

Sustainability report | 2012

Interactive PDF

User Guide

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 About this report

Links

Throughout this report there are links to pages, other sections and web addresses for additional information.

Examples: This is an example of how the links appear within this document. They are recognisable by the blue text, simply click to go to the relevant page or web URL (www.dialog-semiconductor.com).



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01 Dialog Semiconductor Plc | Sustainability report 2012 | What does sustainability mean to Dialog

What does 'Sustainability' mean to Dialog?

Dialog's story is more than just numbers...

Dialog's commitment to doing business responsibly is woven into the fabric of the Company. We strive to make a positive contribution to society and the communities where we operate through innovative power efficiency technologies and environmental, employee and supplier policies. These core values are the fundamental building blocks of long-term sustainable profitable growth.

I am very passionate about building a sustainable business model and I strongly believe that the long-term success of our business depends on more than the bottom-line. It is no longer an option for responsible businesses to ignore the impact they have on the environment, to turn a blind eye on their supply chain, or to show indifference toward their employee's development. In today's competitive environment, it is essential for a sustainable business model to incorporate ESG strategies – environment, social and corporate governance.

Dialog's sustainability strategy touches every aspect of our value chain; from effectively monitoring our suppliers, efficiently using resources in our own business operations to assisting in end-of-life recycling solutions for our products. This holistic view of sustainability supports the economic growth the Company needs to remain a leader in its field.

In 2012, we made incredible progress towards understanding and articulating what sustainability means to Dialog. We implemented a Company-wide benchmarking programme to assess our CSR activities, analyse gaps in our current policies and set objectives and targets to drive continuous improvement. The report outlined in the following pages is our inaugural annual sustainability report. The intention of this report is to lay the foundations of a sustainability programme that will guide our Company well into the future.

I am excited to be part of a company that is striving to demonstrate leadership, not only through its innovative products and its people, but also through responsible business practices.

Jean-Michel Richard
Chief Financial Officer

About this report

The objective of this report is to clearly communicate Dialog's activities and performance in the areas of sustainability and corporate responsibility over the previous year. We have identified four key areas of focus in Dialog's business model – our employees, our business operations, our business partners and the communities where we operate.

Dialog's inaugural sustainability report focuses on benchmarking these key areas of our business. The benchmarks set in this report are the beginning of our sustainability journey and are essential in setting targets and evaluating future progress of our sustainability programme.

Report timeframe

This report covers the period from 1 January 2012 to 31 December 2012, unless otherwise stated. This is Dialog's first sustainability report and was released in October 2013. Future reports will be published annually and released in March.

Stakeholder engagement

We will continue to expand our communication on sustainability through better use of our website and intranet to provide stakeholders, both internal and external, with a broader range of content.

In 2012, Dialog committed to the United Nations Global Compact. As a member of the UNGC we are required to submit an annual report on progress. Dialog's first Communication on Progress (CoP) is included in the appendix of this report. The CoP outlines Dialog's commitment to sustainability and serves as a public reporting mechanism. Moving forward, this report will serve as our UN Global Compact CoP.

Contact

At Dialog we encourage an open dialogue with all of our stakeholders. If you have any feedback on our sustainability programme or the report please feel to contact our sustainability team.

Dialog Semiconductor Sustainability 100 Longwater Avenue Green Park Reading RG2 6GP United Kingdom

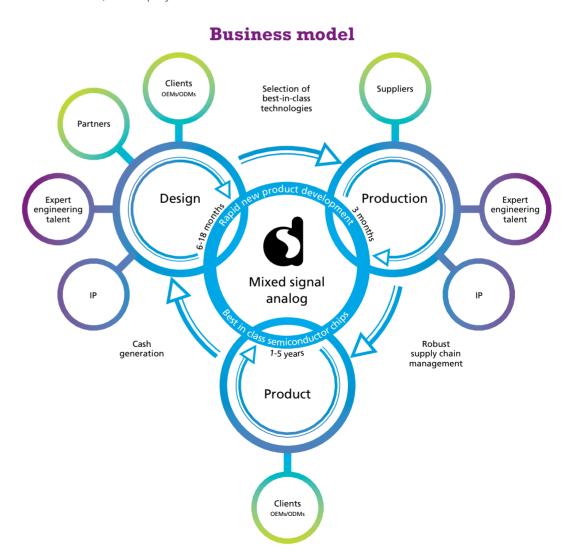
sustainability@diasemi.com

Our team is continuously seeking opportunities to expand our programme and form relationships with local charities in the communities where we operate, please feel free to contact us to discuss partnership opportunities.

About Dialog

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs), optimised for personal portable, low energy short-range wireless, LED solid state lighting and automotive applications. The Company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

Dialog Semiconductor Plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2012, we achieved US\$774 million in revenues and continued to be one of the fastest growing European public semiconductor companies. We currently have around 1,000 employees worldwide.



Core technical competencies



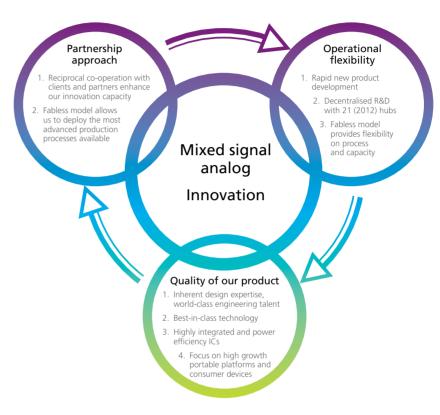
How we make money

In the search for power management and power efficiency Dialog's technology is second to none. We design custom Application Specific Integrated Circuit (ASICs) for large, high-volume customers and standard Application Specific Standard Products (ASSPs) to a wider customer base. Our income is generated from the sale of chips to original equipment manufacturers (OEMs) and original design manufacturers (ODMs).

Dialog's focus and expertise is in energy-efficient system power management, audio, low energy short-range wireless, LED drivers, AC/DC charger adaptors and automotive applications. We design and produce power-efficient semiconductor chips for a range of personal portable devices and applications in the consumer products market as well as applications for the automotive and industrial markets:

- The world's leading consumer electronics brands rely on Dialog's unrivalled mixed signal expertise to enable their mobile devices to charge faster and support power-hungry multimedia applications, and extend consumers' playtime between charging.
- Our technology is used in automatic windscreen wiper applications for mid- to high-end cars in Europe and Japan.
- In the industrial market. our technology is used both for conventional light sources, such as fluorescent or High-Intensity Discharge ("HID") lamps and LED lighting solutions.

Our value creation model



How we create value

The design of a chip requires a large amount of R&D time and investment. For OEMs and in particular those in the consumer devices market, product development times are short due to consumer requirements and competition in this vibrant market. Our partnership approach, operational flexibility and the overall quality of our product are key sources of value to our customers.

Dialog has decades of experience to the rapid development of integrated circuits (ICs) over which time we have amassed significant IP. We develop differentiating technologies in-house and through co-operation with OEMs/ODMs and other technology developers helping to reduce product development time, component size and component number. We share our knowledge and expertise reciprocally with these partners to optimise their outcomes and enhance our innovation capacity.

We invest in our human capital. recruiting the best talent to produce best-in-class technology. Unlike many of our peers we have a decentralised approach to research and development with teams in 14 (2012) countries. In a highly competitive talent market we believe this flexible approach is advantageous allowing us to recruit talent from where it resides.

While we design and manage the production of each semiconductor chip in-house, we outsource its production to the most suitable

foundry partner. This high-touch fabless model provides us with the flexibility to deploy the most advanced production processes and meet market demand while keeping our fixed asset costs low.

Our customers include the leading brands in each of our markets who are attracted by the all-round quality of our products – inherent design expertise, best-in-class technology and ability to innovate - and our focus on high-growth portable platforms and consumer devices.

Work/ life balance

Dialog's comprehensive approach encompasses all stakeholders across our value chain – from the source of the raw materials to the end-user.

We have developed and integrated policies to manage and monitor the areas covering: health and safety, training and development, human and

labour rights, diversity in the workplace, working conditions, customer

relations and community investment.

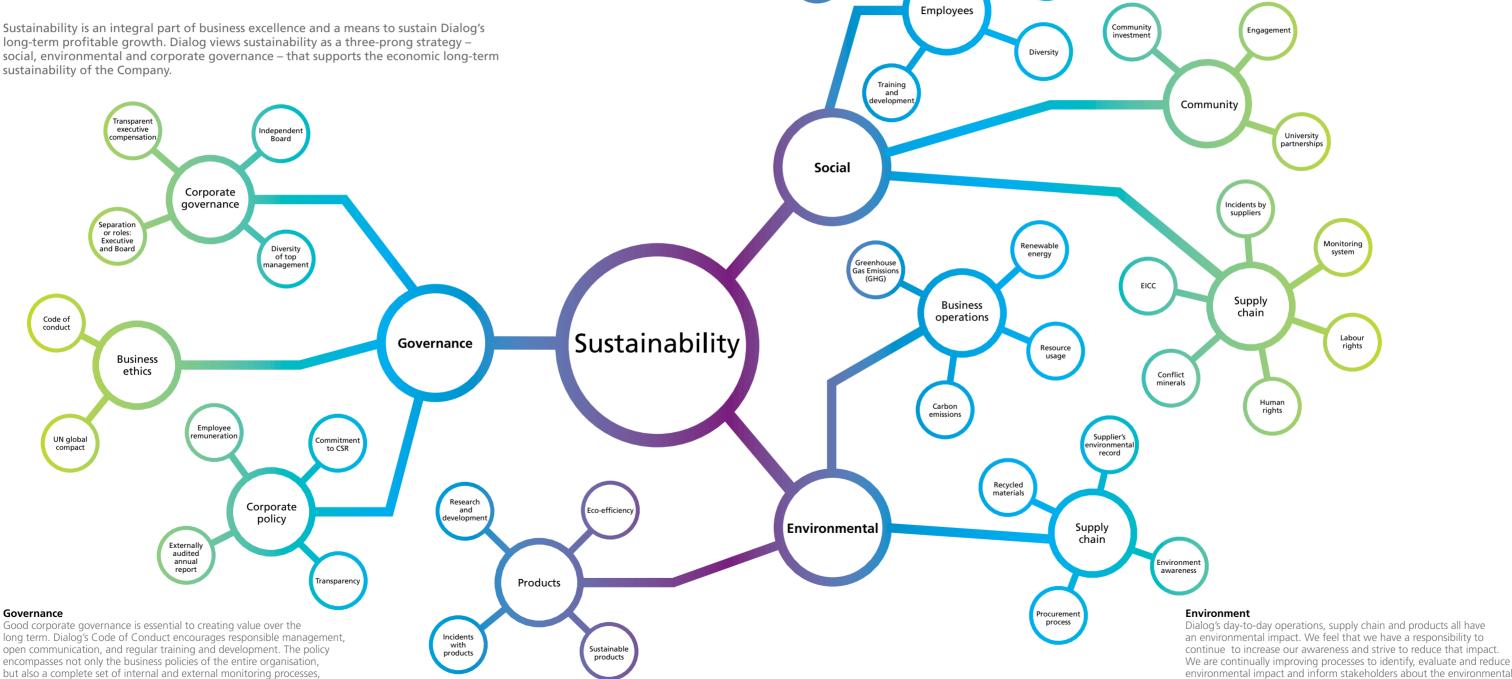
risks on an ongoing basis.

Freedom of association

Our approach to sustainability

long-term profitable growth. Dialog views sustainability as a three-prong strategysocial, environmental and corporate governance – that supports the economic long-term sustainability of the Company.

which are designed to ensure compliance at every level of the Company.



Corporate ethics and governance

Dialog believes that continued success in the semiconductor market can only be achieved by adopting high standards of ethical behaviour when dealing with customers, suppliers

It is particularly important to protect Intellectual Property ("IP"), which is the key to ensuring the development of innovative solutions to complex problems. Any transfer of technology or know-how is always done in a manner that protects IP rights, but also enables us to discuss products openly with our business partners. The disclosure of information, which is related to business activities, structure, our financial situation and performance, is always carried out in accordance with applicable regulations and prevailing industry practices. We expect the highest standards of integrity from all Dialog stakeholders. Any malpractice is strictly prohibited and may result in immediate employer or supplier termination and legal action.

United Nations Global Compact

In February 2012, Dialog publicly committed to the ten principles of the UN Global Compact with respect to human and labour rights, the environment and anti-corruption. We are

committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company.

We support public accountability and transparency, and therefore commit to report on progress annually according to the Global Compact Communication on Progress policy.

Human rights and labour principles

Dialog is committed to fair wages, healthy and safe working conditions, respect for human and labour rights, and honest relationships. We have adopted the Electronics Industry Code of Conduct (EICC) standard as the model for our own "Code of Conduct" to try to ensure that working conditions for both external suppliers and employees are safe and that all workers are treated with respect and dignity.

In addition, Dialog has adopted principles from the International Labour Organization Standards (ILO), Universal Declaration of Human Rights (UDHR), Social Accountability International (SAI), and the Ethical Trading Initiative (ETI).

Dialog adheres to the principle that all labour must be given voluntarily and workers must be free to leave their employment on reasonable notice. Child labour must not be used at any

stage of manufacturing. Working hours must not exceed the maximum set by local laws and wages must comply with all applicable laws.

Dialog and its suppliers take measures to ensure that workers are not threatened or subjected to inhumane or harsh treatment, harassment or any form of unlawful discrimination. Open communication and direct engagement between workers and management is encouraged, even in those countries where there is no meaningful

Every supplier is required to complete a selfaudit questionnaire to identify and document compliance. We also carry out regular on-site audits of all of our major suppliers. In addition, we have several polices on "whistle-blowing" and equal employment opportunities.

Measurement of outcomes

In 2012, 96% of our major suppliers had their own documented corporate social responsibility policy including the adherence to human rights and labour principles in accordance with the UNGC. We aim to increase this to 100% by the end of 2013.

To date, Dialog has never had a human rights or labour issue arise.

Anti-corruption

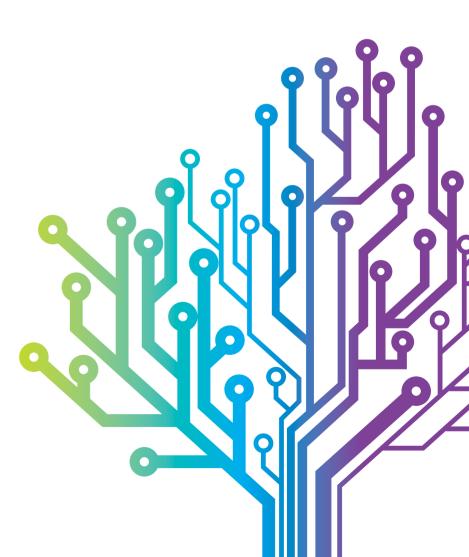
Dialog has publicly adopted a zero tolerance policy on corruption and bribery – as clearly stated in our Code of Conduct - "No form of extortion and bribery, including improper offers for payments to or from employees, or organisations, is tolerated".

Neither we, nor our suppliers offer or accept inducements or any other means of obtaining undue or improper advantage. We have a "whistle-blower" policy in place to protect employees' confidentiality and encourage our suppliers to do the same.

Dialog has put in place biannual training sessions for Directors, which are facilitated by an independent third party. Training sessions scheduled for 2013 include a session specifically on "Anti-Bribery and Corruption".

Measurement of outcomes

No incidents of bribery or corruption were identified in 2012. In the future, should incidents of bribery or corruption be identified, they would be dealt with through appropriate policies. Sanctions up to, and including, dismissal would be considered depending on the incident.



Our greatest asset

Growing global workforce

Dialog's global strategy is to identify pools of engineering talent and build our business around that talent. This strategy has allowed us to develop a productive workforce of engineers across the globe.

The Company's high ratio of engineers contributes to an extremely productive workforce that generated over US\$960,000 per employee in 2012. This was instrumental to the Company's 47% top-line growth for the year, far exceeding the industry average.

75%

Engineers in global workforce

Nationalities represented

US\$960,000

Employees

606 Engineers

Locations

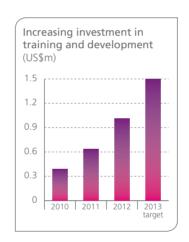
14 Countries











Diversity and equal opportunity

In 2012, Dialog operated from 21 locations in 14 countries, compared to 14 locations in 10 countries in 2010. This global growth has led to a highly diverse workforce, incorporating employees from 51 nationalities.

Dialog takes equality and equal opportunity for all employees very seriously. Women comprise 15% of the overall workforce. Although this is in line with the industry standard, the Company is supporting various initiatives in the areas of STEM education for young women in the UK to encourage more women to pursue careers in engineering and electronic engineering.

US\$1,013,000

Training and development

Dialog is committed to the training and development of all employees at all levels of the organisation.

People join us because we have attracted and retained some of the brightest, most talented and experienced people in the industry.

Dialog's vision is to develop a positive learning culture which supports the development of the individual and the growth of the business.

Commitment to the professional development of our employees is directly responsible for a turnover rate of 5.6%, well below our 2010 rate of 9.6%.

Technical ladder

Dialog has created a Technical Ladder programme that provides opportunities for those who bring great value to the Company through their technical expertise and want to focus their careers on that know-how rather than on management and leadership.

Employees who are successful in gaining a place on the "Ladder" spend around 20% of their time on Technical Ladder activities such as researching new initiatives, university relationships, speaking at conferences, internal communication and training.

Targets for 2013

US\$1,500,000

invested in employee training and development

STEM education programmes targeting young women to be supported

47,440 training days

Community investment

Giving back

Dialog's aim is to invest an amount equal to 1% of the previous year's pre-tax profit back into the community

6%

of Dialog employees participated in charitable activities in the first year

Locations in

6 Countries raised

US\$128,000



Students sponsored in



Countries

6

Scholarships for electronic engineers



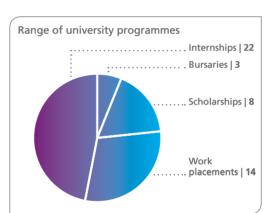
Access bursaries for low-income students











University partnerships

Dialog runs a range of programmes throughout Europe to attract the brightest and best students of school and university age into the electronics industry and our Company. We sponsor ten students at leading UK and European universities, provide access bursaries, academic prizes, and also run a range of schools' outreach programmes.

In 2012, Dialog sponsored five electronic engineering students from Imperial College, York, Bristol and Southampton through the

UK Electronic Skills Foundation, an organisation that aims to encourage young people into electronics and develop sound links between universities and industry.

We also provided industrial scholarships to students at Karlsruhe and Aalen universities in Germany, Edinburgh in the UK, and Twente in The Netherlands. Scholars receive a start-up bursary for books, an annual bursary, paid work placements, an opportunity for a summer job and an industrial mentor.

Charitable donations

Dialog's charitable giving programme is part of our effort to "do business in a responsible way" by doing the right thing by our employees and investing some of our resources back into the community.

Dialog's launched the Corporate Giving programme in 2012, focusing on the communities where our employees live and where we have business operations. Dialog's intention is to support local charities that provide needed services to those communities, while encouraging employees to participate in charitable giving through volunteering, fundraising and the Employee Matching programme.

Employees are encouraged to participate in fundraising activities both for dedicated corporate charities and for charitable organisations in their communities.

Targets for 2013

10%

of Dialog's employees engaged in charitable activities

US\$400,000

Investment into local communities

scholarships and bursaries for low-income students

Environment

Responsible approach

Dialog's environmentally responsible approach to business underpins everything that we do. We aim to minimise our use of natural resources and reduce and eliminate all types of waste, following the principles of redesign, reduce and recycle. We are ISO 14001 certificated and require all our suppliers to be accredited to, and comply with, this environmental standard.

92%

Dialog's five design locations currently recycle 92% of packaging and waste and the Company is on track to meet a target of 95% in 2013

Dialog as one of ten achieving the "CO₂ Emission of emissions of 34% in our

Performed on-site audit of CSR performance of all major suppliers

of major suppliers have a formal CSR policy









In 2012, Dialog benchmarked CO₂ emissions from business travel, and set a target to off-set 100% of our travel emissions by the end of 2015.

Redesian

Dialog offers a range of green IT solutions that minimise the number of components required within consumer electronic products, the energy they consume, and extend to their overall lifespan to reduce waste. In power management, our single-chip solutions reduce the number of discrete components that need to be used within mobile devices, while delivering energy savings.

The Company also offers a range of low-energy short-range wireless ICs for a range of smart home devices. including energy monitoring. metering and management applications. In 2012, Dialog began actively developing next generation, highly controllable LED (Light Emitting Diode) technologies to deliver better quality light within homes and offices, aiming to significantly reduce energy usage, and enabling consumers to benefit from bulbs with an average lifespan of around ten years in comparison

to just three to four years with Compact Fluorescent (CFL) bulbs.

Reduce

Dialog is working to systematically reduce CO₂ emissions and minimise the carbon footprint of our business, focusing on the impact of our design centres. The Carbon Disclosure Project recognised Dialog as one of ten successful companies achieving the "Scope-2-Indirect CO₂ Emission Reduction", with a reduction of emissions of 34% in our design centres in 2012. despite the significant growth in our employee base, beating our target of 30% by 2014. In addition, we are actively reducing the quantity of hazardous substances used in our labs.

We take the scarcity of natural resources seriously and consider the can contribute to the effectiveness conservation of raw materials, such of our resource management as metals, to be a priority. Dialog continues to identify potential methods to improve existing technologies and substitute

alternatives, such as copper for precious metals, to minimise our impact on the environment, and reduced costs without sacrificing quality and performance.

Recycle

We have also implemented a rigorous recycling of precious metals, such as gold and silver. from waste and damaged products. We have increased the quantity of recovered gold by 300% and recovered silver by 200%.

Dialog only uses packing material qualified as "green packing". implementing a "non-wood packing" delivery policy in 2012. We believe that reusing and recycling packing material and waste (including the PET and glass bottles used in our work areas) and sustainability. Our five design locations currently recycle 92% of packing and waste. We are striving for 95% by 2013.

Targets for 2013

100%

of major suppliers will have a formal CSR policy

95%

Recycle 95% of packaging and waste in design centres

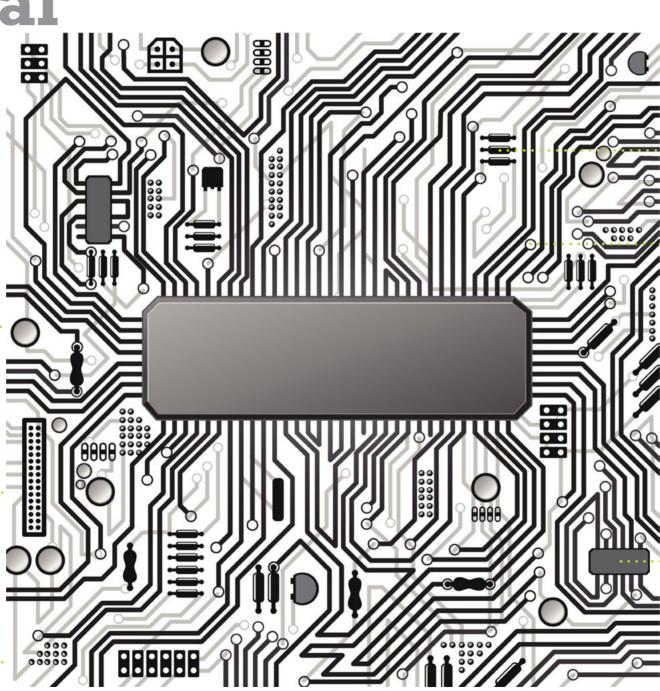
reduce use of hazardous materials in lab by 16%

Increase the recycling of scrap devices from suppliers by 5%

Increase the collection rate of copper from scrap devices by 5%

Our products

Dialog has developed a programme to actively monitor the environmental impact of its design and testing facilities, and all major suppliers.



Rigorous recycling of precious metals Increased quantity of recovered gold by

and recovered silver by

Incorporated Learning and Development programme aimed at career goals of all employees

> July 2011 Devised global sustainability strategy



Committed to the ten principles of the United Nations Global Compact

June 2012 Launched Corporate Giving Programme to "Give Back" to the communities where we operate



October 2013 Launched first annual sustainability report

30% employee volunteerism rate

Carbon Disclosure Project reduce Scope 2 CO₂ emission by 30%

Reduce use of hazardous materials in lab by 25%

2010 Established University Partnership programme

Sept-Nov 2011 Benchmarked key sustainability

January 2012 Sustainability Factsheet March 2012 Assembled a team to

drive sustainability

initiatives

March 2013 Published first annual **UNCG** communication on Progress

August 2013

Integrated sustainability issues into supplier audits

to improve monitoring

of sustainability issues

in supply chain

2013

Design centres to recycle 95% of waste

100% of suppliers have CSR policy

100% on-site audit of suppliers

2015

Corporate giving to be equal to 1% of pre-tax profit

Off-set 100% of travel emissions

UNCG communication on progress

Communication on Progress (COP)

As part of Dialog Semiconductor's participation in the UNGC, we are submitting this report as our official Communication on Progress (COP) covering the period from 1 January – 31 December, 2012.

Statement of Continued Support by CEO

Dialog's commitment to global citizenship is woven into the fabric of the Company. Through innovative new technologies and environmental, employee or supplier policies, we strive to make a contribution to society and a difference in the world.

I am pleased to confirm that Dialog Semiconductor reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environmental and Anti-Corruption. In our first annual Communication on Progress, we describe our actions to integrate the Global Compact and its principles into our business strategy, culture and daily operations. We are also committed to share this information with our stakeholders using our primary channels of communication.

Jalal Bagherli, CEO

Human Rights and Labour Principles Assessment, Policy and Goals

Dialog is committed to fair wages, healthy and safe working conditions, respect for human and labour rights, and honest relationships. We have adopted the Electronics Industry Code of Conduct (EICC) standard as the model for our own "Code of Conduct" to try to ensure that working conditions for both external suppliers and employees are safe and that all workers are treated with respect and dignity.

In addition Dialog has adopted principles from the International Labour Organization Standards (ILO). Universal Declaration of Human Rights (UDHR), Social Accountability International (SAI), and the Ethical Trading Initiative (ETI).

Dialog adheres to the principle that all labour must be given voluntarily and workers must be free to leave their employment on reasonable notice. Child labour must not be used at any stage of manufacturing. Working hours must not exceed the maximum set by local laws and wages must comply with all applicable laws.

Implementation

Dialog and its suppliers take measures to ensure that workers are not threatened or subjected to inhumane or harsh treatment, harassment or any form of unlawful discrimination. Open communication and direct engagement between workers and management is encouraged, even in those countries where there is no meaningful legal protection.

Every supplier is required to complete a self-audit questionnaire to identify and document compliance. We also carry out regular on-site audits of all of our major suppliers. In addition, we have several polices on 'whistleblowing' and equal employment opportunities.

Measurement of Outcomes

In 2012, 96% of our major suppliers have their own documented corporate social responsibility policy including the adherence to human rights and labour principles in accordance with the UNGC. We aim to increase this to 100% by the end of 2013.

To date, Dialog has never had a human rights or labour issue arise.

Environmental Principles Assessment, Policy and Goals

Dialog's environmentally responsible approach to business underpins everything that we do. We aim to minimise our use of natural resources and reduce and eliminate all types of waste, following the principles of redesign, reduce and recycle. We are ISO 14001 certificated and require all our suppliers to be accredited to, and comply with, this environmental standard.

As a fabless semiconductor company, it is important that all of Dialog's manufacturing partners are equally committed to respecting the environment. Within our supply chain we continually emphasis that environmental issues should be an instinctive part of any decisionmaking process, and suppliers should:

- Design and manufacture only environmentally friendly products;
- Monitor, reduce and eliminate all types of waste. This includes wastewater, solid waste. wasted energy, ozone-depleting CO₂ emissions and other volatile organic chemicals (VOC). We work with suppliers relentlessly to maximise yields, minimising the number of chips that fail performance tests and need to be disposed of, alongside hazardous substances used during the production process;

- Identify resource substitution and resource recovery processes and take steps to ensure that conflict minerals are not used in the manufacturing process;
- Ensure all environmental permits are obtained, maintained and kept current.

Implementation

Dialog is working to systematically reduce CO₂ emissions and minimise the carbon footprint of our business, focusing on the impact of our design centres.

Dialog offers a range of green solutions that minimise the number of components required within consumer electronic products, the energy they consume, and extend their overall lifespan to reduce waste. In power management, our single chip solutions reduce the number of discrete components that need to be used within mobile devices, while delivering energy savings.

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Measurement of Outcomes

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UNCG communication on progress

Anti-Corruption

Assessment, Policy and Goals

Dialog believes that continued success in the semiconductor market can be achieved only by adopting continuously high standards of ethical behaviour when dealing with customers, suppliers and workers. We have publicly adopted a zero-tolerance policy on corruption and bribery

- as clearly stated in our Code of Conduct "No form of extortion and bribery, including
- improper offers for payments to or from employees, or organizations, is tolerated".

Implementation

Neither we, nor our suppliers offer or accept inducements or any other means of obtaining undue or improper advantage. We have a "Whistleblower" policy in place to protect employees' confidentiality and encourage our suppliers to do the same.

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Measurement of Outcomes

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Dialog Semiconductor Plc Tower Bridge House St Katharine's Way London E1W 1AA UK