

March 10<sup>th</sup>, 2021

Anastasia Cheung, Managing Director, ESG Specialist  
and  
William Tsang, Head of Research / Portfolio Manager

Chartwell Capital Limited

Dear Anastasia and William,

Thank you for your letter with observations and suggestions to improve our response and communications regarding our environmental, social, and governance (“ESG”) policies and China’s pledge to become carbon neutral by 2060.

1. We are fully aware of climate-related risks as well as their impact on our operation. We are currently in the process of identifying climate-related physical risks relevant to our operation activities and our supply chain. We do this by referring the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) released by the Financial Stability Board (FSB) to determine risk and opportunities and base our metrics and target management on the results. Our recent and current climate change mitigation and adaptation measures include:
  - We actively took part in carbon emission trading by the Shanghai Municipal Development and Reform Commission to cut greenhouse gas emission and slow down climate change. In 2020, the Company completed settlement of carbon credits of approximately 448,614 tons for 2019.
  - We set an emission target according to the carbon trading management measure of the Shanghai Municipal Development & Reform Commission and reduced greenhouse gas emissions through energy saving and emission reduction projects. In 2019, we invested a total of approximately RMB5.8 million to improve energy saving and emission reduction technologies.
  - In terms of supply chain management, we keep increasing our spending at local suppliers for critical raw materials to minimize any potential interruptions brought about by climate-related physical risks. In 2019, our local spending on critical raw materials amounted to 26% of our total procurement.

We appreciate your recommendation to expand our rating agency coverage, including rating by CDP Global. As you pointed out, becoming the first Chinese foundry to be rated by CDP Global would be a significant accomplishment. We will investigate the requirements for a CDP Global rating and determine the feasibility and actions required to achieve this rating.

2. At the moment, we are in active engagement with ESG ratings by MSCI, which currently has over 1,500 equity and fixed income ESG Indexes designed to help institutional investors more effectively benchmark ESG investment performance and manage, measure and report on ESG mandates.

For the ratings mentioned in your e-mail, we will contact RobecoSAM and Sustainalytics to investigate why our scores are low and determine if there is a way to mitigate the discrepancy with the Bloomberg ESG score. Thank you for your offer to facilitate this dialogue. We will contact you should we require assistance.

3. As for ESG metrics and targets, we are currently in the process of setting up our 2030 goals specific to the areas most material to our business, such as carbon emission, water and waste discharge, etc. We do this through data collecting and monitoring on a regular basis, as well as peer benchmarking.

As the next step, we will establish our 2030 goals with clear metrics based on our historical performance & trends, as well as industrial peer practices.

If you have any questions, please do not hesitate to contact us.

Sincerely,



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Daniel Wang  
Executive Vice President and Chief Financial Officer  
Hua Hong Semiconductor Limited