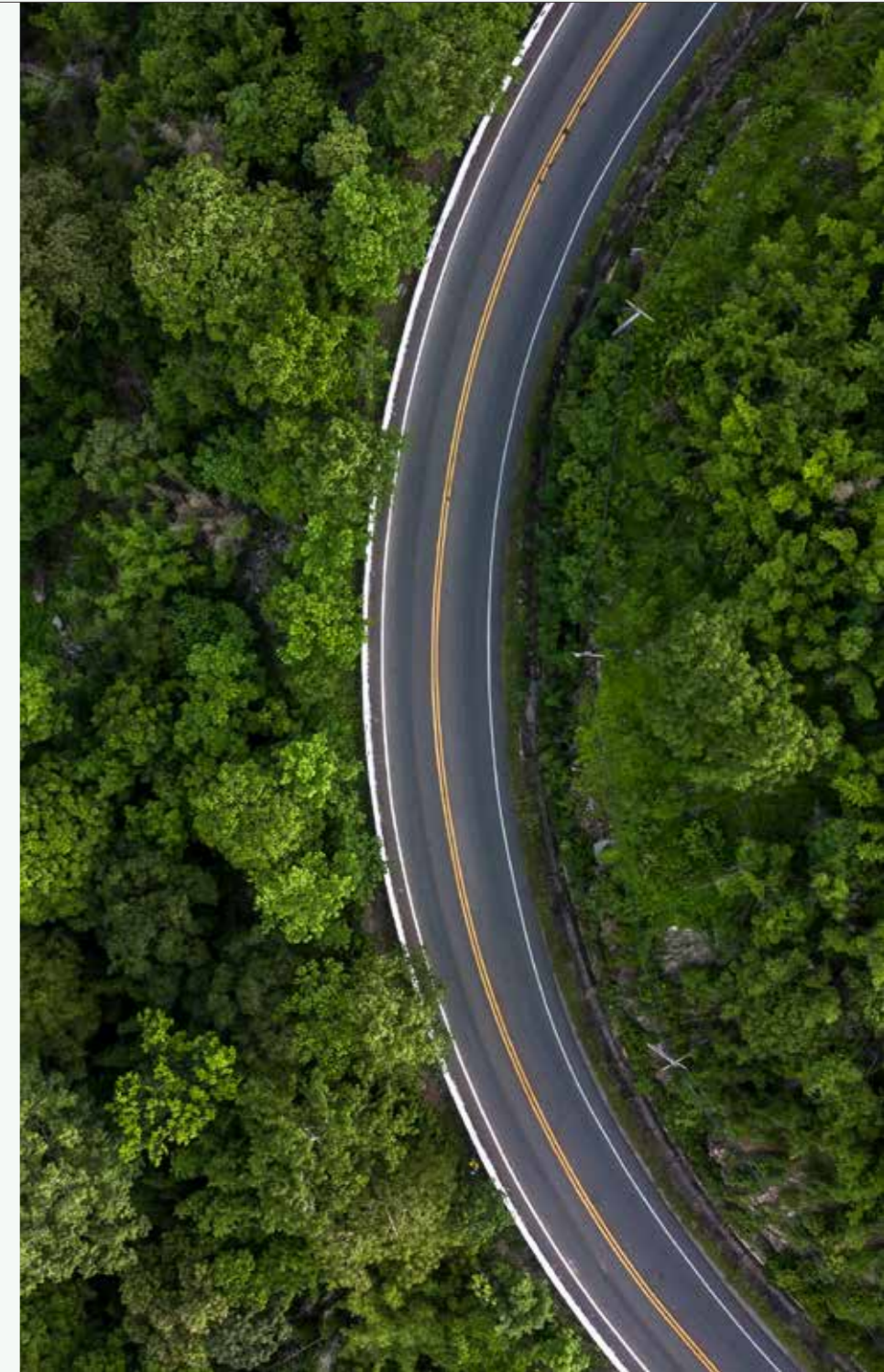
SGMICRO rigorously follows GB12348-2008 *Industrial Enterprise Boundary Noise Standards Class III standards*, maintaining company boundary noise levels below 65dB during the day and below 55dB at night (from 22:00 to 6:00 the next day). Regular monitoring of noise pollution points is conducted to ensure compliance. Additionally, regular maintenance and upkeep of noise-generating equipment are performed to reduce noise pollution.

Green Sourcing

The company diligently practices commitments to a green supply chain. We enforce strict requirements on our supply chain partners to adhere to Hazardous Substance Management standards throughout the material selection, wafer fabrication, assembly, and testing processes. We ensure compliance with environmental protection laws, regulations and certification standards by requiring up-to-date third party testing reports for both raw materials and finished products. This commitment reduces the ecological impact of our products throughout their life-cycle-from production to use and disposal.

Environmental symbols are prominently displayed on product packaging, and we prioritize the use of biodegradable and recyclable materials. We aim to transition to paperless transactions by leveraging barcode scanning and network-based information exchange, thereby reducing resource consumption.

Compliance with the RoHS	All company products comply with RoHS requirements, completing the necessary investigations, confirmations, and testing to ensure they meet regulatory timelines and deliver on customer requirements.
REACH Declaration	By the REACH legislation, the company confirms that its products do not contain volatile substances or intentionally release substances. Additionally, the company does not directly export any chemical substances to the EU. The content of substances of very high concern (SVHC) in company products meets the EU requirement of less than 0.1%.
Packaging and Packaging Waste Directive (94/62/EC)	The directive requires that the total concentration of heavy metals, i.e. lead (Pb), cadmium (Cd), mercury (Hg), and hexavalent chromium (Cr6+), in packaging does not exceed 100 ppm.
Other Substances	The company confirms, after investigations through the supply chain, that plastic materials containing red phosphorus or antimony trioxide flame retardants are not used. Furthermore, all products and raw materials do not contain perfluorooctane sulfonate (PFOS), perfluorooctanoic acid (PFOA), C9-C21 perfluorocarboxylic acids (PFCA), perfluorohexanoic acid (PFHxA), and perfluorohexyl sulfonic acid (PFHxS) substances.
Halogen-Free Requirements	Halogen-free materials are used in all products. For products that meet halogen-free requirements, the label includes the addition of "HF" mark except "Pb free" and "RoHS" marks. Relevant material composition tables and third-party testing reports are also provided to demonstrate product compliance.



Green Opportunities

SGMICRO has optimized energy consumption reduction in its analog IC design across various categories.

Efficiency and low power consumption are prevailing trends in integrated circuit (IC) development, particularly within the analog chip domain. These represent SGMICRO's core competencies. Over years of independent research and development, we have developed world-leading technologies, intellectual property, and high-performance products. Our areas of competency include chip power reduction, enhanced power conversion efficiency, process optimization, and chip size reduction. Notably, our series of ultra-low power operational amplifiers, comparators, low-dropout regulators (LDO), boost converters and buck DC/DC converters prioritize optimum performance with minimal power consumption and compact form factor. Adopting our products, our customers create energy efficient end-products that conform to environmental sustainability objectives.



Reduce product power consumption by adopting dynamic power consumption control technology and controlling or shutting down unnecessary circuit and functional blocks in real time (dynamically) and minimizing the quiescent current consumption of chips.

Adopt the optimized PWM (Pulse Width Modulation) technology to improve the power conversion efficiency of DC/DC converters and effectively reduce energy loss.

The company's products are extensively employed in energy conservation and environmental protection, facilitating the across-the-board adoption and rapid development of various green and energy-efficient products.

Global climate change presents both challenges and opportunities. As we address this challenge, humanity is compelled to explore and adopt low-carbon and sustainable development models. Emerging sectors such as clean energy and energy-saving environmental protection offer unprecedented development opportunities. There are new impetus for economic growth as well as effective means to address environmental issues. Semiconductor technology, as the cornerstone of modern society, plays a crucial role in driving the development of green technology. In response to these opportunities, the company began laying out innovative products for applications in new, green, and clean energy fields many years ago. Collaborating with relevant end-products manufacturers, we have launched multiple next-generation analog IC products for energy conservation and environmental protection in various applications, such as photovoltaic energy storage, lithium battery manufacturing and management, new energy vehicles, and third-generation semiconductors. These efforts contribute to the widespread adoption and rapid development of various green and energy-efficient products, providing a more environmentally friendly and efficient experience for our lives. Furthermore, they contribute to improving the Earth's environment and human sustainable development.

Case

High-Efficiency and Energy-Saving Battery Management and Protection Technologies

The company's high-performance battery management and protection product series are designed to optimize lithium battery charging and discharging processes. These chips significantly enhance overall efficiency by implementing more efficient power conversion architectures, optimizing internal switching frequencies, and reducing the on-resistance of the internal power device. This enhancement extends the battery's lifespan, a critical factor in sustainable energy usage.

Case

Environmental Benefits of Ultra-Low Power DC/DC Converters

The company's introduction of ultra-low power synchronous boost DC/DC converters has set a new industry standard with its outstanding energy efficiency performance. The products achieve high-efficiency energy conversion within a load current range of 10mA to 300mA while consuming minimal quiescent current (i.e. 50nA at the input pin and 1.7µA at the output pin). Its low power consumption performance is on par with the most advanced products in the world. This technological breakthrough improves the energy utilization efficiency of electronic devices and significantly reduces overall energy consumption.





Scientific Governance

SGMICRO refines its corporate governance structure to establish an efficient and integrity-driven system. By harmonizing streamlined and effective mechanisms with ethical conduct and regulatory compliance, the company safeguards investor interests and continually strengthens its overall value proposition.



Enhance Governance Structure

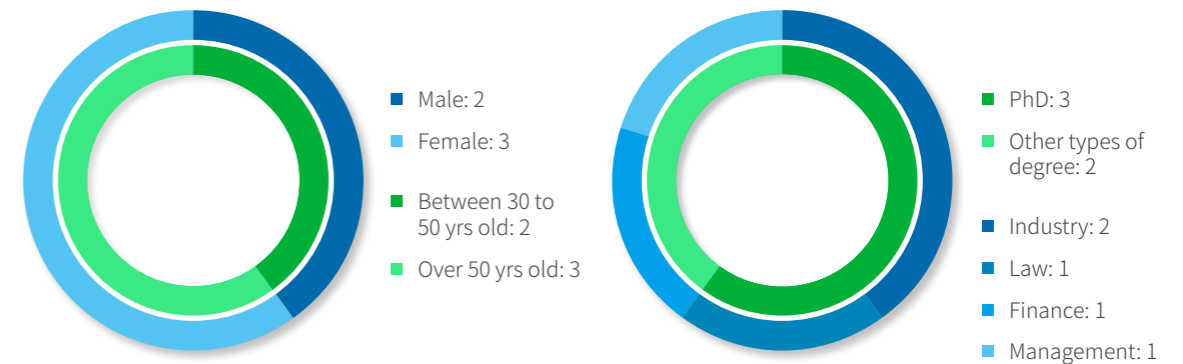
Corporate Governance

Since its establishment, the company has consistently adhered to relevant legal requirements and proactively refined its corporate governance framework. Clear and standardized responsibilities are assigned to the Board, executive officers, supervisors, and the management team; creating a robust mechanism for independent oversight and strong corporate governance. This ensures that every decision adheres to legal regulations while safeguarding the interests of all shareholders.

Shareholders' Meeting	Composed of all company shareholders and serves as the company's governing body.
Board of Directors	Audit Committee ▶ Reviewing the company's financial information and disclosure, supervising and evaluating internal and external audit work, and internal controls.
	Strategy Committee ▶ Responsible for formulating the company's development strategies and medium to long-term development plans.
	Nomination Committee ▶ Responsible for selecting and reviewing candidates for directors and senior management positions and assessing their qualifications.
	Compensation Committee ▶ Tasked with establishing performance evaluation criteria for directors and senior management, devising and reviewing compensation policies and schemes.
Board of Supervisors	Serves as the supervisory body of the company, focusing on financial oversight, ensuring the lawful and compliant performance of the company's directors, general manager, and other senior executives.
General Manager	Reports to the board of directors and is responsible for effectively managing day-to-day operations to achieve the company's business objectives.

The board of directors consists of five members, including two independent directors with extensive experience in accounting, law, and other relevant fields. These board members have diverse professional backgrounds and industry expertise. Their collective contributions enhance SGMICRO's competitive advantage and elevate the efficiency and quality of material decisions, thereby establishing a robust foundation for our long-term growth. As of the current report, the attendance rate of directors at board meetings stands at 100%.

Board of Directory Diversity



Disclosure of Information

The Board of Directors exercises oversight and management of information disclosure. The Board Secretary coordinates and organizes specific matters related to information disclosure, with assistance from the Securities Affairs Representative. At SGMICRO, we rigorously implement our information disclosure system and uphold the confidentiality of company insider information. This commitment is critical to 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 by all our shareholders.

2023

In the *Announcement on the Results of the 2022-2023 Annual Information Disclosure Assessment for Companies Listed on the ChiNext Market* released by Shenzhen Stock Exchange, SGMICRO was granted 'A' grade in recognition of our outstanding disclosure practices.

Investor Relations

SGMICRO has implemented the *Investor Relations Management Guideline* to streamline and enhance our communication with investors. The Board Secretary oversees investor relations management, coordinating interactions with our investors. Responsibilities include organizing meetings, facilitating activities, and promptly addressing inquiries through various channels—such as regular reports, site visits, communication, roadshows, dedicated phone lines, email, fax, and investor relations platforms. Our proactive engagement aims to deepen investors' understanding of SGMICRO.

The 14th Tianma Award for Investor Relations of China Listed Companies (Organized by *Securities Times*)



Business Ethics

The company is guided by the principles of authenticity, compliance, resilience, and sustainability, with authentic data and legally compliant operations. We crack down on commercial bribery and oppose unfair competition. We comply with all relevant laws and regulations to maintain a fair, equitable, and competitively open commercial environment. Our superior quality products combined with an excellent reputation enables SGMICRO to continue securing new business opportunities.

Integrity and Honesty

Per our strict integrity guidelines, we have developed policies such as the *Integrity and Anti-Corruption Management Standards*, strictly prohibiting any form of bribery, corruption, embezzlement, extortion, misappropriation of funds, or any related conduct to ensure the smooth operation of the company. All employees are required to refrain from promising, offering, giving, granting, or accepting any improper and illicit benefits.

Integrity and Honesty Management Training

The company conducts regular integrity and honesty management training for employees, reinforcing their understanding of business conduct and principles. During orientation, new employees gain a deep understanding of the company's *Integrity and Honesty Management Standards*, which apply to all employees of SGMICRO and its direct and indirect subsidiaries, including marketing personnel who have signed the *Integrity Commitment Letter*.

Promotion of Integrity and Honesty Management

Every year, the company organizes activities to promote integrity and honesty management concepts to business partners who have direct business dealings with the company, ensuring that they comply with the integrity and honesty management standards and relevant regulations. Business partners of the company all have signed the *Letter of Commitment to Honesty and Integrity*.

Annual Integrity and Honesty Management Audit

Relevant departments of the company organize annual integrity and honesty management audits, covering all employees and business partners who have direct business dealings with SGMICRO. The *Annual Integrity and Honesty Management Audit Report* is released after a comprehensive evaluation and analysis.

Establishment of Supervisory Management Institutions

The Audit Committee, established under the Board of Directors, adheres to relevant laws and regulations while overseeing business ethics and corruption issues. It promotes a comprehensive system of integrity, continuously enhances SGMICRO's capacity for legal governance, and standardizes the management of business ethics in the company.

Whistleblowing and Protection Mechanism

At the time of the report, we have issued the *Code of Conduct* and updated the *Integrity Commitment Letter* and *Integrity and Honesty Management Standards*, clearly outlining requirements for standardized operations, anti-corruption, and fair transactions. These requirements help us to build an environment of good business ethics for the company.

Employees and partners who discover any illegal or non-compliant behaviour with the company's business practices and ethical standards can promptly lodge complaints through dedicated channels in the company.

SGMICRO protects whistleblowers, ensures their identities remain confidential, and maintains channels and policies of open communication. Employees and partners can express their compliance concerns through dedicated channels, whether anonymously or identified. Complaints are investigated and any retaliatory actions or threats against whistleblowers are strictly prohibited. The company will take appropriate disciplinary action against any violation, including but not limited to, termination of employment contracts and pursuing legal liability.



E-mail: informer@sg-micro.com



Dedicated phone line: 010- 88825983



Mailing address:
Office of Integrity and Compliance
Room D-1106, International Finance Center
No. 87, North Third Ring Road, Haidian District
Beijing, China

Internal Control and Risk Management

Internal Controls

SGMICRO has a rigorous internal control management mechanism and a well-defined internal control management policy. The risk management system is backed by robust internal control management measures that help ensure its effective operation.

We continuously refine the internal control system to comply with relevant laws and regulations, such as the *Company Law of the People's Republic of China, Basic Standard for Enterprise Internal Control* and other internal control supervision requirements.

The Board of Directors is responsible for establishing, strengthening, and effectively implementing internal controls. The Audit Committee, which operates under the Board of Directors, serves as the company's internal control supervision agency. The Board of Supervisors oversees the Board's actions in establishing and implementing internal control mechanisms. Through ongoing operation, analysis, and assessment, the internal control system has been instrumental in mitigating operational and management risks, thus facilitating the company's continuous sound development.

Risk Management

SGMICRO attaches great importance to the assessment of business risks. At the time of this report, we have formulated the *Risk and Opportunity Control Procedure*. By utilizing an efficient risk assessment system, potential risks are identified and analysed in areas such as policy, operations, and finance based on 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 address any potential risks promptly.

Risk Identification

External factors

- Regulatory requirements (changes in laws and regulations/industry standards)
- Requirements of relevant parties (supervision level of regulatory authorities/requirements of relevant parties)
- Technology (new products/new technologies)
- Political (supply chain/exchange rates/trade compliance)
- Resources (intensified market competition/macro-economic environment and industry fluctuations/IT software)

Internal factors

- Financial status (asset-liability ratio/inventory turnover ratio/accounts receivable)
- Company management (management process/after-sales service/document control/data information security management/authority)
- Resources (company operating environment/infrastructure management/performance appraisal/personnel turnover)



Measures Against Risks

Continuously assess various risks; Develop and update risk response plans

Based on the risk assessment results, appropriate and sufficient resources are allocated to ensure operation continuity

Organize various compliance trainings to strengthen legal risk management awareness

Develop effective emergency response and control procedures

Information Security and Data Protection

Our goal is to build a safe and stable corporate network environment, proactively apply advanced security protection technologies, and develop a scientifically rigorous information security management system. Simultaneously, we actively promote the establishment and improvement of risk assessment mechanisms, accurately predict potential security risks, and take efficient preventive measures to secure our corporate information systems.

Information Security

The company strictly complies with relevant national laws and regulations of China, such as the *Cybersecurity Law*, the *Data Security Law*, and the *Personal Information Protection Law*. Considering our industry and the specific characteristics of our company, we have established an information security management committee and working group, using the ISO 27001 *Information Security Management System* as the policy benchmark. Our goal is to establish an information security management system for carrying out information security protection and improving our networks security defense system. At the same time, the company has compiled an *Information Security Emergency Response and Business Continuity Plan* to effectively prevent, control and minimize the impact of different emergencies to ensure business continuity.

The company continues to strengthen its network security capabilities and develop innovative security solutions to achieve all-round and three-dimensional protection from hardware facilities to software applications, from defense against external threats to internal management and control, thereby providing a solid guarantee for the stable operation of the company's business. At the time of this report, the company has seen no information security incidents.

Measures to Strengthen Information Security Management

Awareness and Training 01

- Regularly sends out reminders to be alert against phishing emails, enhancing employees' Internet security awareness and response capabilities.
- Provides Internet security awareness training for all employees through methods such as online lectures and video tutorials; offers specialized security training and advocacy for the IT team.

Security Policy Updates 02

- Continuously revises and improves security protection policies based on business needs and technological developments.
- Updates network security policies and procedures to ensure alignment with the latest standards and regulations.

Network Isolation and Monitoring 03

- Segregates the office network from our R&D network, implements VPN access, controls and audits data transmission.
- Real-time monitoring of networks and systems with automated alerts to enable timely responses to faults and anomalies.

Endpoint and Security Management 04

- Controls access to external storage devices, restricts outbound emails, enforces application control, and manages software compliance.
- Important areas are equipped with access control, surveillance, IoT and other equipment for monitoring, and automatic warning of security incidents.

Emergency Response Drills and Vulnerability Scanning 05

- Conducts regular simulations of cybersecurity incidents to enhance the IT team's ability to respond quickly to emergencies.
- Periodically scans systems for security vulnerabilities to identify, assess, and promptly rectify potential security risks.

Supervision and Audit 06

- Regularly checks the data management practices of various departments to ensure data compliance and security.
- Engages third-party auditors to verify the security control and management capabilities of IT systems and resources.

Case

Information Security Training

The company is committed to ensuring that every employee comprehensively understands and proficiently masters various security prevention methods to create a safe and harmonious work environment. All new employees are required to undergo systematic training, including information security. We periodically conduct training sessions focusing on employees' professional skills and information security awareness. In 2023, the company intensified efforts to enhance employees' awareness and practical capabilities in information security, fortifying our defense against cybersecurity threats.

Data Protection

The company rigorously complies with national laws, regulations, and industry standards regarding information and data exchange to ensure the secure storage and use of information. By establishing relevant management systems, we protect our assets from unauthorized access or attacks, thereby minimizing various information risks. Employees are required to comply with national laws and regulations related to network usage and strictly adhere to confidentiality policies, preventing leakage or theft of company information. Through a combination of policies and technologies, we effectively safeguard our information security.

When it comes to the security of customer information and data, the company strictly complies with relevant laws and regulations on information protection and continuously enhances mechanisms to secure various customer information and data.



Enhance Sustainable Governance Systems

While focusing on the development of integrated circuit design, the company continuously strengthens its sustainable development system, advancing our ESG management efforts. We understand the demands of our stakeholder and aim to respond to our stakeholders on a timely basis, improving the company's level of sustainable development management.

ESG Management System









The company believes that sound ESG management is the foundation of high-quality sustainable development. Internally, we have established an ESG management system led by our Board of Directors, with cooperation from various relevant departments.

ESG Management Structure

Board Office	Leads the ESG management system in coordination with various departments.
ESG Work Group	Coordinates ESG management, communication, and information disclosure, reporting progress and outcomes to the Board.
Various Departments	Departments such as Human Resources, Operations, Quality, Internal Control, and Information Technology are responsible for implementing specific ESG initiatives.

Stakeholder Communication

The company attaches great importance to communication with various stakeholders, and carries out the identification, evaluation and analysis of substantive issues through various channels such as shareholders' meetings, customer satisfaction surveys, employee and management symposiums, the company's official website and WeChat accounts. We strive to continuously improve our sustainable development performance.

Stakeholders Recognition	Expectation and Demands	Communication and Responses
 Investors	<ul style="list-style-type: none"> R&D and innovation Investor relations management Board structure and governance 	<ul style="list-style-type: none"> Risk management Internal controls Business information and data protection
 Government/Regulators	<ul style="list-style-type: none"> Anti-corruption Engagement in community philanthropy Company information disclosure 	<ul style="list-style-type: none"> Risk control Documentation system Policy execution Disclosure of Information Compliance with regulations
 Customers	<ul style="list-style-type: none"> Product responsibility management R&D and innovation 	<ul style="list-style-type: none"> Industrial exchange and cooperation Anti-corruption Quality management system Technical seminar Customer satisfaction survey
 Employee	<ul style="list-style-type: none"> Compliant guarantee of rights and interests Sophisticated compensation system 	<ul style="list-style-type: none"> Smooth promotion system An array of activities for employees Protection of employee rights and interests Convening of staff assemblies Multichannel career development pathways Employee training Employee Activities
 Suppliers/Service Providers	<ul style="list-style-type: none"> Supply chain management Mutual benefit and progress 	<ul style="list-style-type: none"> Screening and review of suppliers Cooperation with suppliers Adherence to transparency
 Cooperative Organizations (i.e. NGOs, Scientific research institutions)	<ul style="list-style-type: none"> Supply chain management School-enterprise cooperation 	<ul style="list-style-type: none"> Industrial exchange and cooperation Screening and review of suppliers Industry forum Industry-university-research cooperation
 Community and the Public	<ul style="list-style-type: none"> Environmental Management Anti-corruption 	<ul style="list-style-type: none"> Engagement in community philanthropy Community activities Exchange and interview
 Media	<ul style="list-style-type: none"> Disclosure of Information Engagement in community philanthropy 	<ul style="list-style-type: none"> Industrial exchange and cooperation Establishment of smooth media communication channels Exchange and interview Community charity activities Participation of industry exhibitions

Analysis of Substantive Topics

Based on the expectations of internal and external stakeholders, as well as factors relating to business scope and sustainable development, we carry out identification, evaluation and analysis of substantive topics to determine issues pertinent to the company and our stakeholders.

Substantive Topics of ESG

Environmental Topics

- Green R&D
- Tackling Climate Change
- Energy Conservation and Carbon Footprint Reduction
- Management and Utilization of Water Resources
- Green Operation

Social Topics

- Product Quality Control
- Product R&D and Innovation
- Intellectual Property Rights
- Quality of Customer Service
- Sustainable Supply Chain
- Employee Benefits
- Talent Development
- Health and Safety
- Salary and Performance Management
- Industry-university Research Cooperation
- Taking Social Responsibility

Topics of Corporate Governance

- Corporate Governance
- Board Composition
- Board of Supervisors Performance
- Disclosure of Information
- Investor Relations Management
- Business Ethics
- Compliance Control
- Internal Control and Risk Management
- Information Security and Data Protection

Response to the UN's Sustainable Development Goals





Innovation and R&D

SGMICRO specializes in research and development of analog Integrated Circuits (IC). We consistently benchmark ourselves against the world's top-ranking analog manufacturers. Notably, our products excel in key specifications surpassing those of our international peers. Our outstanding product performance and quality, along with timely and effective customer support, have earned the trust and recognition of our large customer base.



Research, Development and Innovation

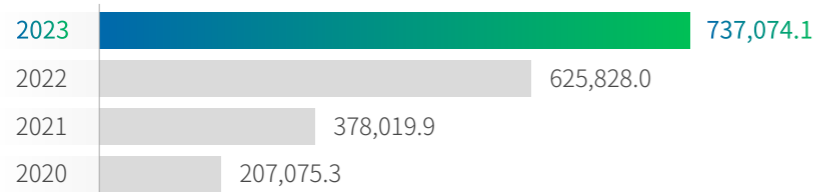
Research, development, and innovation form the cornerstone of our continuous growth. We view our R&D strength as the most critical core competency and have constructed a comprehensive technical R&D management system and process. Since its inception, the company has followed an independent innovation strategy, constantly expanding investment in R&D and accumulating core technologies. Proactively conducting technological research and product planning based on market trends, customer needs, and future technology advancements, we position ourselves to deliver competitive products to target markets. While diligently applying existing products and technologies, we also actively pursue next-generation innovations.

R&D Investment

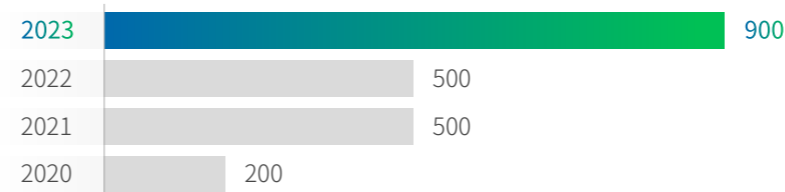
SGMICRO has consistently invested a substantial portion of our revenue in research and development, progressively increasing our commitment. The ongoing R&D investment has resulted in rapid expansion of our technical team and significantly bolstered our technical capabilities. We take pride in independently developing a wide range of core technologies, including key intellectual properties in analog chips for signal chain and power management markets. Leveraging these cutting-edge technologies, SGMICRO offers a comprehensive product portfolio that caters to diverse market requirements, providing specialized solutions for specific segments.

In the fiscal year 2023, our R&D investment amounted to 737 million RMB, accounting for 28.18% of the total revenue for the period, representing a 17.78% increase in R&D investment compared to the previous year. At the time of the report, we introduced over 900 new products, demonstrating the effectiveness of previous R&D investments and further accelerating the speed of new product introductions.

Investment in R&D (in 1,000 RMB)



New Products Every Year



To manage each R&D project efficiently, we have fortified our R&D management system. This includes enhancing project management, document administration, and cost control efficiency through specialized R&D management software. Through persistent independent innovation, increased investment, continuous accumulation of core technologies, and adjustment of strategies aligned with market trends and customer demands, we offer competitive analog IC solutions to global markets. We aim to consistently develop new technologies and products to enhance the company's long-term competitiveness.



R&D Team

The construction and cultivation of our talent pool have always been a strategic priority at the company. We are dedicated to nurturing outstanding professionals in the analog IC development who resonate with our corporate culture and core values. We actively attract R&D talent through a wide variety of channels. In 2023, the size of our R&D team continued to expand, with R&D personnel accounting for 72.72% of the total employees. Of these, 555 individuals hold master's degrees or above, which comprise 53.94% of the total R&D personnel, providing solid technical support for long-term development.



We have established a reward system to foster employee innovation. Our incentive schemes, including patent reward policies, quantify and recognize employees' innovative achievements in their daily work through the R&D performance evaluation system. These incentive schemes are regularly updated, emphasizing innovation as the driving force behind our ongoing development. Our patent portfolio continues to expand.

Disclosure Item	Unit	2023	2022	2021
Total number of granted patents	piece(s)	229	162	88
Total number of newly applied patents of the year	piece(s)	230	263	184
Total number of registered IC layout designs	piece(s)	259	147	115

Industry Cooperation

We are committed to fostering industry prosperity through strong collaborative partnerships. By actively participating in industry associations and conferences, we have significantly contributed to establishing industry standards, promoting information exchange, and promoting our industry's growth.

Industry Collaborations:

Industry Association/Union	Title
China Semiconductor Industry Association	Director of the Integrated Circuit Design Branch
China Integrated Circuit Innovation Association	Managing Director
Beijing Semiconductor Industry Association	Director
Shanghai Integrated Circuit Industry Association	Member
China Automotive Chip Industry Innovation Strategic Alliance	Director
Automotive Electronics Industry Alliance	Member
Fast Charging Alliance	Senior Member

Strict Quality Control

SGMICRO is committed to providing analog IC products characterized by superior performance and excellent quality. Our products adhere to the industry's highest standards, supported by a strict and complete quality assurance system. Rigorous testing results in world-class consistency and reliability. We foster a "zero-defect" quality culture, guiding all employees to embrace the concept of "Getting it right the first time and doing it well every time" as a conscientious daily practice. Our Quality Policy permeates every stage of our company's supply chain. We continually improve our products and manufacturing processes to provide high-performance, highly reliable, consistent analog solutions that meet customer requirements.



Quality System

We have implemented a comprehensive Quality Policy in accordance with the Product Quality Law of the People's Republic of China, adhering to the highest industry standards. Our guiding principle encompasses "advanced technology, reliable quality, customer satisfaction, and continuous improvement." Rigorous quality assessments are conducted on every product to ensure its quality and reliability. We preferentially select wafer foundries and assembly & test factories with the highest reliability and yield rates. Additionally, every new product undergoes stringent testing against the highest standards to uphold the utmost quality and reliability, allowing us to guarantee our product quality while continually expanding our product lines.

Strict product quality standards and quality management processes are established to oversee product design, production, and sales comprehensively. Rigorous tests are carried out before product warehousing and shipment. Moreover, the company diligently monitors crucial elements such as design standards, manufacturing methods, production workflows, and testing protocols to consistently enhance product quality and bolster resilience against external factors. This approach ensures both high production efficiency and consistent product quality.

At the time of the report, the company has consistently maintained certification under the ISO 9001 quality management system and the ISO 14001 environmental management system. By aligning our quality and environmental management practices with international standards, we have established a strong foundation that supports the company's continuous growth and optimization.

Customer Service

In line with our commitment to customer-centric principles, we are constantly improving service quality to ensure the delivery of exceptional products and services. Our distribution strategy primarily leverages product distribution channels, complemented by direct sales. This decision aligns with industry standards and SGMICRO's unique circumstances. By adopting this approach, we effectively reach a broad spectrum of end customers, enhance sales channel efficiency, expand our customer base, and promote our products.

We have assembled a team of skilled professionals committed to elevating customer satisfaction and refining product quality. Their expertise spans multiple dimensions including quality, technology, and service for our customers. In 2023, we took proactive and effective measures to address customer quality requirements by expanding the customer quality team and optimizing customer response procedures, providing more direct support services.

The company has established the *Customer Complaint Handling Process*, which undergoes regular updates. This process clearly outlines the designated person responsible for addressing customer complaints, the handling process, response timeframes, and closed-loop management requirements. As a result, we ensure that customer complaints receive timely, efficient, and professional responses. We conduct ongoing customer satisfaction surveys, seeking and implementing customer suggestions for improvement to enhance our services and products.



At the time of the report
Customer satisfaction rate

92.33%

Intellectual Property Rights

Our company prioritizes the protection of intellectual property rights and proactively seeks to apply for and establish such rights. We ensure comprehensive coverage by distributing patents across various domains of our operations. Our commitment to intellectual property management throughout operational processes strengthens our efforts in acquiring, safeguarding, utilizing, and upholding these rights. This approach effectively protects our innovative accomplishments, reinforcing our core competitive advantage.

Intellectual Property System

Adhering rigorously to laws and standards in China, such as the *Patent Law and its Implementing Regulations*, the *Trademark Law*, and the *Enterprise Intellectual Property Management Standards*, the company has constructed a sophisticated intellectual property management system. This system serves as a powerful safeguard for our continued innovation and competitive edge in the market. At the time of the report, we continued to strengthen our intellectual property management system while preventing intellectual property risks.

Protection of Intellectual Property

Aligning with our management philosophy of continuous innovation and intellectual property protection, SGMICRO actively safeguards the company's intellectual property. We have compiled the *Intellectual Property Management Work Manual*, tailored to the company's characteristics and IC industry. The principles ensure that matters are handled properly, effectively, systematically, accurately, and promptly. The guidelines establish a standard set of expectations to standardize the workflow involving intellectual property and raise company-wide awareness of intellectual property protection. As of the reporting period, the company continues to promote the application and strategic layout of intellectual property rights and constructed an intellectual property portfolio with patents at its core.

Protection of Intellectual Property

Reasonable selection of the scope of protection and strategy for patented technology ensures adequate protection of the company's innovations. Before implementation, patent search, analysis, and evaluation are conducted; after implementation, the appropriate form of protection is determined, and timely action is taken to protect the intellectual property.

Strengthen patent early-warning mechanisms and inquiries on trademarks as well as other related intellectual property to avoid the risk of infringement.

Actively conduct various intellectual property training to effectively improve the intellectual property protection awareness of all employees as well as the understanding and application of intellectual property knowledge for relevant personnel.

In a business partnership, all parties sign the *Non-Disclosure Agreement* and clearly state matters regarding intellectual property rights, such as the details of their ownership and the right to use them.

International Property Awards

- National Intellectual Property Demonstration Enterprise
- National Intellectual Property Advantage Enterprise
- Beijing Municipal Invention Patent Award



Responsible Procurement

SGMICRO leverages a highly collaborative and cohesive supply chain as a core competitive advantage. By closely collaborating with our suppliers, we have established a standardized process for supplier introduction and evaluation. Our supplier classification system optimizes management, reduces costs, and enhances supplier value. Simultaneously, we prioritize sustainable development by integrating product quality management, environmental protection, and social responsibility into our supplier evaluation system. We remain committed to avoiding conflict minerals and promoting sustainability across the industry's supply chain.

Build a Sustainable Supply Chain

Sustainable Supply Chain

The *Risk and Opportunity Assessment Analysis Sheet* is regularly reviewed and updated, while the company conducts various risk assessments of suppliers and formulates response measures. Through the *Business Continuity Management Specification*, the organization and policies for business continuity management are clearly defined.

To ensure uninterrupted supply continuity, we have implemented robust policies such as the *Supply Chain Disruption Business Continuity Plan*. We regularly conduct business interruption risks assessments and have created the *Business Interruption Risk Analysis Sheet*. Our proactive measures to prevent supply chain disruptions include introducing secondary suppliers for production-related partners based on process types, mandating suppliers to establish business continuity plans, and stipulating safety stock requirements for materials.

Supplier Management

When managing potential new suppliers, we adhere to industry standards such as ISO 9001, IATF 16949, and ISO 14001. Our *New Supplier Evaluation and Approval Procedure* guides the assessment of potential suppliers. Key evaluation criteria include ISO 14001 Environmental Management System certification, QC080000 Hazardous Substance Process Management System compliance, and ISO 45001 Occupational Health and Safety Management System. We integrate environmental and social responsibility evaluations into the initial introduction and on-site audit processes for potential suppliers, directly influencing their scores and evaluation results.



At the time of the report, our suppliers maintained ecological, social, and quality certifications as listed in the table below:

Category	Certification	Percentage of certified suppliers
Environment	ISO 14001 Environmental Management Systems	100%
	QC080000 Hazardous Substance Process Management System	100%
Society	ISO 45001 Occupational Health and Safety Management System	100%
Quality	ISO 9001 Quality Management	100%
	IATF 16949 Automotive Quality Management System	100%

At the time of the report, the company has signed codes of conduct and other relevant agreements with suppliers, requiring them to carry out thorough due diligence on their supply chains to ensure full compliance with laws and regulations during their business with our company. The areas included in due diligence are, but not limited to, labor rights, health and safety, environment and hazardous substances, ethical standards, business continuity, and information security.

SGMICRO places significant importance on the annual audit of suppliers as a cornerstone for promoting social responsibility. We steadfastly uphold principles of transparency and integrity throughout this process. Our stringent requirements mandate that all suppliers comply with legal standards and adhere to ethical business conduct. Specifically, we expect suppliers to follow local human rights regulations and refrain from engaging in forced or child labor. Additionally, we are committed to avoiding conflict minerals and other controversial raw materials. Compliance statements related to environmental standards are integral to our practices. The company establishes compliance agreements with suppliers, conducts thorough performance evaluations, and issues warnings to low-scoring suppliers, allowing them a specified period for improvement. Persistent non-compliance may result in disqualification.



Supplier Integrity Management

The company has a longstanding commitment to promoting responsible supply chain development through our Transparent Procurement initiative. Our suppliers sign documents such as the *Letter of Commitment to Honesty and Integrity*, which mandates transparency in all business transactions. They are required to accurately reflect these transactions in their business accounts and records. Our procurement process adheres to principles of transparency, fairness, and impartiality. We continuously optimize our procedures, conducting periodic supplier audits to ensure compliance with integrity requirements.

At the time of the report, the company did not identify any significant illegal or irregular behavior in the procurement process under our diligent supervision and enforcement process.



Conflict Minerals Management

The company is committed to mitigating the environmental and social impact of conflict minerals. As part of our supplier approval process, we conduct due diligence specifically related to conflict minerals. This ensures that materials such as tantalum, tin, tungsten, gold, and other minerals used in our products do not originate from conflict areas. We have established the *Environmental Restricted Substances Management Operation Specification*, which defines conflict minerals, outlines their scope, management methods, and associated commitments. This document is regularly updated as we make further progress. Additionally, we transparently disclose the use of cobalt and mica in our supply chain, as detailed in the company's EMRT survey report.

Following the Responsible Minerals Initiative (RMI) guidelines created by the Organization for Economic Cooperation and Development (OECD), we use tools such as the Conflict Minerals Reporting Template (CMRT) to conduct due diligence on all suppliers. Detailed disclosures of mineral sources and usage and information on related smelters are provided, ensuring that all relevant suppliers are certified by RMI. The *Environmental Agreement* signed by both the company and the suppliers explicitly states that suppliers must comply with the *DRC conflict-free policy under the U.S. Dodd-Frank Act*. Furthermore, we have established comprehensive processes to ensure traceability of materials.

The company is diligent in monitoring and assessing the risk of conflict minerals in the supply chain, closely collaborating with upstream and downstream businesses to promote responsible procurement practices. In 2023, we conducted audits of all suppliers' hazardous substances and conflict mineral management systems. Following the audit, it was found that all our suppliers have established conflict-free metal procurement policies. Investigations into conflict-free metals in downstream supply chains have confirmed that metals (tin, tantalum, tungsten, mica, gold, and cobalt) procured are from conflict-free areas.

At the time of the report, 100% of the mineral raw materials involved in SGMICRO's supply chain were sourced from RMI-accredited smelters or countries, and some suppliers have obtained Responsible Business Alliance (RBA) certification.

Source of the raw material: **100%** of the raw minerals used by SGMICRO are sourced from RMI certified smelters or countries.

Supplier due diligence rate: **100%**

Traceability white list rate: **100%**

Suppliers with hazardous substances and conflict mineral management system: **100%**





Together We Thrive

Long-term steady development relies on a healthy talent pool. Guided by the philosophy of "virtue and competence, dedication, the pursuit of excellence, pragmatism and responsibility," SGMICRO is committed to establishing a comprehensive career development platform for all employees and a fair, diverse, and safe working environment. The company places great importance on the well-being of all our employees. Our unwavering focus on employee wellbeing includes continuous improvements to our benefits system, offering advanced training programs, and creating a variety of communication channels to support our employees' aspiration for the future. Together with our dedicated team, SGMICRO strides towards realizing the company's long-term vision.



Recruitment

Careers

SGMICRO's ability to growth and expansion hinges on our ability to attract and retain the best talent in the industry. We employ various recruitment methods tailored to individuals with diverse backgrounds and experiences, fostering innovation and growth. Our *Recruitment Management Guidelines* are continuously optimized to enhance the talent pool's strength and structure. A comprehensive human resources management system is in place ensuring a fair, unbiased, and transparent selection process. We strategically build and reinforce our talent reserves to lay a solid foundation for the company's stable and rapid development.

At the time of the report, the company received the Annual Best Employer Award at the 2024 Semiconductor Investment Annual Conference and the 2024 Leading IC Company Award.

The company ensures that all employees sign legally compliant labor contracts or employment agreements. Additionally, we provide social insurance and a housing provident fund according to local regulations, maintaining a coverage rate of

100

 %

Campus Recruitment

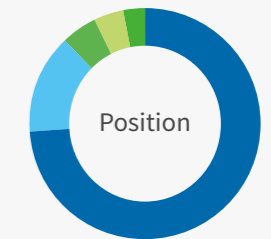
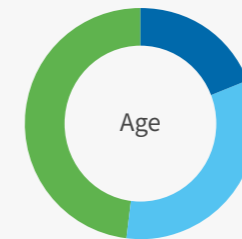
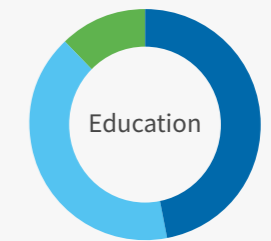
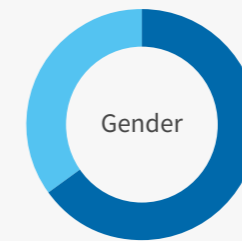
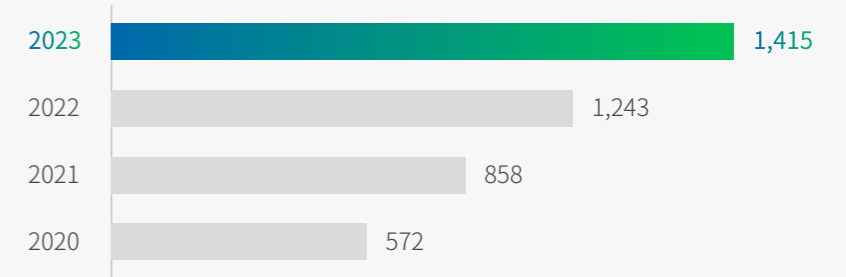
The company provides diverse job opportunities through campus recruitment, leveraging online and offline promotional efforts as well as campus-enterprise collaborations. This strategic approach not only cultivates a pool of talented individuals but also fulfills our corporate social responsibilities, contributing to our reputation as an exceptional employer.



Experienced Recruitment

As our company expands, we are intensifying our recruitment efforts to maintain a steady talent pipeline. Leveraging diverse channels—including recruitment websites, our official website, and various social media channels—we attract experienced professionals as well as promising industry talent. This strategic approach not only brings high-quality individuals into our fold but also fortifies our talent pool and bolsters our technical team to meet the growing demands for research and development.

Number of Employees

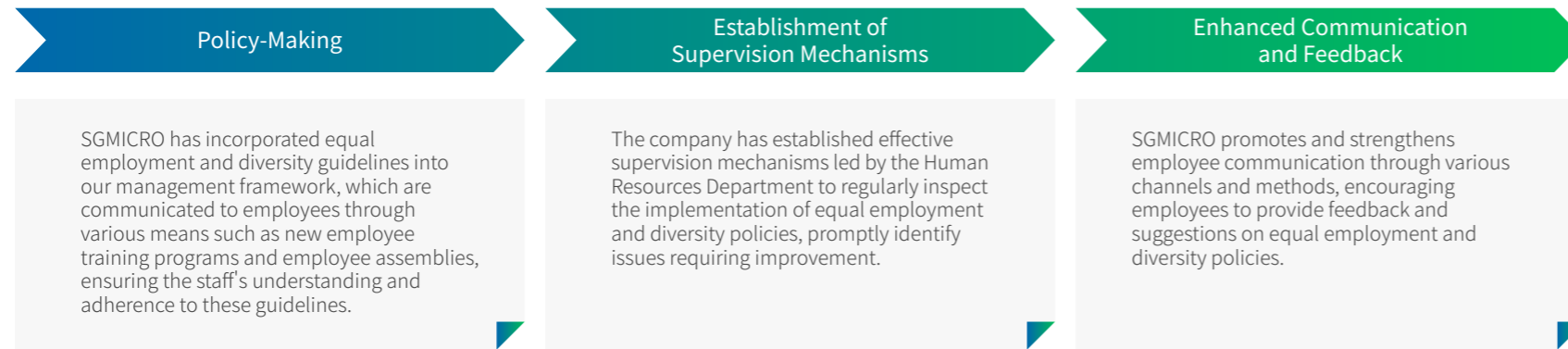


Diversity and Anti-discrimination

SGMICRO is committed to fostering a diverse and inclusive corporate culture, implementing a non-discriminatory recruitment policy to ensure that decisions are based on performance and job requirements, without any discrimination based on factors such as race, color, social class, nationality, religion, disability status, pregnancy, gender, sexual orientation, ethnicity, union membership, political affiliation, age, or marital status. The company strictly prohibits sexual harassment and inappropriate behavior, safeguarding the dignity and safety of our employees.

Additionally, SGMICRO collaborates with the China Disabled Person Federation to provide employment opportunities for people with disabilities. At the time of the report, the company has 13 disabled employees.

Measures for Diversity



Labor & Human Rights

The company thoroughly verifies the age of applicants to ensure that only employees aged sixteen or above are hired in compliance with legal requirements. Employees aged sixteen to eighteen have to confirm their completion of compulsory education. We value the freedom of our employees to choose their employment and have a zero-tolerance policy towards forced labor and human trafficking. No violations were reported at the time of the report.



Salary and Compensation

The company is committed to offering competitive compensation and benefits to attract and retain top talent—critical drivers of business growth. Our compensation system recognizes accountability and high-value contributions. Annually, we adjust salaries based on economic performance, labor market dynamics, and industry benchmarks, while considering individual employee performance. Furthermore, we uphold equal pay for equal work, irrespective of gender.

We use various incentive mechanisms, such as performance bonuses, invention disclosure awards, and annual performance recognitions, to boost employee dedication and satisfaction while strengthening our company's competitiveness. Additionally, our ongoing equity incentive plan helps us attract and retain professional technical and managerial talents who strongly resonate with our corporate culture and values. Our incentive programs inject vitality into our development. Since being listed as a public company, we have introduced five exciting incentive plans, enhancing our long-term incentive programs. With the company's performance linked with employees' personal goals, together, we strive toward SGMICRO's long-term growth.



Employee Incentives Examples

Types of bonuses	Performance Bonuses, Invention Disclosure Awards etc.
Annual evaluation awards	Outstanding Employee Of The Year, Employees Recognized For Excellent Performance and Significant Improvement, Best Newcomer Award etc.

The photo won the SGMICRO Photography Contest.

Performance Management

The company employs a high-performance management approach, establishing ambitious goals to motivate employee performance and foster growth. Beyond relying solely on Key Performance Indicators (KPIs), we encourage a holistic perspective—considering team dynamics and organizational goals. Demonstrating proactivity and courage, we embrace challenging objectives. Additionally, our long-term focus emphasizes a balance between performance targets and individual/team development, driving sustained improvement.

The company has formulated and continues to optimize the *Performance Management Guidelines*, which reflect thorough consideration of the semiconductor industry's particularities and the company's own culture. Aligning with long-term strategic planning and business expansion needs, the company enhanced the performance management principles within the existing performance management structure in 2023.

Case

Equity Incentive Plan

At the time of the report, we implemented the *2023 Stock Option Incentive Plan*, granting stock options to 1,104 recipients, including senior management, core managers, and the backbone members of our technical (operation) teams, covering over 85% of the total number of the company's employees at the time.

2023

The coverage rate of comprehensive performance management (including performance evaluation, performance coaching, and performance goal setting) reached

97 %

Employee Benefits

SGMICRO strictly adheres to national laws and regulations in China, such as the *Labor Law*, *Labor Contract Law*, and *Law on the Protection of Minors*. Additionally, we comply with international guidelines and standards, including the *Universal Declaration of Human Rights*, *The Core Conventions of the International Labor Organization*, and the *UN Guiding Principles on Business and Human Rights*, placing significant emphasis on respecting employees' basic rights and legitimate interests.

Work Hours and Holidays




The company advocates for work-life balance. We establish and maintain reasonable work hours and leave procedures, ensuring compliance with relevant laws and regulations such as the *Labor Law of the People's Republic of China*. Employees are entitled to statutory holidays, weekends off, sick leave, maternity leave, and other leave arrangements.

Female employees receive comprehensive maternity benefits, maternity insurance, access to lactation rooms, and special benefits on International Women's Day. A firm believer in equal pay, the company provides female employees with equal employment and career development opportunities.

Employee Communication

We value the input of all employees and encourage effective and smooth communication as part of our corporate structure and culture. To foster an open and inclusive workplace, the company has implemented communication management procedures to welcome diverse suggestions and criticisms while ensuring prompt and appropriate responses. Employees are encouraged to communicate feedback, suggestions, and personal grievances to managers at all levels, who shall actively respond and take responsibility to address them.

Additionally, a series of effective communication mechanisms are implemented to promote internal communication, convey company culture and management philosophy, as well as solicit employee feedback and suggestions. These mechanisms include:

<p>Employee Assembly </p> <p>Employee assemblies are organized periodically that cover policy briefings, performance reviews, and communication on future outlook of the company. These meetings ensure that all employees are informed about the company's strategic direction, development goals, and major decisions, enhancing their sense of belonging and solidarity.</p>	<p>Quarterly Review Meetings </p> <p>In quarterly review meetings, various departments report on their respective areas and exchange views. This practice ensures all departments are directionally aligned.</p>	<p>Regular Communications with HR </p> <p>A regular HR communication mechanism is in place, focusing on facilitating dialogue between different employee groups, including new hires, long-time employees, frontline staff, middle managers, and key personnel. This approach maintains timely exchange and feedback across all levels of the company.</p>	<p>Suggestion Box </p> <p>Suggestion boxes are available at all office locations. Managed by HR, these boxes collect employee opinions and suggestions, which are then forwarded to relevant departments and individuals for follow-up.</p>
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Employee Grievance Report

We have established a comprehensive employee grievance reporting system to offer multiple channels for directing complaints, including reporting to direct supervisors or department heads; submitting complaints via the company's internal dedicated email; use of suggestion boxes; and directly contacting Human Resources department or company management.

Upon receiving a grievance or complaint, we act swiftly to conduct a thorough investigation into the matter, making sure to bring clarity and sufficient evidence to the case. Employees are regularly updated on the investigation's progress. The company respects employee privacy, strictly maintaining confidentiality to prevent information leaks throughout the process. Fair and appropriate decisions are made based on the outcomes and findings of investigations.



Talent Development

Career Development Pathways

Talent is the key driving force behind the company's sustainable development. SGMICRO is committed to creating an environment where the company and our employees grow together. With a people-oriented, open, inclusive, and proactive corporate culture, the company also provides great career development opportunities stemming from our rapid growth. We offer a comprehensive compensation and incentive mechanism. These are important factors in attracting, recruiting, motivating, and retaining our talents.

Based on business strategy and human resources planning, the company continuously improves our job grading system, establishing multiple professional or managerial development channels. We also facilitate lateral career development pathways between professions, supporting employees' growth and development within the company. With growth of our business, employees can choose to develop their careers in professional, technical, or managerial areas according to their personal strengths and career aspirations. Moreover, the company has put in place a well-developed promotion system, giving precedence to the professional development of internal personnel thus aligning the employees' and SGMICRO's growth path.

Technical and Managerial Path

Technical Path

Our business expansion is driven by effectively meeting the ever-growing demands of our customers and target markets. This will create increased opportunities for our employees to develop innovative and complex products, continually enhancing their technical expertise.

Management Channel

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



Employee Training

The company has established a comprehensive training system to foster an environment that encourages learning. Our comprehensive talent development plan covers all departments, business functions, and individual talents.

Ensuring training effectiveness is a top priority within the company. We have established systematic management for each stage of the training process, encompassing needs identification, planning, course development, session delivery, and result evaluation. Leveraging digital tools, we efficiently oversee a wide range of training resources and maintain comprehensive records.

At the time of the report, our training system covers operational areas including R&D, marketing, and sales, with contents encompassing new employee training, professional and technical training, management and leadership training, quality system training, and vocational training.

2023

Training time on average per person

60.5 hrs

Training coverage rate

100 %

A Part of Training Programs in 2023

Professional Development Program

Systematic training programs are organized for various teams, including the sales and R&D teams. These programs are tailored to improve technical expertise and drive professional competency within our workforce.



Specialized "Technical Innovation" Project

To promote in-depth technical exchanges and discussions within the company, we host specialized programs such as the R&D Technology Forum.



Mentorship Program

Our ongoing Mentorship Program aims to enhance the coaching capabilities of our senior staff, particularly for guiding new hires.



New Graduates Training Program

Comprehensive and systematic training programs are offered to new graduates joining the company. These programs include both extensive training sessions and on-the-job project guidance to accelerate their professional development.



As a leading technology company with a strong focus on R&D, we place a high priority on helping our employees stay abreast of the latest technological knowledge and industry trends. This not only boosts our company's capacity for innovation but also quickly enhances the R&D skills of new employees, ensuring our sustained leading position in the industry. To further enhance our capabilities in management, planning, and quality, we collaborate with external training institutions. Employees are selected to participate in courses on quality control, management and compliance, strengthening our overall competitiveness in these areas.

Case

Expert Lectures

At the time of the report, we have invited renowned industry experts to host sessions and organized internal technical seminars multiple times. These activities aim to deepen our technical staff's understanding of cutting-edge industry trends and provide a platform for knowledge exchange and skill enhancement. Interactions with experts and in-depth internal discussions help broaden technical personnel's perspectives, stimulate innovative thinking, and inject vitality into the company's continuous development.

Case

Quality Excellence Journey: VDA 6.3 Certification Enhancement Program

To improve the professional qualifications of our employees, we have partnered with renowned training institutions to obtain certified process auditor training for automotive industry (German Association of the Automotive Industry, VDA6.3). Several employees have successfully received certification, enhancing our quality management capabilities in the automotive industry and improving our product competitiveness.

Industry-university-research Cooperation

We are committed to harnessing the academic strengths of universities along the industrial talent pool. This synergy fosters deep integration of industry, academia, and research community, propelling talent development in the field of integrated circuits. Through strategic partnerships with universities—through research initiatives and innovation competitions—we address our acute need for innovative individuals with strong practical skills. This collaborative approach enables resource sharing and leverages complementary advantages.

Case

Bridging the Future: Microelectronics Talent Development Program

The company is committed to cultivating talent in the microelectronics field. Through initiatives such as "SGMICRO in Campus," we host technical and career development lectures at various universities, with seasoned experts sharing industry knowledge to enrich students' experiences. We also organize company tours for academic faculty members and students, where in-depth exchanges with our engineers add to students' understanding of the real-world work environment in the industry.

The company actively participated in the 2023 China College Students IC Innovation and Entrepreneurship Competition, providing real-world project design cases, arranging for senior design managers to offer on-site guidance, and assisting students in proving their innovative, practical, and professional skills. We aim to nurture the next generation of industry talent for sustained development.



Care for the Employees

SGMICRO highly cares of employees, striving to create an environment of joy and ease for our employees in both work and life.

Employee Benefits

Comprehensive employee benefits and care are provided to facilitate work-life balance.

- We maintain a flexible working hour and establish dual offices in various cities to help with employee commute and environmental protection.
- Various sports events and team-building activities are organized regularly to enhance team solidarity and employee satisfaction.
- Annual health check-ups and group accident insurance are also in place with 100% coverage for employee health examinations.
- Additional paid sick leave is offered to all employees to ensure their physical well-being.
- Customized holiday benefits are provided with personalized choices available for employees.
- Shuttle services and employee cafeterias are offered in some cities, bringing convenience and ease for employees.
- For employees affected by major illnesses and their families, we offer condolences and care.

Employee Activities

Employee activities play a significant role in strengthening team solidarity, enhancing employee satisfaction, and stimulating creativity. By regularly organizing diverse cultural events, we not only provide employees with opportunities to showcase their individual talents but also facilitate communication and collaboration among team members. This creates an environment of openness, vitality, and proactive engagement, which is conducive to fostering innovation.



Photography contest

Every year, the company organizes a photography contest to encourage employees to share the beautiful moments in their lives. The theme for the contest revolves around "blossoming," "light," and "limitless", capturing the environment, children, nature, urban landscapes, and culture through camera lenses of our employees.



Team-building

A diverse array of team-building excursions are organized in various locations. The employees go on hiking trips together while immersed in breath-taking natural scenery. Through team-building exercises such as group competitions and group games, these outings foster understanding and trust among colleagues while enhancing solidarity and morale.



Sports activity

Different sports activities are organized based on site availability, promoting the physical and physiological health of the employees. The sports include football, basketball, badminton, Ping Pong, mountain climbing, among many others.



Tea breaks

A rich selection of food and beverages is available for tea breaks, helping employees to recharge and relax.

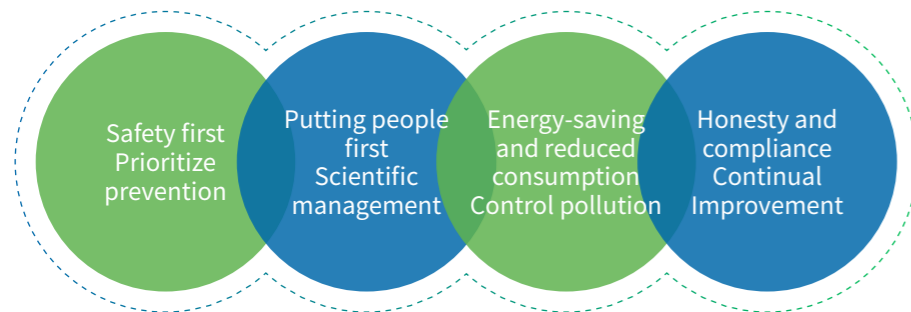
Health and Safety

SGMICRO attaches great importance to the health and safety of our employees, continually strengthening our occupational health and safety management system to provide a safe and friendly working environment.

Safety

We have established the *Occupational Health and Safety Manual*, continuously optimizing the safety management system and operational processes, clarifying the responsibilities, authorities, and relationships of various levels of positions. Following the PDCA (Plan-Do-Check-Act) management model, we are constantly improving the company's system as well as the performance on occupational health and safety. Additionally, we conduct regular safety inspections and maintenance at production facilities and workspace to ensure timely identification and elimination of potential safety hazards.

Company Occupational Health and Safety Policy



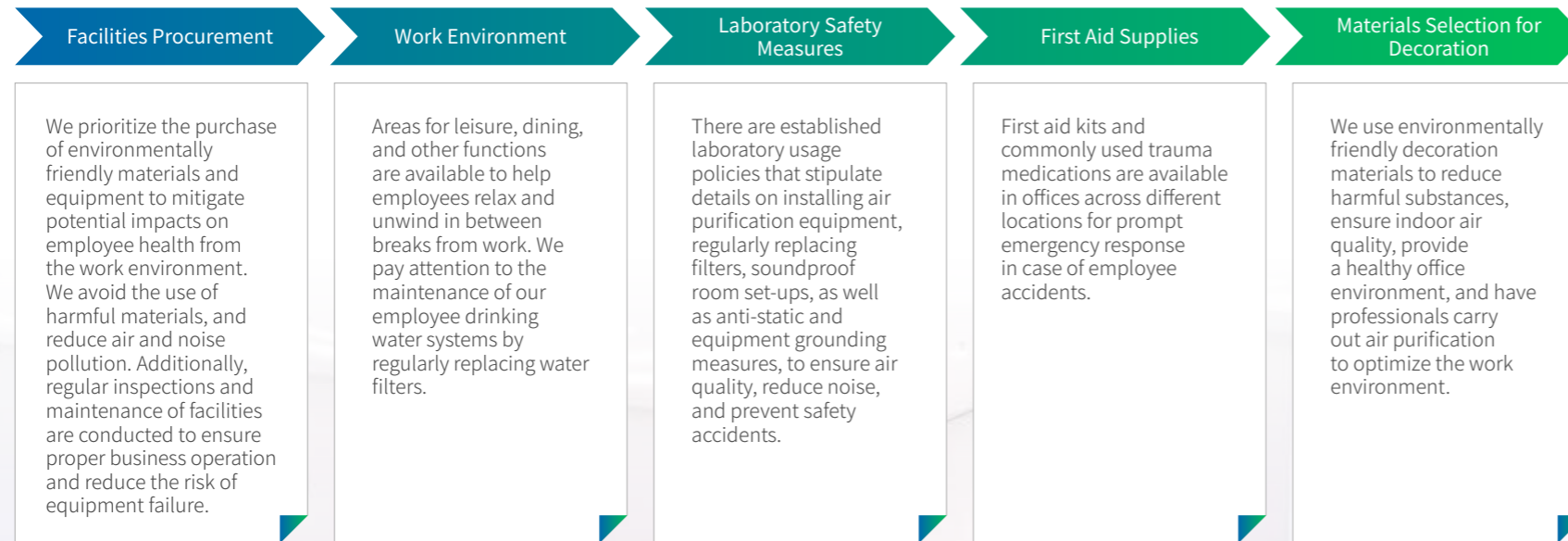
Measures to Raise Employees' Safety Awareness

- Fire drills are regularly carried out to help employees learn basic safety knowledge and skills, master the use of firefighting equipment, and enhance response to emergency fire situations. Drills help us promptly identify and address potential issues and areas for improvement, ensuring rapid and effective emergency response when unexpected situations occur.
- Safety reminders are posted in lounge areas, restrooms, and water dispensers across offices in different locations.
- Firefighting equipment is placed in the workplace in accordance with regulations to ensure clear access to fire exits.
- Environment, Health, and Safety contents are specially referenced in onboarding training.
- Safety reminders are provided during each employee assembly and holiday leave notification.

Health

The company is committed to creating a healthy and safe working environment. We place great emphasis on managing facilities procurement, decoration materials selection, and other aspects related to the work environment, and various safety measures are in place for the use of company laboratories. There are also multi-functional areas in the workplace to ensure employee welfare along with health and safety.

Occupational Health and Safety Management Measures



We prioritize the purchase of environmentally friendly materials and equipment to mitigate potential impacts on employee health from the work environment. We avoid the use of harmful materials, and reduce air and noise pollution. Additionally, regular inspections and maintenance of facilities are conducted to ensure proper business operation and reduce the risk of equipment failure.

Areas for leisure, dining, and other functions are available to help employees relax and unwind in between breaks from work. We pay attention to the maintenance of our employee drinking water systems by regularly replacing water filters.

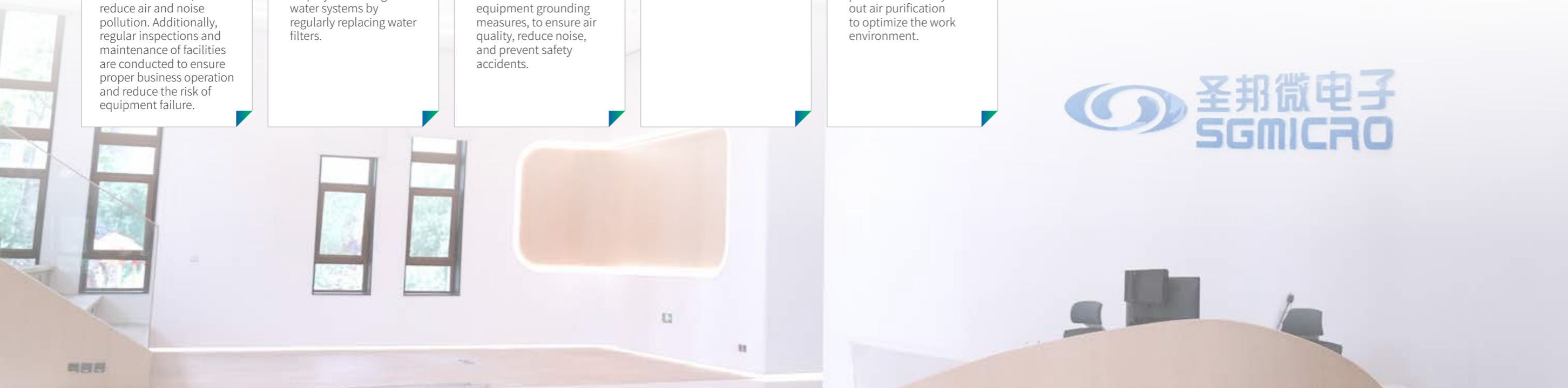
There are established laboratory usage policies that stipulate details on installing air purification equipment, regularly replacing filters, soundproof room set-ups, as well as anti-static and equipment grounding measures, to ensure air quality, reduce noise, and prevent safety accidents.

First aid kits and commonly used trauma medications are available in offices across different locations for prompt emergency response in case of employee accidents.

We use environmentally friendly decoration materials to reduce harmful substances, ensure indoor air quality, provide a healthy office environment, and have professionals carry out air purification to optimize the work environment.

At the time of the report, SGMICRO's performance in occupational health and safety management is as follows:

Key Performance Indicators	Amount
Recordable work-related accident	0
Work injuries of serious consequences	0
Work-related injury resulting in death	0
Number of occurrences of occupational health hazards	0
Employee health examination rate	100%
Occupational health and safety risks	Significant source of risk is Zero



Taking Social Responsibility

SGMICRO is committed to sustainable development. We recognize the significance of social responsibility and actively engage in charitable events. By our concrete actions, we aim to spread love and hope, contributing to the creation of a harmonious society.

We believe that the long-term sustainable development of an enterprise is profoundly connected with continued social progress. We are committed to keeping our endeavors in a series of philanthropic causes and make increasing contributions to our social responsibility fulfillment. Through tangible actions, we will actively contribute to the realization of sustainable development objectives.

Case

Charity and Donation

In 2023, the company participated in the "99 Charity Day" organized by the China Social Welfare Foundation, demonstrating its commitment to supporting the education of students in impoverished mountainous areas.

At the time of the report, we have extended support to the development of microelectronics-related education in universities, aiming to foster top-tier talents. This support included the provision of scholarships and teaching grants to students and faculty in multiple universities.





Appendix



About this Report



Purpose

This report (the "Report") is the second *Environmental, Social, and Corporate Governance (ESG) Report* released 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 with a comprehensive and structured approach.



Scope

The disclosure scope of this report is consistent with that of the financial information in the company's 2023 annual report, and some information may involve policies and practices from previous years.



Data

The report quotes data from various sources, including the company's operation information, publicly available government documents, annual financial reports, internal statistical reports, among others. Financial data in this report is presented in Chinese currency RMB. In cases where discrepancies arise between this report and the financial statements, the financial statements shall take precedence.



Reliability Guarantee

The report contains no false representations, misleading statements or major omissions, and takes responsibility for the truthfulness, accuracy and completeness of the contents.



Basis for Compilation

Global Reporting Initiative's *GRI Standards*
The Chinese National Standard *Guidelines for the Preparation of Social Responsibility Reports* (GB/T 36001-2015)
The Chinese Academy of Social Sciences *Guidelines for the Preparation of Corporate Social Responsibility Reports* (CASS-ESG 5.0)
The Shenzhen Stock Exchange *Guidelines for the Social Responsibility of Listed Companies on the Shenzhen Stock Exchange*
2030 UN Sustainable Development Goals (SDGs)
ISO 26000:2010 *Guidance on Social Responsibility*



Compilation Process

This report is based on our company's ESG practices, following a process of "project setting and research, information collection, drafting and revision, executive review, board review, and public release." At some stages, we engage with relevant stakeholders to discuss and validate the report's framework and content, ensuring transparency and alignment with our corporate values.



Versions and Availability

The report can be accessed and downloaded from the official website of SGMICRO (<http://cn.sg-micro.com>), the Shenzhen Stock Exchange website (www.szse.cn), the CNINFO website (<http://www.cninfo.com.cn>). The Report is available in both Chinese and English. In case of any discrepancy, the Chinese version takes precedence. We welcome feedback for the ESG report. Please do not hesitate to reach out to us at Investors@sg-micro.com if you have any questions or comments.

Key Performance Indicators

Business Performance

Sector	Disclosure Item	Unit	2023
Economic Performance	Revenue	RMB '000	2,615,716.4
	Net profit attributable to shareholders of the listed company	RMB '000	280,768.3
	R&D investment	RMB '000	737,074.1
	R&D investment percentage	%	28.18
	R&D personnel	Number	1,029
	R&D personnel percentage	%	72.72%
	Dividend (with tax)	RMB '000	107,846.5
	Basic earnings per share	1 RMB/share	0.6011

Environmental Performance

Sector	Disclosure Item	Unit	2023
Energy	Natural gas consumption	m3	4,217.00
	Gasoline	Liters	970.00
	Power Usage	kWh	6,734,013.00
Greenhouse Gas	Total greenhouse gas emissions (Scope I + II)	tCO2e	3,851.63
Office Operation	Water consumption	m3	10,148.00

Note:

- The disclosed data are collected from some of the company's operating regions.
- In 2023, due to the inclusion of testing facilities in the statistical scope and factors such as the expansion of office spaces and increased numbers of equipment and personnel in certain regions, there is a significant increase in the company's electricity and water consumption compared to 2022.
- The emission of greenhouse gases represents the sum of Scope 1 and Scope 2 greenhouse gas emissions. The emissions from Scope 1 are calculated based on the consumption of natural gas, gasoline, and corresponding emission factors. The emissions from Scope 2 are calculated based on purchased electricity and corresponding emission factors.

Corporate Governance Performance

Sector	Disclosure Item	Unit	2023
Corporate Governance	Number of board members	Number	5
	Male directors	Number	2
	Female directors	Number	3
	Independent directors	Number	2
	Non-independent directors	Number	3

Social Performance

Sector	Disclosure Item	Unit	2023
Safety	Number of people with work-related injuries	Number	0
Supply Chain	The number of suppliers identified as having actual or potential significant negative social impacts	Number	0
	The number of suppliers identified as having actual or potential significant negative environmental impacts	Number	0
	The percentage of new suppliers that were screened against environmental criteria	%	100
	The percentage of new suppliers that were screened against social criteria	%	100
	The percentage of RMI certified supplier	%	100
	Supplier due diligence rate	%	100
	Traceability white list rate	%	100
	Suppliers with hazardous substances and conflict mineral management system	%	100

Sector	Disclosure Item	Unit	2023
Patents	Total number of obtained patents	piece(s)	229
	Newly applied patents	piece(s)	230
	Total number of invention patents licensed	piece(s)	57
	New registration of IC design	piece(s)	112
Employee	Number of total employees	Number	1,415
	Male Staff	Number	930
	Female Staff	Number	485
	Over 40 yrs old:	Number	276
	Between 30 to 40 yrs old:	Number	468
	Employees under 30 yrs old:	Number	671
	Master's degrees and above:	Number	667
	Undergraduate	Number	584
	Bachelor's diploma or under:	Number	164
	Production staff	Number	71
	Technicians	Number	1,050
	Sales staff	Number	211
	Finance staff	Number	19
	Administration staff	Number	64
	Disabled	Number	13
	Average training time per year per employee	Hours	60.5
Social insurance coverage rate	%	100	

GRI Index

Instructions	SG Micro Group reported the information quoted in this GRI content index according to GRI standards between January 1, 2023, and December 31, 2023.
GRI 1 used	GRI1: Foundation 2021

GRI Standards	Disclosure Item		Corresponding Chapter
GRI2: General Disclosures 2021	2-1	Detailed information about the organization	About this Report
	2-3	Reporting period, frequency and contact point	About this Report
	2-7	Employee	Together We Thrive
	2-9	Governance framework and composition	Enhance Governance Structure
	2-12	In terms of governance impact, the supervisory role of the highest governance body	Enhance Governance Structure
	2-14	The highest governance body's role in sustainability reporting	Enhance Sustainable Governance Systems
	2-22	Statement on sustainable development strategy	Enhance Sustainable Governance Systems
	2-29	Approach to stakeholder engagement	Enhance Sustainable Governance Systems
GRI 3: Substantive issues 2021	3-1	The process to determine substantive issues	Enhance Sustainable Governance Systems
	3-2	List of substantive issues	Enhance Sustainable Governance Systems
	3-3	Management of substantive issues	Enhance Sustainable Governance Systems
GRI 201: Economic Performance 2016	201-1	The directly generated and distributed economic value	Key Performance Indicators
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Business Ethics
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Key Performance Indicators

GRI Standards	Disclosure Item		Corresponding Chapter	
GRI 303: Water and effluents 2018	303-1	The interaction with water as a shared resource	Waste and Material Management	
	303-2	Management of water discharge-related impacts	—	
	303-3	Water consumption	Key Performance Indicators	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Waste and Material Management	
	306-2	Management of significant waste-related impacts	Waste and Material Management	
	306-3	Waste generated	Waste and Material Management	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened against environmental criteria	Build a Sustainable Supply Chain	
GRI 401: Employment 2016	401-1	The percentage of new employee hires and employee turnover	—	
	401-2	Benefits provided to full-time employees (excluding temporary or part-time employees)	Care for the Employees	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system (OHSMS)	Health and Safety	
	403-3	Occupational health services	Health and Safety	
	403-4	Occupational health and safety topics: Worker participation, consultation, and communication	Care for the Employees Health and Safety	
	403-5	Worker training on occupational health safety	Health and Safety	
	403-6	Promote worker health	Care for the Employees Health and Safety	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety	
	403-10	Work-related health	Health and Safety	
	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Talent Development
		404-2	Programs for upgrading employee skills and transition assistance programs	Talent Development
	GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Recruitment
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened against social criteria	Build a Sustainable Supply Chain	

Glossary

Technical Terms	Definitions
ADC	Analog to Digital Converter
DAC	Digital to Analog Converter
DC/DC	A DC/DC converter is a converter that transforms a direct current power source into another direct current power source with a different voltage or current.
LED	Light Emitting Diode, a solid-state semiconductor device with diode characteristics that can convert electrical energy into light energy.
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 Form

This report is the second Environmental, Social, and Governance (ESG) report of SGMICRO publicly released to society. In order to improve the company's ESG management and enhance our performance in fulfilling ESG responsibilities, we sincerely ask for your opinions and suggestions. Please fill in the feedback form and choose one of the following methods to send:

1. What is your overall view of the ESG report?

Very good Good Average Poor Bad

2. Do you think the report can comprehensively and accurately reflect the company's significant economic, social, and environmental impacts?

Very good Good Average Poor Bad

3. How do you rate the quality of this report in terms of responding to and disclosing issues of concern to stakeholders?

Very good Good Average Poor Bad

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

Very good Good Average Poor Bad

5. How would you rate the readability of this report, including its logical structure, content design, language, and formatting?

Very good Good Average Poor Bad

Open-ended Questions

What aspect of this report are you most satisfied with?

Do you have any suggestions for our future ESG reports?



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