

# Sustainable growth



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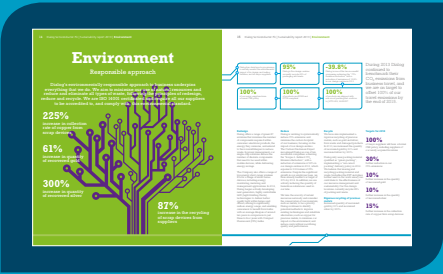
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# Having sustainable ambition

## Travelling our sustainable journey

Last year I set out Dialog's commitment to doing business responsibly in our first sustainability report. Making a positive contribution is highly important to us, and we seek to do this across three key areas:

- **Innovation** – our focus and expertise in power management and power-efficient semiconductors contribute to higher power efficiency and low power consumption for a range of personal portable devices and applications in the consumer products market
- **Our people and our communities** are at the centre of the innovation process (and our success)
  - Our people, our greatest asset: we are committed to creating an inclusive working environment that attracts and retains talent
  - Community investment: we are committed to making a positive contribution to our communities, and to supporting the development of talent and young engineers globally
- **A responsible approach to our environment** – we don't manufacture our products but use other existing third-party facilities to do this, and therefore do not have a large direct adverse effect on the environment. We work with them to ensure best responsible practices are adhered to, as we do within our own boundaries and right across our supply chain. Our product designs include a range of green IC solutions; we are actively working to minimise the carbon footprint of our business, and to ensure that we recycle precious materials from waste and damaged goods.

We live in a connected world in which mobile devices have become a ubiquitous part of our life and we have the capability to measure and interpret data in a precise way. In order to minimise the power consumption of an increasing number of personal devices and data processing capability we need more intelligent power management and power-efficient semiconductors.

Dialog's expertise and innovation are an important enabler for this higher power efficiency. Our journey began with our highly integrated power management semiconductor for portable devices and we are now offering a range of low power connectivity solutions (DECT ULE and Bluetooth Smart), low power audio, AC/DC converters and LED solid-state lighting drivers.

Our ambition is to make a positive contribution in everything we do and in 2011 we took the first steps towards a wider range of sustainability areas that are relevant to our business. In 2012, we signed the UN Global Compact, an expression of our commitment to human and labour rights, the environment and anti-corruption. We also support ending the violence and human rights violations in the mining of certain minerals from a location in Africa described as the "Conflict Region".

Last year we published our first annual sustainability report, our statement of commitment about our role in society and doing business responsibly. Within this year's report, I am pleased to be able to show our continued progress towards this aim, and to renew our commitment.

I am proud of what we achieved during the year. We set some ambitious targets for 2013 and in some areas we have even exceeded these. Some of the biggest impact has been around making a positive contribution to our local communities and developing long-term partnerships with universities and schools in order to create a sustainable talent pipeline of innovative individuals for the future.

Our activities put Dialog firmly on the sustainability map as a leader in innovation and responsible behaviour, enabling us to deliver long-term sustainable profitable growth.

**Jean-Michel Richard**, Chief Financial Officer



Our focus and expertise in power management and power-efficient semiconductors contribute to higher power efficiency and low power consumption.

# Our sustainability journey

Our world is changing positively on a daily basis, and much of this is due to advances in science and technology. However, this also means that the pressure on the world's natural resources is growing. Dialog has a commitment to being part of the solution, rather than the problem, using innovation to create resource-efficient designs.

Becoming a more connected world is allowing Dialog to use its innovative technology in a variety of energy-efficient products. However, connectivity is not just a part of our technology, it is part of the way we do things at Dialog. Our sustainability journey shows how we are seeking to connect our technology, our employees, the environment, and our communities.

This report shows how in 2013 we made some great achievements

in areas important to Dialog – employee development programmes, charitable giving, links with STEM education, and responsible environmental practices. It also outlines our renewed commitment to continuing with this in the future so that Dialog has a positive impact in everything we do.

**Rebecca Fradley-Stokes,**  
Head of Corporate Responsibility,  
Sustainability and University Relations

## About this report

The objective of this report is to communicate Dialog's ongoing commitment to and progress towards performance in the areas of sustainability and corporate responsibility over the previous year. Dialog's second annual sustainability report focuses on the benchmarking and targets set for 2013, and aims to tell the story of our sustainability journey so far, and into 2014 and beyond.

## Report timeframe

This report covers the period from 1 January 2013 to 31 December 2013, unless otherwise stated. Dialog's first sustainability report was released in October 2013. We will publish future reports on an annual basis.

## Stakeholder engagement

We encourage an open dialog with all our stakeholders. If you have any feedback on our sustainability programme or this report, please do contact us:

**Rebecca Fradley-Stokes,**  
Head of Corporate Responsibility,  
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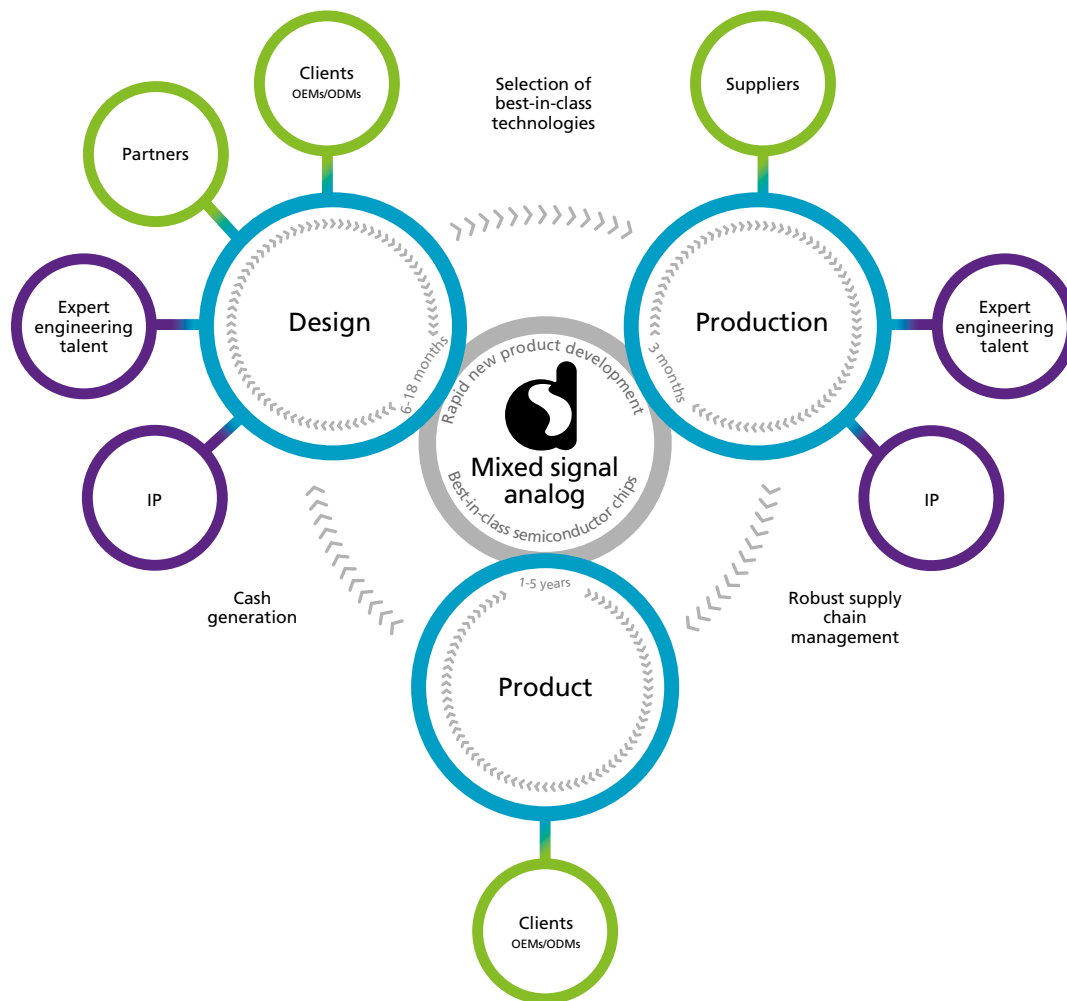
We will also continue to improve our communications on sustainability through better use of our website and intranet to provide stakeholders, both internal and external, with as much information as possible.

As part of our commitment to the United Nations Global Compact in 2012, this report will act as our Communication on Progress (CoP) and serves as a public reporting mechanism.



Our sustainability journey shows how we are seeking to connect our technology, our employees, the environment, and our communities.

# About Dialog



## The Dialog business model

Dialog Semiconductor creates and markets 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 customers with world-class innovation combined with flexible and dynamic support, and the assurance with dealing with an established business partner.

Dialog Semiconductor Plc is headquartered in London with a global R&D, marketing and sales organisation. In 2013, the Company delivered US\$903 million in revenue and continued to be one of the fastest-growing European public semiconductor companies. At the end of 2013 we had around 1,100 employees worldwide.

## Core technical competencies



Dialog's innovation, focus and expertise are in analog mixed signal semiconductors for personal and portable devices and applications in the fastest-growing consumer product markets. We seek to bring best-in-class power management and power efficiency technologies to sustain and build on our position as a leading provider of highly integrated innovative power management, audio, display, AC/DC and short-range wireless technologies.

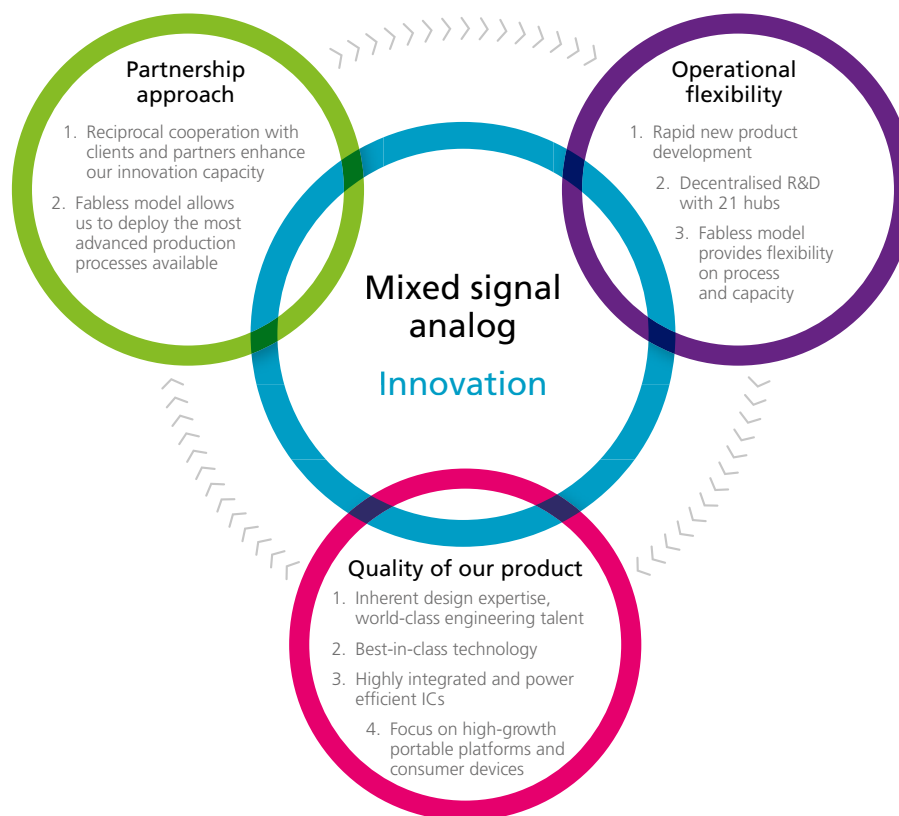
We design and produce power-efficient semiconductor chips for a range of personal portable devices and applications in the consumer products market as well as applications for the automotive and industrial markets.

We design custom Application Specific Integrated Circuits (ASICs) for large, high-volume customers, and standard Application Specific Standard Products (ASSPs) for a wider customer base. We sell our products to original equipment manufacturers (OEMs) and original design manufacturers (ODMs).

- The world's leading consumer electronic brands rely on Dialog's mixed signal expertise to enable their mobile devices to charge faster and support power-hungry multimedia applications, and extend consumers' playtime between charging

- Our Bluetooth Smart system-on-chip (SoC) product is playing a crucial role in enabling a whole new range of personal connectivity devices and giving consumers the ability to connect oneself to the internet or the "Internet of my Things"
- Dialog's patented PrimAccurate™ digital control technology reduces the cost of materials and allows our customers to produce smaller, lower-cost adapters, chargers and LED solid-state lighting drivers. LED solid-state lighting refers to a type of lighting that uses semiconductor light emitting diodes (LED).

## Value creation model



The level of innovation that we bring into the design of a chip requires a substantial investment in R&D. Our core technical competencies are in mixed signal analog technologies applied to the design of power management and power-efficient semiconductors. Our partnership approach, operational flexibility and the quality of our products are key sources of value to our customers.

The design of our customised solutions (ASICs) is well embedded in our customers' design cycle. We engage with our largest customers as an "extended R&D team", delivering differentiation with the speed of execution of a start-up company. For our customers, and in particular those in the consumer devices market, product development times are short due

to rapidly evolving consumer requirements and competition in this vibrant market.

We are continually investing in our human capital, recruiting the best talent we can and supporting their development in order to maintain innovation and produce best-in-class solutions. We have a decentralised approach to research and development, with teams in 14 countries.

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 while keeping our fixed asset costs low and maintaining deep expertise

on advanced processes, test and packaging development through our own teams.

Our foundry and packaging partners are the leading companies in their field and, over time, we have developed a strong collaboration with them. Some of our teams are based at manufacturing sites, enabling a continuous quality improvement process that help us achieve better manufacturing yields and reduce quality impairment issues.

Our customers include the leading brands in each of our markets who are attracted by the quality and performance of our innovative products. A business model based on high Tier 1 client penetration results in high volumes, and a strong cash generation capability.

# Our approach to sustainability

Our commitment to sustainable business practices, along with corporate responsibility, is an integral part of our business model and is a central component of Dialog's strategy to deliver long-term profitable growth. We focus on three key areas – social, environmental and governance – all of which support the economic sustainability of the Company.

## Governance

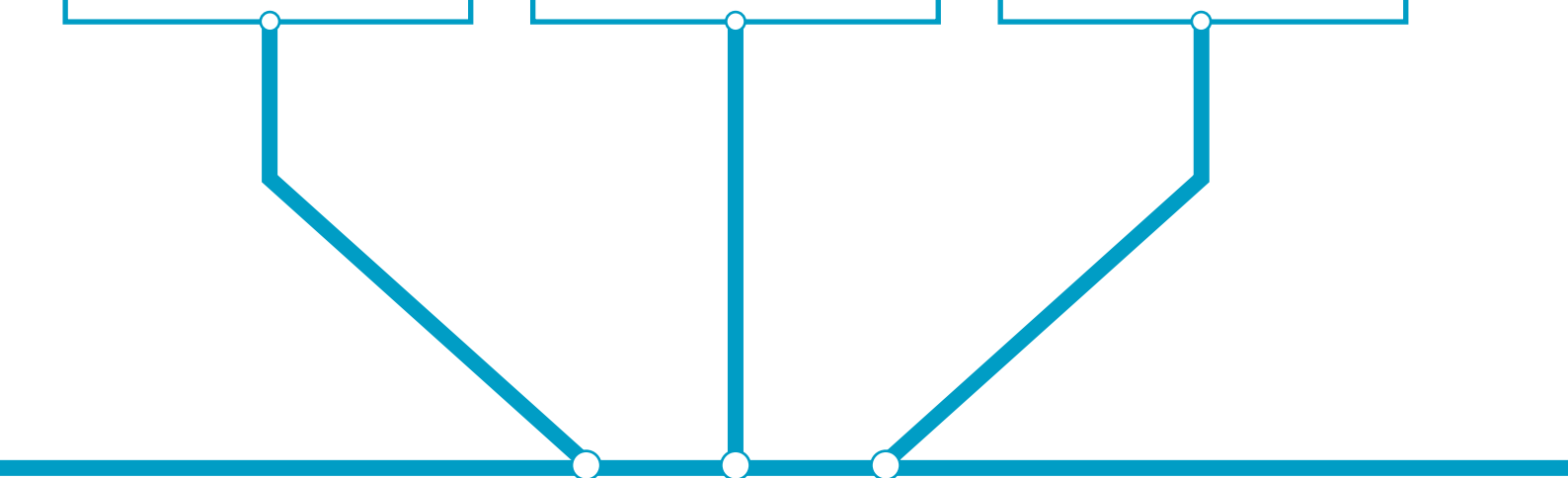
Good corporate governance is essential to creating value over the long term. Dialog's Code of Conduct encourages responsible management, open communication, and regular training and development. The policy encompasses not only the business policies of the entire organisation, but also a complete set of internal and external monitoring processes, which are designed to ensure compliance at every level of the Company.

## Social

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.

## Environmental

Dialog's day-to-day operations, supply chain and products all have an environmental impact. We feel that we have a responsibility to continue to increase our awareness and strive to reduce that impact. We are continually improving processes to identify, evaluate and reduce environmental impact and inform stakeholders about the environmental risks on an ongoing basis.







# Corporate ethics and governance

Dialog is 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.

The Board of Dialog Semiconductor is committed to maintaining high corporate governance standards to protect the interests of all stakeholders. Such principles reflect a range of guidelines that apply to the Company given its status as a UK incorporated, Frankfurt Stock Exchange listed company. In this context the Company has published on its website its corporate governance principles, which have regard to the UK Combined Code and other best practice corporate governance policies. These have been updated as of January 2014 and will be updated on an ongoing basis.

## Ethics

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

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 seeks to protect IP rights, but also enables us to discuss products openly with our business partners. The disclosure of information that 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. This is in addition to adopting principles from the International Labour Organization Standards (ILO), Universal Declaration of Human Rights (UDHR), Social Accountability International (SAI), and the Ethical Trading Initiative (ETI).

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 must 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 policies on "whistle-blowing" and equal employment opportunities.

## Measurement of outcomes

In 2013, 100% 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.

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 its Board of Directors, which are facilitated by an independent third party. In 2013, these were: July – “2010 Bribery Act”; October – “Corporate responsibility and crisis management”.

**Measurement of outcomes**

No incidents of bribery or corruption were identified in 2013. 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.

For further information on corporate governance, please refer to pages 55 to 82 of our 2013 annual report.



Dialog believes that continued success in the semiconductor market can be achieved only by adopting high standards of ethical behaviour.



Dialog is committed to fair wages, healthy and safe working conditions, respect for human and labour rights, and honest relationships.

# Employees

## The centre of our success

What makes Dialog different is that 75% of our workforce are engineers, giving us a huge R&D pool, and enabling our focus on innovation. Therefore attracting and nurturing talent both for now and in the future are key focal points of our people strategy.

Dialog has an ongoing commitment to the training and development of all staff at all levels of the organisation, both in technical and non-technical areas. We are also committed to developing young engineers who are the future talent pipeline, not just for Dialog but also for the industry as a whole.

**75%**

Engineers in the  
global workforce

**50**

Nationalities  
represented

**1,100**

Employees

**825**

Engineers

**25**

Locations

**14**

Countries

**In 2012**, Dialog was awarded a place in *The Guardian* UK Top 300 Graduate Employers as voted by students and graduates. We continued this trend in 2013, and have a target to climb the list in 2014.



**2013** – Dialog awards its first Gary Duncan "Women in Engineering" Scholarship to a second-year student from Imperial College London.



**2014 target** – Dialog will run its first employee engagement survey, covering job satisfaction; how the organisation is perceived; manager capabilities; career development; recognition; values; working environment and level of work enjoyment.



# US\$1,470,000

Invested in employee development

=45% growth

From 2012

## Training and development

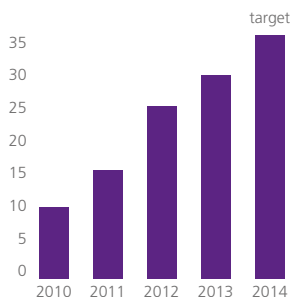
Dialog has a global learning and development strategy that is written to support both the development of the organisation and the individuals within it. The strategy supports the key aims of Dialog's annual and mid-term business plans. Everyone within the organisation has the opportunity to participate in a variety of training events, which feed into these key aims. Commitment to the professional development of our employees is directly responsible for a low employee turnover rate of 5.2%, which has reduced from 9.6% in 2010.

## Career development

Dialog has clear career levels and paths for those wishing to pursue a technical career or to focus on leadership and management. For example, we have created a Technical Ladder, which provides promotional opportunities for those who bring great value to the

Company through their technical expertise innovation. Those who are successful in gaining a place on the Ladder spend around 20% of their time researching new initiatives, developing our university and education partnerships, speaking at external and internal conferences, and delivering and participating in training opportunities.

## Numbers on the technical ladder



## Well-being

Dialog is committed to supporting the health of its employees. Employees and their families are eligible to participate in non-contributory medical plans where local culture and practice supports this. Additionally, Dialog offers a selection of "well-being" initiatives across its locations including a free on-site flu vaccination programme, cycle to work schemes and an on-site gym.

## Equal opportunities

The industry standard for women in electronic engineering is low, and although Dialog is in line with this at 15% of the overall workforce, we are working hard to improve this. We are involved in a number of initiatives, particularly in the area of STEM education, which is designed to encourage more women to pursue careers in electronic engineering and engineering as a whole.



Dialog won the 2013 National Microelectronics Institute (NMI) Training and Development Award in recognition of our internal training initiatives for employees, and also for the work done with schools and universities to encourage young people into electronic engineering. One of our recent graduates also won the NMI Young Engineer of the Year.

# Community investment

## Making a positive impact

Our employees and future employees value the opportunity to engage with their local communities whether through fundraising, charitable donations or volunteering. Our aim is to invest an amount equal to 1% of the previous year's pre-tax profit back into the community.



**13%**

of Dialog employees participated in charitable activities in the first year



**14**

Locations



**9**

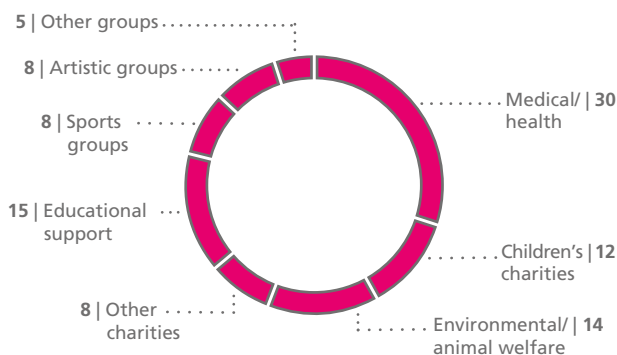
countries



**US\$485,000**

for charitable organisations

### Types of charities and not-for-profit groups supported by Dialog in 2013 (%)



#### Innovative education – UTC, Swindon

In 2013, Dialog became a key sponsor of the Swindon UTC (University Technical College). A UTC is a college for students aged 14 to 18 years that specialises in technical studies and is sponsored by a university. Swindon UTC's speciality is engineering, and offers full-time courses that combine practical and academic studies.

Dialog have provided financial support for the college in preparation for its opening in 2014, as well as having high involvement in shaping the curriculum, designing project opportunities, and assisting with the selection of staff. Swindon has always been at the heart of engineering since the age of steam railways, and Dialog wants to be a part of encouraging engineering back to the town and assisting young people to have careers in this industry.

#### STEM teacher sponsorship

We have sponsored a maths teacher through her teacher training at a US university, who would have otherwise been unable to achieve this qualification. In return she will be teaching maths for a year to children in deprived areas.



10 | Scholarships for electronic engineers

6 | Access bursaries for low-income students

18 | Schools' liaison programmes



#### Corporate giving

Dialog launched the Corporate Giving programme in 2012, focusing on the communities local to the areas around our business operations. It focuses on three key areas:

**Charitable giving** – Dialog will give financial donations to local charities and groups where employees are actively involved. In 2013 these included children's charities, sports groups, charities for those with disabilities, arts and theatre groups, and environmental charities.

**Fund-matching** – Dialog will match funds raised by employees for charitable causes. Examples for 2013 included funds raised through running the London Marathon, growing moustaches for Movember, selling cakes and other crafts, sponsored walks and bike rides, and organising a football tournament. We also had a global fundraising effort for the Philippines typhoon appeal.

**Volunteering** – we actively encourage employees to participate in volunteering activities with charities in their local communities.

Our target for 2014 is for each office to participate in a minimum of three volunteering or fundraising projects for local charities.

#### Partnerships with educational institutions

The fourth key area in which we invest time and money is encouraging young people into electronics and the engineering industry as a whole. We have a number of programmes throughout Europe to attract the brightest and best talent of school and university age. These initiatives include sponsorship of students at leading UK and European universities, the provision of access bursaries for low-income students, donation of academic prizes, industrial mentoring, and sponsorship of electronic engineering society field trips abroad. The target for 2014 is to extend these programmes into the US and Asia.

Dialog run a range of outreach programmes for schools, including work experience at various global locations, careers talks and presentations, assistance with job finding skills (CV writing, interview skills), and sponsorship of Duke of Edinburgh Awards.

# 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.

**225%**

increase in collection rate of copper from scrap devices

**61%**

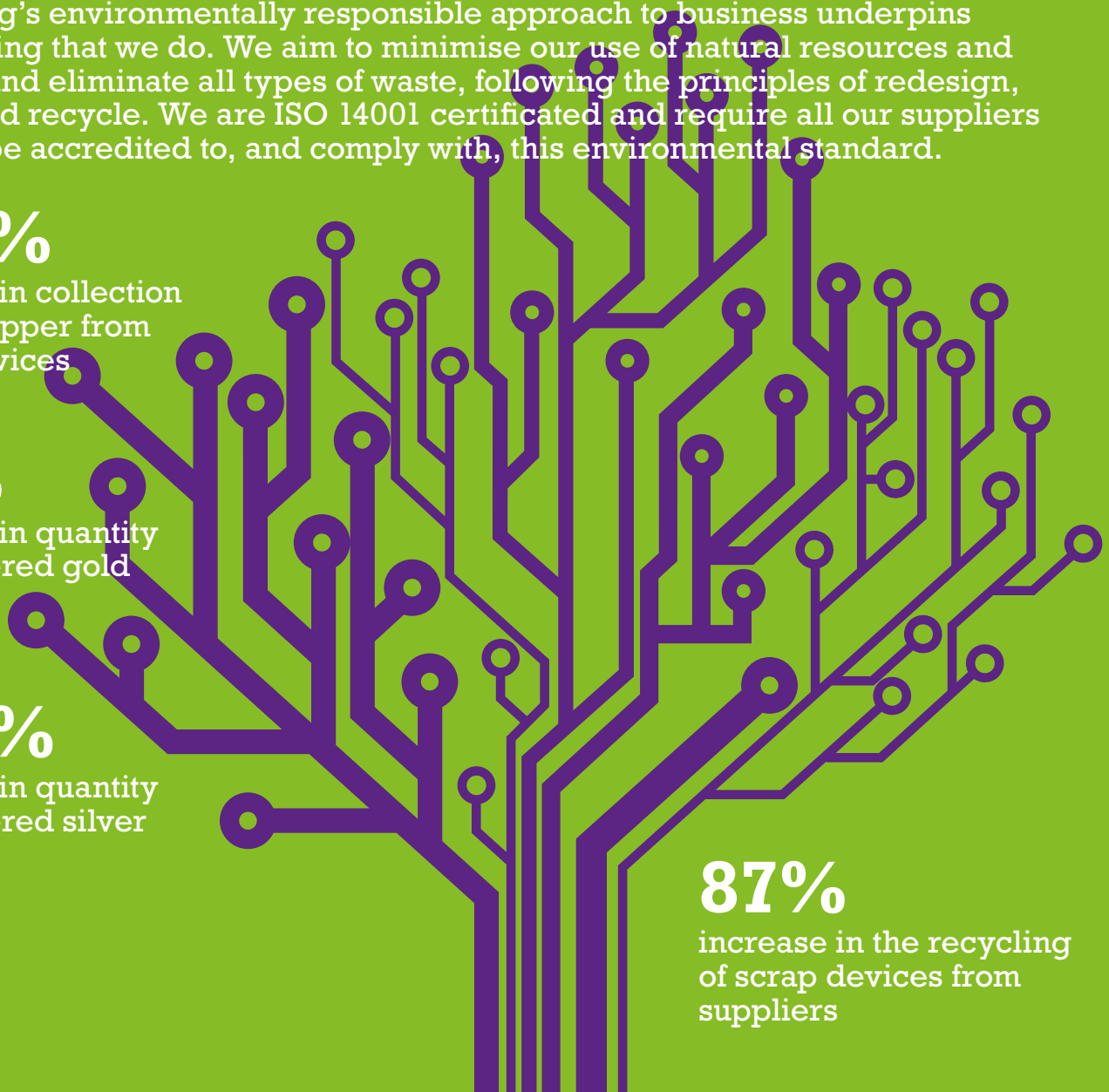
increase in quantity of recovered gold

**300%**

increase in quantity of recovered silver

**87%**

increase in the recycling of scrap devices from suppliers





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

**95%**

Dialog's five design centres currently recycle 95% of packaging and waste

**-39.8%**

Dialog is one of the ten successful companies achieving the "CO<sub>2</sub> Emission Reduction" with a reduction of emissions of 39.8% in our design centres in 2013

**100%**

of our major suppliers have a formal CSR policy

**100%**

of products are ROHS and PFOS compliant

**100%**

of products are shipped with non-wood packing and conform to J-STD-609, 94/62/EC

During 2013 Dialog continued to benchmark their CO<sub>2</sub> emissions from business travel, and we are on target to offset 100% of our travel emissions by the end of 2015.

### Redesign

Dialog offers a range of green IC 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 CO<sub>2</sub> 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 CO<sub>2</sub> Emission Reduction", with a reduction of emissions of 40% in our design centres in 2013, which equates to 618 tonnes of CO<sub>2</sub> emissions. Despite the significant growth in our employee base, we have already beaten 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 conservation of raw materials, such 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 reduce 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. In 2013, we increased the quantity of recovered gold by 61% and recovered silver by 300%.

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) can contribute to the effectiveness of our resource management and sustainability. Our five design locations currently recycle 95% of packing and waste.

### Rigorous recycling of precious metals

Increased quantity of recovered gold by 61% and recovered silver by 300%.

### Targets for 2014

**100%**

of major suppliers will have a formal CSR policy, including suppliers of our newly acquired locations

**30%**

further reduction in our CO<sub>2</sub> emissions

**10%**

further increase in the quantity of recovered gold

**10%**

further increase in the quantity of recovered silver

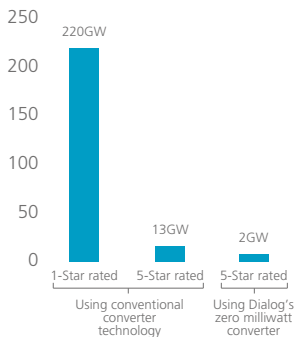
**15%**

further increase in the collection rate of copper from scrap devices

# Sustainability through more efficient power management

Acquiring iWatt in 2013, Dialog established itself as a leader in high efficiency AC/DC power converter and LED driver IC solutions for power adapters, portable chargers and solid-state lighting (SSL) applications. These ICs are designed to cost-effectively reduce energy consumption by maximising power conversion efficiency with technology that uses fewer components. This leads to lower consumption of fossil fuels, less energy spent manufacturing unneeded components and lower total system cost for customers.

## Dialog's zero milliwatt PWM converter easily exceeds industry 5-star charger efficiency rating specification



Dialog's iW1700 zero milliwatt standby power AC/DC converter saves approximately 11 gigawatts annually versus the most stringent 5-star rated charger specification. It also saves a stunning 200+ gigawatts compared to the 1-star rated requirement.

## Energy efficiency in every power adapter

Over the past ten years, global regulators have emphasised standby and no-load power issues and their impact on power usage. Today everyone is striving to reduce their carbon footprint and curb greenhouse gas emissions. This needs to be reconciled with the ever-growing global demand for energy over the coming years, which will become a critical challenge, exacerbated by increasing reluctance to build more power stations.

Dialog was the first company to introduce a zero-standby power AC/DC pulse width modulation (PWM) controller, the iW1700, that reduces no-load power consumption to less than 5 milliwatts, or effectively zero<sup>1</sup> for cell phones, cordless phones, tablets and other portable devices. This ultra-low level of standby power

previously required a relay switch controlled by a microcontroller. Dialog's proprietary digital technology achieves zero milliwatt standby power while reducing the overall adapter size and eliminating the cost of these added components.

The world's largest cell phone handset makers introduced a 5-star rating system in 2008 to help consumers identify the most energy-efficient chargers. With over 50 million units shipped, Dialog's iW1700 converter saves approximately 11 gigawatts annually versus the most stringent 5-star rated charger specification. It also saves a stunning 200+ gigawatts compared to the 1-star rated requirement.



<sup>1</sup> The International Electrotechnical Commission IEC 62301 standard for measuring standby power rounds power usage of 5mW or less to zero.

**What is standby power consumption?**

Standby power is the electricity consumed by power supplies in smartphones, appliances, TVs, DVD players, set-top boxes, PCs, routers, printers and all electronic products while they are off but their power supply is in standby mode. It is also the energy consumed by the power adapter "bricks" that convert AC to DC power.

**What is no-load power consumption?**

No-load power is the energy used by a charger when it is plugged into a wall socket without the smartphone, tablet or other portable product connected to it.

**Why are standby and no-load power consumption important to sustainability?**

Standby power consumes more than 100 billion kilowatt hours of annual electricity in the US alone, amounting to more than US\$10 billion in annual energy costs, according to Energy Star. This wasted energy is enough to power 9.4 million US households that consume, on average, 10,656 kilowatt hours per household per year.

The number of new, power-hungry appliances, smartphones and other electronic products is rapidly increasing, so the wasted power adds up quickly and has a significant impact on greenhouse gases and global warming.

**Illuminating sustainability, LED lighting solutions save energy**

With lighting accounting for almost 20% of global electricity consumption, the industry has been focused for some time on improving the efficiency of lighting products.

Earlier technologies designed to replace incandescent bulbs, such as fluorescent tubes and compact fluorescent light (CFL) bulbs improve lighting efficiency, but there has been consumer resistance, with issues ranging from slow turn on, low light output, and poor dimmer compatibility. CFLs also contain hazardous materials such as toxic mercury that contradict their claimed "green" advantages. In recent years, LED technology has progressed to the point where LEDs are sufficiently bright to offer a viable alternative light source to all forms of illumination.

Today, the efficiency of solid-state lighting (SSL) using LEDs is on a par with, or better than, CFLs; and, as LED and driver technologies continue to improve, SSL lighting will become even more efficient, with higher performance at lower cost.

Governments across the world have focused on reducing energy consumption, implementing phase-out policies and subsidies to accelerate the transition to more efficient forms of lighting, including LEDs. The European Union and Japan required phase-out of all incandescent bulb sales in 2012, the US banned all incandescents by 2014, and China by 2016.

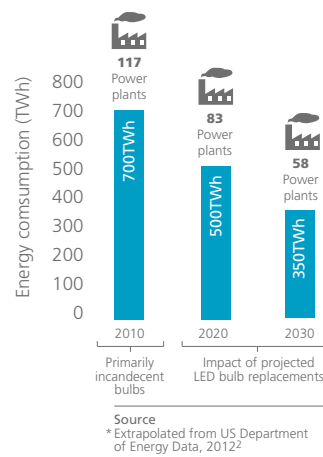
Dialog delivers a wide range of dimmable and non-dimmable SSL LED driver solutions for lighting applications up to 45W – equivalent in brightness to a 200W incandescent bulb.

Projected reduction of greenhouse gas emissions by 210 million metric tonnes of carbon due to increased use of LED lighting.

Our LED drivers offer superior energy efficiency, meeting or exceeding global mandates.



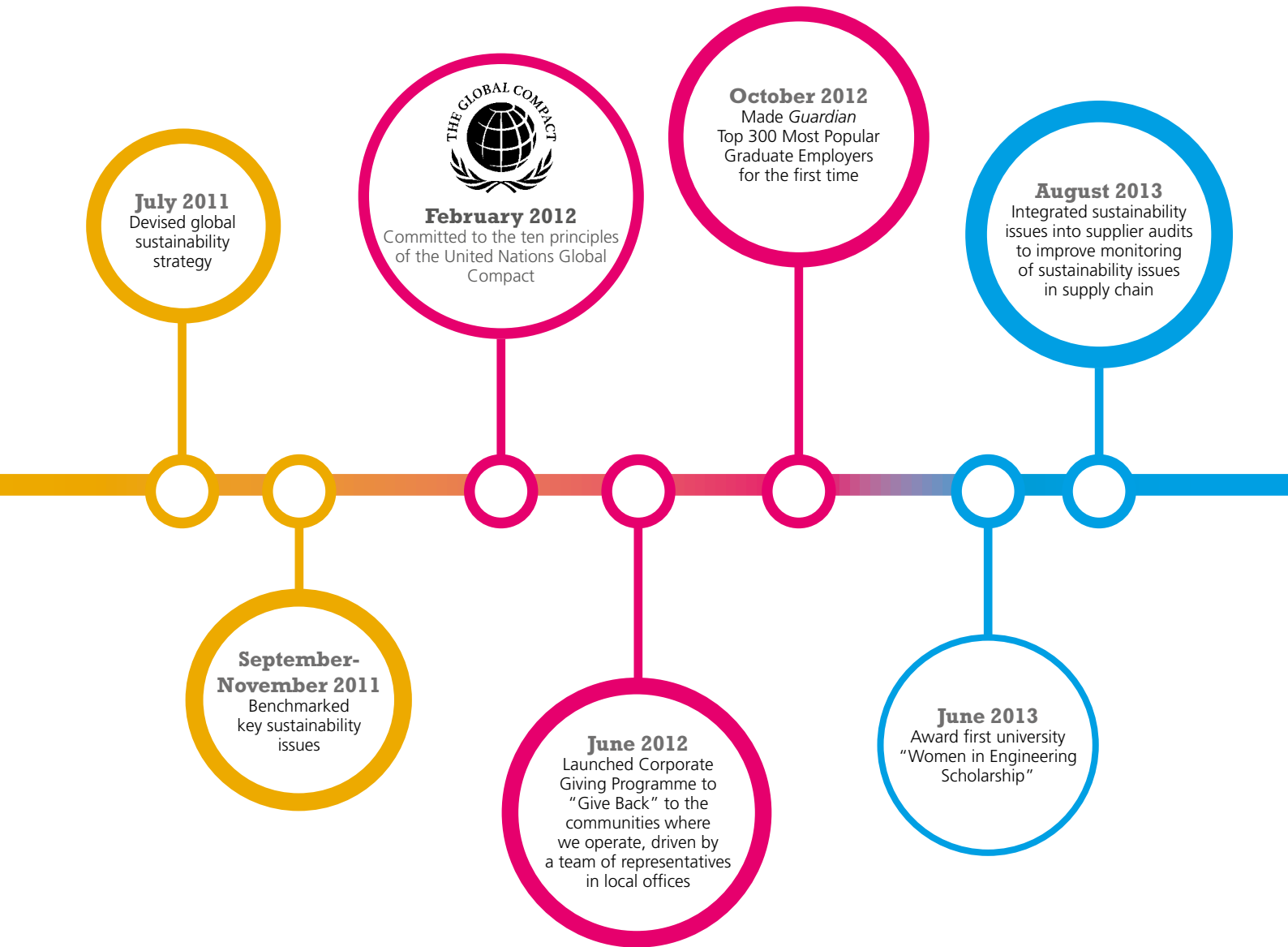
Dialog's LED drivers (chip iW3600) address dimming, heat and cost in high-power SSL bulbs.

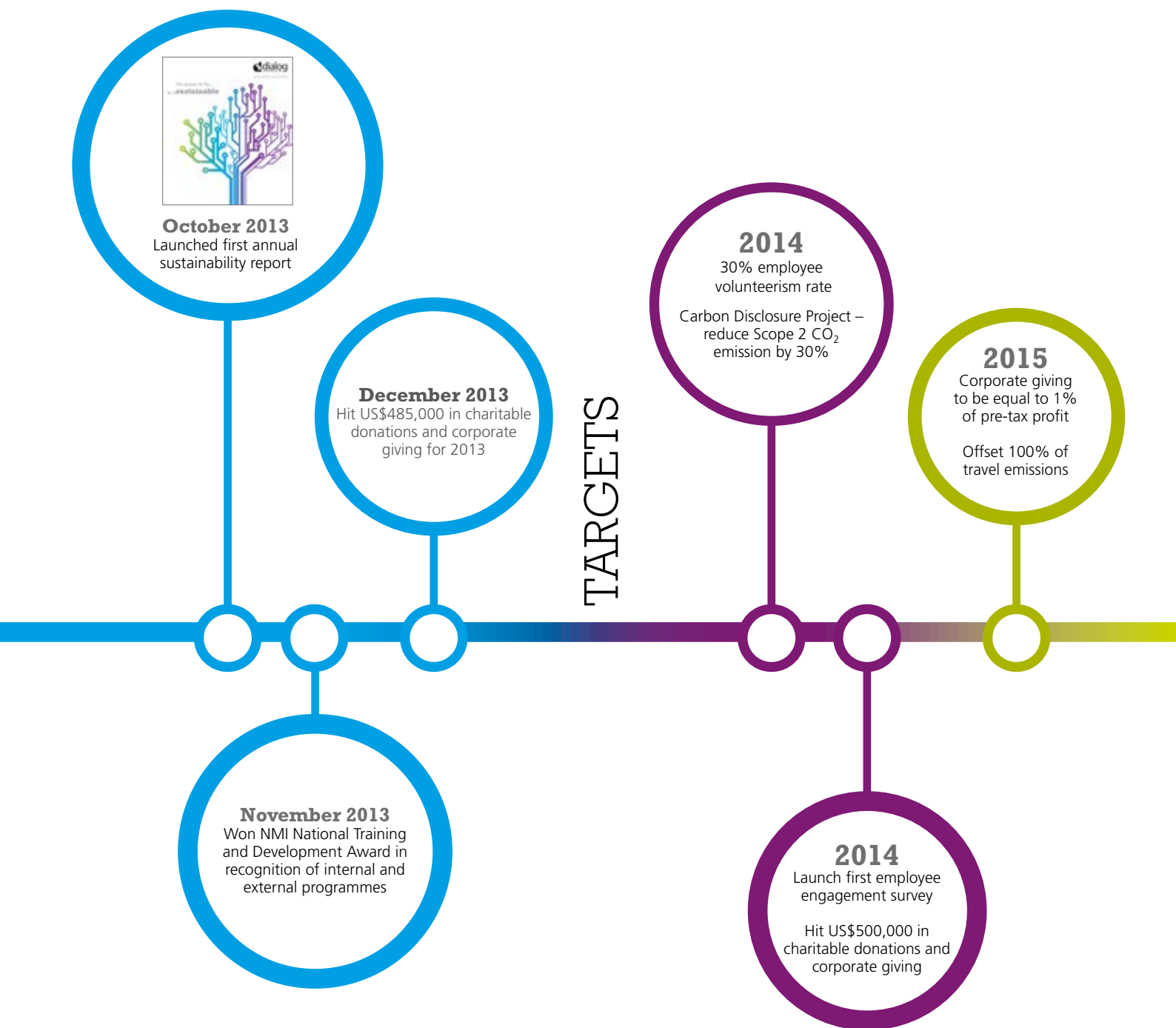
**US lighting consumption projections\***

In 2030, the annual energy savings in the US due to the increased market penetration of LED lighting is projected to be approximately 300 terawatt-hours (compared to 2030 baseline estimated energy consumption of 650 terawatt-hours), or the equivalent annual electrical output of about 50 power plants, reducing greenhouse gas emissions by 210 million metric tonnes of carbon.<sup>2</sup>

<sup>2</sup> US Department of Energy (DoE) "Energy Saving Potential of Solid-State Lighting in General Illumination Applications," 2012.

# Dialog's sustainability road map





# UNGC 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 2013 to 31 December 2013.

## **Statement of continued support by CEO**

Dialog continues its commitment to global citizenship, the principles of which are at the heart of all Company activities. Both through our innovative new technologies and through our environmental, employee or supplier policies, our ambition is make a positive contribution to both the cultures in which we operate and to society as a whole.

It makes me proud 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 second annual Communication on Progress, we describe the progress in our actions to integrate the Global Compact and its principles into our business strategy, culture and daily operations. We continue to be committed to sharing 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. This is in addition to adopting 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 policies on “whistle-blowing” and equal employment opportunities.

#### Measurement of outcomes

In 2013, 100% 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 will ensure that this does not drop in 2014.

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 emphasise that environmental

issues should be an instinctive part of any decision-making 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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

# UNGC communication on progress

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.

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) can contribute to the effectiveness of our resource management and sustainability.

## Measurement of outcomes

The Carbon Disclosure Project recognised Dialog as one of ten successful companies achieving the "Scope-2-Indirect CO<sub>2</sub> Emission Reduction", with a reduction of emissions of 40% in our design centres in 2013, despite the significant growth in our employee base, beating our target of 30% by 2014.

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) can contribute to the effectiveness of our resource management and sustainability. Our five design locations currently recycle 95% of packing and waste. In addition, we are actively reducing the quantity of hazardous substances used in our labs.

## 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 organisations, 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 "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 its Board of Directors, which are facilitated by an independent third party. In 2013, these were: July – "2010 Bribery Act"; October – "Corporate responsibility and crisis management".

### Measurement of outcomes

No incidents of bribery or corruption were identified in 2013. 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.

Dialog offers a range of innovative green solutions that minimise the number of components required within consumer electronic products and the energy they consume.



# Key metrics

|                                                                                            | 2012                                   | 2013 stated target  | 2013 actual                              | 2014 target                                             |
|--------------------------------------------------------------------------------------------|----------------------------------------|---------------------|------------------------------------------|---------------------------------------------------------|
| Number of employees                                                                        | 806                                    | N/A                 | 1,107                                    | N/A                                                     |
| Investment in training and development                                                     | US\$1 million                          | US\$1.5 million     | US\$1.47 million                         | US\$1.7 million                                         |
| Members of Technical Ladder                                                                | 25                                     | 30                  | 30                                       | 35                                                      |
| % of employees participating in charitable activities                                      | 6%                                     | 10%                 | 13%                                      | 20%                                                     |
| Amount donated for corporate giving programme                                              | US\$128,000                            | US\$400,000         | US\$485,000                              | US\$500,000                                             |
| Number of locations involved in charitable activities                                      | 9                                      | 10                  | 12                                       | 14                                                      |
| Number of interns from partnership universities                                            | 22                                     | 25                  | 25                                       | 30                                                      |
| Number of students with university scholarships                                            | 8                                      | 10                  | 10                                       | 12                                                      |
| Number of low-income access bursaries                                                      | 3                                      | 6                   | 6                                        | 9                                                       |
| Number of Master Thesis students                                                           | 2                                      | 3                   | 3                                        | 5                                                       |
| Number of schools' liaison programmes                                                      | 14                                     | 15                  | 18                                       | 20                                                      |
| Recycling rate in our five major design centres                                            | 92%                                    | 95%                 | 95%                                      | Changing the way we manage recycling                    |
| Dialog as one of ten successful companies achieving the CO <sub>2</sub> emission reduction | Reduction of 34% in our design centres | N/A                 | Reduction of 39.8% in our design centres | Further reduction of 30%                                |
| Major suppliers having a formal CSR policy                                                 | 91%                                    | 100%                | 100%                                     | 100%*                                                   |
| Increase the recycling of scrap devices from suppliers                                     | 46% increase                           | Further 5% increase | 87% increase                             | N/A as now covered by recycling of copper, silver, gold |
| Increase collection rate of copper from scrap devices                                      | 47% increase                           | Further 5% increase | 225% increase                            | Further 15% increase                                    |
| Increased quantity of recovered gold                                                       | 26% increase                           | N/A                 | 61% increase                             | Further 10% increase                                    |
| Increased quantity of recovered silver                                                     | 250% increase                          | N/A                 | 300% increase                            | Further 10% increase                                    |

\* Goal extended to suppliers of newly acquired locations

# Advisers and corporate information

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## Registered number

3505161

## Financial calendar

|                              |               |
|------------------------------|---------------|
| Annual General Meeting       | 1 May 2014    |
| Q1 2014 results              | 7 May 2014    |
| Q2 2014 results              | 30 July 2014  |
| Q3 2014 results              | 29 Oct 2014   |
| Preliminary results for 2014 | February 2015 |

## Shares

Information on the Company's shares and on significant shareholdings can be found on page 61 of our 2013 annual report.

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