

February 22, 2021

Mr. Daniel Yu-Cheng Wang,
Executive Vice President and Chief Financial Officer
Hua Hong Semiconductor
288 Halei Road, Zhangjiang Hi-Tech Park,
Shanghai, China, 201203

Dear Mr. Wang,

We hope this letter finds you and Hua Hong (the “Company”) well! Firstly, we would like to congratulate the Company’s excellent share price performance in 2020. Secondly, we would like to thank you for replying to our previous letter and taking our advice to improve the reporting transparency with investors.

From our recent discussions about the increasing requirements on environmental, social, and governance (“ESG”) and China’s pledge to become carbon neutral by 2060, we have drawn several observations which we would like to share with you. If the Company could address them, it would stand out amongst its peers.

1. Expand Rating Agency Coverage

When we conducted Hua Hong’s ESG research and analysis, we were pleased to find that the Company has already engaged with several independent ESG research and rating agencies. To further demonstrate your achievement in and recognition for your environmental efforts, we highly encourage the Company to become the first Chinese foundry rated by CDP Global (<https://www.cdp.net>), a well-recognized agent that runs a global disclosure system for different companies to manage their environmental impact. A high CDP score is usually indicative of a company’s environmental awareness and its governance to address climate change. More than 8,000 companies worldwide have been rated, including various Taiwanese and Japanese peers within your industry.

2. Potential mis-representation of ESG Scores

We noticed that some of Hua Hong’s existing ESG scores might be mis-represented. Please refer to the table below for more information. For example, RobecoSAM by S&P Global and Sustainalytics show a low score for the Company while Bloomberg ESG Disclosure is more in line

with industry peers. We believe that RobecoSAM's and Sustainalytics' rating systems assess material ESG data and might not have all the necessary information from the Company. To resolve this matter, we strongly recommend the Company to contact these agencies to inquire into the issue, or else it may give the wrong signal to the market. We are happy to facilitate this dialogue should you require assistance.

	CDP Climate Score (Scale 10)	RobecoSAM (Scale 100)	Sustainalytics (Scale 100)	ISS QualityScore (Scale 10)	Bloomberg ESG (Scale 100)
Hua Hong	-	5	13.6	-	40.9
<i>Chinese foundry</i>	-	70	-	8	47.5
<i>Chinese OSATs</i>	-	-	-	-	-
<i>Taiwanese foundry A</i>	6	99	97.0	-	65.7
<i>Taiwanese foundry B</i>	7	63	-	-	53.7
<i>Taiwanese foundry C</i>	4	92	56.1	-	56.2
<i>Taiwanese OSATs</i>	-	100	72.7	-	57.0
<i>Japanese IDM A</i>	2	41	-	2	41.3
<i>Japanese IDM B</i>	6	80	50.0	2	50.4

Source: Bloomberg

3. Setting Specific Metrics and Targets

In the CSR report in 2019, the Company stated 4 focus areas, namely to empower customers, increase new profits, value employees and respect society. To elaborate on the plan, we recommend the Company to link them with specific metrics. The Company can set short-term and long-term targets to measure your objectives and progress. Below is an illustration of what could be some of the metrics and targets tailored to these areas.

Focus Area	Objective Stated	Recommended Metric Category	Recommended Target for 2022	Recommended Target for 2025
Empowering the Future for Global Customers	<ul style="list-style-type: none"> Providing quality products guaranteeing rights & interests of customers Booming industrial economy 	Send customer satisfaction survey annually to key customers and track their satisfaction scores	Target satisfaction score at 70%	Increase satisfaction score to 85%
Expanded "New" Profits for Shareholders	<ul style="list-style-type: none"> Development through innovation Consolidate operations with integrity Sharing the benefits of China's growth 	Set up a patent reward program to strengthen the company's IP portfolio	Applied for 20% of new component patents per year	Applied for 50% of new components patents per year

"Heart felt" Respect for the Value of Employees	<ul style="list-style-type: none"> • Caring about career development • Protecting occupational health 	Define different categories of employees and track their retention rates	Improve talent retention rate by 10%	Improve talent retention rate by 25%
"Prosperous" Environment for Society	<ul style="list-style-type: none"> • Promoting Green Development • Utilizing Resources Jointly • Promoting Social Harmony 	Apply or increase renewable energy at all facilities	Apply 25% renewable energy of the total energy consumption	Apply 50% renewable energy of the total energy consumption

Clear metrics can help management to set an appropriate basis and steer active dialogues with investors. They can serve as quality examples of how the Company executes strongly and delivers results.

If you have any questions, please do not hesitate to contact us. Thank you for your kind attention.

Sincerely,



William Tsang
Head of Research / Portfolio Manager
Chartwell Capital Limited



Anastasia Cheung
Managing Director, ESG Specialist
Chartwell Capital Limited