

# 2020 Sustainability Report



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# Disclaimer

When evaluating Microchip Technology Incorporated and its business, you should consider the factors listed in our Form 10-K, other documents that we file with the U.S. Securities and Exchange Commission and publications we make publicly available. Our actual results could differ materially from what is presented in this report. Although we believe that the information discussed in this report is reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these responses. We disclaim any obligation to update information contained in this report.

# **About this Report**

This is Microchip Technology Incorporated's annual sustainability report covering our performance during calendar year 2020. We have engaged Strategic Sustainability Consulting (SSC), an independent party, to support our sustainability reporting efforts. We believe that this report contains information that is accurate, timely and balanced. In preparing the material for this report, we have completed an internal assessment process in conjunction with SSC to review the contents for clarity.

We welcome your feedback to our Sustainability Report Team at legal.department@microchip.com.

# **Environmental Suggestion**

Because of this report's length and colors, Microchip Technology Incorporated recommends printing in black and white, double-sided, on a high-efficiency network printer, using high post-consumer-fiber white paper or white paper produced from rapidly renewable resources.

# Letter from the CEO

I am pleased to introduce Microchip's 2020 Sustainability Report, our eighth such report. While this is my first year at the helm of the company as the President and Chief Executive Officer, my long tenure with Microchip has included oversight of our environmental, social and governance (ESG) priorities.



I have watched the ESG landscape evolve, both across the landscape of publicly held companies, and also within our industry. Discussions within Microchip have likewise evolved regarding ESG-related areas. We have provided additional scrutiny on evaluation and mitigation of risks to our business, employees and communities, not limited to climate change, human capital and cybersecurity. But, more importantly, we are embracing opportunities in these areas and are pushing ourselves to do better. We believe ESG is more than compliance—it is about competitiveness. I am happy to state that this report is full of examples where our team has risen to the challenge!

In particular, I am proud of Microchip's response to the COVID-19 pandemic. Our prompt and comprehensive approach to prioritizing worker health and production stability allowed us to emerge from the crisis a stronger organization (see page 46-47). Our people quickly joined forces with local community nonprofits to donate money, personal protective equipment and technology (see page 46). Additionally, our products were used in some of the most important tools in the fight against COVID-19 (see page 18).

We continue to make progress on optimizing our energy use, with the goal of reducing our carbon footprint. From improving air dryer efficiency in the Philippines to upgrading compressors and pumps in Thailand, LED lighting upgrades in Ireland and expanding heat exchange capacity in the United States, we are taking advantage of opportunities across the globe (see page 21).



I would be remiss not to highlight our work on diversity, equity and inclusion (see page 28). While we have always been an EEO employer, this year we did a frank evaluation of barriers to full participation. As a result, we are improving efforts to recruit, retain and promote qualified candidates from diverse groups.

Our board and executive management are committed to fostering an environment where a diversity of perspectives is heard. We

The world needs efficient, reliable technology to support solutions to our biggest global challenges. Microchip is an essential part of those solutions. have recently undergone a board refreshment process and have three new board of director members. This board refreshment resulted in our nominees at our 2021 annual meeting being 43 percent people of color and 29 percent female.

As we continue to emerge from the COVID-19 pandemic, we face an uncertain world. What we do know, however, is that the world needs efficient, reliable technology to support solutions to our biggest global challenges. Microchip is an essential part of those solutions now, and we continue to innovate so that we will be ready to meet the needs of the future. Thank you for joining us on that journey.

Ganesh Moorthy President and Chief Executive Officer

# About Microchip

Microchip Technology Incorporated is a leading provider of smart, connected and secure embedded control solutions. Its easy-to-use development tools and comprehensive product portfolio enable customers to create optimal designs which reduce risk while lowering total system cost and time to market. The company's solutions serve more than 110,000 customers across the industrial, automotive, consumer, aerospace and defense, communications and computing markets. Headquartered in Chandler, Arizona, Microchip offers outstanding technical support along with dependable delivery and quality. For more information, visit the <u>Microchip website</u>.

Our vision is, "To be the very best embedded controller solutions company ever." This means that we must be diligent in identifying market opportunities, in developing and manufacturing cost-effective products to meet present and future requirements and in marketing these products effectively to our global customer base. Our consistent goal is to operate ethically and responsibly to protect the economic stability and reputation of our company and demonstrate our commitment to our clients, shareholders, employees and communities.

Microchip Techn	nology Incorporated at a Glance
Locations	Microchip owns and uses facilities in nine countries: China, France, Germany, India, Ireland, the Philippines, Taiwan, Thailand and the United States. We have sales offices, design centers and remote workers in more than 20 additional countries.
Product Categories	Our product portfolio is comprised of general-purpose and specialized 8-bit, 16-bit, and 32-bit microcontrollers, 32-bit microprocessors and Field-Programmable Gate Array (FPGA) products. We also offer a broad spectrum of high-performance linear, mixed-signal, power management, thermal management, discrete diodes and Metal- Oxide Semiconductor Field Effect Transistors (MOSFETS), Radio Frequency (RF), timing, timing systems, safety, security, wired connectivity and wireless connectivity devices. Our portfolio also includes serial Electrically Erasable Programmable Read Only Memory (EEPROM), serial Flash memories, parallel Flash memories, serial Electrically Erasable Random Access Memory (EERAM) and serial Static Random Access Memory (SRAM). We also license Flash-IP solutions that are incorporated in a broad range of products. Our synergistic product portfolio targets thousands of applications worldwide and a growing demand for high-performance designs in the automotive, aerospace, defense, space, communications, computing, medical, consumer and industrial control markets.
Employees	Approximately 19,500
Governance	Microchip Technology Incorporated is led by a skilled, diverse and experienced eight- member board of directors. The board is nominated by the company's Nominating, Governance and Sustainability Committee and appointed by its board of directors and shareholders. For more information about Microchip, its board of directors, executive structure and investor information, <u>visit our website</u> .

# **Innovating for the Future**

Microchip's culture of innovation is consistently tracking global market movements and megatrends to stay one step ahead of tomorrow's needs. Our leading-edge technologies are poised to continue to deliver solutions to manufacturers at the forefront of sustainable technology growth.



#### **5G**

5G wireless technology is rapidly emerging to support the higher speeds, higher bandwidth and lower latency required in this new area of global connectivity. We offer solutions that are used in micro base stations, small cells, microwave backhaul, RAN transport, edge-computing and other wireless equipment. Our Ethernet, timing and synchronization and other products enable carriers to deploy 5G networks to deliver reliable, robust and high-quality services to users around the globe.



### **Data Centers**

Data is being created on a hyper-exponential scale. Data center architects need innovative solutions to meet the challenges of improving power consumption and efficiency, simplifying and automating equipment bring-up and management, and securing critical assets. We provide a comprehensive portfolio of infrastructure, memory and endpoint solutions for today's data center deployments while investing in next-generation technologies, such as PCI Express<sup>®</sup>, SAS-4, 400GbE, NVMe<sup>™</sup> and memory, to help our clients prepare to meet future requirements.



# Edge Computing/IoT

Designers of Internet of Things (IoT) and edge computing applications need a supplier who can provide smart, connected and secure solutions to help them innovate in this huge and competitive market segment. Cloud connectivity is being added to an array of smart home, smart factory, smart medical, smart city and other networked systems. We offer a broad portfolio of products for adding sensor interfacing, touch and voice control, security and authentication, wired and wireless connectivity, motor control and other capabilities to any IoT design.



# **Electric Vehicles**

To respond to growing governmental and consumer demand, car manufacturers are making significant investments in Electric Vehicles (EVs). They are looking for solutions that will help them design lighter vehicles with larger cargo spaces that also offer faster charging times and longer travel ranges. We offer an extensive selection of automotive products to reduce power consumption, save space, shorten battery charging time and improve the acceleration and range of EVs.



# AI

Artificial Intelligence/Machine Learning (AI/ML) is an emerging trend in a number of applications including data centers, self-driving cars, security and surveillance, electronic fences, augmented and virtual reality headsets, drones, robots, satellite imagery and communication centers. As one of the few companies that currently offers solutions for data centers, edge/sensor devices and controllers, we make it easy to implement AI and ML algorithms for collecting and organizing data, implementing preventive maintenance in industrial equipment, training neural networks or implementing optimized inference on the edge.



# **Autonomous Vehicles**

Semi-autonomous and fully autonomous vehicles offer the hope that the number of fatalities and serious injuries caused by road traffic can be significantly reduced. Advanced Driver Assistance Systems (ADAS) rely on sensors and cameras to gather information from around a vehicle and provide it to in-vehicle computing units. Our expertise in providing solutions for safety-critical connectivity and other automotive applications will provide car makers with the support they need to develop emerging ADAS applications.



#### **Board of Directors**

Microchip is led by an eight-member board of directors who provide governance and oversight to the company.

Matthew W. Chapman Board Member

**L.B. Day** Board Member

**Esther L. Johnson** Board Member

Karlton Johnson Board Member Wade F. Meyercord Board Member

**Ganesh Moorthy** President and Chief Executive Officer

> Karen M. Rapp Board Member

Steve Sanghi Executive Chair

When considering a candidate for a director position, the Nominating, Governance and Sustainability Committee looks for demonstrated character and judgment; relevant business, functional, and industry experience; and a high degree of skill. The board of directors and the Nominating, Governance and Sustainability Committee believe it is important that the members of the board of directors represent diverse viewpoints. Accordingly, the Nominating, Governance and Sustainability Committee considers issues of diversity in identifying and evaluating director nominees, including differences in education, professional experience, viewpoints, technical skills, individual expertise, ethnicity and gender.

### **Corporate Officers**

All of Microchip's corporate officers bring excellent leadership to the table.



**Steve Sanghi** Executive Chair



**Ganesh Moorthy** President and Chief Executive Officer



**J. Eric Bjornholt** Senior Vice President, Chief Financial Officer



**Mitchell R. Little** Senior Vice President, Worldwide Client Engagement



**Stephen V. Drehobl** Senior Vice President, MCU8 and MCU16 Business Units



**Richard J. Simoncic** Senior Vice President, Analog Power and Interface Business Units

# Memberships, Associations and Certifications

### **CDP** Participant

Microchip discloses its energy usage and Greenhouse Gas (GHG) emissions annually via the CDP's Climate Change Survey. The CDP, formerly the Carbon Disclosure Project, is a vehicle whereby we disclose our GHG emissions reduction and our energy conservation initiatives in the same document.

### Samsung Eco-Partner Affiliate Company

Microchip has been recognized by Samsung that we meet its standards with respect for control of substances with environmental impacts within products and established stable environmental quality control system.

### Responsible Business Alliance (RBA) Member

Microchip is a member of the RBA. With the principles of corporate social responsibility as a fundamental part of Microchip's DNA, we remain committed in every aspect of our business and operations to advancing human rights, ethics, and health and safety worldwide.

### Responsible Minerals Initiative (RMI) Member

The RMI engages Smelters and Refiners (SORs) and conducts audits of the SOR against responsible minerals sourcing protocols. The RMI also helps companies make informed choices about conflict minerals in their supply chain.

### Sony Green Partner Certification

Awarded under Marubeni Information Systems Co. Ltd.

# ISO45001 Certificate (Thailand)

# ISO14001 Certificate (Thailand)

# ISO14001 Certificate (Philippines)

**Helpful Links** 

Information for investors, including financial performance

Microchip's Corporate Governance Policy for Election of Directors

Board member and executive officer information

Stakeholder engagement at Microchip is an ongoing and evolving dialogue. As expectations for high-tech companies change, we take our stakeholder's inputs into consideration as we review our business practices.

Microchip operates with an overriding Vision, Mission and 11 Guiding Values, which dictate our day-to-day decisions and establish our corporate culture. Our Guiding Values convey our overall philosophy and are intrinsically linked to our stakeholders whether as a customer, supplier, employee, investor or a member of our local community.

Identification of primary stakeholders and the stakeholder engagement process tends to be decentralized based on functional group responsibilities and priorities. Microchip has chosen to focus on stakeholder groups with both high interest and high impact to our business.

# **Our Approach**

Who	How	Key Topics and Concerns
Investors	Earnings calls, investor conferences, annual shareholder meeting, CDP report, sustainability report, direct meetings	Business performance, cybersecurity, compliance, risk, opportunities, ESG
Board of Directors	Management review, sustainability report, CDP report	Business performance, cybersecurity compliance, risk, opportunities, ESG
Employees	Surveys, quarterly communications meetings, town halls, reviews, open- door policy, whistleblower policy	Safety, training, compensation, benefits, job stability, sustainability, advancement
Customers	Trade shows, direct meetings, website, sustainability reporting, RMI, CDP	Product innovation, design, pricing, performance, responsive service, business continuity, cybersecurity, social responsibility
Local Communities	Environmental stewardship, direct community support projects, volunteerism	Safety, emissions, effluent, community awareness, support
Government	Regulatory filings, OSHA, CDP, EPA reporting, RMI, forced labor and trafficking	Environment, emissions, effluent, forced labor and trafficking, conflict minerals
Suppliers and Subcontractors	Site visits, quarterly reviews, processes, procedures, contracts, audits	Consistency, stability, fair pricing

#### Vision

Be the very best embedded control solutions company ever

#### **Purpose**

Empowering innovation which enhances the human experience by delivering smart, connected and secure technology solutions

#### **Mission Statement**

Microchip Technology is a leading supplier of embedded control solutions by delivering a broad spectrum of innovative standard and specialized microcontrollers; FPGA products; analog, mixed-signal, timing and security products; wired and wireless connectivity products; related nonvolatile memory products and Flash-IP solutions. In order to contribute to the ongoing success of customers, employees, shareholders and the communities in which we operate, our mission is to focus resources on high-value, high-quality products, total system solutions, software and services, and to continuously improve all aspects of our business, providing an industry-leading return on investment.

#### **Guiding Values**

Our Guiding Values cover many aspects of corporate responsibility:

- Quality comes first
- Customers are our focus
- Continuous improvement is essential
- Employees are our greatest strength
- Products and technology are our foundation
- Total cycle times are optimized
- Safety is never compromised
- Profits and growth provide for everything we do
- Communication is vital
- Suppliers, representatives and distributors are our partners
- Professional ethics and social responsibility are practiced

Each value has its place in making Microchip a company you can be proud to choose, whether as a supplier, an employee, an investor or a contributing business partner in your community. Learn more about <u>Microchip's Vision</u>, <u>Mission and Guiding Values</u>.

### **Compliance with Laws**



Microchip's Guiding Value—Professional Ethics and Social Responsibility are Practiced—requires that all employees, directors and officers comply with all applicable laws and regulations and also abide by our Code of Business Conduct and Ethics and associated policies. These policies include Compliance with Laws, Confidentiality, Conflicts of Interest, Insider Trading and Reporting Legal Non-Compliance. Microchip has also implemented a <u>Supplier Code of Conduct</u> that expressly communicates our expectation of lawful and ethical behavior throughout the supply chain.

We are committed to ensuring that our facilities comply with all local and national laws and regulations as they relate to the health and safety of our employees. We also have policies prohibiting the use of forced or compulsory labor, child labor and discrimination.

Compliance with international laws is a key aspect of conducting Microchip's business ethically. Our Code of Business Conduct and Ethics outlines and defines Microchip's requirement that our staff, suppliers and customers comply with international laws that prohibit bribery and similar acts to gain additional business or other favorable treatment. These laws include, but are not limited to the United States Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and the People's Republic of China's Criminal Law. Global anti-corruption laws make it a crime for companies to bribe or provide anything of value to government officials and other individuals in order to obtain new business, maintain existing business or receive other benefits.

It is unacceptable for any Microchip executive, director or employee to act in any manner that is contrary to these laws. We consider our suppliers, representatives and distributors as critical to achieving our mission. Therefore, we expect our partners to abide by our ethical guiding values, including compliance with global anticorruption laws.

We encourage our partners to not only comply with these laws, but also to participate in the enforcement of our policies by reporting suspected violations of these laws by any person to Microchip.

We take our obligation to follow all relevant laws and regulations seriously. In the chart on the next page, we have outlined our compliance record on sustainability-related topics.

# Legal Claims Against Microchip

Microchip's policies require that we follow all applicable laws and regulations. In the chart below we have outlined our compliance record on sustainability-related topics.

Торіс	2019	2020	2021
Environment	0	0	0
Health and Safety	0	0	0
Corporate Governance	1*	0	0
Product Stewardship	0	0	0

\*Refer to our annual 10-K filings with the Security and Exchange Commission (SEC) and Note 12 to our consolidated financial statements for information regarding legal proceedings.

# A Closer Look at Cybersecurity

We define cybersecurity as measures designed to protect our IT assets and information from unauthorized access or attack. As we are all aware, there are more frequent high-profile security data breaches being reported across the globe. It is our job to put in place mechanisms to protect our systems and information from unauthorized access and to train our people to avoid such vulnerabilities. Our cybersecurity efforts are managed by a global team of cybersecurity, IT, engineering and legal personnel and consultants. As part of the training that we offer, we require our employees and contractors with access to our systems to successfully complete an annual information security awareness training. We also conduct quarterly simulations to raise employee awareness of the threat of email phishing.

Our information security organization is responsible for both cybersecurity and business continuity as it relates to digital information. Structuring responsibilities this way provides Microchip with an interconnected view of IT security and enables efficient control of our IT security management processes. Our Vice President, Chief Information Security Officer reports on cybersecurity to our executive management and to our Audit Committee which has the responsibility for overseeing data security matters.

We also plan for cybersecurity scenarios in our resilience planning, document them through business continuity plans and follow the processes outlined in frameworks such as the ISO 27000 for Information Security Standards, NIST-800-53 and NIST-800-171. With the changing landscape and technological advances in this area, we continually evaluate and adapt our security measures. We have a protocol in place to assist in determining our response to a cybersecurity event. Our teams also leverage external consultants, such as computer security experts and legal advisors with risk management and global experience. By using a variety of methods and people from various disciplines and staying abreast of developments in this area, it is our intent to have in place the appropriate systems to protect our information and properly respond in the event of a cyber attack.





# Materiality

Microchip is a values-based company whose culture is based on an overriding Vision, Mission Statement and set of Guiding Values that ensure our operations are meeting our responsibilities with respect to labor, health and safety, environment and ethics. This Sustainability Report is one mechanism in which we remain transparent to our employees, customers, shareholders and stakeholders in these areas. We undertake a materiality assessment to help identify issues we believe are the most important to our stakeholders.

# 2020 Material Topics

The following topics emerged as our most important sustainability issues, both to our stakeholders and for Microchip's business success:

- **Employee Recruitment and Retention** our ability to attract and keep the best employees in a highly competitive and dynamic industry
- **Ethics and Integrity** good governance practices and our compliance with laws and regulations in a heavily regulated global marketplace
- Energy and Climate Impacts our ability to manage associated greenhouse gas emissions, control energy use and reduce costs
- **Forced Labor** our transparency and reporting with respect to steps taken to ensure Microchip's labor force remains free of any coercion or forced labor and our efforts to ensure the eradication of forced labor within our supply chain
- **COVID-19 Pandemic Response** systemic operational changes were implemented to ensure the safety of Microchip's employees
- **Occupational Health and Safety** keeping our employees and contractors safe on the job and managing long-term health and wellness impacts
- **Product Impacts** how we design and manufacture our products to minimize environmental impact and comply with environmental, health and safety and conflict mineral regulations
- **Supply Chain Management** assessing vendors for environmental, social and governance issues and taking appropriate steps to mitigate risk
- Water and Waste Impacts our efforts to manage waste and water impacts responsibly throughout the manufacturing process

# **Steps in a Materiality Assessment**

#### **STEP 1: Choose a process**

We used the Global Reporting Initiatives (GRI) Guidelines to guide our approach. We also used the Sustainability Accounting Standards Board (SASB) industry guidance on materiality for the semiconductor industry.

#### STEP 2: Understand your stakeholders

We looked at the sustainability issues that come up most frequently with customers, with government officials, with lawmakers and with suppliers.

#### **STEP 3: Compare to business interests**

We also examined sustainability issues that are most prevalent within Microchip across a variety of departments and job functions.

#### **STEP 4: Prioritize your list**

We prioritized the master list of sustainability issues based on their importance to stakeholders and their importance to Microchip.

# STEP 5: Review and communicate results

We reviewed the prioritized list and agreed on the most material topics. The results listed above inform the boundaries and focus of our reporting efforts.

#### **STEP 6: Refresh**

Every year, Microchip works with sustainability experts to review material issues and identify any changes to the industry landscape that might impact our priorities or scope of reporting.

# Microchip Products Used in the Fight Against COVID-19

Microchip is proud to be part of the global fight against COVID-19 by producing some of the most-needed technology used by health-care workers around the globe. As an experienced supplier, Microchip supported more than 2,000 medical customers in making FDA-approved devices used in hospitals and health-care settings to directly support COVID-19 care needs. Our sensors, timers, converters and other devices can be found in these life-saving products.

# **Microchip Products at Work**

#### Personal PCR Device

World's first personal Polymerase Chain Reaction (PCR) device detects COVID-19 in less than 15 minutes

#### Airless Sprayers

Airless sprayers for sanitizing and disinfecting stadiums, airports, parks, ships and large industrial areas

#### SARS-Cov-2 Test

A rapid response test to detect the SARS-Cov-2 virus itself, leading to earlier diagnosis

# Ventilators

Life-saving ventilators for patients needing critical care

#### **Measurement Device**

A hand-held device that measures body temperature and heart rate

#### Sterilizer

A compact Class-B sterilizer used to clean medical instruments

#### Syringe Pump

An electrical syringe pump and serum transfuser that delivers small amounts of medication or fluids

#### Vaccine Injector Quick and easy vaccine delivery injector

**Pulse Oximeter** A non-invasive device to measure oxygen blood levels

### **Positive-Air Respirator**

Keeps the same air pressure in the mouthpiece during inhalation and exhalation





# Environmental Responsibility

Microchip Technology Incorporated is committed to protecting the environment and minimizing the potential environmental impact of our operations and products within the global communities in which we operate. We are committed to complying with accepted environmental and regulatory compliance practices as we strive for continual improvement.

# Microchip's corporate Environment, Health and Safety (EHS) policy includes the following components:

- Management is committed to the development, implementation and continual improvement of the environmental, health and safety programs.
- We place our concern for the health and safety of our employees and communities in which we work at the forefront of our policies and decisions.
- We will identify, evaluate and implement opportunities for pollution prevention.
- We will comply with applicable environmental, health and safety laws and regulations.
- We will integrate environmental, health and safety considerations into our business using the innovation, creativity and ingenuity of our employees.

We are currently working towards our published goal of reducing carbon emissions from our three primary U.S. semiconductor manufacturing facilities by 15% over a five-year period, using 2018 as our baseline year. We continue to invest additional capital in abatement technologies in our factories to support this reduction goal and closely monitor our progress.

Region	2018	2019	2020
Asia/Pacific	655	381	386
Europe	9,107	8,301	11,729
North America	519,608	417,291	336,292
Total	529,370	425,973	348,407
% Reduction*	Baseline	20%	34%

#### Scope 1 Emissions (Metric Tons Co2e)

#### Scope 2 Emissions (Metric Tons Co2e)

Region	2018	2019	2020
Asia/Pacific	118,684	117,279	117,170
Europe	6,757	7,116	5,491
North America	203,474	187,095	182,680
Total	328,915	311,490	305,341
% Reduction**	Baseline	5%	7%

\* Raw data that has not been normalized. We have seen a significant reduction in Scope 1 emissions. This is due to several factors including rebalancing and refocus of our internal fabs by moving high-runner materials to locations running larger wafers with advanced abatement technology and focusing our older-technology fab into a boutique fab running lower-volume, specialty materials. We acknowledge the impact that COVID may have had on these numbers. Over the next year we will finalize and standardize our normalization methodology, which may significantly modify these numbers.

\*\* Raw data that has not been normalized. This data has not been reviewed, and a target has not been set. We acknowledge the impact that COVID may have had on these numbers. Over the next year we are looking toward establishing a target and standardizing our normalization methodology, which may significantly modify these numbers.

# **Energy Use**

Microchip's energy use had trended upward as the result of acquisitions over the past few years. As our total footprint, number of facilities and headcount have increased with each acquisition, we have looked to make improvements to reduce the impact.

Microchip is actively investing in its facilities to reduce energy use, decrease our carbon footprint and create a more sustainable future. We continue to migrate production to our most efficient manufacturing centers wherever possible.

Energy Type	2018	2019	2020
Distillate Fuel Oil	3,124	1,501	340
Electricity	743,796	717,204	721,481
Liquefied Petroleum Gas	1,491	1,572	1,409
Natural Gas	275,814	247,892	274,499
Total	1,024,225	968,169	997,729

#### Energy Usage (MWh)

Fuel quantities shown are reported in alignment with the US EPA GHG Reporting Rule calculation methodology. Additional diesel fuel used for "exempt" applications, such as weekly readiness testing, is excluded.

# **Recent Energy Improvements**

**Total Combined Annual Results** 

Total Estimated 2020 CO2e Savings: Total Estimated 2020 Energy Savings:

#### The Philippines

Installation of pre-coolers before air dryers to convert gas N2 usage of production to CDA, improve CDA dewpoint from -50°C to -70°C, and reduce energy consumption of air dryers

#### Thailand

Installed one high-efficiency air compressor to replace three low-efficiency air compressors, optimized CDA pressure, optimized feed pump, optimized loader exhaust, continued upgrade of lighting to LED, performed UPS upgrades and optimization

2,409 metric tons 4,004,556 kWh

#### Ireland

Continued upgrade of lighting to LEDs

#### US

Continued conversion to LED lighting at multiple facilities, made chiller modifications and optimization, optimized work schedules and expanded heat exchange capacity

#### India

Solar power generation

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# Increasing EV Power and Reliability for the Automotive Industry

The global automotive industry is responding to government initiatives to reduce the CO2 emissions from cars and trucks by making a shift from gas-powered vehicles to EVs. Car makers need to design electricpowered cars and trucks to meet the same, or higher, performance standards as their gas-powered counterparts to help boost customer adoption of EVs in this changing market. These EV designs require solutions that can increase motor power and battery voltage and provide on-board charging options.

We have a long history of providing reliable and innovative solutions to the automotive industry. Our 700V and 1200V Silicon Carbide (SiC) Schottky Barrier Diodes (SBDs) are an excellent option for EV designs. They meet stringent AEC-Q101 quality standards and are designed to maximize the reliability and stability of power systems while also extending a product's lifecycle. They also reduce the need for external protection circuits, which reduces system costs and complexity.



Microchip makes sure that every site has the option to recycle. We are diverting almost four million pounds of waste from our communities' landfills, wastewater treatment sites and atmosphere.

#### **Recycled Materials (lbs)\***

	2018	2019	2020
Electronic and Universal Waste	110,749	91,378	74,882
Equivalent Reuse Post Consumer Fiber	106,349	120,439	41,199
Metals	303,806	288,848	301,819
Paper and Cardboard	1,334,185	831,054	896,661
Plastics	417,123	1,251,370	877,449
Rapidly Renewable Resource	476	828	**
Site Specific Recycle	918,961	1,140,951	1,666,378
Total	3,191,649	3,724,868	3,858,388

\*Recycled Materials data includes the Chandler, Tempe, Gresham, MPHL1, MPHL2, MTHAI/MMT, and Colorado Springs facilities.

\*\* This material stream is generated primarily at the Chandler campus. Due to COVID-19 the majority of Chandler employees were WFH.

### 6S Method Reduces Waste at Microchip Facilities in Thailand

The 6S Method is a waste-reduction approach used to identify and reduce waste in the workplace. Microchip Technology Incorporated's facilities in Thailand have implemented 6S and consistently see a reduction in waste year-over-year.

6S stands for the five Japanese words and Safety used in the method: Seiri (Sort), Seiton (Set in Order), Seiso (Shine), Seiketsu (Standardize), Shitsuke (Sustain) and Safety. Employees sort, removing items that are no longer needed; set in order, organizing their workstations to optimize efficiency and flow; shine, cleaning their areas in order to more easily identify issues; standardize, implement color coding and labels to stay consistent with other areas; and sustain, developing behaviors that keep the workplace organized over the long term. Safety is an integral part of each of the original 5S phases, identifying and eliminating all hazards for a zero-accident and injury-free workplace.

Water is a fundamental requirement for semiconductor manufacturing. We noticed that our water usage had been increasing in correspondence with an increase in production at several of our facilities. We applied innovative measures to reduce our water usage and remain committed to finding additional ways to curb our total water usage and decrease the amount of our effluent wastewater.

Facility	2018	2019	2020
Chandler	28,322,000	28,454,000	26,924,000
Colorado Springs	384,361,019	357,841,422	257,751,318
Gresham	345,577,757	344,478,439	343,194,288
Thailand (MMT)	119,920,415	131,654,227	134,110,127
Thailand (MTHAI)	221,275,140	197,949,735	162,153,094
Philippines (MPHL1)	88,262,771	97,116,760	94,781,744
Philippines (MPHL2)	5,669,105	7,089,505	5,577,727
Tempe	322,260,100	291,174,800	286,078,200
Total	1,515,648,307	1,455,758,888	1,310,570,498

### Water Usage at Production Facilities (Gallons)

### Effluent Waste at Production Facilities (Gallons)

Facility	2018	2019	2020
Chandler	5,233,762	6,272,768	6,061,774
Colorado Springs	307,605,374	300,997,079	212,216,416
Gresham	286,093,158	269,461,983	275,070,447
Thailand (MMT)	51,659,910	54,827,249	53,447,403
Thailand (MTHAI)	96,657,475	75,984,148	32,706,808
Philippines (MPHL1)	46,779,269	51,471,883	50,234,324
Tempe	254,521,133	307,618,833	280,349,117
Total	1,001,770,812	1,015,162,060	910,086,289

# **Recent Water Innovations**

**Total Combined Annual Results** Total Estimated 2020 Water Savings:

#### **Colorado Springs**

Implemented a RO water-saving project, reducing water usage by 10% and saving more than 27.5 million gallons a year

#### Thailand

Recycled cooling water from saw wafer and saw singulation processes, saving more than 2.3 million gallons of water per year

Recycled RO cooling water from saw wafer and saw singulation processes, saving more than 24.3 million gallons of water per year

#### 63.1 million gallons

#### The Philippines

Re-piped underground leaking water pipe, saving more than 7.1 million gallons of water, addressed cooling tower water basin siphoning, saving more 120,000 gallons of water per year, replaced traditional faucets with touchless, water-efficient faucets, saving more than 785,000 gallons of water per year

Installed automatic faucet and urinal flush in all restrooms, saving more than 1 million gallons of water per year

# **Environmental Awards**



#### **US Environmental Awards**

As a point of pride for Microchip, the Gresham Site Services Team has received the Platinum Award from the City of Gresham for 17 consecutive years of operating an Acid Waste Neutralization (AWN) system with 100% pretreatment compliance. The facility has received zero AWN compliance violations during the past 17 years.

### **Thailand Environmental Awards**

**Environmental Quality Conservation Award** 2019 Prime Minister's Industry Award

#### **CSR-DIW Continuous Award Corporate Social Responsibility**

2018, 2019, 2020 **Department of Industrial Works** 

### **3Rs Award**

2018, 2019, 2020 Department of Industrial Works

Zero Waste To Landfill

2018, 2019, 2020 Ministry of Industry

# **Protecting U.S. Military Communication Systems**

In response to threats from intentional jamming and spoofing of U.S. Global Positioning System (GPS) signals, Microchip developed a powerful time and frequency system to keep military communication systems operational and running smoothly.

Our SyncServer<sup>®</sup> S650 M-Code time server was approved by the U.S. Air Force GPS Directorate of the Los Angeles Air Force Base for use in support of military communication systems, radars and networks.

M-Code, an encrypted military signal broadcasted in GPS frequency bands, is required by mission-critical Department of Defense applications in hostile environments.

Our SyncServer S650 M-Code-equipped time and frequency server provides a secure, accurate and flexible platform for synchronizing mission-critical electronic systems and instrumentation. For DoD programs requiring jam-resistant, encrypted time and frequency signals from the GPS military M-Code Precise Positioning Service (PPS), with a fully integrated M-code GPS receiver.

Harder to jam than commercial CA-Code GPS, M-Code provides a more greater accuracy. The instrument also makes it easier for operators to load crypto keys.

We deliver these secure products to help synchronize critical and mission critical operations, supporting the U.S. military as it protects American interests at home and abroad.





# Workplace Initiatives

Microchip is a U.S. company with operations around the world. Our global workforce consists of approximately 19,500 employees. We recognize that employees are our greatest strength and place a high value on the diversity of our global workforce. We design jobs and provide opportunities that promote teamwork, productivity, creativity, pride in work, trust, integrity, fairness, involvement, development and empowerment. We base recognition, advancement and compensation on an employee's achievement of excellence in team and individual performance. We are committed to providing strong benefits and wellness programs, safe and inclusive workplaces, continuous opportunities for training and professional development and equal employment opportunities to all.

	2018	2019	2020
Asia/Pacific	9,342	8,986	10,419
Europe	2,374	2,368	2,326
North America	7,024	6,679	6,727
Total	18,740	18,033	19,472

#### **Employees by Location**

### **Culture and Guiding Values**

In 1990, Microchip designed a cultural framework to unite employees around the world through shared workplace values and to guide employees' decisions, actions and job performance. Microchip's Guiding Values convey our overall philosophy and shape our day-to-day decisions and the way we conduct business, which creates a successful foundation for employee empowerment and enhances employee development on all levels. We believe that employee empowerment keeps employees engaged and promotes creative and innovative thinking, which results in increased productivity.

Our focus on communication provides transparency among leadership, which promotes trust among employees and is a critical part of Microchip's culture. Each quarter, Microchip's Executive Chair, Steve Sanghi, and President and CEO, Ganesh Moorthy, hold meetings for all employees after quarterly earnings are announced. At these meetings, they discuss Microchip's business, products, the semiconductor industry as a whole and global events that may potentially affect Microchip. Microchip's CEO also holds town hall meetings where he talks with groups of employees and answers questions.

Managers are required to have at least one one-on-one meeting with each employee per quarter. The purpose of these meetings is for employees to discuss their career development goals, ideas for continuous improvement, any job challenges they may need assistance with and any other topic. Microchip also has an Open Door policy, where employees are encouraged to bring any questions or concerns to their management, human resources or any other Microchip leader at any time.

Our culture is important to our employees, and this is reflected in our high retention rate and employee tenure. In 2020, Microchip had a worldwide retention rate of 93 percent and a significant number of employees that have been with us for ten years or longer.



Microchip supports the professional growth of employees and believes in developing leaders from within. On average, over the last three years, nearly 25 percent of our job vacancies were filled internally. Our long-term employee base has resulted in strong working relationships and trust among colleagues, knowledge retention and continuation of our culture. Another strong indicator of our culture is demonstrated in our employee referral program whereby 21 percent of all new hires were referred by current employees.

### **Diversity and Opportunity**

Microchip places a high value on the diversity of its workforce. Microchip provides equal employment opportunities and respects and values the diverse experiences and backgrounds of all applicants and employees. Microchip operates in full compliance with all EEO guidelines for recruitment and hiring practices. Regular and updated training is provided to recruiters and managers to ensure complete understanding of ethical and legal hiring practices. In the U.S. all managers are required to complete and pass an affirmative action training course.

Microchip utilizes multiple recruiting platforms including our company career site, social media, job boards at local colleges and universities and various diversity and veteran-specific job boards.

Military service members and veterans are truly an asset to Microchip's workforce. The outstanding military training and education they receive, combined with real-world experience in teamwork and leadership, are valued attributes, and we seek to recruit veterans and retired military for various positions. In the U.S. we participate annually in local and national veteran career fairs including VetTalks, sponsored by Best Companies and Career Connectors. Microchip also promotes all job openings on veteran and military job boards and continually seeks to partner with veteran groups and agencies as a veteran-friendly employer. Microchip is working with Skill Bridge, a program where military members who are separating from service may leave active duty 180 days in advance to participate in internship programs with prospective employers. These service members continue to be paid by the military as part of the program as they transition to new careers.

Microchip has partnered with a third-party diversity recruitment and OFCCP compliance provider to ensure all U.S. jobs postings are delivered to government agencies and various diversity sites. In addition, Microchip's recruiting efforts in 2020 included attending diversity-focused career fairs and other outreach activities to target underrepresented groups such as women, veterans, individuals with disabilities and other minority groups. Microchip seeks to expand its university partnerships in 2021 to include Historically Black Colleges and Universities (HBCUs) and will continue to make diversity recruiting a top priority.



#### Ganesh Moorthy, President and Chief Executive Officer

Microchip's business purpose is, "Empowering innovation which enhances the human experience by delivering smart, connected and secure technology solutions."

A key strength is our company culture, and through our culture and our innovative solutions we strive to be a great place to work and build one's career. We value diversity and inclusion and believe employees of all backgrounds contribute to our ongoing success. It is important that we support the needs of our employees and ensure equity for all, without regard to race, color, ethnicity, national origin, religion, age, disability, gender (including gender expression and gender identity), sex or sexual orientation.

Through diversity of backgrounds and perspectives, we gain the knowledge and experience that each of our employees brings. We believe promoting inclusion at Microchip leads to innovative breakthroughs for our customers and an engaging employee experience for our team members. Our goals can only be achieved by bringing forward a truly diverse, inclusive and equitable workforce and cultivating a culture of belonging, open communication and transparency where each employee feels heard, valued and empowered to contribute in every way.

Our commitment to inclusion, diversity and equity begins at the top. Our entire leadership team encourages our employees to expand their knowledge and gain new experiences. Inclusion comes from open interactions with people who think differently. We know that having varied perspectives helps generate better ideas to solve the complex problems of a changing—and increasingly competitive—business landscape.

Inclusion, diversity and equity are not just words; they are part of our guiding value, "Employees are Our Greatest Strength." This is the way we do business and ensure our future success. We recognize the power of inclusion, diversity and equity to better the lives of our employees and strengthen the performance of our company.

For example, in 2021 we increased the racial and gender diversity of our board; we are fostering greater dialogue and mentorship opportunities for employees of underrepresented groups; we are improving efforts to recruit, retain and promote qualified candidates from diverse groups and we provide opportunities for employees to give back to those in need in the communities in which we work by contributing to charities and to our own charitable foundation, AZFirst.

We are proud of our Guiding Values and our success as a company. By having strong partnerships with our employees, customers, sales channels, suppliers, investors and communities, we make certain that Microchip continues to deliver on our mission to, "Be the very best embedded control solutions company ever."



#### **University Programs**

Microchip has robust programs in place globally to find recent graduates and interns with high levels of innovation, technical abilities and enthusiasm to work for us in a variety of engineering and business disciplines. We consider a New College Graduate (NCG) as anyone who has successfully completed a bachelor's or master's degree from an accredited college or university within the last three years.

We actively recruit year round at local university career fairs and job posting sites globally seeking diverse and innovative fresh talent. We value the partnerships and brand recognition we have built with top universities and faculty in many ways, such as by judging at engineering-related competitions, participating in campus informational sessions, assisting in curriculum design for engineering courses, sponsoring senior level capstone projects and serving as guest speakers in the classrooms, at student organizations and at commencements.

We provide product samples, development tools and demo boards in many locations to support educational institutions worldwide. Microchip's campus involvement aids in the overall recruitment efforts to attract top talent as an employer of choice. Microchip normally hosts a formal biannual program at its corporate headquarters in Chandler, Arizona, for U.S.-based new college graduates. However, in 2020 this program was presented virtually. It is designed for and focuses specifically on the needs of new college graduates by providing engagement with the executive staff, technical training, personal-development workshops, a formal mentoring program, teambuilding activities and community service work. The goal of this program is to provide our new-grad hires with tips for success with their Microchip journey and to develop and inspire the next generation of embedded system engineers.

Microchip internships provide challenging and rewarding hands-on experience in working closely with senior staff members and engagement with industry professionals. Our interns contribute to critical projects and significant day-to-day business happenings that match the students' educational backgrounds, skills and interests. Our interns work anywhere from three months to one year, or longer, often returning to Microchip several times during their educational journeys.

Country	NCGs Hired	Interns Hired	Interns Converted to NCGs	% Interns Converted to NCGs
U.S.	61	18	11	61%
Europe	81	31	20	65%
Canada	7	51	14	27%
Asia	60	32	25	78%
Total	209	132	70	53%

#### New College Graduate (NCG) and Intern Hiring Numbers by Region

*\* 2020 was an unusual hiring year for Microchip; hiring numbers significantly lower than normal due to COVID-19.* 



### Learning and Development

In order to support our employees' continuous improvement efforts, Microchip's Learning and Development department designs, delivers and coordinates programs using a variety of systems, methods and tools to meet performance development needs. We believe continuous education and training are critical to maintaining Microchip's competitive edge. Microchip's business model focuses on developing leaders from within.

Microchip invests in our employees' futures by ensuring our training is available in native languages and during times that accommodate our global presence and workforce. Microchip's Learning and Development team offers many training opportunities via a variety of media, including classroom and virtual instructor-led, online and blended programs that include an online component followed up by interactive instructor-led web sessions. Employees also have the opportunity to pursue relevant higher education through a tuition reimbursement program.

As employees gain experience and further their careers with us, Microchip's performance review criteria stem directly from our Guiding Values. For example, employee contributions to globalization and teamwork are considered on a par with quality and quantity of both individual contributor and leader achievements.

Learning and development at Microchip is a joint effort among employees, managers and the Global Organizational Learning and Development department.

In addition to the 85 full-time training professionals and 130 identified leadership coaches around the world, 1,764 managers and employees acted as subject matter experts in 2020 to assist in delivering practical leadership and technical training to their peers. Microchip's courses cover a range of training topics, including orientation to the company, core competencies such as empowerment, global teamwork and communication, technical knowledge of Microchip products and applications, sales process training, IT skills, leadership, project management, and operational manufacturing skills.

Microchip realizes that diverse teams are the strongest teams. We support our global employee community by providing management training in Leading Diverse Teams as part of our Microchip Leadership—Passage 1 program. The P-1 program aims to reach all managers who were recently promoted into leadership roles or new managers who enter the company, regardless of their prior leadership experience.

Our Working Globally—Crossing Cultures course is recommended as core learning for all employees. This course includes an assessment on culturalbehavioral preferences such as independence/ interdependence and direct/indirect communication. It also teaches inclusive collaboration practices while building awareness of, and appreciation for, diversity in our global Microchip community.

Our on-demand-learning library offers more than a dozen diversity and inclusion-related courses that encourage proactive behaviors by employees, regardless of role.

Because "Employees Are Our Greatest Strength," Microchip sustains an active commitment to advancing learning and development for all employees worldwide.

### Non-Discrimination and Equal Employment Opportunity

We acknowledge the right of all employees and applicants to be treated fairly and as individuals free from any discrimination, including harassment, bullying and intimidation We provide a safe and inclusive work atmosphere that is free of harassment, and we recognize that our success depends on the inclusion of all qualified people that work for and with our company regardless of race, color, ethnicity, religion, sex, age, national origin, marital status, sexual orientation, disability, genetic information, pregnancy, gender (e.g. gender expression, gender identity, transgender and sex stereotyping), protected veteran status or any other characteristic protected by law.

### **Human Rights**

Microchip is headquartered in the United States with global operations. These operations include primary manufacturing located in the U.S., test operations in the Philippines, assembly and test operations in Thailand, and engineering design centers and sales offices located around the world. Microchip complies with all legal requirements related to labor, including prohibitions on forced or compulsory labor, child labor and discrimination. Microchip has a Combatting Trafficking in Persons Policy and Supplier Code of Conduct to ensure that our employees and suppliers take appropriate steps to mitigate the risk of human trafficking and modern slavery from occurring within our business and supply chains.

# Labor/Management Relations

While none of Microchip's employees are unionized, we do acknowledge the right to collective bargaining where allowed by law. We have strong employee programs to support employees and their families, including robust benefits plans and career development opportunities.

### Benefits

We believe our employees are essential to our ongoing success, so our global compensation and benefits programs have been designed to reflect this value. We offer competitive and comprehensive benefits packages to our employees around the world. While the specific details may vary according to country or region, Microchip's philosophy is to provide total compensation for all employees through shared profit and ownership. Microchip has several quarterly cash bonus programs and equity plans (restricted stock units and employee stock purchase program) which allow employees to share in the company's success and build their personal wealth. Other benefits include retirement savings plans with company match, company paid holidays, paid vacation and sick leave, family and medical leaves of absence, short and long-term paid disability, longterm care insurance, health and wellness programs and continuing education and training opportunities.

# **Awards and Recognition**

We are proud to have received numerous awards for business and technical excellence throughout the years. We attribute a significant part of this to our strong culture. Below are just a few of the awards we received in 2020:

- For the fifth consecutive year, Microchip was named as one of the "50 Best Companies to Sell For" by *Selling Power* magazine. Microchip is the only semiconductor company on this list of the top 50 companies.
- Forbes recognized Microchip on their "Forbes Best Employers" list in 2020.
- Fortune named Microchip in their "100 Fastest Growing Companies" list in 2020.
- Microchip received a "Top 100" award from *Training Magazine* in 2020, making this the ninth consecutive year to be recognized by the publication for our worldwide learning and development programs.

### **Trip Reduction Program**

Microchip Technology Incorporated offers trip reduction programs for our Chandler, Tempe, and Gresham facilities. The program provides resources, support and incentives to encourage employees to use greener transportation methods.

### Trip Reduction Program in Chandler and Tempe

At Microchip's Arizona locations, we offer a variety of incentives and initiatives to help reduce our single-occupancy vehicle rate. We provide a 100% bus and light rail subsidy for employees who use public transit.

# Maricopa County (AZ), Approves, Supports **Microchip Trip Reduction Program**

Maricopa Country (AZ) Air Quality Department conducts an annual Trip Reduction Program audit. They review and approve Microchip's TRP plan. Participation in the County's Trip Reduction Program helps ensure Microchip complies with County Ordinances, supports the community's "Clean Air, Make More" initiative, and ensures we are consistent with best practices in reducing commuting emissions. Microchip's Trip Reduction program is also designed to encourage employees use alternative modes of transportation during "High Pollution Advisory" Days.

Employees who bike or walk to work participate in the free lunch program, attend the spring bike and walk event and have access to bike racks and showers. Employees who carpool or drive Alternate Fuel Vehicles (AFVs) have access to premium parking spots. In Tempe, charging stations are provided for AFVs.

No matter what alternative transportation method a Microchip employee uses through the Trip Reduction Program, they are guaranteed a ride home for emergencies, access to shower facilities and access to incentives and events such as free lunches, gift cards and prizes. We have more than 70 active bus riders utilizing the public transit system and more than 450 registered carpoolers at the Chandler and Tempe sites.

### **Trip Reduction Program in Gresham**

Our Gresham Trip Reduction Program offers secure bike lockers and shower facilities, a guaranteed ride home for personal emergencies, reserved parking for carpools, hybrid vehicles and motorcycles, and incentives and events such as catered meals, gift cards and prizes. At

our Gresham facility, we are able to offer public transportation passes at a significant savings. Since 2003, the single-occupancy vehicle rate has decreased by 26% at our Gresham location.

#### 2018 2020 2019 Chandler 86.1% 81.6% 36.7% 63.0% Gresham 63.0% 65.0% (biennial survey) 69.5% 64.3% Tempe 68.4%

#### Single-Occupancy Vehicle Rate for Sites with Trip Reduction Programs in Place

"Safety is Never Compromised" is one of the Microchip's Guiding Values. Microchip's concern for the health and safety of our employees, contractors, vendors and the communities in which we work helps determine our policies and define our practices. Because we are committed to providing a safe and healthy place to work, we have dedicated environmental, health and safety (EHS) teams that ensure we meet all applicable laws and regulations. At Microchip, employees are responsible for their safety and the safety of those around them. We actively promote a safe and healthy lifestyle and encourage employees to manage their personal health proactively.

	2018	2019	2020
Chandler	2	4	2
Colorado Springs	14	19	7
Gresham	7	6	12**
Thailand (MMT)	0	0	0
Thailand (MTHAI)	2	0	0
Philippines (MPHL)	0	0	1
Tempe	12	14	13**

#### **Recordable Incidents**

### Injury Rate (Cases) Per 100 Employees

	2018	2019	2020
Chandler	0.13	0.29	0.14
Colorado Springs	1.49	2.04	1.12
Gresham	1.21	1.09	2.32**
Thailand (MMT)	0	0	0
Thailand (MTHAI)	.06	0	0
Philippines (MPHL1)	0	0	0.06
Tempe	2.18	2.71	2.63**
OSHA Industry Injury Rate	1.20	1.20	*

\*OSHA Industry Injury Rate available November 2021

\*\* Gresham: Primarily soft tissue injures and slip and fall. Tempe: ~50% were lifting injuries. Additional lift-assist devices were installed.



# Facing Natural Disasters and COVID-19, Philippines Staff Rise to the Occasion

In January 2020, the Taal Volcano in Batangas, Philippines, erupted, spewing ash across Calabarzon, Metro Manila, Central Luzon and the Ilocos Region, resulting in damage and destruction to homes and businesses.

Microchip's Philippines (MPHL) staff stepped up to help by donating and distributing supplies to affected families at the Balayan Batangas Evacuation Center.

A few months later, the first local transmission of COVID-19 was confirmed in the Philippines.

As cases mounted, the Microchip team again rose to the occasion by donating Personal Protective Equipment (PPE) to five major hospitals in the Calamba and Cabuyao areas to be used by doctors, nurses and other frontline workers.

MPHL also donated PPE to the Philippine National Police in Cabuyao and to Semiconductor, Qualimed Hospital & Global Care Medical Center and Electronics Industries in the Philippines Foundation, Inc., where Microchip is a member.

As the pandemic continued and students began learning remotely, MPHL responded to a call from the Department of Education for IT equipment by donating laptops and TV monitors to Pulo National High School and to SOS Children's Village. Microchip Philippines staff stepped up to help neighbors in nearby communities in 2020 by donating and distributing supplies to affected families after a devastating volcanic eruption, the COVID-19 pandemic and a destructive tropical typhoon.

In the midst of the global pandemic, Typhoon Ulysses hit the Philippines with destructive winds and torrential rainfall, triggering extensive flooding in Northern Luzon. MPHL staff again responded by soliciting donations to help the needs of affected communities. Items donated by employees, such as food, clothes and blankets, were given to the Philippine National Red Cross Laguna Chapter for distribution.

In a year of natural disasters and a global pandemic, Microchip staff demonstrated their generosity and willingness to help others time and time again.

# **Securing the Industrial Internet of Things (IoT)** for Smart Business Automation

With cyber attacks increasing and more of our smart home and industrial devices connected to the cloud, companies are looking for safe and secure.

The Internet of Things (IoT) has created a booming industry for now expanding to business automation, supporting more efficient manufacturing processes and energy management efforts. This means there is a growing need for highly integrated, reliable and secured

Microchip tackled this challenge by developing the first-ever Wi-Fi<sup>®</sup> MCU module with Microchip's Trust&GO-enabled unique, verifiable identity

Traditional software data encryption is no longer sufficient to protect transmitted data. Devices need a hard-coded, verifiable, trustable Wi-Fi enabled secure, pre-provisioned MCU that is shipped factory direct





# Supply Chain Responsibility

Microchip is committed to being a responsible corporate citizen and acting ethically and transparently in accordance with local, national and international laws and regulations and industry standards. Microchip has adopted the Responsible Business Alliance (RBA) Code of Conduct as the standard for labor, health and safety, environment and ethics for its operations and has committed to using these standards throughout its supply chain.

The Supplier Code of Conduct is part of Microchip's CSR Program. It applies to suppliers and their directors, officers, employees, contractors and subcontract labor. It requires that all suppliers be dedicated to ensuring that, throughout their supply chain, working conditions are safe, workers are treated with respect and dignity, and business operations are environmentally responsible, conducted ethically and are in compliance with all applicable laws, rules and regulations.

# **Responsible Minerals Sourcing**

Microchip recognizes the significant risks and adverse impacts which may be associated with extracting, trading, handling and exporting Conflict Minerals from Conflict-Affected and High-Risk Areas (CAHRAs). Recognizing that Microchip has the responsibility to respect human rights and not contribute directly to conflict, we commit ourselves to taking actions to source responsibly throughout our operations worldwide.

# **Conflict Minerals**

Microchip and its subsidiaries share the global concern regarding the human tragedies occurring in the Democratic Republic of the Congo and the adjoining countries (Dodd-Frank "Covered Countries") associated with the mining of columbite-tantalite (tantalum), cassiterite (tin), wolframite (tungsten), and gold (collectively "3TG").

All smelters in our integrated circuits supply chain were listed on the RMI-compliant smelter list as of the initiation of our reasonable country of origin inquiry campaigns 3TG originate from various continents, but armed groups engaged in, or interfering with, mining operations within the Covered Countries are subjecting people to human rights violations and using proceeds from the sale of 3TG to finance and sustain regional conflicts.

Microchip supports responsible mineral sourcing. We recognize the need to develop programs that allow for improved transparency in the 3TG supply chains. Our goal is to provide reasonable assurance that all integrated circuits manufactured by Microchip are responsibly sourced.

We are members of the Responsible Minerals Initiative (RMI) that engages Smelters and Refiners (SORs) and conducts audits of the SOR against responsible minerals sourcing protocols.



Microchip's policy is to conduct independent smelter due-diligence research on any smelter in our supply chain where we have reason to believe there might be unreasonable sourcing.

Microchip is diligently working toward a goal of assuring our products are manufactured and are sourced from socially responsible supply chains. In pursuit of this goal, Microchip is doing the following:

- Conducting a bi-annual RCOI and subsequent smelter sourcing due diligence required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and using the Responsible Minerals Initiative's Conflict Minerals Reporting Template (CMRT) for our RCOI
- Retaining professional third-party smelter sourcing due diligence •
- Presenting mineral sourcing risks to Microchip's senior management
- Disallowing SORs into our integrated circuit supply chain that are not cooperating with, or that are • no longer cooperating with, the RMI's Responsible Minerals Assurance Process (RMAP) or similar mineral sourcing audit programs
- Providing information to suppliers and expecting each to source materials from socially responsible supply chains and to accurately and comprehensively disclose their list of SORs, either at company level or specific to those materials incorporated into Microchip's products
- Publicly disclosing our conflict minerals policy, RCOI implementation procedures and SOR sourcing due diligence procedures
- Engaging SORs where necessary, encouraging participation with the RMI's RMAP program or their timely completion of the RMI's third-party responsible minerals sourcing audit
- Including conflict minerals flow-down clause in new and renewed supplier contracts and purchase terms and conditions

Microchip's current CMRT for integrated circuits and other conflict minerals programs documents

# **Results of Our Due Diligence Program**

Through our bi-annual RCOI surveys, our suppliers have identified 236 smelter and refiner facilities that may process the 3TG contained in products provided to us for our integrated circuits supply chain. Of those smelters and refiners, 235, or 99.6% participate in an independent third-party assurance program. The remaining .4% are actively pursuing participation with independent third-party assurance programs.

3TG Progress	2018	2019	2020
Smelters recognized by the RMI RMAP to be conformant with their responsible minerals sourcing protocols	248	224	235
Smelters actively participating in sourcing audits by RMI RMAP, TICMC, LBMA, or similar	0	0	1
Non-conformant	0	0	0
Not enrolled (rolled up of the statuses below)	0	0	0

# **Human Rights**

Microchip is dedicated to protecting human rights. As part of our focus on continued improvement of our policies and procedures to ensure the protection of our employees and the employees of our supplychain partners, Microchip joined the Responsible Business Alliance (RBA) in 2020 and adopted its Code of Conduct. The RBA Code of Conduct creates standards for labor, health and safety, the environment and ethics for all our operations.

As part of membership with RBA, Microchip also rolled out its Supplier Code of Conduct. Microchip's Supplier Code of Conduct applies to suppliers and their directors, officers, employees, contractors and subcontract labor. It requires that all suppliers be dedicated to ensuring that throughout their supply chain working conditions are safe, workers are treated with respect and dignity, and business operations are environmentally responsible, conducted ethically and are in compliance with all applicable laws, rules and regulations. Consistent with our policy, practice and culture, we do not tolerate the use of forced labor anywhere in our supply chain.

For additional information on Microchip's practices and public disclosures related to protecting human rights, please visit the following:

<u>Microchip's Ethics and Conduct</u> <u>Microchip's Slavery and Human Trafficking Statement</u>

# **Business Continuity**

Microchip understands the importance of business continuity and is committed to maintaining systems that ensure continuity of supply and provide for mitigation of potential impact to our customers, partners and other stakeholders.

Microchip has established a Corporate Business Continuity (CBC) Steering Committee which is responsible for managing Microchip's CBC program. This committee has created a Guidance Document (GD) to establish the expectations and standards to be used by all Microchip entities with respect to business continuity planning. The GD defines the minimum requirements for how to:

- Identify and evaluate internal and external risks
- Define contingency plans
- Document the plans
- Review and test the plans
- Provide a customer notification process
- Provide for process validation post shutdown

Microchip has mapped all integrated circuits in our supply chain, including internal and external foundries, probe, assembly and test locations. By doing this, we understand potential supply chain risk and recovery timing.

Microchip's BCP program is tested on regular basis at the local level and periodically from a corporate level. This testing involves table-top exercises (pursuant to CBC Steering Committee guidance), simulations and live scenario testing which may include in fire drills, shelter-in-place and other exercises conducted in coordination with community stakeholders.

# Product Stewardship

Microchip is committed to providing products and technologies which contribute to positive change in the world and in people's lives. This includes minimizing the environmental impact of our products throughout all stages of their life cycle.

Each year we make significant investments developing new technologies and products, enabling a sustainable future and allowing our customers to innovate for tomorrow.

# **Global Product Compliance Laws**

Microchip adheres to all applicable product material compliance laws and regulations throughout the entire product lifecycle. This practice has not only mitigated and/or eliminated the use of potentially hazardous materials, but it also provides environmentally safe and reliable products for our customers. Microchip has developed a rigorous materials compliance specification and Hazardous Substance Process Management (HSPM) system to ensure our products are qualified to be introduced into commerce worldwide.

Because our products are sold around the world, we are subject to many legislative and regulatory requirements, in addition to individual customer specifications. Visit our <u>Environmental Health and Safety web page</u> to get detailed information on our product material compliance program, including:

- Environmental, Safety and Health Policies
- Certificate of Compliance
- CE Marking Declaration of Conformance
- EU-REACH Statement
- Material Content Declarations for IC Product

# **Environmentally Preferable Products**

Microchip specializes in high-efficiency semiconductor MCUs, analog, wireless, security, timing, discrete and human-interface products.

We offer green, low-power solutions that promote energy efficiency and reduce the generation of hazardous waste, enabling our customers to design and manufacture environmentally preferable products.

Microchip's extremely low-power devices significantly reduce energy consumption and increase battery life in wearables and portables with a limited power source. We provide single-chip monitoring solutions for solar inverters, smart lighting, cloud servers, temperature sensors and energy monitoring for commercial buildings and smart homes.

Microchip innovates with sustainability and energy efficiency in mind. Our focus on research and development provides customers with an outstanding portfolio of environmentally preferable options and makes us a supplier of choice for environmentally conscious customers. These efforts are highlighted on our <u>Environmental Health and Safety web page</u>.

We believe the continued development of green and high-efficiency products is central to the future of our company and the global economy. Producing environmentally preferable products is not a static exercise. It takes continuous innovation, and we are proud to share our vision.



# Microchip Lands on Mars with Rover Perseverance

When NASA's Rover Perseverance landed on Mars, Microchip's radiation-tolerant Field-Programmable Gate Arrays (FPGAs) were on board providing high-security, high-speed, high-volume data capabilities.

For the last 60 years, Microchip crystals, filters and oscillators have been used on hundreds of spacecraft, beginning with the launch of the first satellite in 1958.

With a proven track record of innovation, quality and reliability, Microchip continues to evolve as the foremost supplier of semiconductors to the aerospace and defense market. From radiation-hardened, space-grade solutions to advanced military and commercial aviation electronics, Microchip continues to leverage its expertise and product knowledge to build applications-based platforms that reduce integration risk, improve productivity, reduce energy and reduce time to market.



# Community Involvement

Microchip is an active participant in the communities in which we operate. We give back by supporting and donating to schools, clubs and charities and through volunteer work. The ways in which we support the local communities where we operate reflect the diversity of the people and the needs of those communities. This section highlights some of the work that Microchip did in 2020.

# STEM Outreach



At Microchip, we acknowledge that we have a responsibility to influence and impact the education of the next generation of engineers to create a stronger, better educated workforce through engagement with Science, Technology, Engineering and Math (STEM).

Microchip supports For Inspiration and Recognition of Science and Technology (FIRST<sup>®</sup>) and the Robotics Education Competition (REC) Foundation. These organizations offer hands-on STEM learning through building robots for competition. Students interact with industry mentors and learn workforce skills such as time management, critical thinking, problem solving, teamwork, public speaking and marketing.

While teams competed in virtual events remotely during 2020, several Arizona FIRST teams received awards and were highlighted during an international Awards Show that was broadcast in April 2020.

Microchip offers financial and individual support for robotics programs in a variety of ways including:

- Providing a full-time STEM representative to FIRST and VEX
- . Providing a Regional Director for FIRST in Arizona
- Awarding 20 financial grants to "rookie" VEX teams
- Offering facilities, supplies, and supply discounts for participants and staff volunteers working with FIRST, VEX, and AZFirst, a local non-profit supporting robotics in Arizona
- Supporting employees who mentor robotics teams and volunteer at events
- Sponsoring VEX teams for the children of Microchip employees
- Providing financial sponsorship to two FIRST regional events in Arizona
- Providing financial sponsorship for the VEX World Championship
- Hosting VEX tournaments at Microchip's Chandler facility

# Project C.U.R.E.

Since 2007, Project C.U.R.E has been utilizing approximately 46,000 square feet of space donated by Microchip to store and deliver medical supplies and equipment. Project C.U.R.E. is the world's largest distributor of donated medical supplies and equipment. Since 1987, this organization has shipped life-saving supplies to more than 130 nations worldwide. Project C.U.R.E. accomplishes this by taking excess, unused items from local medical facilities and shipping them to underresourced hospitals in developing countries.

The cost of warehouse space would typically be a large expense on the nonprofit's balance sheet, so Project C.U.R.E. leverages Microchip's assistance to respond to the medical needs of developing countries. For the first time in its history, Project C.U.R.E. provided medical supplies domestically in response to COVID-19. Since the beginning of the pandemic, Project C.U.R.E. Phoenix has delivered 67 shipments of PPE to hospitals, nursing homes and first responders around the region and throughout the Navajo Nation. Project C.U.R.E. simultaneously conducted PPE drives with Banner Health and the Arizona Cardinals to procure additional supplies for frontline health-care workers in the state.

In November 2020, Project C.U.R.E. Phoenix delivered containers to Moyo, Gulu and Atiak, Uganda. In addition to providing much needed medical supplies and equipment, these containers were built as onsite hospital facilities that include solar power and workstations. The donation of supplies, equipment and facilities allowed healthcare workers to respond to general health-care needs in these regions as well as the COVID-19 pandemic.

	2018	2019	2020	
Total Value Global Shipments	31	23	80	
Total Value of Shipments	\$11.56 million	\$6.83 million	\$6.3 million	

#### Project C.U.R.E. Phoenix Distribution Center Medical Deliveries

# **Microchip Supports United Way**

Microchip locations invest time and money to support the Pikes Peak United Way (PPUW), United Way of Columbia/Willamette (PDX) and Valley of the Sun United Way (VSUW) in Colorado Springs, CO, Portland, OR, and Phoenix, AZ, respectively.

United Way directly invests in local communities by supporting organizations that serve children, provide resources to end hunger and homelessness and increase the financial stability of at-risk communities. Funds raised during the 2020 campaign were largely used to support those affected by the COVID-19 pandemic.

Microchip supports these initiatives by participating in VSUW training events annually, donating on average \$243,000 each year to the VSUW and creating educational opportunities for employees so they can also make a difference in the community. Microchip's support of the PPUW and VSUW chapters range from participation in clean-up days to helping gather school supplies for Back-to-School Drives.

During the 2020 campaign, parking spot auction sites were added in Beverly, Lowell and Lawrence, MA; Mount Holly Springs, PA; Simsbury, CT; and Hauppauge, NY; in addition to the regular Tempe and Chandler, AZ; Gresham, OR; and Colorado Springs, CO, sites.

# Thailand Community and Corporate Social Responsibility Awards

#### 2020

- Clean Food Good Taste Award from the Ministry of Public Health
  - ER Award Outstanding Employee Labor and Welfare from the Ministry of Labor
  - CSR–DIW AWARD Corporate Social Responsibility from the Department of Industrial Works
  - · Zero Waste to Landfill Award from Department of Industrial Works
  - The Prime Minister's Industry Award for outstanding achievement in safety management
  - · Gold Level of Zero Accident Campaign 2020 from the Ministry of Labor
  - Thai Labor Standards (TLS from the Ministry of Labor awards the standard on prevention and solution to Drug Problems in Establishment
  - Good Labor Practices (GLP) from Ministry of Labor

### 2019

- Clean Food Good Taste Award from the Ministry of Public Health
- ER Award Outstanding Employee Labor and Welfare from the Ministry of Labor
- CSR–DIW AWARD Corporate Social Responsibility from the Department of Industrial Works
- · Zero Waste to Landfill Award from Department of Industrial Works
- The Prime Minister's Industry Award for Environmental Quality Conservation
- Employment Promotion Award from the Ministry of Labor
- Outstanding contributions to the Social Security Fund from the Social Security Office

### 2018

- Clean Food Good Taste Award from the Ministry of Public Health
- ER Award Outstanding Employee Labor and Welfare from the Ministry of Labor
- The Prime's Minister Industry Award for Quality Management from the Ministry of Industry
- Outstanding Disabled Employment Award from the Ministry of Social Development and Human Security
- Recognition Certificate as the first ranked company to comply with Disability Employment in Chachoengsao from the Ministry of Labor
- Recognition Certificate as an outstanding workplace on Dual Vocational Management from the Ministry of Education

# **COVID-19 Response - Company in Community**



# Across the US, Employees Find Unique Ways to Help Their Communities During COVID-19

In Arizona, Microchip staff collaborated with Helping Hands for Relief and Development (HHRD), Arizona Muslim Alliance, ICNA Relief and 10 other organizations and community leaders to deliver groceries to at-risk populations in Arizona cities.

In a little over a week, over 100 volunteers had signed up to donate their time and money. Volunteers helped with program logistics, marketing program services or picking up and dropping off groceries. All together Microchip's team served 20+ families.

On the East Coast, Project Marketing Manager Andy Ebert in Lowell, MA, dedicated his time to Massachusetts Face Shields, a volunteer organization that creates and donates face shields for health-care workers on the front lines of the pandemic. The organization's assembly and 3D print teams delivered face shields to more than 30 hospitals across Massachusetts.

In April 2020, when the Governor of Connecticut mandated masks for essential employees, mask shortages were widespread. With shortages of disposable masks and difficulties in finding home-made cloth masks, Aldo Signorello and Dang Hsiao, two Simsbury, CT, employees each contributed 25 reusable cloth masks made by family members to distribute to Microchip's own essential employees.

Michael Rivera used his personal 3D printer to produce 50 no-touch hooks for opening doors, 80 "ear savers" to reduce irritation from ear-loop masks, and 40 face shields for Microchip staff.

# AZFirst COVID-19 Employee Supplemental Assistance Program



During COVID-19, many Microchip employees around the world faced financial hardship. Through payroll deductions and donations the staff raised \$70,936.62 to benefit more than 100 employees around the world.

No money was spent by AZFIRST on administration costs. All donations were applied to fund this program.

Staff facing hardships were given funds ranging from \$19 to \$1,500 depending on need and other financial assistance available. This money enabled them to buy basic necessities like food, prescriptions, clothing and other household items.

# **Focus on Safety During Global Pandemic**

#### Working from Home

As COVID-19 began spreading from country to country, Microchip staff quickly transitioned to working from home and adapted to using Microsoft<sup>®</sup> Teams<sup>®</sup> and WebEx<sup>®</sup> to maintain contact with customers and each other with little or no loss of productivity.

#### **Working Safely**

In offices where staff could not work from home, Microchip maintained a safe working environment by increasing cleaning measures, mandating masks, installing physical distancing markers and implementing other health protocols.

#### Living at the Office

Staff at the Philippines test and assembly site could not work from home and chose to live at the office due to travel restrictions put in place to limit the spread of COVID-19. This sacrifice is a true testament to the dedication and resilience of our staff.

# Global Reporting Initiative's Sustainability Reporting Standard

### **Reporting Boundaries**

We have used the Global Reporting Initiative's Sustainability Reporting Standard to inform our reporting processes, boundaries and content. The following table provides a reference for relevant GRI indicators. This Sustainability Report boundary includes all facilities owned and operated by Microchip. There are no changes to the boundaries from previous years unless explicitly stated in a data table.

### **Updates and Corrections**

There are no restatements to data from past years.

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GRI

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