2016 SUSTAINABILITY REPORT

MICROCHIP

TABLE OF

CONTENTS

DISCLAIMER

When evaluating Microchip Technology Incorporated and its business, you should give careful consideration to the factors listed in our Form 10-K and in other documents that we file with the U.S. Securities and Exchange Commission. Our actual results could differ materially from what is presented in this report. Although we believe that the matters reflected in this report are 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 2016. 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. While the report and the data within have not been formally assured, we have completed an internal assessment process in conjunction with SSC to review the contents for clarity. This report is based on the Global Reporting Initiative's G4 Guidelines. We welcome your feedback to our Sustainability Report Team at Legal.Department@Microchip.com.

ENVIRONMENTAL SUGGESTION

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

LETTER FROM

THE CEO

At Microchip Technology Incorporated (Microchip), our vision to be the leading supplier of embedded control solutions includes a corporate commitment to acting in an ethical and responsible way. Our focus on environmental and social responsibility, transparency, and engagement guides our decision-making processes and helps keep us accountable as we continuously improve all aspects of our business.

I am pleased to introduce Microchip's 2016 Sustainability Report, detailing our annual environmental and social performance and sharing selected activities that highlight our key workplace and community activities. It was a year of transformation at Microchip. We acquired Atmel Corporation and its subsidiaries, and with that acquisition, 3,000 employees joined the Microchip family. Significant time and resources have gone into managing the operational, personnel, and cultural changes that come with a large acquisition, and that work continues throughout 2017 across Microchip's global operations. As such, it is a great time to reiterate how Microchip thinks about sustainability and how we're working to improve sustainability in every area of our business.

Our Company

Our commitment to environmental and social responsibility is grounded in a commitment to integrity and ethics. A system of corporate governance laws, regulations, and policies guide our Board of Directors and top executives, and set the stage for compliance at all levels of the organization.

We are proud members of the UN Global Compact, a voluntary initiative based on CEO commitments of member companies to "align strategies and operations with universal principles on human rights, labour, environment, and anti-corruption, and take actions that advance societal goals." As part of our membership, we publish an annual sustainability report that communicates our progress against those principles. This report describes our accomplishments over the previous calendar year.

Our Employees

Training and education is a core part of what makes Microchip a great place to work. One important component of our approach is an emphasis on peer learning. In 2016, almost 900 managers and employees were involved in delivering practical leadership and technical training to their peers. The opportunity to "share what you know" with your co-workers fosters a sense of pride within our workforce, as well as an expectation for continuous learning.

Our efforts were once again recognized when Microchip was

named to *Training* magazine's "Top 125" for our employee training programs. We were also recognized by community organizations in Austin, Phoenix, New York, and California's Bay Area as a top place to work.

Our Products

I am particularly excited about the work being done to integrate environmental considerations into our products and our product lines. Sustainability-focused innovation—such as the emphasis on ultra-low power consumption, extended battery life, and real-time monitoring—gives Microchip a competitive advantage in the industry. We're using this advantage to deliver high-efficiency, affordable components to manufacturers, helping decrease the environmental impact of commercial and retail products in dozens of industries. For example, our innovations in predictive server cooling sensors reduce data farm power consumption, while our irrigation-controls systems help reduce over-watering by maximizing watering efficiency for everyone from the backyard gardener to agribusiness leaders.

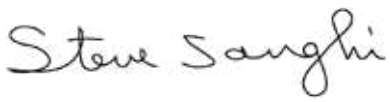
"SUSTAINABILITY-FOCUSED INNOVATION...GIVES MICROCHIP A COMPETITIVE ADVANTAGE IN THE INDUSTRY. WE'RE USING THIS ADVANTAGE TO DELIVER HIGH-EFFICIENCY, AFFORDABLE COMPONENTS TO MANUFACTURERS, HELPING DECREASE THE ENVIRONMENTAL IMPACT OF COMMERCIAL AND RETAL PRODUCTS IN DOZENS OF INDUSTRIES.

Using our technology, our customers' products can predict and respond to changing conditions, increasing comfort, improving safety, and reducing environmental impact.

Our Supply Chain

We are a member of the Conflict Free Sourcing Initiative, working toward the goal of assuring our products are manufactured and sourced from socially responsible supply chains. As of December 31, 2016, all smelters remaining in our integrated circuits' supply chain were listed on the CFSI's Compliant smelter list.

As we grow, we will continue to invest in efficiency technologies at all of our global facilities, further integrate our sustainability focus in our learning and development programs so employees have an eye toward sustainability, and create clear communication paths between business units to share sustainability approaches. As we grow, our team is well-positioned to document, share, and scale sustainability practices so we can capitalize on the sustainability opportunities presented to us in the coming years.



STEVE SANGHI
Chairman of the Board and
Chief Executive Officer

ABOUT

MICROCHIP

Microchip Technology Incorporated is a leading provider of microcontroller, mixed-signal, analog, and Flash-IP solutions, providing low-risk product development, lower total system cost, and faster time to market for thousands of diverse customer applications worldwide. Headquartered in Chandler, Arizona, Microchip offers outstanding technical support along with dependable delivery and quality.

Microchip's vision is to be the very best embedded controller solutions company ever. In order to do so, we must identify market opportunities, develop and manufacture products timely and cost effectively, and market appropriately. We actively strive to be the best while operating in an ethical and sustainable manner to protect economic stability and reputation for our company, customers, shareholders, employees, and communities.

MICROCHIP TECHNOLOGY AT A GLANCE	
Countries with Manufacturing Facilities and Design Centers	Australia, Belgium, China, France, Germany, Hungary, India, Italy, Norway, Philippines, Romania, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, United States, Vietnam
Employees	12,000+
Product Categories	Microcontrollers/Microprocessors, Analog, Clock/Timing, High-Speed Networking/Video, Interface/Connectivity, Display/LED Drivers, Embedded Controllers/Super I/O, Programmable Logic, Memory, Touch/Gesture, Wireless, Smart Energy/Metering, Radiation Hardened, and Security ICs.
Governance	As a publicly-traded U.S. corporation, Microchip is led by a skilled, diverse, and experienced five-member Board of Directors. The Board is appointed by the company's Nominating and Governance Committee and team of Executive Officers. For more information about our company, Board of Directors, executive structure, investor information, and more, visit our website www.microchip.com.

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

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

STEVE SANGHI
Chairman of the Board and
Chief Executive Officer

MATTHEW W. CHAPMAN
Board Member

ESTHER JOHNSON
Board Member

L.B. DAY
Board Member

WADE F. MEYERCORD
Board Member

When considering a candidate for a director position, the Nominating and Governance 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 and Governance Committee believe it is important that the members of the Board of Directors represent diverse viewpoints. Accordingly, the Nominating and Governance 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
Chairman of the Board and
Chief Executive Officer

ERIC BJORNHOLT
Vice President and Chief
Financial Officer

GANESH MOORTHY
President and
Chief Operating Officer

MITCHELL LITTLE
Vice President,
Worldwide Sales and
Applications

STEPHEN DREHOBL
Vice President,MCU8 and
Technology Development
Division

RICHARD SIMONCIC
Vice President, Analog,
Power, and Interface Division

MEMBERSHIPS, ASSOCIATIONS, AND CERTIFICATIONS

SONY GREEN PARTNER CERTIFIED

Sony awards this certification for suppliers that help produce environmentally sensitive products.

UNITED NATIONS (UN) GLOBAL COMPACT MEMBER

The UN Global Compact works with businesses to help create a more sustainable world.

CARBON DISCLOSURE PROJECT (CDP) PARTICIPANT

Microchip discloses its energy usage and greenhouse gas (GHG) emissions annually via the CDP's Climate Change Survey. We disclose our GHG emissions reduction and our energy conservation initiatives in the same document.

CONFLICT FREE SOURCING INITIATIVE (CFSI) MEMBER

CFSI helps companies make informed choices about conflict minerals in their supply chain.

UNITED TECHNOLOGIES UTC SUPPLIER GOLD DESIGNATION (THAILAND)

UTC Supplier Gold recognizes companies for efficiency, quality, on-time delivery, customer satisfaction, and other criteria to recognize suppliers for exceptional performance.

HELPFUL LINKS

Information for investors, including financial performance, can be found at https://www.microchip.com/investors

Microchip's charters regarding the Nominating and Governance Committee, the Audit Committee, and the Compensation Committee are located at http://www.microchip.com/missionstatement

Board member and executive officer information can be found at https://www.microchip.com/leadership

STAKEHOLDER ENGAGEMENT

At Microchip, stakeholder engagement is an ongoing process of dialogue. As expectations for high-tech companies change, we are constantly reviewing and improving our business practices to adapt to our customers' needs and meet or exceed best practices in our industry.

A key element of our success is how well we listen to what our stakeholders want and how well we communicate back to them.

SUPPLIERS AND SERVICE PROVIDERS

Our supply chain is global and begins in the local communities that provide the products and services that make Microchip products possible. As a guiding value, Microchip believes suppliers, representatives, and distributors are our partners. We strive to maintain professional and mutually beneficial partnerships with our entire supply chain because every partner is an integral link in the achievement of our mission and guiding values.

HOW DO WE COMMUNICATE?

We communicate with our suppliers in a variety of ways, from basic policies that set out our expectations to on-site facility visits that delve into existing capabilities and practices.

WHAT DO THEY WANT FROM US?

Our suppliers want our business at a fair price and with consistent expectations. They are usually open to our sustainability-related requests that conform to industry standards and norms. We believe in understanding, transparency, and education to ensure we are all working toward the same goals and understand the reasons why they are important.

WHAT DO WE WANT FROM THEM?

We seek suppliers that understand their sustainability impacts and make authentic efforts to minimize those impacts across the entire product life cycle.

COMMUNITY AND ADVOCACY GROUPS

Responsibly-produced electronics is a topic of great importance to Microchip as well as to the advocacy groups in the communities in which we work. We are also actively involved in a variety of social causes that are important to the people of the local communities in which we live.

HOW DO WE COMMUNICATE?

We spend a significant amount of time understanding communities' and advocates' concerns and providing information about our policies and practices. In addition to collecting feedback through surveys, we also participate in key initiatives like the Carbon Disclosure Project, Electronics Industry Citizenship Coalition's Conflict-Free Sourcing Initiative, and United Nations Global Compact among others. Microchip also offers financial support for approved community initiatives and supports volunteer efforts led by our employees.

WHAT DO THEY WANT FROM US?

Our stakeholders want to know that we've heard their concerns and that we're doing what is within our power to address those concerns with solutions that benefit all parties involved.

WHAT DO WE WANT FROM THEM?

We welcome thoughtful, constructive dialogue with our civil society counterparts and their insights regarding how we can best improve our practices to mitigate any potential negative impacts on society and the environment.

CUSTOMERS AND CONSUMERS

Our products are sold in nearly every sector of the electronics industry. As such, we have diverse customer needs and are highly aware of the need to be responsive, accurate, and relevant when engaged in customer and consumer dialogues.

HOW DO WE COMMUNICATE?

Our entire company is highly engaged with our customers and has regular meetings both at our facilities and at customer sites. We also participate in trade shows and other industry events, culminating with our MASTER's Conference, where we interact with our peers and customers, while reviewing trends in our respective sectors. Through our website, dedicated staff of industry experts, and social media presence, we are able to provide information on our company and our products.

WHAT DO THEY WANT FROM US?

We see sustainability issues beginning to play a larger part in customers' questions and purchasing decisions and are planning our engagement efforts accordingly.

WHAT DO WE WANT FROM THEM?

We want Microchip to be recognized and known for excellent products and for the safe, responsible, and sustainable way that they are produced.

ETHICS AND INTEGRITY

Our commitment to conducting our business operations with integrity and in an ethical manner is an integral component of our Guiding Values. It is our goal—from every employee to our Board of Directors—to treat our customers and partners with respect and deal with them ethically and responsibly during every interaction.

VISION

Be the very best embedded control solutions company ever.

MISSION

Microchip Technology Incorporated is a leading supplier of field-programmable embedded control solutions by delivering a broad spectrum of innovative microcontrollers, analog, mixed-signal and security products, wired and wireless connectivity products, related non-volatile memory products, and Flash-IP solutions. In order to contribute to the ongoing success of customers, shareholders, and employees, our mission is to focus resources on high-value, high-quality products and services, and to continuously improve all aspects of our business, providing an industry leading return on investment.

GUIDING VALUES

Microchip is a values-based company. We operate with an overriding Vision, Mission, and 11 Guiding Values. These values dictate our day-to-day decisions and establish our corporate culture. Our Guiding Values convey our overall philosophy.

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 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. Microchip's Vision, Mission, and the expansion of our Guiding Values can be viewed at: http://www.microchip.com/values.

COMPLIANCE WITH LAWS

Microchip Technology Incorporated is headquartered in the United States but has global operations. As a global company, our operations are subject to numerous laws and regulations. In this regard, Microchip requires its employees, directors, and officers to comply with all mandatory laws applicable to its business operations. We also require our personnel to abide by a code of business conduct and ethics, which defines Microchip's vision of ethical behavior and embodies compliance with the law. Microchip's Code of Business Conduct and Ethics and associated policies that include Compliance with Laws, Confidentiality, Conflicts of Interest, Insider Trading, and Reporting Legal Non-Compliance are located at www.microchip.com/missionstatement.

At Microchip, we are exceptionally committed to ensuring that our facilities comply will all local and national standards and laws as they relate to the health and safety of our employees. Additionally, we have policies prohibiting the use of forced or compulsory labor, child labor, and discrimination. In 2016 we initiated a process by which we presented Microchip's policies on labor practices to our major suppliers, and reinforced the requirement that these policies be adhered to across our supply chain. This process will be expanded in subsequent years to include an auditing component that will require subcontractors to provide written responses to standardized questions geared toward showing compliance with required labor practices.

Compliance with international laws is a key aspect of conducting the business of Microchip in an ethical manner. 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. Further, we consider our suppliers, representatives, and distributors as critical to achieving our mission. Therefore, we expect our partners to similarly abide by our ethical guiding values, including compliance with global anti-corruption laws. We encourage our partners to not only comply with these laws, but to participate in the enforcement of our policies by reporting suspected violations of these laws by any person to Microchip pursuant to HR-675 Reporting Legal Non-Compliance available at: www.microchip.com/missionstatement.

We take our obligation to follow all relevant laws and regulations seriously. In the chart below, we have outlined our compliance record on a number of sustainability-related issues.

LEGAL CLAIMS AGAINST MICROCHIP

TOPIC	2014	2015	2016
Environment	0	0	0
Health & Safety	0	0	0
Corporate Governance	1*	0	0
Product Stewardship	0	0	2**

* In 2014, a class of LFoundry Rousset employees filed an action against our Atmel subsidiary, related into the sales of a subsidiary and its subsequent insolvency. The case was dismissed in June 2016, and in May 2017 the United States Court of Appeals for the Second Circuit affirmed the order to dismiss the case.

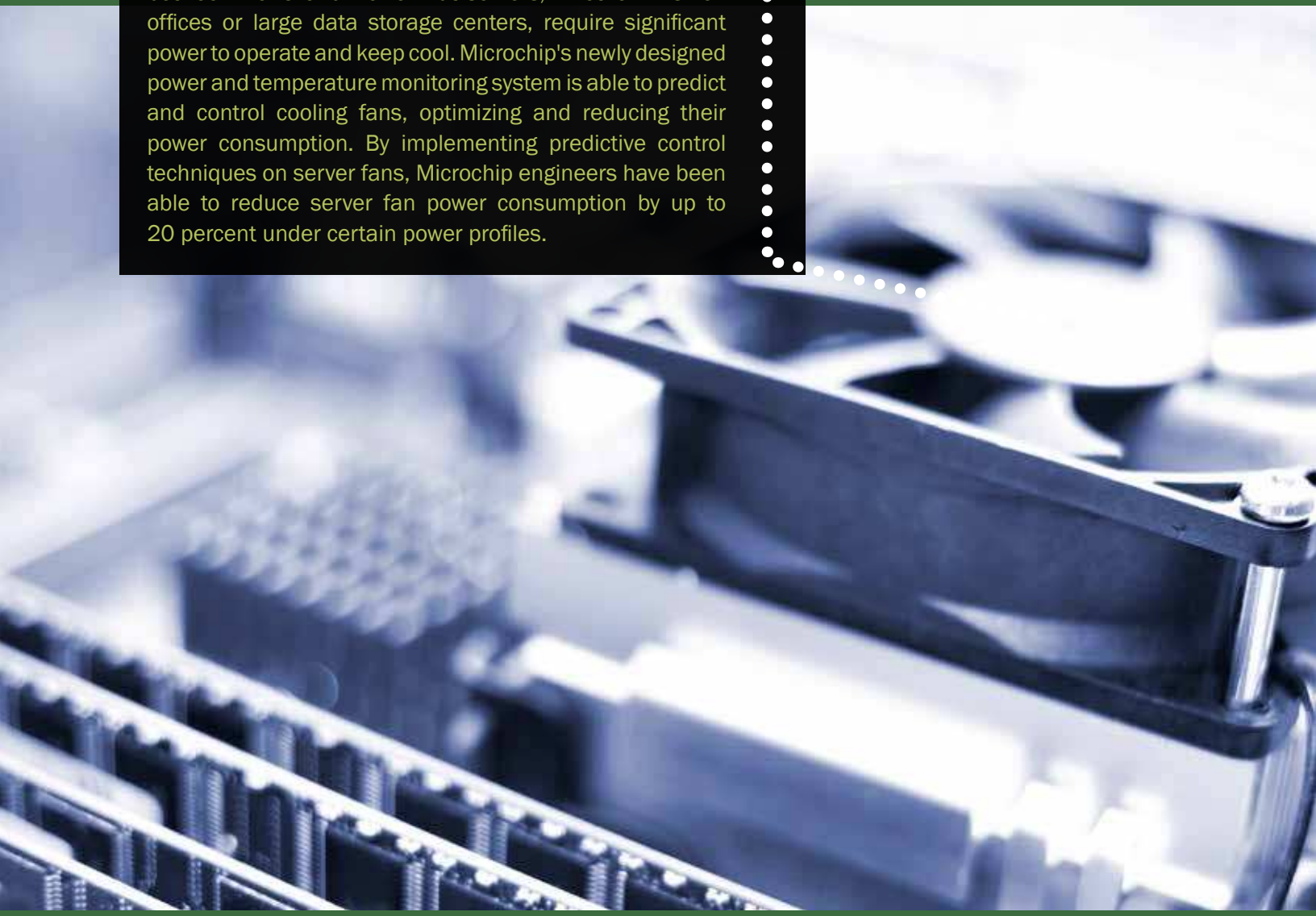
** In the spring of 2016, class action lawsuits were filed and consolidated against our Atmel subsidiary, regarding vehicles containing defective airbag control units that allegedly incorporated defective application specific integrated circuits manufactured by Atmel between 2006 and 2010. In May 2017, the lawsuit was dismissed.

** In December 2016, Continental Automotive GmbH ("Continental") filed a Request for Arbitration with the ICC, naming as respondents our Atmel subsidiaries, alleging that a quality issue affecting Continental airbag control units in certain recalled vehicles stems from allegedly defective Atmel application specific integrated circuits (“ASICs”). The case is currently pending.

More information can be found on our website and in our annual 10-k filings with the Security and Exchange Commission (SEC).

USING PREDICTIVE TECHNOLOGY TO OPTIMIZE SERVER COOLING FANS

Protecting and storing data is one of the most important functions of our connected world. Experts predict that co-location of data storage, the moving of data from in-house servers to cloud-based data farms, will grow by 13 percent between 2015 and 2020. But servers, whether in small offices or large data storage centers, require significant power to operate and keep cool. Microchip's newly designed power and temperature monitoring system is able to predict and control cooling fans, optimizing and reducing their power consumption. By implementing predictive control techniques on server fans, Microchip engineers have been able to reduce server fan power consumption by up to 20 percent under certain power profiles.



MICROCHIP

MATERIALITY

Microchip is built on a long history of meeting our social and environmental responsibilities. But when it comes to producing a sustainability report, we thought it would be helpful to undertake a materiality assessment to ensure that we are focused on the most important issues to our stakeholders.

2016 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 effectively control energy use and costs, as well as manage associated greenhouse gas emissions
- **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 responsibly manage waste and water impacts 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 internally 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.

ENVIRONMENTAL

RESPONSIBILITY

Our commitment to environmental responsibility begins with compliance with laws and regulations in each of the areas where we operate. We have an environmental policy in place at all manufacturing facilities, and we have an environmental management system in place at our Gresham Fab 4. Additionally, our two Microchip Technology (Thailand) facilities are ISO 14001 certified.

MICROCHIP'S CORPORATE ENVIRONMENT, HEALTH, AND SAFETY (EHS) POLICY INCLUDES THE FOLLOWING COMPONENTS:

Microchip is committed to compliance with all relevant environmental laws and regulations.

Microchip actively manages its business in an environmentally responsible manner, consistent with its Mission and Guiding Values and the principles set forth in this policy.

Microchip is committed to prevention of pollution through such strategies as minimizing utility usage, minimizing raw material usage, and encouraging recycling.

EMISSIONS AND CLIMATE CHANGE

As our company grows and we add production capability and new facilities, our carbon footprint has grown. Nevertheless, we are committed to managing our emissions through cost-effective emissions-reduction activities. In 2016, we acquired two additional facilities in North America, resulting in an overall increase in Scope 1 and Scope 2 emissions. However, our focus on energy efficiency in our facilities is paying off, and we have a variety of successful energy reduction programs across our global facilities.

... WE ALSO VOLUNTARILY REPORT EMISSIONS FROM ALL OF OUR MANUFACTURING, DESIGN, AND LOGISTICS FACILITIES WORLDWIDE.

In addition to tackling specific emissions-reduction initiatives in our facilities, we also track and report our carbon footprint each year, including participation in the Carbon Disclosure Project (CDP).

In addition to our mandated carbon reporting for our semiconductor manufacturing sites, we also voluntarily report emissions from all of our manufacturing, design, and logistics facilities worldwide through the CDP Climate Change Survey. This commitment to measuring and reporting our carbon footprint helps us be more consistent in identifying emissions-reductions opportunities and be more transparent in communicating our environmental performance to stakeholders.

SCOPE 1 EMISSIONS (METRIC TONS CO2E)

FACILITY	2014	2015	2016
United States	169,195	192,170	443,447
Europe	18	188	5,446
Asia/Pacific	1,213	496	2,247
Total	170,426	192,854	451,140

SCOPE 2 EMISSIONS (METRIC TONS CO2E)

COUNTRY	2014	2015	2016
Asia/Pacific	81,590	73,405	97,149
Europe	1,599	1,086	2,057
United States	112,714	105,240	239,670
Total	195,903	179,731	338,876

ENERGY USE

RECENT ENERGY IMPROVEMENTS

Microchip Gresham

- Microchip's Gresham, OR, facility upgraded its reverse osmosis membrane technology and partnered with the Energy Trust of Oregon to replace outdoor fixtures with LED lighting. Energy savings: 62 MWh/yr.

Microchip's MTHAI Assembly and Test Facility, Thailand

- Microchip's MTHAI facility continued to upgrade its CDA (clean, dry air) equipment and made additional lighting efficiency improvements. Energy savings: 1,058 MWh/yr.

Microchip's MMT Facility, Thailand

- Microchip's MMT facility updated HVAC controls, installed an energy-efficient exhaust fan, and installed additional LED lighting. Energy savings: 218 MWh/yr.

Atmel's Test Facility, Philippines

- The Phillippines facility optimized chiller performance, updated cooling tower controls, and installed LED fixtures. Energy savings: 442 MWh/yr.

Microchip Hauppauge, NY

- Microchip Hauppauge replaced nearly 1,800 flourescent bulbs with LED light tubes. Energy savings: 209 MWh/yr.

Microchip's energy use increased from 2015 to 2016 as a result of two large acquisitions. Even though our total footprint, number of facilities, and headcount have increased, with each acquisition we have looked to make small and large improvements to reduce impact. Overall, we have worked to reduce the amount of electricity, natural gas, and distillate fuel oil used in our operations through energy-improvement projects. We have implemented more than nine new projects in Thailand alone and projects in a handful of other global locations that will help reduce our energy use by more than 3.3 million kWh/yr. Moreover, Microchip continues to strive for efficiency and the resulting energy savings. As such, we actively migrate the production of products to our most efficient manufacturing centers wherever possible.

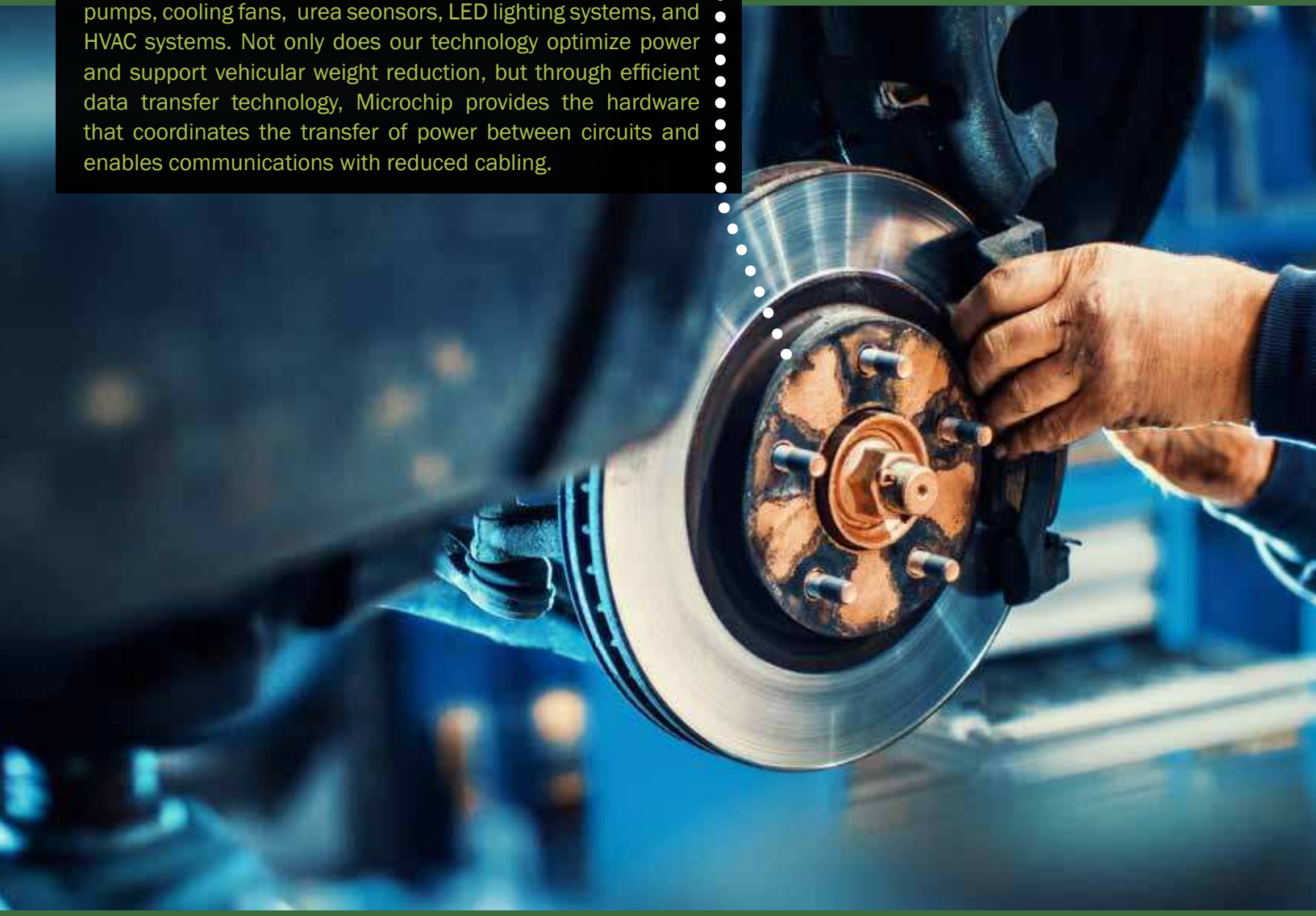
ENERGY USAGE (MWh)

ENERGY TYPE	2014	2015	2016
Distillate Fuel Oil	505	461	1,790
Electricity	406,124	404,560	629,788
Liquefied Petroleum Gas	989	1,866	1,774
Natural Gas	90,845	87,218	221,559
Total	498,463	494,105	854,911

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.

REDUCING VEHICLE WEIGHT AND BOOSTING SYSTEM EFFICIENCY

With hundreds of complicated systems, today's cars are full of semiconductors. Microchip microcontrollers control automotive power management, emissions-reduction, and energy-efficient lighting systems. Additionally, our actuator components reduce energy demands in automotive water pumps, cooling fans, urea seonsors, LED lighting systems, and HVAC systems. Not only does our technology optimize power and support vehicular weight reduction, but through efficient data transfer technology, Microchip provides the hardware that coordinates the transfer of power between circuits and enables communications with reduced cabling.



MICROCHIP

WASTE DIVERSION AND RECYCLING

Regardless of where Microchip is located, we make sure that every site has the option to recycle. In 2016, Microchip facilities recycled nearly 3 million pounds of waste. With 18 different recycling options available, we are making sure that we can divert as much waste as possible from our communities' landfills, wastewater treatment sites, and atmosphere.

RECYCLED MATERIALS (LBS)

	2014	2015	2016
Electronic and Universal Waste	374,510	99,736	79,242
Equivalent Reuse Post Consumer Fiber	87,000	18,270	63,350
Metals	164,113	303,500	141,799
Paper and Cardboard	968,056	964,120	962,143
Plastics	837,589	882,825	906,484
Rapidly Renewable Resource	10,611	837	939
Site Specific Recycle	601,181	1,067,652	732,945
Total	3,042,060	3,336,940	2,886,902

5S METHOD REDUCES WASTE IN THAILAND

The 5S Method is a waste-reduction approach used to identify and reduce waste in the workplace. MTHAI and MMT have both implemented 5S and consistently see a reduction in waste year-on-year. 5S stands for the five Japanese words used in the method: Seiri (Sort), Seiton (Set in Order), Seiso (Shine), Seiketsu (Standardize), and Shitsuke (Sustain). 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.

WATER USE

As a fundamental requirement for semiconductor manufacturing, water usage has been on the rise at various Microchip facilities, corresponding with our increased production. Microchip has taken notice and we seek to apply innovative measures to reduce our water use. We are committed to continuing to find ways to curb our total water usage and to decrease our effluent wastewater.

PRODUCTION FACILITIES' WATER USE (Gallons)

FACILITY	2014	2015	2016
Chandler	22,109,000	24,813,000	26,438,000
Colorado Springs*	n/a	n/a	369,679,188
Gresham	318,192,365	310,808,515	307,937,851
MMT	64,623,880	65,981,999	77,508,079
MTHAI	154,485,174	171,418,055	184,532,947
San Jose*	n/a	n/a	103,546,388
Tempe	296,299,800	306,813,200	313,505,200
Total	855,710,219	879,834,769	1,383,147,653

PRODUCTION FACILITIES' EFFLUENT WASTE (Gallons)

FACILITY	2014	2015	2016
Chandler	5,171,787	4,510,490	4,253,839
Colorado Springs*	n/a	n/a	302,546,660
Gresham	262,006,769	272,175,338	283,816,705
MMT	41,517,808	35,065,401	34,046,493
MTHAI	86,820,409	76,941,488	73,474,172
San Jose*	n/a	n/a	57,545,384
Tempe	171,386,221	234,389,134	227,621,870
Total	566,902,994	623,081,851	983,305,123

These facilities are recent acquisitions, so prior year data is not included here

RECENT WATER INNOVATIONS

Microchip Gresham

- Microchip's Gresham, OR, facility modified the water polymer injection process to decrease overall water use by 1.5 million gallons in 2016, and has a projected reduction in water use of 2.4 million gallons per year moving forward. Additionally, by optimizing the water system through removal of an unneeded meter, water use was reduced by an added 50,000 gallons in 2016, and has a projected reduction in water use of of 150,000 gallons per year moving forward.

Microchip's MMT Assembly and Test Facility, Thailand

- Microchip's MMT assembly and test facility reduced effluent water waste by diverting more than 7.9 million gallons of wastewater to the landscaping in 2016, with an additional 7.6 million gallons of water waste reduction projected per year in future years.

CHEMICAL USE REDUCTION

Microchip Gresham

- Microchip's Gresham, OR, facility undertook two concerted efforts to reduce its use of chemicals in the water treatment process. By repeated testing and monitoring, the team was able to decrease the use of calcium chloride by 100,000 lbs. in 2016, and projects a reduction of 324,000 lbs. per year in future years. Additionally, the team is now able to completely eliminate the use of bicarbonate (to reduce water alkalinity) at certain times when the incoming city water alkalinity levels are elevated. Through repeated testing and application, Microchip Gresham reduced bicarbonate use by 5,000 lbs. in 2016, and projects a reduction of 44,000 lbs. per year in future years.

US ENVIRONMENTAL AWARDS

A point of pride for Microchip, the Gresham Site Services Reverse Osmosis and De-Ionization (RODI) Team has received the Platinum Award from the City of Gresham for 13 consecutive years of operating its acid waste neutralization (AWN) system with 100 percent Pretreatment Compliance. The facility has received zero AWN compliance violations during the past 13 years.

THAILAND ENVIRONMENTAL AWARDS

3Rs AWARD
(Reduce, Reuse & Recycle)
2014
Department of Industrial Works

3Rs AWARD
2015
Department of Industrial Works

3Rs AWARD
2016
Department of Industrial Works

ZERO WASTE TO LANDFILL
CSR-DIW Continuous Award
2016
Department of Industrial Works

MICROCHIP GERMANY AWARDED FOR OFFICE ENERGY EFFICIENCY

Microchip Technology Germany GmbH was awarded second place by the Plasterer & Painters' Guild, in the City of Karlsruhe, Germany, for exceeding the national energy efficiency regulation by 30 percent for industrial/office buildings.

Germany limits energy use for industrial/office space. The required energy usage value was 213 kWh/m^2 per year, but Microchip's Germany office marked usage at only 149/kWh/m^2, 30 percent less than the national requirements.

The award was presented to Microchip in April 2016.

WORKPLACE

INITIATIVES

Microchip is a US company with operations around the world, and it is our goal to provide strong benefits, wellness programs, safe workplaces, and equal opportunity no matter where our employees are based.

EMPLOYMENT

EMPLOYEES BY LOCATION

	2014	2015	2016
Asia/Pacific	5,846	8,853	6,764
Europe	542	579	1,497
North America	3,006	3,039	4,394
Total	9,394	9,471	12,655

OPEN DOOR POLICY

An important tool in our commitment to ethical business practices is our Open Door Policy. This policy allows Microchip employees to raise any work-related issues – such as job, wages, performance reviews, and other – to the level they think is the most appropriate for quick and fair resolution. This policy applies to employees at all levels. We believe communication is vital, and we encourage open, honest, constructive, and ongoing dialogue to resolve issues whenever possible.

DIVERSITY AND OPPORTUNITY

Microchip provides equal employment opportunities to applicants and employees without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status, or disability. We place a high value on the diversity of our employees around the world, and the strength of global collaboration allows employees to develop creativity to enable success throughout Microchip.

MAXIMIZING WATER CONSERVATION AND EFFICIENCY IN IRRIGATION SYSTEMS

From agriculture on commercial farms to recreation in your own backyard, water conservation in the face of drought and controlling energy consumption with rising electricity costs is of critical importance. Microchip's advancements in creating compact, energy-efficient microcontrollers for advanced irrigation systems, allow for the creation of water delivery solutions that measure, control, and help conserve water and energy. Irrigation system controllers manufactured using Microchip technology result in "smarter" irrigation systems that can be monitored remotely, can measure soil moisture and temperature, and can allow for on-demand watering adjustments using wireless connectivity. In addition, these control systems can also be designed to operate on solar power to help conserve energy.

MICROCHIP

HUMAN RIGHTS

Microchip is headquartered in the United States with global operations. These operations include primary manufacturing located in the United States, 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. Additionally, with very few exceptions for internship-type programs in the United States which are allowed by law, Microchip requires all employees to be 18 years of age or older.

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 workers and their families, including robust benefits plans and career development opportunities.

BENEFITS

We want to make sure we give back to our employees in many ways, and one such way is by providing extensive benefits, such as:

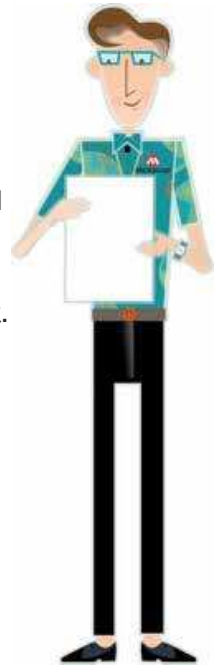
- Health and wellness benefits
- Family and medical leave of absence
- Short- and long-term disability
- Long-term care insurance
- Life insurance
- Company-paid holidays
- Paid vacation and sick leave
- Restricted Stock Units (RSU) and Employee Stock Purchase Plan (ESPP)
- 401(k) retirement savings plan with company match
- Employee Cash Bonus Plan (ECBP)
- Tuition reimbursement
- Internal training and mentorship program

TRAINING AND EDUCATION

The Microchip Learning Center perpetuates Microchip's strategic and competitive culture in alignment with the Guiding Values. In order to support our employees' continuous improvement, we design, deliver, and coordinate 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 access to our

training is available in native languages and during times that accommodate our global presence and workforce. Microchip's Learning Center offers many training opportunities online—often followed up by an interactive instructor-led web session. We also offer all employees the opportunity to pursue relevant higher education through a tuition reimbursement program.

IN ADDITION TO THE 40 FULL-TIME AND 21 PART-TIME TRAINING PROFESSIONALS AROUND THE WORLD, IN 2016, 876 MANAGERS AND EMPLOYEES GOT INVOLVED IN DELIVERING PRACTICAL LEADERSHIP AND TECHNICAL TRAINING TO THEIR PEERS.



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

In addition to the 40 full-time and 21 part-time training professionals around the world, in 2016, 876 managers and employees got involved in delivering practical leadership and technical training to their peers.

Microchip's courses cover a range of training topics: orientation to the company, team skills, communication skills, leadership skills, technical knowledge of Microchip products and applications, sales process training, computer skills, and operational manufacturing skills.

We are proud to be recognized by *Training Magazine*'s Top 125 year after year for our successes and accomplishments related to our employee training programs.

UNITED STATES COMMUNITY AND CORPORATE SOCIAL RESPONSIBILITY AWARDS

2016

- Microchip CEO Steve Sanghi named Executive of the Year at the 2016 ACE Awards
- Ranked #102 in in *Training Magazine's* "Top 125 Award" for implementing Successful Learning and Development Programs Worldwide
- Awarded the "When Work Works" Award from the Families and Work Institute (FWI) and the Society for Human Resources Management (SHRM)
- Ranked #6 Extra-Large Best Places to Work in the *Phoenix (AZ) Business Journal*
- Ranked #17 Top Workplace in the Bay Area (CA) by the *Bay Area News Group*
- Listed on the Top Workplaces for Greater Austin (TX) in the *American-Statesman*
- Platinum Award for 13 Consecutive Years of 100% Water Pretreatment Excellence by the City of Gresham (OR)
- Ranked #11 Best Companies to Work for in New York by the New York State Society of Human Resources Management (NYS-SHRM) and Best Companies Group

TRIP REDUCTION PROGRAM

Microchip offers trip reduction programs for our Chandler, Tempe, Gresham, and San Jose 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 percent bus and light rail subsidy for employees who use public transit. Employees who bike or walk to work can participate in the free lunch program, attend the bike and walk event held every spring, and gain access to bike racks and shower facilities. Employees who carpool or drive alternative-fuel vehicles have access to premium parking spots that provide extra benefits during the warm summer months in the Valley of the Sun.

MARICOPA COUNTY (AZ) APPROVES, SUPPORTS MICROCHIP TRIP REDUCTION PROGRAM

Participation in Maricopa 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 practice in reducing commuting emissions. Maricopa's Trip Reduction program supports participants with "High Pollution Advisories" to share with employees to help employees make safe commuting plans.

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 60 daily bus riders participating the bus program and more than 250 registered carpoolers at the Chandler and Tempe sites.

TRIP REDUCTION PROGRAM IN GRESHAM

Our Gresham Trip Reduction Program offers telecommuting or flextime options, 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 percent at our Gresham location.

SINGLE-OCCUPANCY VEHICLE RATE FOR SITES WITH TRIP REDUCTION PROGRAMS IN PLACE

	2014	2015	2016
Chandler	84.6%	84.7%	83.9%
Gresham	64.0%	64.0%	68.0%
Tempe	66.8%	68.4%	67.5%

OCCUPATIONAL HEALTH AND SAFETY

"Safety is Never Compromised" is one of the Microchip's Guiding Values. We place concerns for the health and safety of our employees, contractors, vendors, and the communities in which we work at the forefront of our policies and decisions. We are committed to providing a safe and healthy place to work. We have a dedicated environmental, health, and safety (EHS) team that ensures we meet applicable local, state, national, and international requirements. Microchip continues to provide and maintain safe and healthy working conditions and safety program procedures that safeguard employees, contractors, vendors, and communities. At Microchip, employees are responsible for both 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.

RECORDABLE INCIDENTS

	2014	2015	2016
Chandler	2	3	3
Colorado Springs*	n/a	n/a	16
Gresham	3	4	7
MMT	0	1	0
MTHAI	4	2	2
San Jose*	n/a	n/a	15
Tempe	7	8	11

INJURY RATE (CASES) PER 100 EMPLOYEES

	2014	2015	2016
Chandler	0.09	0.25	0.25
Colorado Springs*	n/a	n/a	1.69
Gresham	0.59	0.68	1.20
MMT	0.00	0.097	0
MTHAI	0.11	0.046	0.06
San Jose*	n/a	n/a	3.36
Tempe	1.22	1.39	1.99
OSHA Industry Injury Rate**	1.60	1.10	1.10

* These facilities are recent acquisitions, so prior year data is not included here

** [Editor's Note: The OSHA numerical values have been corrected retrospectively; correct historical rate provided]

COLORADO FAB 5 CONTINUES TRADITION OF SERVICE

In 2016, Microchip acquired Atmel Corp. which became Microchip Fab. 5 Colorado Springs, CO. Microchip supports and encourages community service at all of our locations and is proud to see Fab 5 adding to our global tradition of service and Science, Technology, Engineering, and Math (STEM) education.

STEM projects are forefront in our industry. Microchip encourages engineers to serve on education committess, and several engineers from Fab 5 serve on the Engineering Advisory Council at the University of Colorado, Colorado Springs. Microchip also supported the local high school's Maker Faire.

Environmental stewardship is also a Microchip focus. At Fab 5, employee volunteers are invited to the site's bi-annual "lunch hour clean up" to collect trash and debris from the shores of nearby Quail Lake.

Direct community support projects included a holiday toy drive, an overseas military care package project, an annual clothing drive for homeless in the community, an annual food drive, and participation in the community's United Way annual campaign.

PROVIDING ACADEMIC SUPPORT IN THAILAND

Microchip Thailand continuously provides support to universities throughout Thailand to promote technology education. The company offers apprentice programs, internships, academic programs, scholarships, and other partnership opportunities. Additionally, the human resources department at Microchip Thailand works directly with university professors to review and amend the curriculum of programs in engineering and sciences. Working with professors from King Mongkut University Technology – North Bangkok (KMUT) and Burapa University, this partnership ensures that program graduates have the skills that match with the requirements of the labor market in the semiconductor industry.

Moreover, Microchip Thailand also has been invited by the engineering faculty of Burapa University to be a part of the Smart City Program development. Smart City is one of the key projects of Thailand 4.0, a government-led innovation program to revolutionize Thailand's economy. Participation in Smart City adds the Microchip Technology name to a notable list of Thailand 4.0 supporters and contributors, helping attract top talent and investors interested in innovation and growth.

MICROCHIP EARNS TOP 125 IN TRAINING

In 2016, *Training* magazine listed Microchip on their "Top 125" rankings as one of the “organizations with the most successful learning and development programs in the world,” ranking the company #102 overall.

The ranking program recognizes companies that excel at developing their employees internally, and it is open to companies in any industry other than training services itself.

Everyone who plays a role in helping further the education and training at Microchip contributes to our ongoing success in this area.

GARDEN GROWS COMMUNITY TIES IN GRESHAM

When employees in our Gresham location proposed installing a raised bed garden on site, we encouraged them to lead the way. Today the employee garden consists of 26 beds, surrounding paths, and two mature seedless green grapevines.

In each plot, our gardeners grow a wide variety of fruits, vegetables, and herbs. The garden team shares the bounty with one another and with the general employee population. Gardening has been linked to increasing happiness and well-being, and we are proud to encourage our employees to get outside and get their hands dirty.

Whether their experience ranges from master to novice, the Microchip garden is truly a "community" activity where we help one another learn and grow.

GREEN GARDEN IN COLORADO SPRINGS

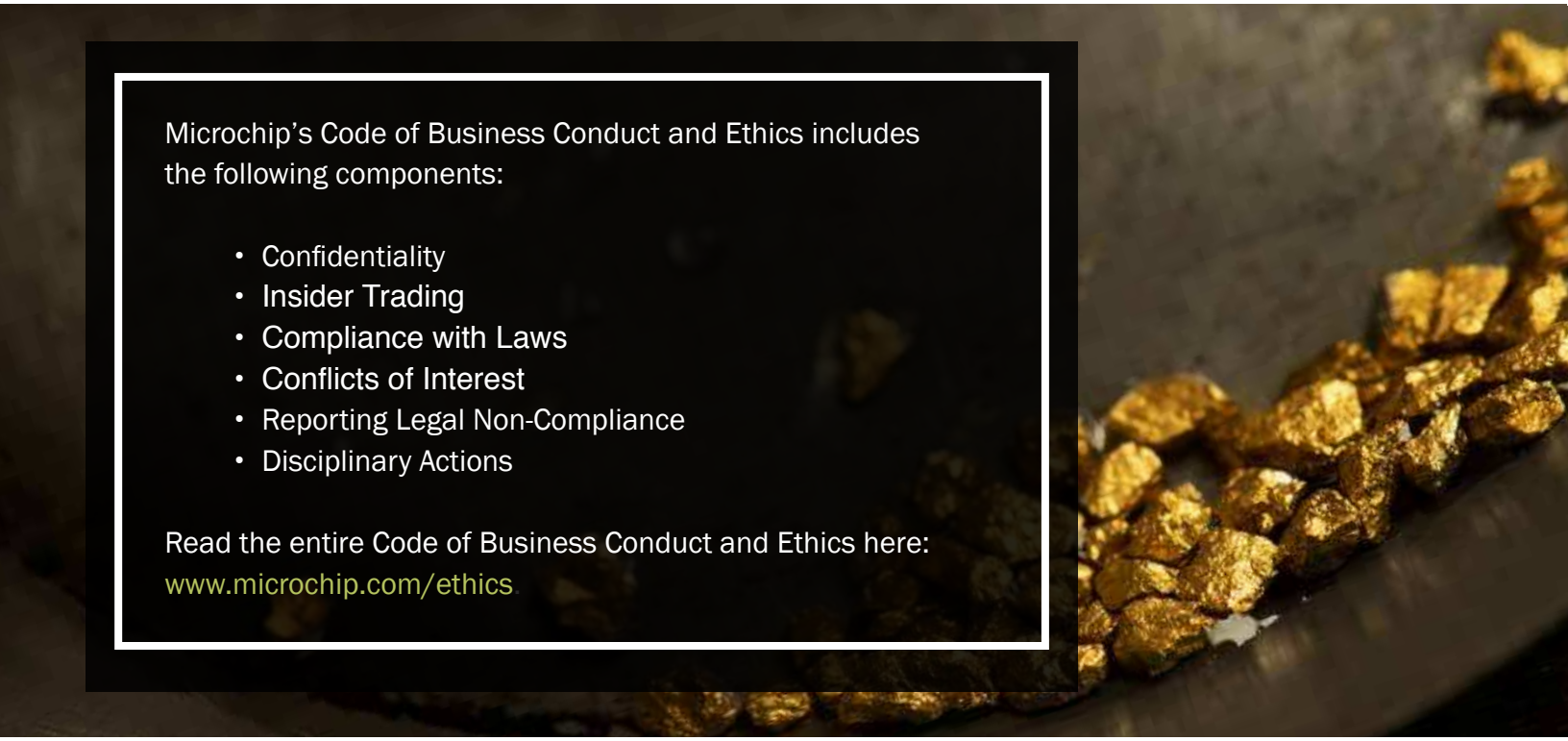
Every spring the team at our Colorado Springs Fab 5 facility adds bright colors and sweet smells to our campus by planting flowers in the pots near the entrance of the building.

These beautiful arrangements make our team members smile and add new life to the site.

SUPPLY CHAIN

RESPONSIBILITY

Microchip supports regulatory and industry-driven efforts to ensure our global staff and suppliers are treated ethically. Microchip's Code of Business Conduct and Ethics requires compliance to laws and ethical behavior by its employees, agents, contractors, and consultants. The Code includes reporting procedures and accountability provisions that may include immediate termination of employment or business relationships as permitted by law.



Microchip's Code of Business Conduct and Ethics includes the following components:

- Confidentiality
- Insider Trading
- Compliance with Laws
- Conflicts of Interest
- Reporting Legal Non-Compliance
- Disciplinary Actions

Read the entire Code of Business Conduct and Ethics here: www.microchip.com/ethics

CONFLICT MINERALS

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

These minerals originate from various continents, but armed groups engaged in, or interfering with, mining operations within the Democratic Republic of the Congo and the adjoining countries (the Dodd-Frank "Covered Countries") are subjecting people to human rights violations and using proceeds from the sale of these Conflict Minerals 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. In calendar year 2016, we made substantial progress toward that goal.

We are members of the Conflict Free Sourcing Initiative ("CFSI") that engages Smelters and Refiners ("SOR") and conducts audits of the SOR against responsible minerals sourcing protocols. As part of our commitment, we successfully removed smelters from our integrated circuits supply chain that ceased business, were "Group-level" entities rather than actual smelters, or for which there were credible allegations of irresponsible practices in their minerals sourcing activities. The CFSI subsequently removed these smelters from their "Compliant" and "Active" smelter lists. Many of these entities were CFSI-compliant prior to their delisting. As of December 31, 2016, all smelters remaining in our integrated circuits supply chain were listed on the CFSI-compliant smelter list. Several of these compliant smelters would go on to be delisted in mid-2017 and their removal is being addressed during our 2017 Reasonable County of Origin Inquiry (RCOI). Our independent smelter due-diligence research did not identify conflict minerals sourcing risk within the Covered Countries from the current set of CFSI-Compliant smelters.

AS OF DECEMBER 31, 2016, ALL SMELTERS REMAINING IN OUR INTEGRATED CIRCUITS SUPPLY CHAIN WERE LISTED ON THE CFSI-COMPLIANT SMELTER LIST.

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

- Participating as a member of the CFSI, the organization that engages Smelters and Refiners SOR and conducts audits of the SOR against responsible minerals sourcing protocols. The CFSI maintains lists of SOR that have successfully completed responsible minerals sourcing audits (including audits by similar industry-specific trade organizations) or are actively participating with the CFSI or similar organization ("compliant" and "active" smelter lists, respectively), and the CFSI publishes the industry-standard Conflict Minerals Reporting Template for conducting a RCOI.
- Conducting annual RCOI and subsequent due diligence required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Microchip uses the Conflict Free Sourcing 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 SOR into our integrated circuit supply chain that are not cooperating with, or that are no longer cooperating with, the CFSI's Conflict Free Smelter Program 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 SOR, 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.
- As responsible minerals sourcing audit programs mature, and the pool of SOR recognized as CFSI "compliant" increases and becomes more viable, we will expand our expectation that our suppliers source 3TG from SOR that are recognized CFSI "compliant."
- Include a conflict minerals flow-down clause in new and renewed supplier contracts and purchase terms and conditions.

Microchip's current Conflict Minerals Reporting Template (CMRT) for integrated circuits and other conflict minerals programs documents are available on Microchip's website, at www.microchip.com/conflictminerals.

HUMAN RIGHTS

Microchip is dedicated to protecting human rights. This is demonstrated in our continued involvement with the United Nations Global Compact (UNGC). The UNGC promulgates 10 principles, with specific focus on labor standards related to freely-chosen employment, child labor avoidance, working hours, wages, benefits, and humane treatment. Microchip has worked diligently over the past year to ensure alignment with these labor standards into our Code of Business Conduct and Ethics and other policies.

The State of California and the United Kingdom have introduced regulation centered on slavery and human trafficking under the California Transparency in Supply Chains Act and the UK Modern Slavery Act, respectively. Pursuant to these regulations, Microchip issues disclosure statements to emphasize those actions we've taken to eradicate slavery and human trafficking from our direct supply chain for tangible goods offered for sale. Our latest disclosure statement is publicly available on our website and may be found at www.microchip.com/values.

In 2016, Microchip conducted quarterly business reviews and on-site visits with its significant subcontractors. During these visits we reviewed subcontractor labor practices and included a written assessment and presentation to the subcontractors to ensure full understanding of the applicable regulations and Microchip policies around labor practices. Microchip typically uses direct material suppliers that are either ISO9001 or TS16949 certified. Capabilities and quality standards are surveyed and reviewed at the time of supplier selection, as well as these quarterly reviews.

Microchip's Compliance with Laws policies require compliance with laws by its employees, agents, contractors, and consultants. Microchip provides ethics training to employees, which includes an obligation to comply with laws and report violations of laws.

PRODUCT

STEWARDSHIP

At Microchip, we are committed to making a positive difference in the world and in people's lives by providing products and technologies that are used in a wide variety of applications. Every year we make significant investments in developing or strategically acquiring new technologies and products which enable our customers the freedom to innovate for today and tomorrow. More than 150,000 customers and partners use Microchip's products in innovative embedded designs. Among other improvements, these designs are reducing energy or battery consumption, expanding options for home medical care, and ensuring the safety and security of buildings, cars, and homes.

GLOBAL PRODUCT COMPLIANCE LAWS

Microchip believes in designing the safest and most reliable products possible by adhering to the legal requirements regarding substance disclosure. To that end, Microchip has developed a rigorous materials compliance specification and Hazardous Substance Process Management (HSPM) system to ensure our products can be qualified to be introduced into commerce worldwide, regardless of the point of manufacture, distribution, or ultimate usage. Microchip requires our suppliers to review and complete our bi-annual global regulatory survey.

These efforts have resulted in a compliance program that has mitigated and/or eliminated the usage of materials that could potentially cause harm or health concerns.

Because our products are sold around the world, we are subject to numerous legislative and regulatory requirements, in addition to individual customer specifications. Detailed information on our approach to product compliance, including information on EU REACH, RoHS and others, is available at www.microchip.com/environment. From this page, Certificate of Compliance for Products on RoHS2/3 Directive (2011/65/EU) and a statement concerning EU-REACH/173 are available, as are IC Material Content Declarations (MCD) by package type.

SMALLER, MORE POWERFUL NEBULIZERS HELP TRANSFORM LIVES

Medical nebulizers are drug delivery devices that break up medications into small aerosol droplets and deliver them directly to the airways for respiratory therapy. Commonly used for the treatment of COPD, asthma, cystic fibrosis and other respiratory diseases, patients who use nebulizers are often dependent on the machines for regular therapy. Microchip's advancements in creating compact, energy-efficient, and innovative microcontrollers for these devices help medical equipment manufacturers produce small, portable, and quiet nebulizers with longer battery life and reduced cost. By using nebulizers manufactured with Microchip's devices, people with chronic respiratory diseases have more mobility and less intrusion in their daily lives.

MICROCHIP

ENVIRONMENTALLY-PREFERABLE PRODUCTS

Microchip specializes in high-efficiency semiconductor microcontrollers, analog, wireless, and human-interface products.

These products are vital to making our customers' design and manufacture of environmentally-preferable products possible. For example, our products are used in "smart" home energy monitoring, LED lighting applications, and more efficient motor control applications. We see the continued development of high-efficiency products to be central to the future of both our company and the global economy.

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.

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, combined with our commitment to the utmost quality, have earned Microchip numerous accolades including early green partner certifications from:

- **Sony Green Partner Program** – Sony awards this certification for suppliers that help produce environmentally sensitive products
- **United Technologies Gold Supplier** – United Technologies awards to suppliers for meeting their standards in quality, delivery, customer satisfaction and their Supplier Health Assessment in All Categories Plus Zero Gold Question Gaps.

However, producing environmentally-preferable products is not a static exercise. It takes continuous innovation, which is why we are proud to share some of our emerging product lines capabilities and our vision regarding how they will continue our efforts toward developing environmentally preferred integrated circuits.

LOW-COST TEMPERATURE MONITORS HELP HOMEOWNERS SAVE ENERGY

Heating and cooling represent more than 47 percent of total home energy use. By maintaining stable temperatures, monitoring hot and cold spots in a home, installing more energy-efficient technologies, and focusing on heating and cooling in specific areas, homeowners can reduce HVAC costs and overall energy use. The easiest, consumer-friendliest way of helping homeowners monitor and make adjustments throughout the home is through the use of small, energy-efficient wireless temperature sensors. These mobile, wireless units enable consumers to better understand their energy use and adjust their systems accordingly.

Microchip's robust wireless technology is being applied to building temperature monitoring systems, providing people the flexibility to place sensors anywhere in the home or office and maintain a reliable connection. Using Microchip's MiWi™ protocol stack, temperature monitors are being manfactured with low-power, low-cost solutions in mind.

CLOUD TECHNOLOGY MANAGES LIGHTING SYSTEMS EFFICIENTLY

Nearly 17 percent of energy used in commercial buildings is consumed by lighting fixtures. As more and more companies replace outdated lighting sytems with energy-efficient lighting, like LEDs, energy consumption is being reduced by billions of kWh per year. But leaving the lights on when workers aren't in the office or factory is still a common energy management problem. Intelligent lighting solutions are a key part of smart buildings. The capability to connect and centrally control all light sources in a building offers many management advantages, including energy savings, custom atmospheres, and increased security.

Microchip has the solutions, know-how, and partnerships to help manufacturers add cloud connectivity to lighting products, further decreasing energy use in buildings.

Microchip's Power over Ethernet (PoE) lighting solution uses a single cable for both power and communication to lighting systems, with no batteries or wireless signal interference. For systems needing more flexibility and integration with mobile technology, Microchip offers Bluetooth-enabled smartphone accessible systems to control lighting. By customizing lighting needs, and moving beyond "on/off," Microchip continues to help reduce energy waste and reduce consumer expenses.

EXTENDING LIFESPAN BY USING EXTRA-LOW POWER

Electronics, such as wearables, sensors, and portable medical devices are controlled by microcontrollers, and these microcontrollers control the overall system power of the device. But the microcontrollers themselves can also be one of the largest consumers of power within the system.

In order to understand how much power is being consumed by the microcontrollers, the consumption can be broken down into two categories: (1) how much power is being used when the microcontroller is doing its task at hand (run), (2) how much power is being used when the system is not running the task, but still has voltage applied to it (sleep). These systems, along with many of today's connected applications, must consume as little power as possible and may be required to run off a single battery for as many as 15–20 years. With Microchip's eXtreme Low Power technology, Microchip has been able to reduce the run current by 62 percent from early generations of products, and our technology provides the lowest sleep current in the industry.

With these advancements in microcontroller technology, Microchip's eXtreme Low Power technology extends battery life and reduces the number of batteries of disposed each year.

Products across the Microchip portfolio that have industry-leading low power specifications and are used in AC-powered end products will use less power, and the cumulative effect could be substantial.

IMPROVING EFFICIENCY WITH BETTER MOTOR CONTROL

At Microchip, we recognize the importance of energy efficiency in motor control applications, as these systems may run for extended periods of time and often consume large amounts of energy. Electric motors can account for more than half of the energy used in a motor-controlled operation.

Microchip's family of dsPIC® digital signal controllers offer unique benefits to motor control applications which:

- Reduce power consumption by 80 percent and increase performance speed by 75 percent
- Implement motor control and sensor-less field-oriented control to increase overall system efficiency by 35 percent
- Implement fully digitally-controlled power supplies to increase efficiencies to 94 percent, which meets the ENERGY STAR CSCI Platinum Level.

Microchip's motor driver family covers a wide range of brushed and brushless DC motors, allowing our customers to:

- Reduce motor conduction loss with adaptive dead time control
- Reduce sleep current by up to 80 percent.

COMMUNITY

INVOLVEMENT

Microchip is an active participant in local communities all around the globe. We give back by supporting and donating to schools, clubs, and charities. The ways in which we support the local communities where we operate reflects the diversity of the people and the needs of those communities. This section highlights some of the work that Microchip did in 2016.

STEM OUTREACH

At Microchip, we acknowledge that we have a greater 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 *FIRST*® (For Inspiration and Recognition of Science and Technology) and VEX robotics programs through our support of the REC Foundation (Robotics Education Competition). 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.

As the Organizing Sponsor for *FIRST*® in Arizona, Microchip received recognition at the Arizona regional *FIRST*® competition for supporting *FIRST*® in Arizona for 15 years and counting. Our CEO, Steve Sanghi, was a *FIRST*® board member for nine years and now serves as a senior advisor to the organization, as well as serving as co-chair of the Arizona *FIRST*® Volunteer Planning Committee alongside Microchip employee Carol Popovich. In 2015, Sanghi was inducted into the REC Foundation STEM Hall of Fame, named a STEM Hero, and received an Annual Creativity in Electronics (ACE) Award.

Microchip supports robotics programs in a number of financial and individual 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 the 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 ship medical supplies and equipment.

Project C.U.R.E. is the world's largest distributor of donated medical supplies and equipment. Since 1987, they have shipped life-giving 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 under-stocked hospitals in developing countries. Microchip has found the perfect way to support a local organization that provides medical supplies and equipment to those in need around the world.

The cost of warehouse space would typically be a large expense on the program's balance sheet, and Project C.U.R.E. leverages Microchip's assistance to respond to the medical needs of many developing countries. In 2016, C.U.R.E. had the honor of hosting the First Lady of Kenya, Her Excellency Margaret Kenyatta. During her visit, the first lady joined local leaders in loading a 40-foot cargo container of medical supplies and equipment to support maternal and child health in Kenya.

PROJECT C.U.R.E. (PHOENIX CENTER) MEDICAL SUPPLIES SHIPMENTS

	2014	2015	2016
Number of Shipments	24	25	41
Total Value of Shipments	$10.7 million	$13 million	$16 million

VALLEY OF THE SUN UNITED WAY

Microchip is dedicated to giving back to local communities, and one of the ways we have given back to the Phoenix area is by donating our time and money to the Valley of the Sun United Way (VSUW). This local United Way chapter helps ensure the education of children, provides resources to end hunger and homelessness, and increases the financial stability of families and individuals in the area. Microchip supports these initiatives by participating in VSUW training events annually, donating on average $210,000 each year to the VSUW, and creating educational opportunities for employees so they can also make a difference in the community.

MICROCHIP TECHNOLOGY (THAILAND) "BACK TO SCHOOL" SCHOLARSHIP PROGRAM

Reinforcing that "Employees Are Our Greatest Strength," Microchip Thailand's "Back to School" scholarships not only include our employees, but also their children as members of our large family. The program provides scholarships at the beginning of each new academic semester. As parents typically spend a lot of money on their childrens' education—including tutorial fees, uniforms, stationery and lunches —these scholarships can help ease the burden of providing needed academic support.

Since 2012, Microchip has awarded between 70 and 80 scholarships each year to the children of employees.

COMMUNITY PARTNERSHIP WITH MHCC

Ever since Microchip first purchased its Gresham, Oregon, facility we have worked closely with Mount Hood Community College (MHCC) to provide customized training to our employees and explore grant funding opportunities to provide technical training at a reduced cost. Microchip employees sit on the Engineering Technology Advisory Board and MHCC's Mechatronics Program Advisory Board. Additionally, Microchip supports the college by helping MHCC students learn about the semiconductor industry through offering tours and internship opportunities. In 2013, Microchip received the MHCC Community Partnership Award. The Community Partnership Award is given annually to a local community organization that has worked closely with the college over many years.

THAILAND COMMUNITY AND CORPORATE SOCIAL RESPONSIBILITY AWARDS

2014

- 3Rs Award from the Department of Industrial Works
- Clean Food Good Taste Award from the Ministry of Public Health
- CSR–DIW AWARD Corporate Social Responsibility from the Department of Industrial Works
- ER Award. Outstanding Employee Labor and Welfare from the Ministry of Labor
- National Safety Award from the Ministry of Labor
- Outstanding White Factory of Chachoengsao Province from the Office of the Narcotics Control Board
- The Standard on Prevention and Solution to Drug Problems in an Establishment from the Ministry of Labor

2015

- 3Rs Award from the Department of Industrial Works.
- AIDS-Response Standard Organization Certification – Gold Medal
- Clean Food Good Taste Award from the Ministry of Public Health
- CSR–DIW AWARD Corporate Social Responsibility from the Department of Industrial Works
- ER Award. Outstanding Employee Labor and Welfare from the Ministry of Labor
- Outstanding Cooperative Education Award from the Office of the Higher Education Commission
- KMITL Top Model Company Appreciation Award from KMITL University
- National Safety Award from the Ministry of Labor
- Outstanding Wellness Program Award from the Ministry of Public Health

2016

- ASEAN Red Ribbon for Outstanding Workplace Award (ARROW)
- Clean Food Good Taste Award from the Ministry of Public Health
- CSR–DIW AWARD Corporate Social Responsibility from the Department of Industrial Works
- ER Award. Outstanding Employee Labor and Welfare from the Ministry of Labor
- Eastern Happy Workplace Award (Silver Level)
- National Safety Award from the Ministry of Labor
- National Zero Waste to Landfill Award
- Outstanding Wellness Program Award from the Ministry of Public Health

DRUG RESISTANCE EDUCATION PROGRAM

Microchip Thailand is continuously dedicated to giving back to the community as a good corporate citizen. We recognize that one of the key drivers of national growth and development is the success of children. As Thailand faces a growing national drug addiction problem, Microchip launched its "Microchip Drug Resistance Program" in three schools in Chacheongsao province.

The program is designed to help support the government's efforts in in solving the national drug problem through education. The program aims to provide children with knowledge about drugs, including the risks and impacts of drug use, to help them make informed decisions and develop safe and healthy lifestyles. This program benefits approximately 160 children.

FIRE AND EVACUATION DRILLS IN PUBLIC PRESCHOOLS

To help support our public schools' safety initiatives, Microchip Thailand funds the development, training, and implementation of fire and emergency plans at Ban Wangtakein public preschool.

The Microchip team developed evacuation procedures, trained teachers and school officers in proper in fire and evacuation procedures, and supported the implementation of fire and evacuation drills in the school. Microchip also funded the installation a fire alarm system and and fire extinguishers. This marked the first fire equipment installed and the first formal fire and evacuation protocol implemented at the school of more than 500 students.

E-CAMP THAILAND TEACHES BASIC ELECTRONICS TO STUDENTS

Microchip Thailand's Electronic Camp (E-Camp) teaches primary students from nearby schools basics in electronics. Our team of engineers and technicians provides a fun and educational program to help younger students understand basic electronics, electronic components, and health and safety regarding electronics handling.

UN GLOBAL

COMPACT

Ethical business conduct is critical to our business. In addition to commitment to compliance with applicable laws and our Code of Business Conduct and Ethics and associated policies, Microchip became a participant in the UN Global Compact. The United Nations developed a global compact that includes 10 principles in the areas of human rights, labor, the environment, and anti-corruption. Microchip supports the UN Global Compact's core principles as stated in our commitment letter. Learn more at https://www.unglobalcompact.org/

SUMMARY OF REPORTING TO UN GLOBAL COMPACT PRINCIPLES

ISSUE	PRINCIPAL	PAGE
Human Rights	1: Businesses should support and respect the protection of internationally proclaimed human rights	13, 28, 34-36
	2: Make sure that they are not complicit in human rights abuses	14, 34-36
Labor	3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	28
	4: The elimination of all forms of forced and compulsory labor	28
	5: The effective abolition of child labor	28
	6: The elimination of discrimination in respect of employment and occupation	26
Environment	7: Businesses should support a precautionary approach to environmental challenges	17
	8: Undertake initiatives to promote greater environmental responsibility	17-24
	9: Encourage the development and diffusion of environmentally friendly technologies	15, 20, 27, 37-41
Anti-Corruption	10: Businesses should work against corruption in all its forms, including extortion and bribery	13-14

GRI CONTENT INDEX

CHANGES TO OUR REPORTING BOUNDARIES

This Sustainability Report boundary includes all facilities owned and operated by Microchip, including Micrel, Incorporated facilities acquired in 2015 and Atmel Corporation facilities acquired in 2016.

UPDATES AND CORRECTIONS

In the Legal Claims section of the report (page 14), we have changed our reporting methodology to align with Microchip's disclosure of legal issues in its public financial filings. In the Health and Safety section of the report (page 32), we identified a clerical error for safety data in 2015. The corrected numbers are now in place.

	CONTENT	PAGE
STRATEGY AND ANALYSIS		
G4-1	Letter from the CEO	4-5
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	6
G4-4	Primary brands, products, and services	6
G4-5	Location of the organization's headquarters	6
G4-6	Countries of operation	6
G4-7	Ownership and legal form	9
G4-8	Markets served	6
G4-9	Scale of the operations	6
G4-11	Collective bargaining	28
G4-15	Sustainability charters and principles	9
G4-16	Memberships and associations	9
STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholder groups	10-11
G4-26	Approach to stakeholder engagement	10-11
G4-27	Key topics and concerns	10-11
REPORT PROFILE		
G4-28	Reporting period	3
G4-30	Reporting cycle	3
G4-31	Point of contact	3
G4-32	Level of GRI alignment	3
G4-33	External assurance	3

	CONTENT	PAGE
GOVERNANCE		
G4-34	Governing bodies	7-8
G4-38	Board of directors	7
G4-39	Board leadership independence	9
G4-40	Board selection process	7
ETHICS AND INTEGRITY		
G4-56	Code of ethics	34
G4-58	Mechanisms for reporting concerns	34
ENERGY		
G4-EN3	Energy consumption	19
G4-DMA	Approach to energy	19
G4-EN3	Energy consumption	19
G4-EN6	Reduction of energy consumption	19, 25
G4-EN7	Reductions in energy requirements of products and services	15, 20, 27, 37-41
WATER		
G4-DMA	Approach to water	22-23
G4-EN8	Water withdrawals	22
EMISSIONS		
G4-DMA	Approach to emissions	18
G4-EN15	Scope 1 emissions	18
G4-EN16	Scope 2 emissions	18
EFFLUENTS AND WASTE		
G4-DMA	Approach to effluents and waste	21-22
G4-EN22	Water discharge	22
G4-EN23	Waste disposal	21
PRODUCTS AND SERVICES		
G4-DMA	Approach to products and services	37-41
G4-EN27	Environmental improvements to products	15, 20, 27, 37-41
COMPLIANCE		
G4-DMA	Approach to compliance	13-14, 34
G4-EN29	Significant fines and sanctions	14
EMPLOYMENT		
G4-DMA	Approach to employment	26
G4-LA1	Employee demographics	26
G4-LA2	Benefits	28
OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Approach to health and safety	31
G4-LA6	Injury and illness rates	31

	CONTENT	PAGE
TRAINING AND EDUCATION		
G4-DMA	Approach to training and education	28-29
G4-LA10	Training and skills development programs	28-29
DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Approach to diversity	26
LABOR PRACTICES GRIEVANCE MECHANISMS		
G4-DMA	Approach to labor grievances	26
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Approach to freedom of association	28
CHILD LABOR		
G4-DMA	Approach to child labor	28
G4-HR5	Operations and suppliers at risk of child labor	28, 34-36
FORCED OR COMPULSORY LABOR		
G4-DMA	Approach to forced labor	26
G4-HR6	Operations and suppliers at risk of forced labor	28, 34-36
SUPPLIER HUMAN RIGHTS ASSESSMENT		
G4-DMA	Approach to supplier human rights	34-36
G4-HR11	Human rights impact in the supply chain	34-36
LOCAL COMMUNITIES		
G4-DMA	Approach to local communities	42
G4-SO1	Operations with community engagement programs	42-46
ANTI-CORRUPTION		
G4-DMA	Approach to anti-corruption	13
G4-SO5	Incidents of corruption	14
ASPECT: ANTI-COMPETITIVE BEHAVIOR		
G4-DMA	Approach to anti-competitive behavior	13
G4-SO7	Legal actions and sanctions	14
COMPLIANCE		
G4-DMA	Approach to compliance	13
G4-SO8	Fines and sanctions related to corruption	14
G4-PR9	Fines related to products and services	14