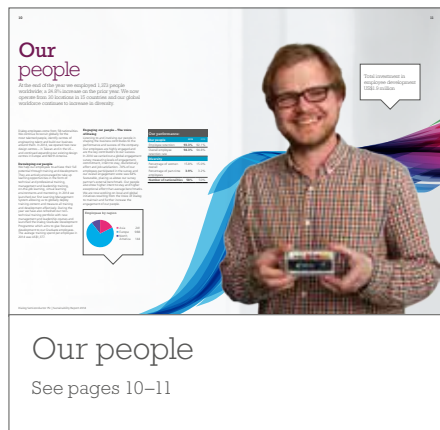


# Responsibility through **innovation**

Sustainability Report 2014



# Our six commitments



**Our people**

See pages 10–11



**Community engagement**

See pages 12–13



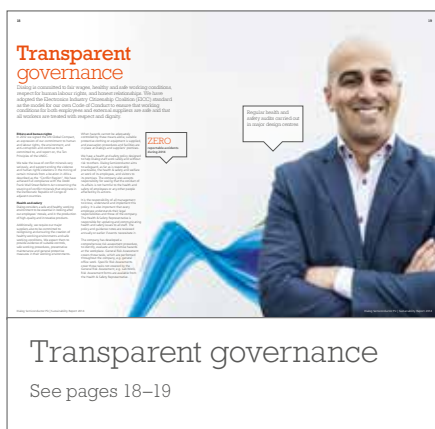
**Environmental responsibility**

See pages 14–15



**Educational partnerships**

See pages 16–17



**Transparent governance**

See pages 18–19



**Supply chain**

See pages 20–21

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## Continuing our sustainable ambition



Last year we reported on our sustainability journey and I am pleased to be able to report that this has continued significantly this year. We want sustainability to be part of our DNA, to be a part of the Dialog “fire in the belly” – to not just be something we do, but the way we do business. Our 2014 Sustainability Report highlights our commitment in key areas such as ethical governance, product innovation, diversity and inclusion, community involvement and giving, education, and environmental stewardship. We believe that striving to have a positive impact in everything we do and ensuring the long-term sustainable success of Dialog are, in effect, the same goal.

Across our three key areas of making a positive contribution we have had substantial impacts:

- **Innovation** – our primary focus and expertise is energy-efficient system power management. As well as enhancing user experience, our power management processor companion chips increase the performance of portable devices by extending battery lifetime and enabling faster charging, thus reducing the effect of usage on the environment. 2014 has seen us develop further energy solutions within low-energy Bluetooth, low power charging and energy efficient LED solid state lighting.
- **Our people and our communities** drive our innovation and therefore our success and long-term sustainable future. We invest time and money not just into attracting and retaining the best talent for us, but also in ensuring the future pipeline of talent into the engineering industry as a whole. We sincerely believe in making a positive contribution to society, and we have continued to fund local and global projects to ensure the continued development of our communities and young people.
- **Our environment** – we are continually committed to ensuring that everything we do has a low (or zero) impact on the environment. As we don’t manufacture our products, we do not have a large adverse effect on the environment, however we operate responsible practices within our own business, as well as ensuring them across our supply chain. We are proud that our business is based around a range of green IC solutions, and additionally we have taken further steps during 2014 to minimise the carbon footprint of our business and recycle precious materials from waste and damaged goods.

2015 promises further exciting developments to our sustainability programme, including our plan to appoint a member of our Board to represent sustainability and corporate responsibility. We are also carrying out our first materiality assessment to identify our key social and environmental priorities which will then drive our sustainability strategy. We will then put together a strategic Sustainability Think Tank which will pull together all aspects of our business and which this year will be championed by Sean McGrath, SVP Connectivity Business Group.

### **Rebecca Fradley-Stokes**

Head of Corporate Social Responsibility, Sustainability and University Relations  
sustainability@diasemi.com



Dialog’s long-term future and strategy for growth rely on us positively following the fundamentals of sustainable business. We recognise six commitments to our stakeholders, which aim to ensure we are economically sustainable, whilst embracing our duty to society and the environment.

We also continue to adhere to and report on our commitment to the 10 principles of the United Nations Global Compact, demonstrating our guarantee to strive towards full sustainable operation in everything we do.

I am proud to endorse our 2014 sustainability report and am looking forward to further progress during 2015.

### **Jean-Michel Richard**

Chief Financial Officer

# What we do

Dialog Semiconductor creates and markets highly integrated, mixed signal integrated circuits (ICs), optimised for personal, portable hand-held devices, 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 of dealing with an established business partner.

## Business model

Innovation is at the core of our business. Our highly skilled engineers, their know-how and our intellectual property (IP) are our key assets. We have implemented a “high-touch” fabless model – meaning we have outsourced production – which allows us to remain flexible and maintain a low capital-intensive business while retaining some core manufacturing and advanced packaging competencies in-house.

Our business model has three dimensions built on innovation:

1. Short design cycle.
2. High touch fabless model with strong production partnerships.
3. Market-leading products.

### 1. Short design cycle

Dialog has decades of experience in the rapid development of integrated circuits (ICs) over which time we have amassed significant IP. 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 a vibrant and changing market.

The design of our customised solutions (Application Specific ICs) is well embedded in our customers’ design cycle. We engage with our largest customers as an “extended R&D team”, delivering differentiation in short design cycles.

**Our integrated design approach helps to reduce component size and number which, in turn, helps our customers to reduce the overall cost of their products and maximise performance.**

Dialog has one of the biggest R&D engineering teams in the world focused on power management and mixed signal know-how for mobile and connected consumer applications. We believe the size and focus of our engineering talent has become a sustainable source of competitive advantage.

**We recruit globally the best talent we can and continually invest in our people. We have a decentralised approach to research and development with teams in 15 countries. In a highly competitive talent market we believe this flexible, decentralised approach is advantageous.**

### 2. High touch fabless model with strong production partnerships

*“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”*

While we design and manage the production of semiconductors in-house, we outsource production to industry leading wafer foundries such as TSMC, UMC and Global Foundries. This approach enables the flexibility to deploy the most advanced production processes and meet market demand; and low capital intensity.

Some of our teams within Dialog’s Global Operations and Quality organisation are based at our partners manufacturing sites, enabling a continuous quality improvement process.

Our assembly and test partners are leading companies such as SPIL, ASE and UTAC.

We maintain deep expertise on advanced processes, test and packaging development through our own teams. These areas of expertise are fundamental to remaining ahead of our competitors and supporting our customers’ development of products which are thin and light – features which consumers value highly in portable devices. Our foundry, test and packaging partners are the leading companies in their field and we have developed a strong collaboration with them based on years of working together. To complement this, Dialog has developed a robust supply chain management approach

### 3. Market-leading products

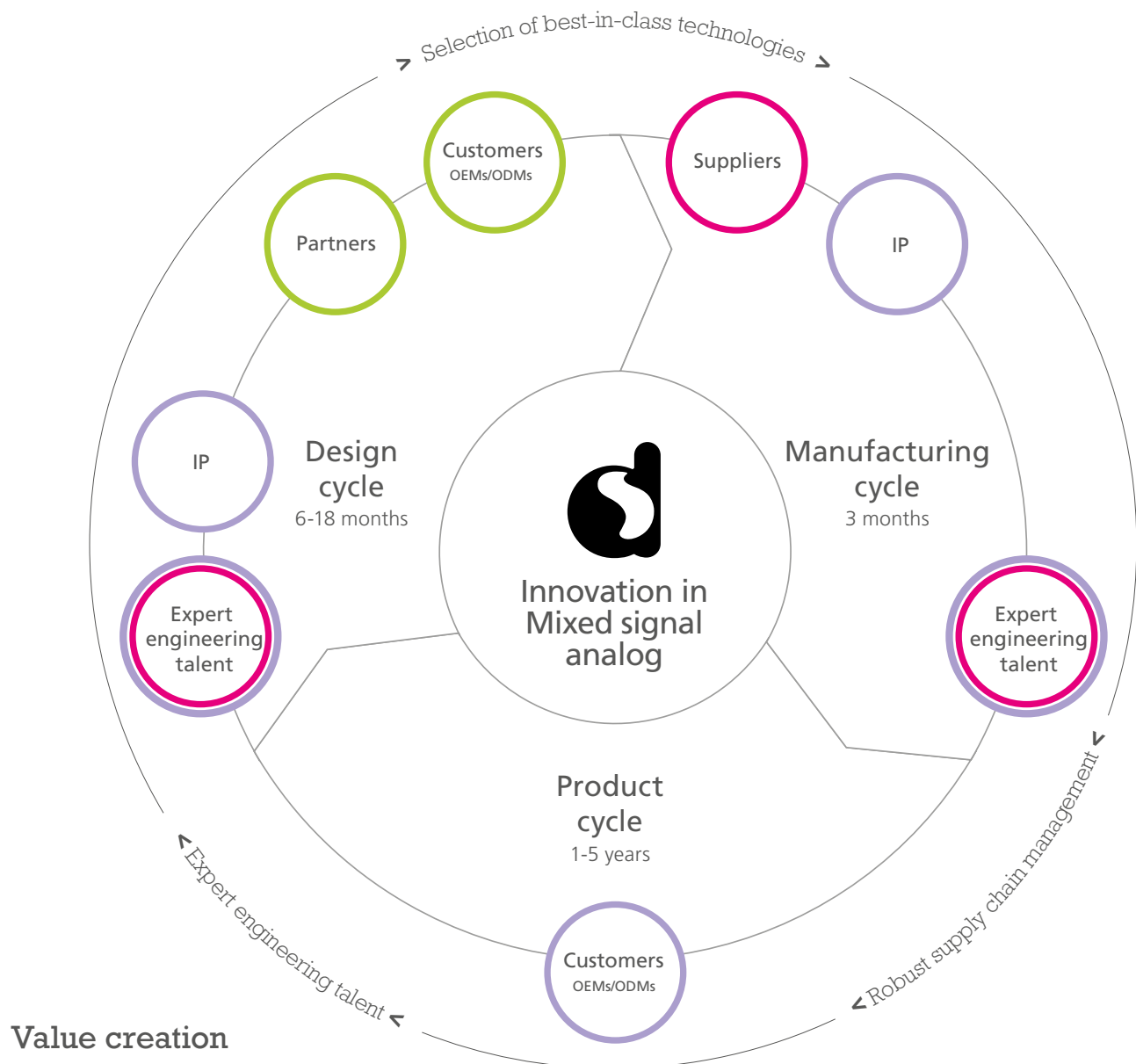
**Dialog’s focus and expertise in power management and power efficiency semiconductors contributes to power efficiency and lower power consumption for a range of personal portable devices and applications in the consumer products market.**

Our customers include the leading brands in each of our markets. They are attracted by the quality and performance of our products – evidenced by our inherent design expertise, leading technology and ability to innovate – and our focus on high-growth portable platforms and consumer devices. A business model based on high Tier 1 client penetration results in high volumes, and strong cash generation.

*“Our business model is aligned with the requirements of our customers in the markets in which we operate.”*



# The Dialog business model



## Partnerships

- 1 Reciprocal cooperation with customers and partners enhances our innovation capacity.

## Operational flexibility

- 1 Rapid new product development.
- 2 Decentralised R&D with 21 hubs.
- 3 Fabless model provides flexibility on process and capacity.

## Quality

- 1 Inherent design expertise, world-class engineering talent.
- 2 Best-in-class technology.
- 3 Highly integrated and power efficient ICs.
- 4 Fabless model allows us to deploy the most advanced production processes available.

## Our vision and values

### Our sustainability vision

To embed sustainable and responsible practices into the way we act internally and engage externally.

### Our sustainability values

#### Connecting

Acting as a conduit for building bridges and connecting people internally through CSR activities.

#### Giving

Giving of both money and time to local and global communities.

#### Engaging

Engaging our employees to be happy at work, and engaging with our local communities and stakeholders.

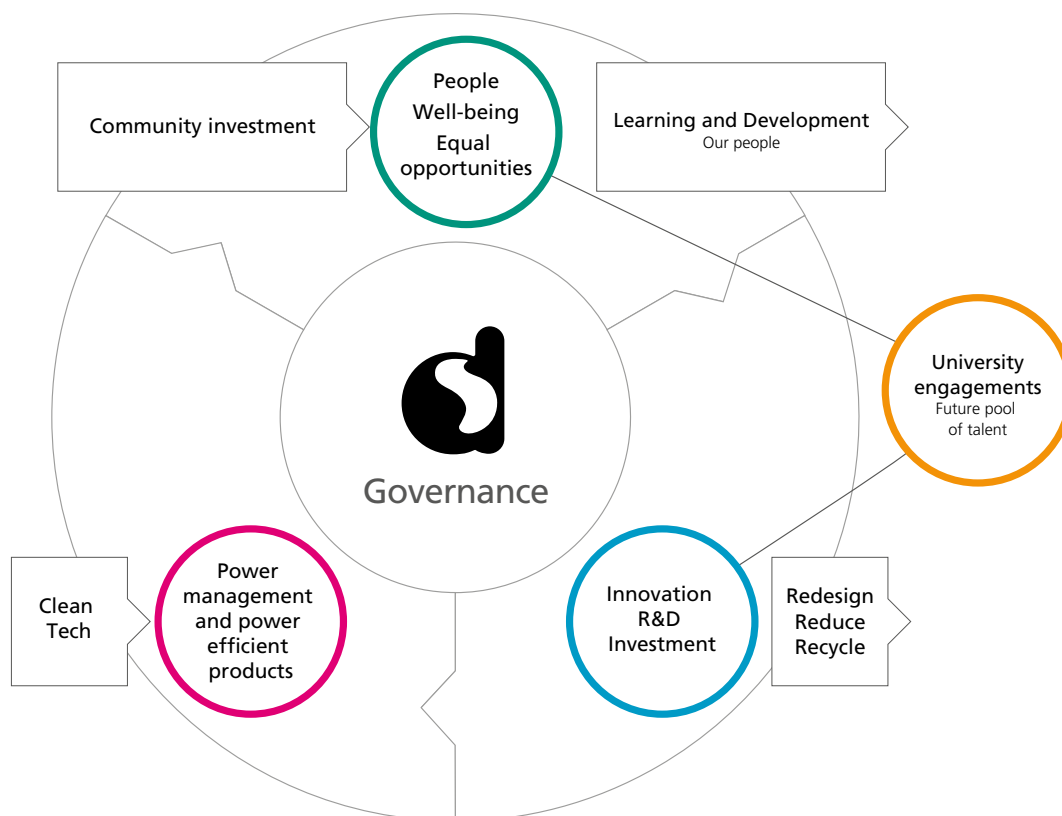
#### Strengthening

Strengthening the position of Dialog through our commitment to CSR and sustainability, which sets us apart from our competitors.

#### Caring

Caring for people, the environment and communities, and making a positive impact on all three.

## Sustainability across the business



## Our products

Effective power management and increasing energy efficiency remain at the core of the consumer electronics market. Dialog offers a range of green IC solutions that minimise the number of components required within consumer electronic products and the energy they consume.

### Mobile Systems

Dialog Semiconductor has been at the centre of the mobile computing revolution, enabling our customers to produce lighter and thinner portable applications with **higher power efficiency** resulting in **longer battery life**. Consumer demand for better power management and more power-efficient products continues to rise.

Dialog replaces multiple discrete power management components with one highly integrated device, these single chip solutions **reduce energy usage** and provide a simple, yet flexible, design at a lower cost.

Our core power management IC technologies increase energy efficiency and extend battery life in a large range of portable devices such as smartphones, tablets and Ultrabooks™.

Typical usage tests show our Power Management Integrated Circuits (PMICs) are able to **decrease the power consumption of a portable device by up to 30%**.

### Power Conversion

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 digital 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.

We also offer 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. These LED drivers enable very high efficiency SSL bulbs, **significantly reducing energy usage** and enabling consumers to benefit from LED bulbs with an average lifespan of ten years or more in comparison to just three to four years with Compact Fluorescent (CFL) bulbs.

### Connectivity

Our new customer Xiaomi has included Dialog's Bluetooth ultra-low power SmartBond™ System on Chip in its new Mi Band fitness tracking wrist band. SmartBond™ enables the Mi Band to deliver up to 30 days of battery power from a single charge, more than double the battery life of its closest competitor, creating **one of the most energy-efficient connectivity solutions** available to consumers today.

The DA14580 is the first Bluetooth® Smart certified system-on-chip (SoC). Bluetooth® Smart is a part of the Bluetooth® standard that address peripheral and accessory applications with lower power and lower connection times than classic Bluetooth®. For all of our Bluetooth® Smart devices that were shipped last year using coin cells, they would have saved approximately 2 million coin cell batteries during the lifetime of these products.

## Sustainability snapshot

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 for cell phones, cordless phones, tablets and other portable devices.

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

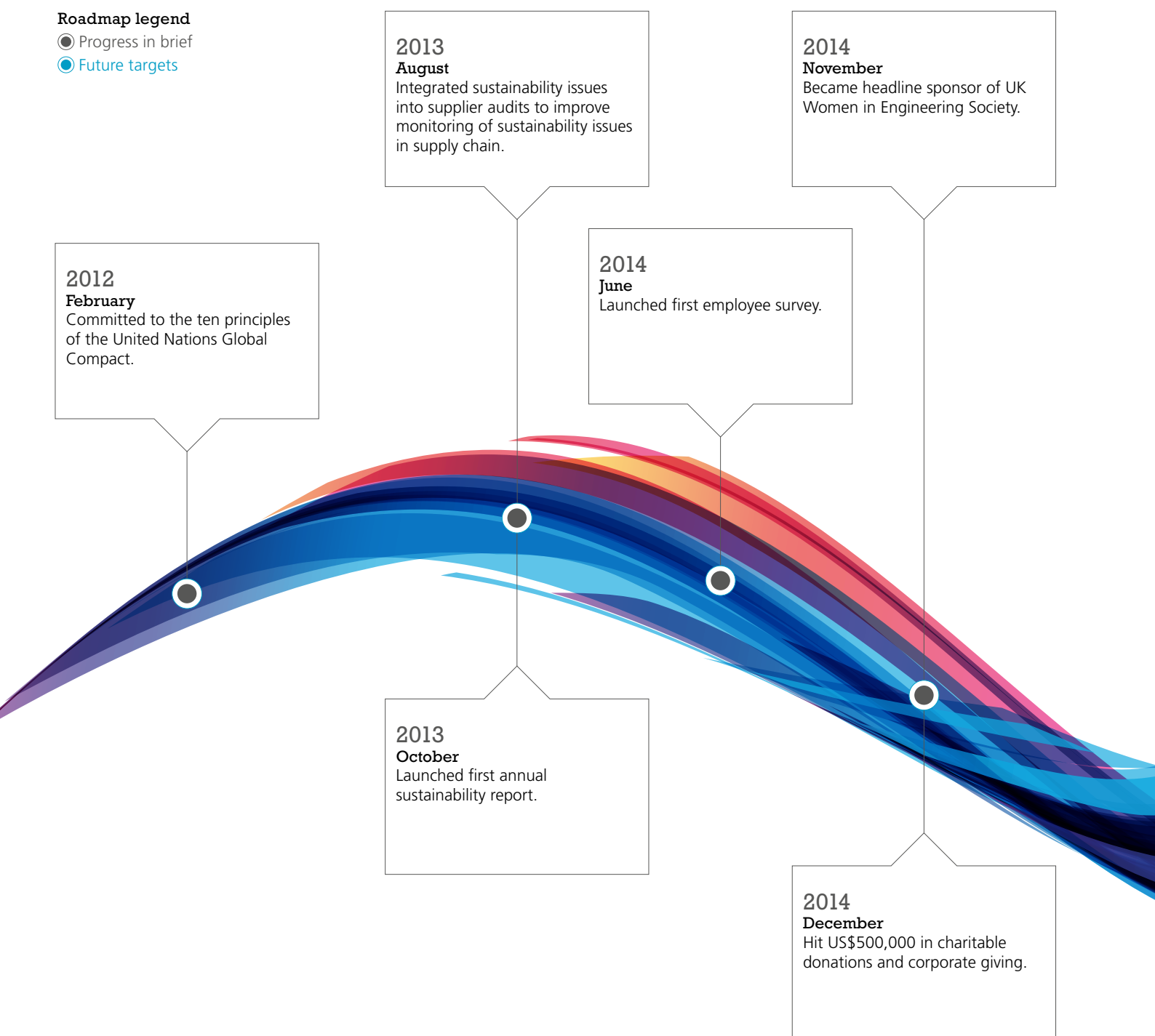


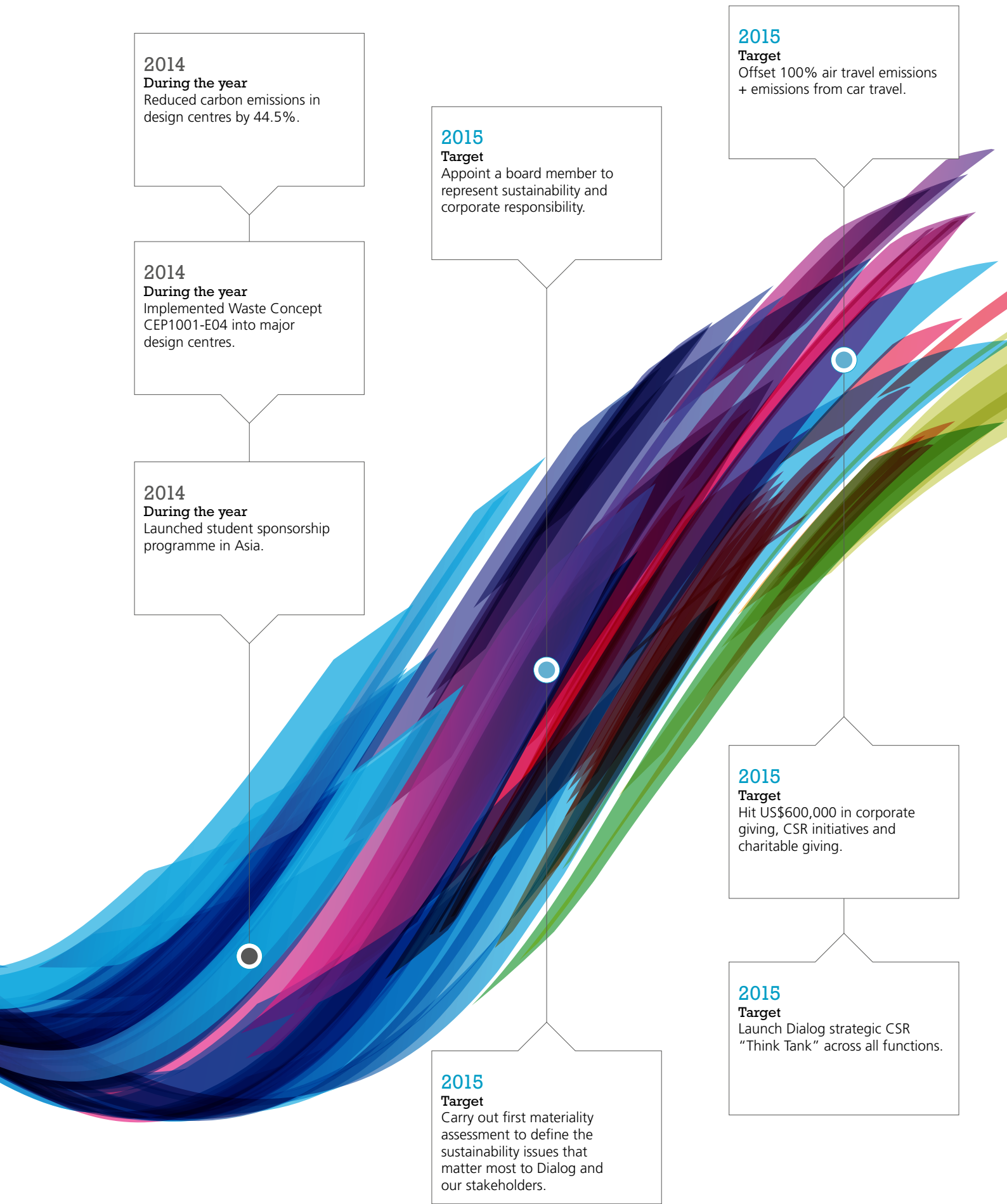
## Sustainability roadmap

Our sustainability roadmap shows our journey so far and demonstrates commitment to where we want to be. Our highlights for 2014 were launching our first employee survey, significantly reducing our carbon emissions, launching our sponsorship programme in Asia, sponsoring the UK's Women in Engineering Society and implementing a new waste concept into our major design centres.

### Roadmap legend

- Progress in brief
- Future targets







## Stakeholder map

We want to ensure that we are doing the right thing for each of our stakeholders, and recognise six commitments which seek to ensure that we are economically sustainable whilst embracing our duty to society and the environment.

2014 breakthrough moments		
Our people	Community engagement	Environmental responsibility
In the 2014 employee engagement survey, 95% of the respondents said that when needed, they are willing to put in the extra effort to get a job done.	We invested US\$500,282 in local and global corporate giving programmes.	We grew our portfolio of power-efficient IC products.
We invested £1.9 million in developing our people.	Many of our programmes involved local community outreach such as foodbanks, helping the homeless and bringing IT support to the disabled and underprivileged.	We over-achieved our design centre carbon emission targets by 14.5%.
14 of our locations were involved in CSR and charitable activities.	Our Swindon office sponsored their local cricket club and their enhanced facilities led to one of their youth team winning the Wiltshire Young Sportsman of the Year.	We implemented the Waste Concept CEP1001-E04 into our major design locations.
We had 35 people employed as members of our Technical Ladder.		Implemented ISO 14001 environmental management system into Power Conversion Business Group.
Education partnerships	Supply chain support	Transparent governance
We are concerned about the lack of women in the electronic engineering industry and therefore awarded our second "Women in Engineering Scholarship" and sponsored the UK's Women in Engineering Society.	We carried out 30 vendor audits, all to ISO 9000 and ISO 14000 standards.	To support our corporate governance, we implemented an online compliance e-learning package covering six areas: anti-bribery; anti-trust; conflicts of interest; insider dealing; privacy and information security; preventing harassment – with a target of 100% completion by employees by the end of 2015.
We awarded 15 university scholarships globally to support students through their university degree programmes.	We ensured that 100% of our key suppliers have a CSR policy.	We re-committed to the ten principles of the United Nations Global Compact, and ensured that all our suppliers also adhere to their principles.
We sponsored two student electronics design projects in Austria and Japan.	Dialog designs and manufacturing flows are very robust, so Dialog is able to achieve outstanding delivery performance and industry standard yield levels.	We had no human rights or labour issues arise either within Dialog or within our suppliers.
We increased our partnership activity with the University Technical College in Swindon, an educational institute for young engineers.	Some of our teams within Dialog's Global Operations and Quality organisation are based at our partners manufacturing sites, enabling continuous supply chain engagement.	



# Sustainability snapshot

This year we have increased the number of education partnership programmes, including universities, schools, colleges, and having a long-term partnership with the Swindon University Technical College.

Stakeholder map



# Our people

At the end of the year we employed 1,373 people worldwide; a 24.8% increase on the prior year. We now operate from 30 locations in 15 countries and our global workforce continues to increase in diversity.

Dialog employees come from 58 nationalities. We continue to recruit globally for the most talented people, identify centres of engineering talent and build our business around them. In 2014, we opened two new design centres – in Taiwan and in the US – and continued expanding our existing design centres in Europe and North America.

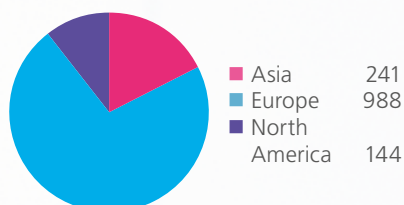
## Developing our people

We help our employees to achieve their full potential through training and development. They are actively encouraged to take up learning opportunities in the form of technical and professional training, management and leadership training, on-the-job learning, virtual learning environments and mentoring. In 2014 we launched our first Learning Management System allowing us to globally deploy training content and measure all training and development effectively. During the year we have also refreshed our non-technical training portfolio with new management and leadership courses and launched the Dialog Graduate Development Programme which aims to give focussed development to our Graduate employees. The average training spend per employee in 2014 was US\$1,377.

## Engaging our people – The voice of Dialog

Listening to and involving our people in shaping the business contributes to the performance and success of the company. Our employees are highly engaged and are the key contributors to our success. In 2014 we carried out a global engagement survey measuring levels of engagement, commitment, intent to stay, discretionary effort and job satisfaction. 74% of our employees participated in the survey and our overall engagement score was 64% favourable, placing us above our survey partner's external benchmark. Our people also show higher intent to stay and higher exceptional effort than average benchmarks. We are now working on local and global initiatives resulting from the Voice of Dialog to maintain and further increase the engagement of our people.

Employees by region



## Our performance:

Our people	2014	2013
Employee retention	<b>93.3%</b>	92.1%
Overall employee retention rate	<b>94.3%</b>	94.8%
<b>Diversity</b>		
Percentage of women overall	15.8%	15.0%
Percentage of part-time employees	<b>3.9%</b>	3.2%
<b>Number of nationalities</b>	<b>58%</b>	50%



Total investment in  
employee development  
US\$1.9 million



# Community engagement

We have an active programme of engaging with our local communities, and we know that our employees, and future talent, value this, whether through fundraising, charitable donations or volunteering.

**Corporate Giving**

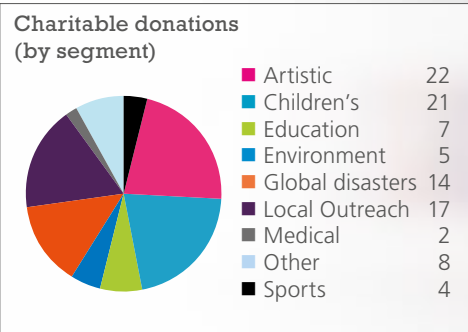
Dialog launched the Corporate Giving programme in 2012, focusing on the communities local to the areas around our business operations:

**Charitable giving** – we give financial donations to local charities and groups where employees are actively involved. In 2014 our local outreach programmes included children’s charities, charities for those with disabilities, youth education programmes, hospitals, environmental charities, local Foodbanks, and local youth sports groups.

**Fund-matching** – if employees are raising money for charitable causes, then Dialog will match those funds. Examples for 2014 included funds raised through sponsored walks, runs and cycle rides; organising raffles, cake and craft stands; wearing Christmas jumpers and “jeans for genes”, growing moustaches for Movember, and organising a global football tournament.

**Volunteering** – as well as monetary donations, we actively encourage employees to participate in volunteering activities with charities and educational groups within their local communities. During 2014, employees were involved in giving presentations and offering mentoring to schools; working with disadvantaged children; and organising office family days which serve as events both to give something back to families and other local stakeholders and to raise further money for charity.

Organisations supported by Dialog during 2014:







# Environmental responsibility

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.

## Reduce

### Carbon emissions

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 44.5% in our design centres in 2014, which equates to 682 tonnes of CO<sub>2</sub> emissions. In 2014 we offset 100% of carbon emissions from our air travel as well as all 100% of emissions from our largest design centre in Nabern. This equated to offsetting 4,682 tonnes of emissions. Our targets for 2015 will be:

- offset 100% CO<sub>2</sub> emissions from our air travel;
- offset 100% CO<sub>2</sub> emissions from rental and private cars used for business travel purposes; and
- measure and offset emissions from our second largest design centre in Swindon.

### Natural resources

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 reduced costs without sacrificing quality and performance.

## Hazardous substances

The monitoring of hazardous substances used in our labs is one of the key objectives of our annual "Environment Goals and Programme". In 2014 achieved a reduction of 20.7% across our major design centres (indicated by the chemical used per number of chemically processed devices/samples).

## Recycle

We have also implemented a rigorous recycling of precious metals, such as gold, silver and copper, from waste and damaged products. In 2014 we increased the quantity of **recovered copper by 164%** and **recovered silver by 332%**.

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. During 2014 we implemented Waste Concept CEP1001-E04 into our major design locations.

Waste Concept  
CEP1001-E04  
implemented into  
major design centres

682 tonnes

Reduced carbon  
emissions by 682 tonnes

20.7%

Reduced hazardous  
substances used in our  
labs by 20.7%



# Educational partnerships

We are concerned with encouraging young people into electronics, not just to attract the best and brightest talent to Dialog, but to ensure the future pipeline for the engineering industry as a whole, and have a number of global programmes within schools, colleges and universities.



## Universities

- Sponsorship of students at leading universities
- Provision of access bursaries for low income students
- Donation and awarding of academic prizes
- Guest lectures and presentations
- Industrial mentoring by engineering staff
- Sponsorship of electronic engineering societies
- Provision of industrial placements
- Sponsorship of design-a-chip and component design competitions
- Assistance with job-finding skills such as CV writing and interview skills

## Schools

- Participation in electronics projects – mentoring by Dialog employees
- Careers talks and presentations
- Work experience placements
- Site visits to Dialog offices
- Assistance with life skills such as CV writing and interview skills

## Case study

### Women in engineering

In 2013, Dialog launched our "Gary Duncan Women in Engineering Scholarship", named after the former VP of Engineering who had always championed encouraging women into electronics. Our first scholar that year was from Imperial College London. This year our female scholar is from The National University of Science and Technology in Taipei, and is studying electronic engineering. Dialog pays her an annual bursary and provides guaranteed paid work placements and industrial mentoring. We also sponsored the Women in Engineering Society in 2014 and are planning a programme of events during 2015 designed to encourage girls to take up STEM subjects.







# Transparent governance

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

## Ethics and human rights

In 2012 we signed the UN Global Compact, an expression of our commitment to human and labour rights, the environment, and anti-corruption and continue to be committed to, and report on, the Ten Principles of the UNGC.

We take the issue of conflict minerals very seriously, and support ending the violence and human rights violations in the mining of certain minerals from a location in Africa described as the "Conflict Region". We have achieved full compliance with the Dodd Frank Wall Street Reform Act concerning the sourcing of conflict minerals that originate in the Democratic Republic of Congo or adjacent countries.

## Health and safety

Dialog considers a safe and healthy working environment to be essential in looking after our employees' morale, and in the production of high-quality and innovative products.

Additionally, we require our major suppliers also to be committed to recognising and ensuring the creation of healthy working environments and safe working conditions. We expect them to provide evidence of suitable controls, safe working procedures, preventative maintenance and general protective measures in their working environments.


When hazards cannot be adequately controlled by these means alone, suitable protective clothing or equipment is supplied, and evacuation procedures and facilities are in place at Dialog's and suppliers' premises.

We have a health and safety policy designed to help Dialog staff work safely and without risk to others. Dialog Semiconductor aims to safeguard, as far as is reasonably practicable, the health & safety and welfare at work of its employees, and visitors to its premises. The company also accepts responsibility for seeing that the conduct of its affairs is not harmful to the health and safety of employees or any other people affected by its actions.

It is the responsibility of all management to know, understand and implement this policy. It is also important that every employee understands their legal responsibilities and those of the company. The Health & Safety Representative is responsible for updating and communicating health and safety issues to all staff. The policy and guidance notes are reviewed annually or earlier if events necessitate it.

The company has developed a comprehensive risk assessment procedure, to identify, evaluate and minimise hazards at the workplace. General Risk Assessment covers those tasks, which are performed throughout the company, e.g. general office work. Specific Risk Assessments cover those tasks not covered by the General Risk Assessment, e.g. Lab Work. Risk Assessment forms are available from the Health & Safety Representative.

**ZERO**  
reportable accidents  
during 2014



Regular health and  
safety audits carried out  
in major design centres

# Supply chain

Dialog works with a range of foundries and back-end vendors, mainly in Taiwan, China and Singapore to mitigate the risk of Supply Chain disruption and constraints. The geographical spread also helps with disaster recovery planning.

In 2014, Dialog carried out 30 vendor audits covering a wide range of topics including compliance and product quality (ISO 9000 & ISO 14000) reviews. These are supported by regular Business Reviews when Dialog management meets its' suppliers to discuss supplier performance and future capabilities.

## Environment

Within our supply chain, we continually emphasise that environmental issues should be an instinctive part of any decision-making process, and that suppliers should use environmentally-friendly technology to:

- Reduce and eliminate emissions of ozone-depleting, and other, chemicals;
- Manage, reduce and dispose of hazardous substances safely;
- Monitor and control waste water and solid waste emissions;
- Reduce and eliminate all types of waste, including water and energy;
- Reduce waste by maximising product yields; and
- Ensure all environmental permits are obtained, maintained and kept current.

As a fabless semiconductor company, it is important to Dialog that all of its manufacturing partners also follow their requirement to respect the environment. To this end every supplier is required to complete a self-audit questionnaire to identify and document compliance to Dialog's environmental requirements. Also, evidence of compliance to requirements is checked during regular supplier on-site audits (ISO14001).

## Supplier engagement

Our major suppliers have committed to Dialog's "Code of Conduct" which reflects our commitment to the Electronics Industry Citizenship Coalition (EICC). In addition, 100% of our major suppliers have their own documented corporate social responsibility policy.

We are working with our suppliers to develop recovery processes, resource-substitution technologies and methods to reduce CO<sub>2</sub> emissions throughout the supply chain. In 2015 we have a target to engage with suppliers for them to provide evidence of carbon emissions and offsetting.

## Human rights

Dialog's suppliers must demonstrate a commitment to upholding workers' human rights and to treating them with dignity and respect. Standards such as the Universal Declaration of Human Rights, Social Accountability International and the Ethical Trading Initiative have been used as a basis for these requirements.

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. Suppliers must ensure that workers are not threatened or subjected to inhumane or harsh treatment, harassment or any form of unlawful discrimination.

"In 2015 we have a target to engage with suppliers for them to provide evidence of carbon emissions and offsetting."





# United Nations Global Compact

## Communication on Progress (COP)



Jalal Bagherli, CEO

### Statement of continued support by CEO

Dialog Semiconductor is pleased to reaffirm its continued support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

Being a signatory to the UN Global Compact enables us to demonstrate to all our stakeholders our commitment to being a sustainable business. The Ten Principles are embedded in all that we do – in the way that we operate our business and treat our people, the way we manage our impact on the environment and the way in which we give back to the communities in which we work.

In this Communication on Progress we provide a summary of our activities in relation to our ongoing commitment to the UN Global Compact's Ten Principles.

### Human rights

Dialog Semiconductor will:

#### Principle 1:

Support and respect the protection of internationally proclaimed human rights.

#### Principle 2:

Make sure that we are not complicit in human rights abuses.

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, 2014.

### Labour standards

Dialog Semiconductor will uphold:

#### Principle 3:

The freedom of association and the effective recognition of the right to collective bargaining.

#### Principle 4:

The elimination of all forms of forced and compulsory labour.

#### Principle 5:

The effective abolition of child labour.

#### Principle 6:

The elimination of discrimination in employment and occupation.

### Environment

Dialog Semiconductor will:

#### Principle 7:

Support a precautionary approach to environmental challenges.

#### Principle 8:

Undertake initiatives to promote environmental responsibility.

#### Principle 9:

Encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

Dialog Semiconductor will:

#### Principle 10:

Work against corruption in all its forms, including extortion and bribery.

Jalal Bagherli, CEO

### Human rights and labour principles

#### Assessment, policy and goals

Across our business and throughout our external suppliers, 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 Citizenship Coalition (EICC) standard as the model for our own "Code of Business Conduct" 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. We have a Whistleblowing Policy implemented and published on our intranet, and in 2015 we will be implementing a Whistleblowing Helpline for all employees.

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.



### Measurement of outcomes

In 2014, 100% 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 will ensure that this does not drop in 2015.

We take the issue of conflict minerals very seriously, and support ending the violence and human rights violations in the mining of certain minerals from a location in Africa described as the "Conflict Region". We have achieved full compliance with the Dodd Frank Wall Street Reform Act concerning the sourcing of conflict minerals that originate in the Democratic Republic of Congo or adjacent countries. We also have a published Conflict Minerals Policy, and require all our suppliers to provide written evidence documenting that raw materials used to produce gold, tin, tantalum and tungsten, used in the materials to manufacture components and products supplied to Dialog Semiconductor, originate from outside the "Conflict Region" or if they originate from within the "Conflict Region" that the mines or smelters be certified as "conflict free" by an independent third party.

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, minimizing 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; and
- 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. 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 44.5% in our design centres in 2014, which equates to 682 tonnes of CO<sub>2</sub> emissions. In 2014 we offset 100% of carbon emissions from our air travel as well as all 100% of emissions from our largest design centre in Nabern. This equated to offsetting 4,682 tonnes of emissions. Our targets for 2015 will be:

- offset 100% CO<sub>2</sub> emissions from our air travel;
- offset 100% CO<sub>2</sub> emissions from rental and private cars used for business travel purposes; and
- measure and offset emissions from our second largest design centre in Swindon.

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 reduced costs without sacrificing quality and performance.

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

### 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 further reduction of emissions of 44.5% in our design centres in 2014 which equates to a total of 682 tonnes of carbon.

We have also implemented a rigorous recycling of precious metals, such as gold, silver and copper, from waste and damaged products. In 2014 we increased the quantity of recovered copper by 164% and recovered silver by 332%.

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. During 2014 we implemented Waste Concept CEP1001-E04 into our major design locations.

### 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 a training programme for its Board of Directors, which are facilitated by an independent third party. Subjects covered so far have been "The 2010 Bribery Act", "BOD in Crisis Management", and "Remuneration". We have also implemented an online e-learning suite of six compliance training programmes covering anti-bribery, antitrust, conflicts of interest, insider dealing, privacy and information security, and preventing harassment.

This is supported by a suite of policies – Conflict of Interest; Financial Crime; and Code of Dealing. As well as a Guidance Note for all employees, The Code of Dealing has a specific Guidance Note applicable to the Executive Team and other employees specifically notified.

### Measurement of outcomes

No incidents of bribery or corruption were identified in 2014. 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.

We are aiming for 100% completion of our online compliance training programme during 2015.

## Managing risk

In 2014, the Company established a Risk Management Office, to improve the identification of risk, assessment of probability and impact, and assignment of owners to manage mitigation activities.

The Executive Team along with the Board has overall responsibility and oversight of the Risk Management Office. The Risk Management Office comprises members from internal control, purchasing, finance and legal and is chaired by the Chief Financial Officer. The Risk Management Office meets on a quarterly basis.

Key risks are formally identified and recorded in a risk register that is reviewed quarterly by the Executive Team and the Audit Committee. The risk registers is used to plan the internal audit activity and assess any potential impact to the Company's strategy.

For an overview of our principal risks, please see pages 46–50 of the Annual Report. Below are set out the risks associated with aspects of CSR and sustainability.

Strategic risk		
Risk	Actions	Progress in 2014
<p>Human Capital – In order to successfully execute its current and future business commitments, Dialog needs to continue to build organisational capability in 2 key areas:</p> <ul style="list-style-type: none"> <li>• Continuous innovation in product development, manufacturing and packaging technologies; and</li> <li>• Leadership skills in an expanding and increasingly complex global operation.</li> </ul>	<p>Dialog seeks to create a positive working environment that results in low levels of staff turnover. Dialog has developed an effective recruitment process to attract high calibre staff. Dialog has dedicated human resource managers to drive further development of its personnel and benchmark its employment terms to match industry top performers. Dialog has a decentralised approach to research &amp; development with teams in 12 countries. In a highly competitive talent market we believe this flexible approach is advantageous, allowing us to recruit talent where it resides and as a defence mechanism to stop large scale “poaching” by competition.</p>	<p>In 2014, the number of engineers increased by approximately 26%.</p> <p>In December 2014, Dialog opened new design centres in Taiwan and the US.</p> <p>Staff turnover was 5.7% (2013:5.2%). Dialog extended its global Training &amp; Development programmes with the introduction of the Technical Ladder and Speciality Academies.</p> <p>The company also has a global learning and development strategy and runs an active University partnership programme to attract the brightest and best university graduates to the electronics industry and our company.</p>

## Legal and compliance risks

Risk	Actions	Progress in 2014
Compliance To Laws & Regulations – Given Dialog’s growth strategy it needs to ensure that it understands and complies with the local law and customs wherever it operates.	Dialog continues to monitor the legislative changes across key countries to ensure it stays abreast of both global and local legislative changes.	Appointed in-house Assistant Company Secretary, who also acts within the Risk Management Office.  In 2014 Dialog introduced on-line training to strengthen for global compliance issues.
Environmental Regulations – As Dialog does not manufacture, assemble or freight any of its products it seeks to ensure that its partners act within the law.	Dialog carefully selects its suppliers and regularly audits their activities.	In 2014, we continued our supplier audit programme to fully cover all aspects of their performance in key areas.
Intellectual Property (IP) Protection – As a highly innovative company Dialog has IP that is attractive to others. Dialog must ensure that this IP is sufficiently protected both legally (via patents) or physically (via security processes).	We seek to protect our current business and our IP from being copied or used by others by appropriate use of patents, copyrights and trademarks on a global basis.	Dialog holds in excess of 540 patent families. In order to strengthen establish its governance processes, the Patent Committee was established in 2014.  The Company strengthened its IT security especially in the Data Leakage Protection area.  By selecting a new IT system in 2014 for rollout in 2015 Dialog, also, improved control over access granted to specific project data for employees and external third parties.

## Key metrics

	2012 actual	2013 target	2013 actual	2014 target	2014 actual	2015 target
Number of employees	806	N/A	1,107	N/A	1,373	N/A
Investment in training and development	US\$1 million	US\$1.5 million	US\$1.47 million	US\$1.7 million	US\$1.91 million	US\$2 million
Members of Technical Ladder	25	30	30	35	35	40
% of employees participating in charitable activities	6%	10%	13%	20%	40%	50%
Amount donated for corporate giving programme	US\$128,000	US\$400,000	US\$485,000	US\$500,000	US\$500,282	US\$600,000
Number of locations involved in charitable activities	9	10	12	14	14	16
Number of interns from partnership universities	22	25	25	30	30	40
Number of students with university scholarships	8	10	10	12	12	15
Number of low-income access bursaries	3	6	6	9	9	10



	2012 actual	2013 target	2013 actual	2014 target	2014 actual	2015 target
Number of Master Thesis students	2	3	3	5	4	6
Number of schools' liaison programmes	14	15	18	20	20	22
Recycling rate in our five major design centres	92%	95%	95%	Changing the way we manage recycling	Waste Concept CEP1001-E04 implemented in major DS locations	Waste Concept CEP1001-E04 shall be implemented in new acquired locations as well
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%	Reduction of 44.5% in our design centres	Further reduction of 30%
Major suppliers having a formal CSR policy	91%	100%	100%	100%	100%	100%
Increase collection rate of copper from scrap devices	47% increase	Further 5% increase	225% increase	Further 15% increase	164% increase	Further 15% increase
Increased quantity of recovered gold	26% increase	N/A	61% increase	Further 10% increase	-41% decrease (the technology is now based more in copper)	N/A since new technology used is based more in copper
Increased quantity of recovered silver	250% increase	N/A	300% increase	Further 10% increase	332% increase	Further 10% increase

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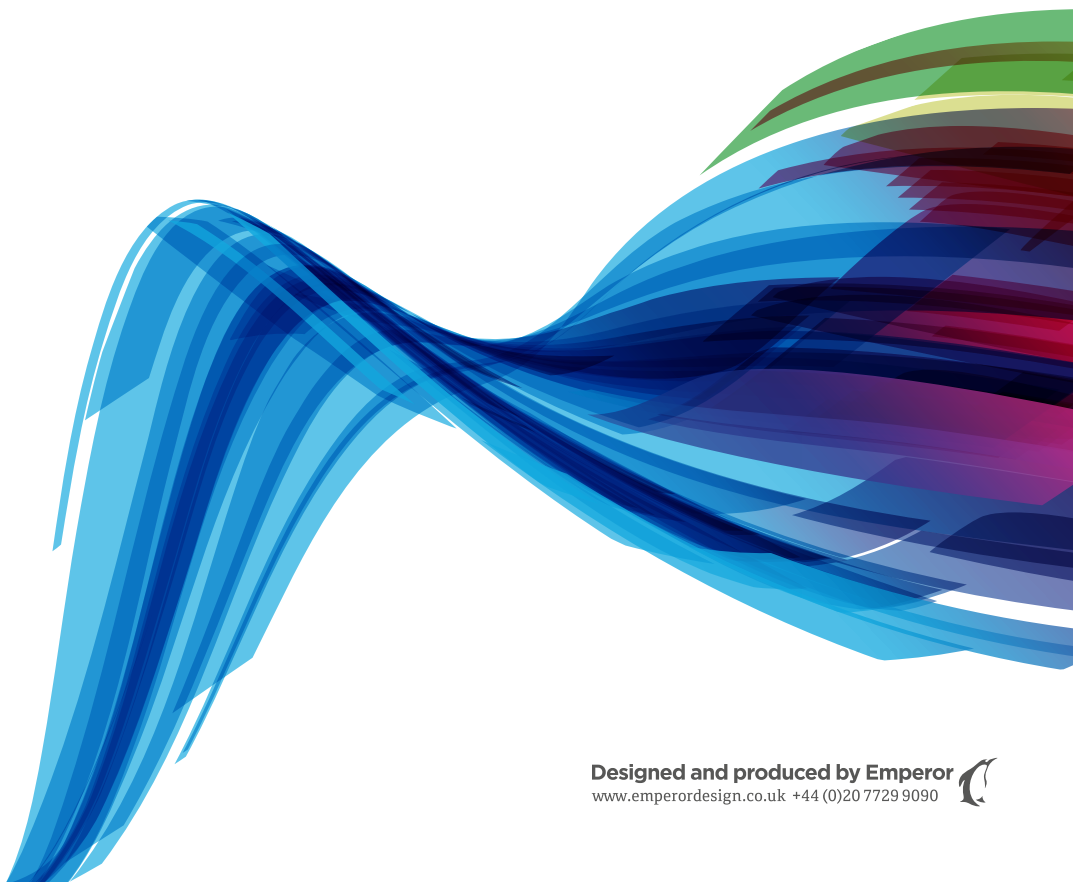
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