



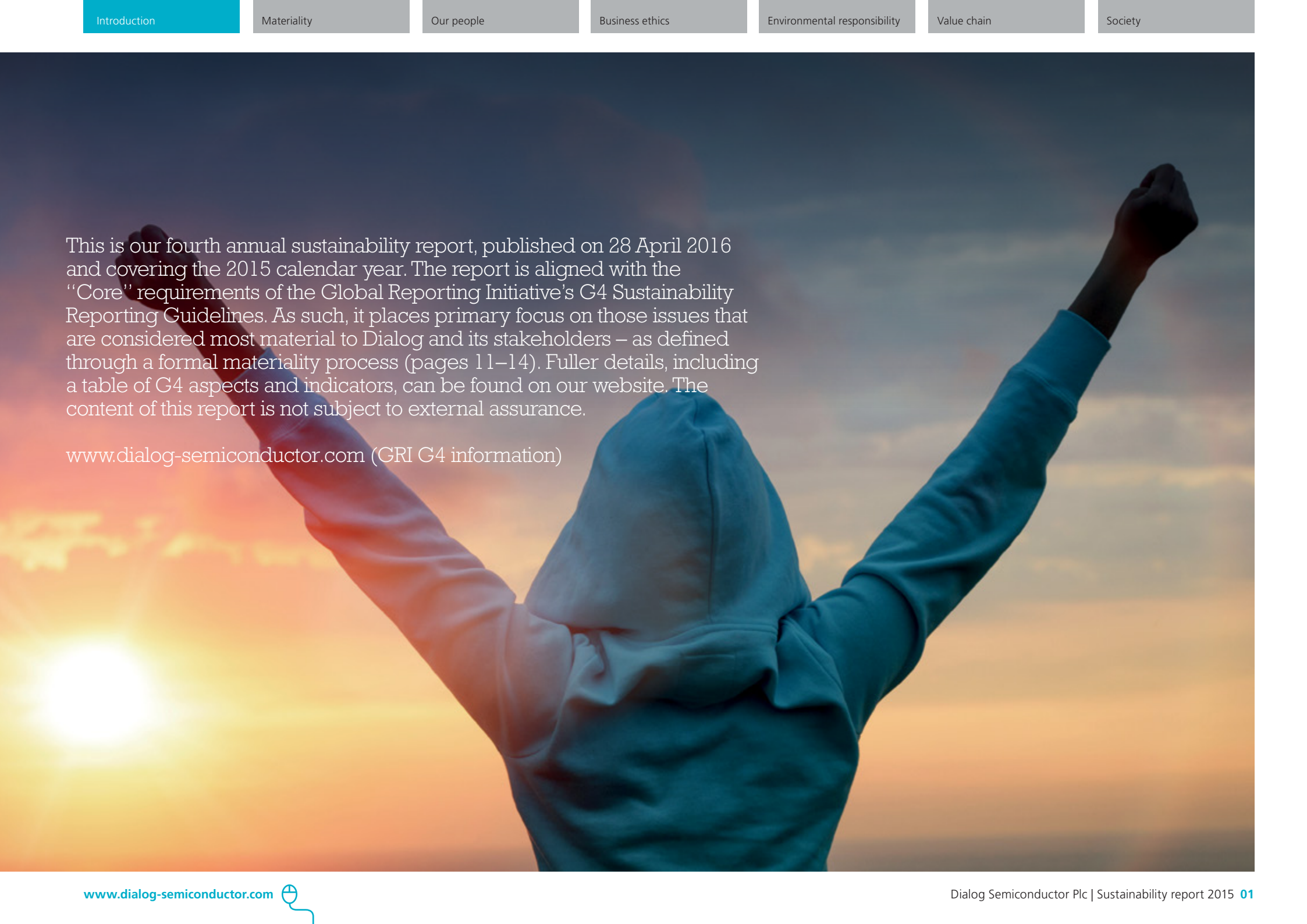
Sustainability report 2015



Welcome

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A person wearing a blue hoodie is seen from behind, with their arms raised in a 'V' shape against a vibrant sunset sky. The sun is low on the left, creating a warm orange and yellow glow. The person's arms are extended upwards, and their hands are clenched into fists.

This is our fourth annual sustainability report, published on 28 April 2016 and covering the 2015 calendar year. The report is aligned with the “Core” requirements of the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines. As such, it places primary focus on those issues that are considered most material to Dialog and its stakeholders – as defined through a formal materiality process (pages 11–14). Fuller details, including a table of G4 aspects and indicators, can be found on our website. The content of this report is not subject to external assurance.

www.dialog-semiconductor.com (GRI G4 information)



Building on excellence



As an innovative company that is strongly focused on growth – and as a supporter of the United Nations Global Compact (“UN Global Compact”) – we aspire to apply sustainability management standards commensurate to our business ambitions.

Our fourth report marks a tangible step forwards in our efforts to offer higher levels of transparency around the most important issues affecting our business and stakeholders, our efforts to manage these issues and the outcomes of our efforts. This includes our avoidance or minimisation of any negative impacts we might otherwise have, as well as the maximisation of our positive impacts. On behalf of the Board and the Executive Team I would like to thank the teams in Quality & Environment Systems, Supply Chain & Value Management, and Manufacturing – as well as the sustainability champions and all other employees involved – for their efforts and dedication in support of all our sustainability activities.

Technological innovation, value creation, power management and energy efficiency sit at the core of our business, with our integrated circuits enhancing the usability, effectiveness and sustainability of more than one billion electronic consumer products during 2015.

Likewise, the nature of our fabless model means we face relatively limited levels of exposure to sustainability risks within our own operations. Furthermore our integrated circuits are manufactured by carefully selected, technologically advanced fabrication partners, who apply mature management systems to address issues such as quality control, human resources and environmental performance. Their highly automated plants are typically staffed by well-qualified technicians and engineers and are subject to strict operational oversight. Indeed, we assign at least one of our own staff members to any plant that is producing integrated circuits for us. This not only enhances our ability to monitor the production process and quality control, but also the degree to which our partners’ responsible management practices satisfy both our own requirements and those of our customers. As such, we are able to deliver high levels of assurance to our own customers regarding the potential risks that they are exposed to through our supply chain.

This does not mean we can afford to be complacent. We need to anticipate and meet evolving social norms, customer requirements and legal compliance standards. By doing so, we will continue to demonstrate to our partners that we can be trusted to apply the kind of sustainability standards one would expect from a truly responsible global company.

Dr Jalal Bagherli
Chief Executive Officer

Our performance over the year

In 2015, we advanced our management of sustainability issues through the implementation of our first formal materiality process.

The purpose of this exercise was to identify and prioritise (with the help of our external partners) those sustainability issues impacting Dialog and its stakeholders. The results are being used to help define our sustainability strategy and to ensure the right allocation of resources for its effective implementation. Furthermore, the results have directly informed the contents of this report – which is aligned with the “Core” requirements of the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines.

As a result, the content of this report is now more closely tailored to the specific nature of our business model, activities and relationships. This is reflected, for example, by the following changes compared to our 2014 Sustainability Report:

- Additional detail regarding the underlying management systems we apply in relation to our material sustainability issues.
- Reduced emphasis on our *direct* health, safety and environmental impacts – reflecting the fact that the impacts of our office-based business are, in reality, relatively limited.
- Enhanced content on our positive sustainability impacts, including those relating to technological innovation (page 36), the environmental impacts of our products (pages 37–38) and our broader economic impacts (page 36).
- Increased emphasis on the management of potential human rights, labour rights, and health and safety impacts in our supply chain (page 28) – and on the exclusion of conflict minerals from our products (page 24).

Importantly, we also successfully maintained our high levels of sustainability performance. Key highlights are:

- Distribution of US\$1,201 million in economic value to our employees, suppliers, host governments, local communities and providers of capital. This represents 89% of our total turnover.
- Provision of sponsorship, access bursaries and industrial placements to a total of 79 graduate and postgraduate engineering students.
- Participation in a strategic partnership with University Technical College Swindon (“UTC Swindon”) in the United Kingdom – benefiting (along with additional mentoring and support) a total of 200 secondary school students.
- Screening of all new significant fabrication partners (i.e. those supplying more than 1% of our total volume of integrated circuits) against our Self-Audit Checklist, which covers labour and human rights, health and safety, the environment and business ethics, as well as the application of pre-qualification audits to all new fabrication partners.
- Auditing of all seven existing significant fabrication partners against our Supplier Audit Checklist and Corporate Social Responsibility Checklist – with no “major” negative audit findings identified. Likewise, these processes did not identify any material risks relating to human rights, labour rights, health and safety or the environment.

In 2016 we aim to make further progress towards defining a sustainability strategy aligned with the results of our materiality assessment. This will help ensure that we truly integrate sustainability into our business and support Dialog’s long-term value.

sustainability@diasemi.com

The Dialog business model

We design and distribute highly integrated semiconductors using best-in-class manufacturing and packaging technologies. 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. This 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 and collaborative design cycle

In the consumer electronics market, product development times are short due to rapidly evolving consumer requirements in a highly competitive and changing market.

3. Market-leading products

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

2. High-touch fabless model with strong production partnerships

Our foundry, test and packaging partners are amongst the leading companies in their field and we have developed a strong collaboration with them over time.



For more information on our business model, please see our 2015 annual report.

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Power efficient product range

Page 06

Reusable IP portfolio

Pages 23, 36

Trusted relationships with customers

Pages 22–23, 32

Environmental outputs

Pages 26, 33

Economic value creation

Page 36



Our products

Effective power management and pervasive connectivity remain at the core of the consumer electronics market.

Dialog's focus and expertise in power management and short-range wireless connectivity semiconductors contributes to lower power consumption for a range of portable devices and applications in the consumer products market.

Our integrated design approach helps to reduce component size and numbers, meaning our customers can reduce costs and maximise performance.

Our technology portfolio includes power management, audio, Bluetooth® Smart, Rapid Charge™ AC/DC power conversion and multi-touch.



For more information on our product range and forward focus please see our 2015 annual report.



Power Management

- Power efficiency
- Longer battery life
- Reduced energy use up to 30% of a portable device
- Lighter, thinner, smaller



Connectivity

- Ultra-low power Bluetooth® Smart
- Up to 30 days of battery power for wearable products, like the Mi Band
- 50% reduction in power consumption and size of classic Bluetooth
- One of the most energy-efficient connectivity solutions available to consumers



Power Conversion

- High efficiency AC/DC power converter
- Reduced energy consumption
- Reduction in number of components required
- Zero standby power consumption for portable devices

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.

Typical usage tests show our power management integrated circuits ("PMICs") can decrease the power consumption of a portable device by up to 30%.



We launched the world's first Bluetooth® Smart Wearable-on-Chip™. The small, ultra-low power integrated circuit includes key functionalities to create a fully hosted wearable computing product.

Our Bluetooth® Smart solution in the Mi Band can deliver up to 30 days of battery power from a single charge. This is more than double the battery life of its closest competitor, creating one of the most energy efficient connectivity solutions available to consumers today.

Our Bluetooth® Smart technology is projected to save the equivalent of 2 million coin cell batteries over the lifetime of devices produced in 2015.



Our AC/DC converters and LED drivers 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.

Dialog was the first company to introduce a zero standby power AC/DC pulse width modulations ("PWM") controller.

The IW1700 reduces no load power consumption to less than 5 milliwatts, or effectively zero for smartphones, cordless phones, tablets and other portable devices.

Our LED drivers enable very high efficiency light bulbs, significantly reducing energy usage. This means consumers can benefit from LED bulbs with an average lifespan of ten years or more, compared to just three to four years with compact fluorescent bulbs.



Our approach to **sustainability**



Our Vision and applicable external standards

As a participant in the United Nations Global Compact ("UN Global Compact"), we aim to do business in a way that respects human rights, supports responsible labour practices, protects the environment and maintains strong business ethics – and that helps advance broader sustainable development.

In addition to being the right thing to do, we believe this approach will ultimately support the long-term value of our business. This is due to the increasingly stringent expectations of our investors, our customers and the end-consumers of the products in which our technology is integrated.

As such, our Vision is to embed sustainable and responsible practices into the way we act internally and engage externally. We are guided in this respect by a range of corporate policies and codes, including our:

- Corporate Code of Conduct ("Dialog Code of Conduct").
- Quality and Environmental Policy.
- Health and Safety Policy.
- Intellectual Property Policy.
- Conflict Minerals Policy.

We extend related requirements to our major suppliers through the application of our Supplier Code of Conduct, which incorporates the requirements of the Electronics Industry Citizenship Coalition ("EICC") Code of Conduct.

In addition, we apply the following external standards:

- Ten Principles of the UN Global Compact.
- ISO14001 environmental management system standard, to which we are certified.
- ISO9001 quality management system standard, to which we are certified¹.

We are also guided in our external sustainability reporting by the Global Reporting Initiative's G4 Sustainability Reporting Guidelines.

Sustainability management

In 2015, sustainability management was overseen by our Chief Financial Officer, who was supported by our Head of Corporate Social Responsibility, Sustainability and University Relations. Further details regarding the management of specific issues within Dialog can be found in the following chapters.

In early 2016 we initiated a series of internal organisational changes to better integrate sustainability management into our core business activities. This is to fully embed sustainability into the responsibilities – and actions – of managers throughout the Company. At the time of publishing this report, we were in the process of defining our new sustainability governance framework, including relevant management accountabilities. Once this is finalised, further details will be made available through our public reporting.

¹ We also require all of our major suppliers to be certified to both ISO14001 and ISO9001 – amongst other management system standards. See page 29.



Materiality

Materiality

We aim to align our sustainability management activities (including reporting) with our most material issues.

We have worked with external advisors to identify and prioritise these issues on the basis of:

- The potential or actual impact of Dialog on its stakeholders.
- The potential or actual impact of stakeholders on the ability of Dialog to achieve its business objectives.

This process has been informed by:

- Ongoing stakeholder engagement throughout 2015.
- Targeted stakeholder engagement in 2015 and 2016 to directly support our materiality process.
- Our corporate risk management process.

Stakeholder engagement

Our ongoing engagement with internal and external stakeholders helps us understand:

- The impact of our activities and relationships on others – and how we can best manage these impacts in a responsible manner.
- The potential risks and opportunities associated with stakeholders – and how we can best manage these in a proactive way.
- The ongoing effectiveness of our management actions.

In this context, we select stakeholders we engage with on the basis of:

- Their actual and potential impact on Dialog.
- Dialog's actual and potential impact on stakeholders – both positive and negative.

In addition to informing our materiality process, stakeholder engagement also helps inform our corporate risk management process (page 12).

General stakeholder engagement activity in 2015

Stakeholder type	Form of engagement	Frequency of engagement	Examples of issues raised
Employees	<ul style="list-style-type: none"> – Annual employee survey – Employee annual reviews – Regular communications on Company intranet – Global sustainability group representatives from each office 	<ul style="list-style-type: none"> – At least monthly – Quarterly group conference calls 	<ul style="list-style-type: none"> – Involvement in sustainability activities – Terms of employment – Working environment – Company strategy – Learning and development
Investors	<ul style="list-style-type: none"> – Annual report – Investor roadshows – Sustainability roadshows – Ongoing investor relations engagement 	<ul style="list-style-type: none"> – At least daily 	<ul style="list-style-type: none"> – Industry dynamics – Technological trends – Company performance – Business strategy – Supply chain management – Governance (including sustainability)
Customers	<ul style="list-style-type: none"> – Customer service feedback – Customer audit activity 	<ul style="list-style-type: none"> – At least annually 	<ul style="list-style-type: none"> – Product design – Product quality and price – Delivery schedules
Community	<ul style="list-style-type: none"> – Sustainability report – Community projects 	<ul style="list-style-type: none"> – Monthly to annual contact with local communities 	<ul style="list-style-type: none"> – Donations and in-kind support
Peers	<ul style="list-style-type: none"> – Industry forums and work groups 	<ul style="list-style-type: none"> – Ad hoc 	<ul style="list-style-type: none"> – Industry dynamics – Technological trends
Government/regulators	<ul style="list-style-type: none"> – Government consultations – Regulatory enquiries 	<ul style="list-style-type: none"> – Ad hoc 	<ul style="list-style-type: none"> – Environmental regulations – Product standards
Suppliers	<ul style="list-style-type: none"> – Procurement contract tenders – Supply chain audits – On-site presence at fabrication plants – Performance reviews 	<ul style="list-style-type: none"> – At least daily with respect to major suppliers 	<ul style="list-style-type: none"> – Product quality and price – Delivery schedules – Management of identified issues in the 2014 process – Implementation of the 2015 auditing process



Materiality continued

Risk management

Our Risk Management office identifies the key risks faced by Dialog and reports these, along with the status of any mitigating actions or controls, to the Executive Team and Audit Committee.

These risks are recorded in a central risk register, which is reviewed by our Executive Team and Audit Committee. The risk register is used to plan our internal audit activity and assess any potential impact on our strategy.

Key sustainability risks in 2015

Although the risk register cuts across all aspects of our business, key risks relating to our sustainability performance are set out below. Each of these has been integrated into our materiality process. For more information on our principal risks please see pages 48–52 of our 2015 annual report.

Strategic risks

- **Human capital:** The need to support ongoing product innovation and ensure Dialog has the appropriate leadership capabilities for an expanding and increasingly complex global operation.

Operational risks

- **Fabless business model:** The need to ensure that our suppliers perform (both operationally and otherwise) in a way that does not undermine our customer relationships.

Legal and compliance risks

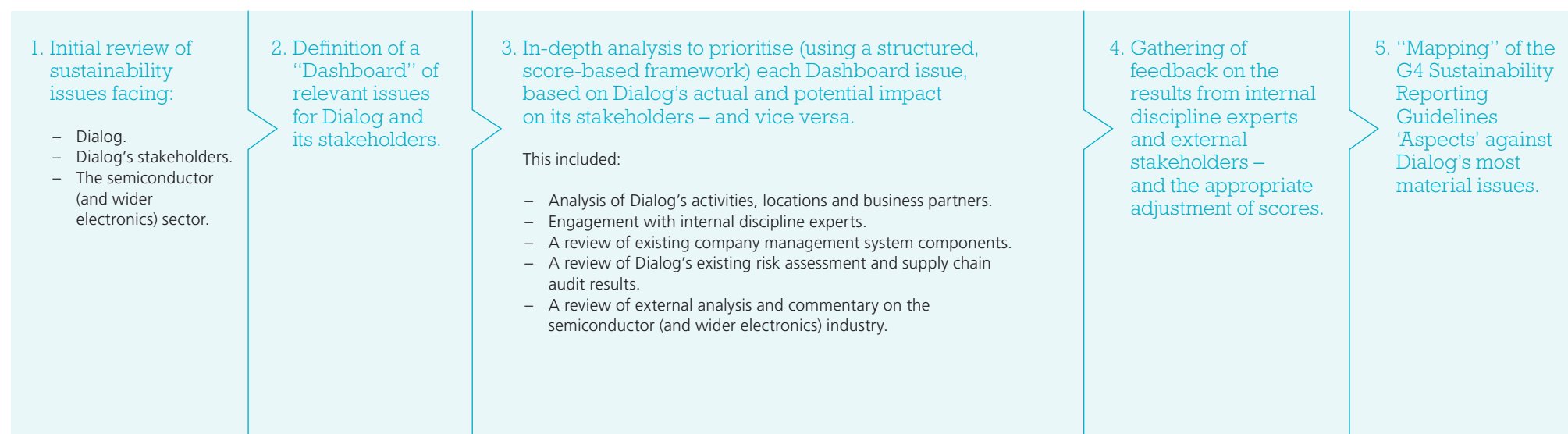
- **Legal compliance:** The need to understand – and comply with – local applicable laws and regulations as Dialog expands into new jurisdictions.
- **Environmental compliance:** The need to ensure that (in the context of the fabless model) suppliers comply with applicable environmental regulations.
- **Intellectual property:** The need to legally and physically protect highly innovative intellectual property held by Dialog.



Materiality process

In 2015, we carried out our first *formal* materiality process to define our most material sustainability issues. This was with the aim of not only informing our public sustainability reporting, but also to help define current and future sustainability management priorities within Dialog.

Materiality assessment process



As part of our materiality process, we carried out a targeted external engagement exercise to gather feedback on our initial results. This was based on bilateral engagement with a range of external stakeholders, including those drawn from:

- The investment community.
- Industry bodies.
- Community partners.
- The education sector.
- Suppliers.

The results of this engagement have been integrated into our materiality process, resulting in the following changes:

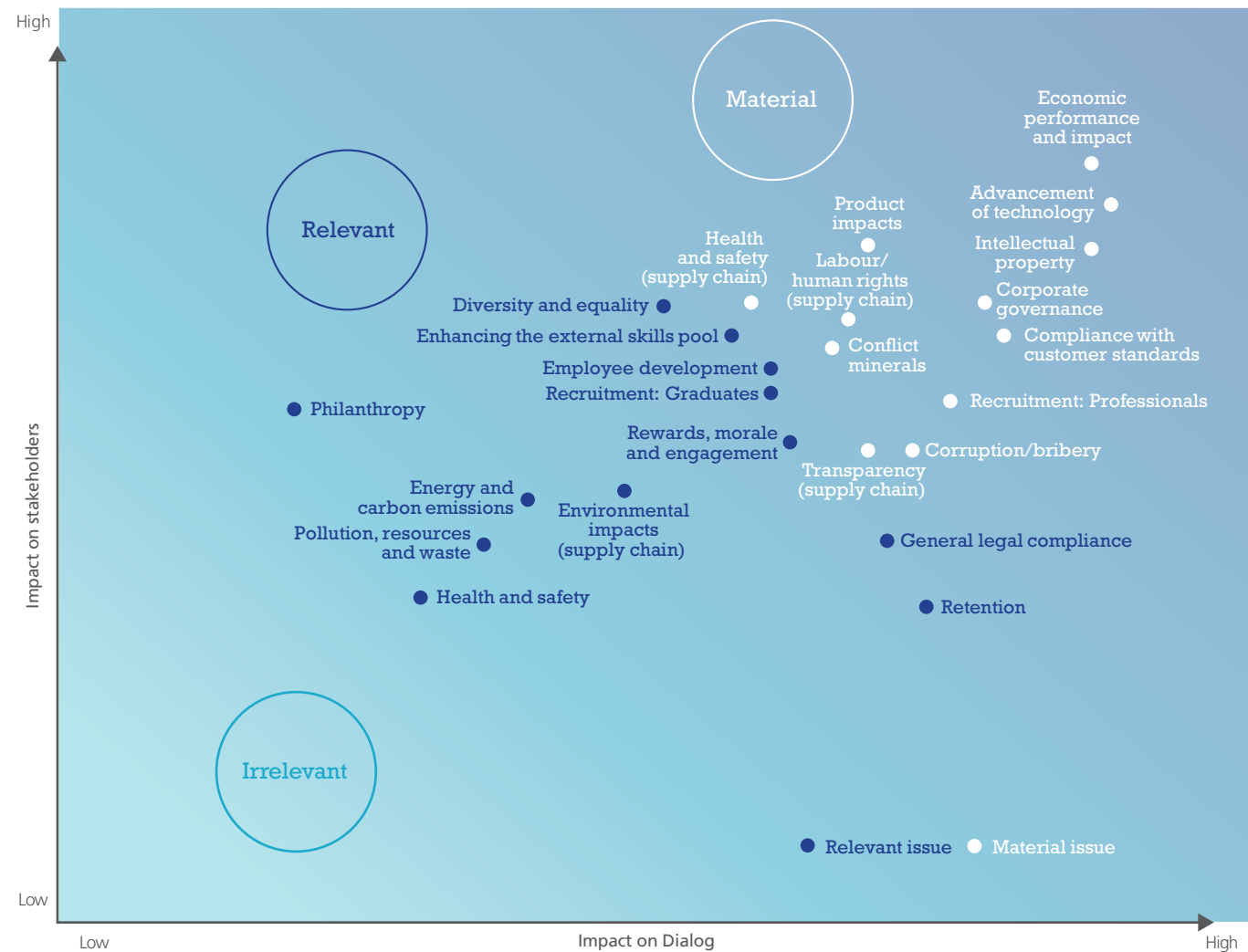
- **Health and safety:** Increased impact on stakeholders and Dialog.
- **Conflict minerals:** Reduced impact on stakeholders.
- **Energy and carbon emissions:** Increased impact on stakeholders.
- **Governance:** Increased impact on stakeholders.
- **Employee development:** Increased impact on Dialog.

Materiality process continued

Materiality matrix

The outputs from our materiality process are set out in the matrix. This includes our most material issues, as well as a range of additional relevant issues that we are also proactively managing.

Dialog's materiality matrix



Our people

2015 headcount

1,660

(2014: 1,373 +21%)

Locations

31

Countries

14

Nationalities

62



Our people

The nature of our business, which relies on the ongoing advancement of cutting-edge semiconductor technology, means we are highly reliant on our ability to recruit, retain and develop high-quality electronic engineering professionals, as well as leading management talent.

Materiality

Our continued ability to recruit, retain and develop experienced engineering professionals and managers is particularly important given:

- Strong, ongoing competition for skills within the sector.
- An ageing electronics engineering demographic.
- Our strong commercial growth.

In this context, we are focused on maintaining a sustainable skills pipeline – ranging from the identification, development (and ultimate recruitment) of high-potential undergraduates through to the attraction of experienced experts. We take a holistic view towards both recruitment and retention that looks beyond the provision of highly competitive financial rewards. We also aim to deliver the kind of lifestyle, working environment, development opportunities and inclusive culture that allow our people to develop high-quality, long-term careers with us.

Management approach

We manage our people through:

- The application of national-level human resource policies, tailored to reflect local legal requirements, business priorities and labour markets.
- The application of our corporate Code of Conduct (“Dialog Code of Conduct”)¹, which sets out our minimum, group-wide requirements in relation to labour and human rights, health and safety and related issues.
- Ongoing talent planning and gap identification.
- Proactive engagement at university level to identify and recruit new talent.
- Ongoing identification and engagement of high-value professionals and leaders.

Responsibility for our performance sits with the Senior Vice President Human Resources. He is supported in this role by dedicated local Human Resource teams.

Overall workplace profile² as of 31 December 2015

	Employment type		Gender		Total
	Full time	Part time	Male	Female	
Total employees	1,601	59	1,398	262	1,660
Temporary employees					25
Permanent employees					1,635

² Please note that we do not have any supervised workers nor do we make material use of workers who are legally recognised as self-employed or employees/supervised employees of contractors.

Geographic distribution of workforce

Region	Gender		Total
	Male	Female	
Asia	232	47	279
Europe	982	172	1,154
North America	184	43	227
Total	1,398	262	1,660

¹ See www.dialog-semiconductor.com/investor-relations/corporate-governance/code-of-business-conduct-and-ethics

Recruitment and retention

At the end of 2015 we employed 1,660 people, a 21% increase on 2014. We now operate from 31 locations in 14 countries and our global workforce continues to increase in diversity. Dialog employees are drawn from 62 nationalities. We continue to recruit globally for the most talented people, identify centres of engineering talent and build our business around them. In 2015, we expanded our existing design centres in Europe, Asia and North America.

The nature of our industry means those working in it are highly skilled, international in flavour and mobile. As such, and subject to any relevant regulatory restrictions, the national or sub-national origins of applicants is irrelevant as far as our recruitment process is concerned.

Graduate recruitment

We run a targeted graduate recruitment and development programme to ensure that we maintain a robust and sustainable skills pipeline to support both our current and future success. Key components of our graduate recruitment process include:

- Sponsorships and internships.
- Direct recruitment from our partner universities.
- Careers fairs and university events.

In 2015, this helped us recruit a total of 40 new graduates into our workforce – all of whom have been enrolled in our formal Dialog Graduate Development Programme.

Retention

In 2015, staff turnover was 6.9% (2014: 5.7%). In order to minimise staff turnover, Dialog has an improved performance management system to ensure that we are able to reward our best employees through appropriate mechanisms, including career development. These activities include:

- Ongoing market place benchmarking.
- The creation of a strong employment proposition to attract people.
- Retention and new Long Term Incentive programme for key employees in 2015.

In addition to these formal programmes, we actively expose our engineers to challenging projects and customer relationships. In our experience this is one of the best ways to encourage high levels of motivation, personal development and long-term commitment to the Company.

Manager retention rate

95.0%

(2014: 93.3%)

Overall employee retention rate

93.1%

(2014: 94.3%)

Beata Druszcz

Graduate recruitment profile

Dialog's Graduate Analog Design Engineer, Beata Druszcz, joined Dialog as part of the UK Electronic Skills Foundation ("UKESF") scholarship programme. As a programme partner, Dialog offers scholarships, work placements and internships to electronic engineering students. Having completed a UKESF Summer Workshop in 2013, Beata was then offered her first internship opportunity.

Beata completed two internships with Dialog while studying in her last two years of a five-year MEng degree in Electronics and Electrical Engineering at the University of Edinburgh. On completion of her final internship, Beata was offered a permanent role as a Graduate Analog Design Engineer.

During this time, Beata ran for the UKESF Scholar of the Year Award 2014. As well as an excellent academic record, Beata volunteered in her hometown in Poland, visiting local schools and encouraging young people to consider electronics as a possible career path. Beata has also taken part in the Women in STEM Education "People Like Me" Campaign, which educates girls on the different opportunities available through the study of engineering or science.

Beata cites the positive atmosphere at Dialog and the lifelong development opportunities that come with a career in electronics as the main reasons behind her decision to work in the electronics industry.



Our people continued

Development

As a research and development-led business that specialises in innovative technology, it is important that we stay at the cutting edge of our sector (page 36).

Furthermore, our current growth strategy means we are going to need an ever-larger body of skills and experience to help drive our expansion. Although some of this can be “bought in”, we face strong competition from our peers. In addition, we need to make sure that we invest in our existing human capital on an ongoing basis.

This makes it incumbent on us to ensure our employees have access to high-quality development opportunities. This not only enhances their skills, expertise and future earning potential, but also enhances the internal pool of world-class talent we can call upon and incentivises high performers to continue developing their career with us.

This process is managed through our recently introduced Learning Management System, which helps us understand our internal capabilities, target key training content at individuals and measure the impact of our training and development efforts. The key means by which we develop people include:

- Professional training.
- Management and leadership training.
- Personal development.
- On-the-job learning.
- e-Learning modules.
- Mentoring.

In 2016, we will continue to develop our management and leadership learning portfolio to support the organisation.

Workplace

Rewards, morale and wellness

We aim to maintain a positive, healthy and motivated workforce – that is aligned with and actively supports Dialog’s business goals. This includes the provision of:

- Appropriate remuneration, benefits and bonuses.
- A positive and entrepreneurial working culture supported by constructive management approaches.
- A healthy working environment that supports long-term employee wellbeing.

By doing so, we believe we can support employee motivation and performance in the short and long term, while also enhancing our ability to retain the valuable skills and experience offered by those who work for us.

Rewards

Our rewards are managed by our human resource policies, implementation of which is overseen by our Senior Vice President Human Resources. We offer employees a strong and multi-faceted compensation package that includes:

- Competitive base salaries.
- Pension contributions.
- An annual bonus scheme linked to Company profit and personal performance.
- A share option scheme for everyone from graduates upwards.

We regularly benchmark our employee benefits against both the international market and the local markets in which we operate. This includes close analysis of packages offered by our competitors to ensure that our own offering remains attractive.

Fewer than 2.5% of our employees are party to collective bargaining agreements, which is typical of our industry.

Ratios of standard entry level wage by gender compared with local minimum wage at key operating sites

Location	Minimum wage in place?	Ratio of employees’ standard entry level wage to local minimum wage (if applicable)	
		Male	Female
United Kingdom	Yes	2.21	2.21
Germany	Yes	2.86	2.86
Netherlands	Yes	2.27	2.27
United States	Yes	4.27	4.27
China	Yes	2.79	2.79



Morale and wellbeing

We believe that it is in the interest of both Dialog and our employees to maintain a positive working culture characterised by engaged, motivated and healthy individuals. In terms of employee engagement, we actively promote:

- Effective, two-way communication between managers and employees.
- Clear executive communication.
- Internal suggestions programmes.

We assess levels of employee engagement on an annual basis, with the last Company survey taking place in 2015. The average score of the employee engagement survey in 2015 was 66%, two percentage points above 2014. In 2015, we built on the insights gained from this survey by initiating both corporate and local initiatives to further improve engagement.

We also implement a number of initiatives aimed at promoting employee morale and wellbeing. These include generous time off policies, employee volunteering opportunities, workplace social events, as well as incentive programmes and employee recognition initiatives aimed at ensuring a healthy work/life balance.

In addition, we supplement our core rewards package with a range of additional benefits. These include (depending on location):

- Medical benefits (including eye testing and massages).
- Employee assistance programmes to provide confidential support to those facing challenges in their working and personal lives.
- Health, disability and life insurance.
- Fitness initiatives, including a “cycle to work” scheme, subsidised gym membership and an onsite gym.
- Subsidised food, including a subsidised canteen and meal vouchers.
- Childcare contributions for working parents.

Our people continued



Diversity and equality

We are committed to employing and developing those people who have the necessary skills, experience and values to excel in their relevant role – irrespective of their gender, ethnicity, religion, disability or any other non-work related personal characteristic. Furthermore, we recognise the value a diverse workforce can potentially bring in terms of creativity, dynamism and the provision of new perspectives.

In this context, we aim to nurture a working culture characterised by mutual respect and non-discrimination. In 2015, we had no alleged or actual cases of discrimination raised through our internal grievance mechanisms.

The globalised nature of our footprint and the nature of our sector mean that, like many of our peers, we enjoy a highly international workforce – many of whom work for us in locations away from their countries of birth. For example, we have a total of 62 nationalities represented within our business – as well as a senior executive team representing eight different nationalities.

It is a reality, however, that the electronic engineering sector performs relatively poorly in terms of gender diversity. There has been much analysis of why this is the case, with growing focus being placed on invisible, structural considerations that may be limiting female engagement with the sector and/or inducing a degree of self-deselection (i.e. rather than any conscious barriers on the part of the sector). This partly reflects why women currently comprise 15.8% of our workforce (2015: 15.8%) and there is no female representation on our Board of Directors or senior executive team.

As a result, we are keen to raise awareness amongst women both inside and outside the Company about the exciting potential careers available to them at Dialog and to encourage them to explore these opportunities with us (page 18). Furthermore, we are keen to understand how we can make better use of a potentially significant skills pool (in the form of actual and potential female engineers) as a means of addressing current demographic challenges within the electronic engineering sector (page 16).

Health and safety

Almost all of our activities are office-based, with the exception of our testing facility in Nabern and our small testing laboratories. As a result, the risk exposure of our employees (and visitors to our facilities) is relatively low compared with many organisations. It is nonetheless an issue that we actively manage to minimise any health and safety risks associated with our activities, including through the application of our Health and Safety Policy. The policy and its supporting guidance notes are updated on an annual basis (or more frequently where necessary).

In addition, we have:

- A dedicated Health and Safety Representative, who is responsible for communicating health and safety issues and updates to our employees.
- A General Risk Assessment procedure, to identify, evaluate and minimise hazards in the workplace. This is applied throughout the Company for all “mainstream” tasks (i.e. office work).
- Specific Risk Assessment procedures, which are applied to those tasks not covered by the General Risk Assessment (i.e. laboratory work, for example).

Business ethics



Business ethics

Our business relies on the trust of our partners, including our investors, customers and suppliers.

Materiality

Maintaining our partners' trust depends on:

- Our strict adherence to our customers' exacting technical, commercial and ethical requirements.
- The protection of both our own intellectual property and that of our business partners, which is fundamental given the technologically innovative nature of our business.
- Our strict compliance with the laws of our host societies – including those relating to anti-bribery and corruption.

Any breach of this trust, or of our legal obligations, would have the potential to seriously compromise our business – whether in terms of the loss of valuable commercial relationships, the undermining of our reputation or the application of official sanctions.

Management approach

We manage business ethics through:

- The application of the Dialog Code of Conduct, which addresses issues including anti-bribery and corruption, the protection of intellectual property and whistleblowing. The Code of Conduct is applicable to all Dialog operations and to any party that contributes to our products, services and other business activities.
- A range of specific policies addressing issues such as conflict minerals, financial dealings, conflicts of interest and financial crime.

Responsibility for this framework sits with our Senior Vice President General Counsel. He is supported in this role on a day-to-day basis by the Assistant Company Secretary.

Compliance

Legal compliance

As with all companies, it is incumbent on us to comply with the laws of the countries in which we operate. This is likely to require increased management as we extend our global presence into new jurisdictions.

In this context we monitor legal changes in our countries of operation on an ongoing basis to ensure we comply with existing laws and regulations – and anticipate new ones. Our compliance efforts are overseen by our Senior Vice President General Counsel, assisted by our Assistant Company Secretary. We also provide employees training to help them address global compliance issues

In 2015, we were not subject to any material legal sanctions or fines for non-compliance with applicable laws.

Compliance with customer standards

As a supplier of semiconductors to manufacturers of sophisticated electronic goods, we are subject to a significant body of technical, legal and quality control requirements defined by our customers.

In many cases, our compliance with these requirements is included as a condition of contract with our customers – making our strict adherence essential. This is particularly the case with respect to the technical specifications and quality of our highly sophisticated products. Any slight variation in this respect is not only likely to render them valueless from the perspective of our customers, but also has the potential to undermine our customers' own products (and thus brands).

Because of this, we put a significant amount of energy into understanding our customers' extensive requirements and applying comprehensive management systems to ensure that these are fully met by both the design of our products, as well as their production by our fabrication partners. This includes, for example:

- The posting of Dialog personnel at our fabrication partners' sites to monitor production activities.
- An extensive raft of operational quality control measures by which we assess consignments from our fabrication partners.
- Regular business reviews with our fabrication partners to understand their performance and future capabilities.
- Our ongoing annual auditing of our fabrication partners, including against the following management system standards (as well as our Suppliers Control Plan):
 - ISO9001 (quality management)
 - TS 16949 (quality management)
 - ISO14001 (environmental)
 - OHSAS18001 (health and safety)
 - ANSI/ESD S20.20 (electronic discharge control).

Further information on our supply chain auditing activity can be found on pages 29–31.



The performance of our suppliers in this regard is assessed by the following Dialog departments on an ongoing basis:

- **Quality and Environmental:** Quality engineering, physical laboratory, quality and environment.
- **Global Manufacturing Operations:** Test development, offshore operations and assembly development.
- **Supply Chain and Value Management:** Global procurement, supply chain and trade compliance customs and foreign trade.

Similarly, our customers typically apply their own set of compliance measures to ensure we are meeting their requirements. This includes auditing of:

- Our management systems, processes and facility specifications.
- The communication of their own standards to our fabrication partners and their application in practice.
- Product testing processes and documentation.
- Materials and product traceability.
- Possible contamination of products by disallowed substances.

We evaluate customer satisfaction with the quality and specifications of our products on an ongoing basis, using:

- Individual reviews.
- Analysis of any customer complaints.
- Customer surveys.

Intellectual property

The protection of intellectual property is vital for any business focused on the creation of innovative and high-value technological solutions. Any failure in this regard could have profound consequences, for example, on the value of our inventions, products and company. Furthermore, our semiconductors are specifically designed for integration as components into our customers' own products. This means we necessarily access and work with customers' intellectual property and/or commercial and technological secrets. This requires a high degree of trust on the part of our customers, whose business we would lose were this trust to be broken.

We ensure that all intellectual property is adequately safeguarded through the application of:

- A dedicated Intellectual Property Policy (as well as related Information Technology and Intellectual Property Security Policies). Together, these address issues including data security, the regulation of external communications and incident management.
- Related restrictive provisions in both our Code of Conduct and our contracts of employment.
- Robust information technology systems to prevent data leakage.
- Access controls to specific project data for employees and third parties.

In addition, we seek to protect our current business and our intellectual property from being illegitimately copied or used by others through the application of patents, copyright and trademarks on a global basis (see page 36 for further details on our creation of patentable inventions). Our dedicated Patent Committee oversees the identification and legal protection of all new inventions.

In 2015 we had no complaints relating to breaches of customer privacy, losses of customer data or the misuse of customers' intellectual property.



Business ethics continued

Anti-bribery and corruption

We take a zero tolerance approach to bribery and corruption and are committed to acting with integrity in all our business dealings and relationships. In this context, we are subject to national anti-corruption laws, including “extraterritorial” legislation such as the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977.

Our commitment in this respect is set out in our internal Code of Conduct and Financial Crime Policy, which are available on our Company intranet. The Policy is implemented by our Chief Financial Officer and addresses (amongst other things):

- Bribery.
- Facilitation payments.
- Gifts and hospitality.
- Money laundering.
- The raising of concerns.
- Whistleblower protection.

All new employees are trained on the policy during the induction process, while all existing employees are provided with access to an online “eLearning” module on anti-bribery and corruption.

We communicate our zero tolerance approach to corruption to all suppliers, contractors and business partners at the outset of our business relationship – and, where appropriate, during subsequent engagement.

Our Finance department oversees the implementation of appropriate controls and procedures to monitor and prevent inappropriate forms of payment across all of our locations. This includes, for example, duplicate or overpayments, and payment requests to third parties not associated with underlying transactions.

In 2015, we did not identify any material corruption risks or cases of suspected or actual corruption. Were we to identify any suspected cases, these would be subject to internal (or, if necessary, external) investigation. Any confirmed cases of employees breaching our policy would result in disciplinary action (including potential termination) and/or referral to the relevant law enforcement authorities. Any confirmed cases involving our business partners would result in the review and potential termination of our business relations.

Conflict minerals

We support international efforts to ensure that the mining and trading of tin, tungsten, tantalum and gold (known as “3TG”) from high-risk locations does not contribute to conflict and/or serious human rights abuses in the Great Lakes region of Africa¹ (or elsewhere).

Although we are not subject to the conflict minerals reporting requirements set out in Section 1502 of the US Dodd-Frank Act, many of our customers are. In this context, we are committed to providing our customers with the highest level of assurance possible by:

- Identifying whether any 3TG in our products has originated from the Great Lakes region; and
- (If it has), understanding whether the 3TG in our products has financed or otherwise benefited armed groups.
- Disclosing the results of this process to our customers.

As such, our Conflict Minerals Policy commits us to:

- Supporting the aims and objectives of those provisions of the US Dodd-Frank Act 2010 that relate to 3TG.
- Not knowingly procuring 3TG minerals from the Great Lakes region that are not certified to be “conflict free”.
- Asking our suppliers to undertake reasonable supply chain due diligence to ensure that they only use 3TG that is: (1) sourced from outside the Great Lakes region; or (2) sourced from within the Great Lakes region and which is certified by an independent third party to be “conflict free”.

Our Supplier Code of Conduct requires our suppliers to comply with the Electronics Industry Citizenship Coalition Code of Conduct (“EICC Code”). Under the EICC Code, companies must:

- Provide reasonable assurance that the 3TG in the products they manufacture do not directly or indirectly finance or benefit armed groups that perpetrate serious human rights abuses in DR Congo or its adjoining countries.
- Carry out due diligence on the source and chain of custody of their 3TG and make these due diligence measures available to customers when requested.

In addition, our Supplier Code of Conduct requires suppliers to complete and return information requests regarding the origin of any 3TG contained in products supplied to Dialog. If we do identify 3TG in our products that originate from the Great Lakes region and which may have financed or benefited armed groups, we will carry out further due diligence. If this shows that the 3TG has financed or benefited armed groups, it will be excluded from our supply chain.

In 2015, we did not identify any cases where 3TG integrated into our products may have or did finance or support armed groups in the Great Lakes region.

¹ i.e. DR Congo and its adjoining countries.

Conflict minerals

Evolving EU policy towards the control of conflict minerals

In May 2015, the European Parliament voted in favour of establishing an EU-wide system of self-certified supply chain due diligence applicable to smelters and refiners, mineral importers and manufacturers who source 3TG from “conflict-affected and high-risk areas”. This system proposed by the European Parliament is considerably wider in scope and application than that originally proposed by the European Commission.

Although the final details of the proposed Regulation were pending negotiation between the European Commission, Parliament and Council at the time of publishing this report, there is potential for its terms to be more extensive than those of Section 1502 of the US Dodd-Frank Act 2010 (on conflict minerals). In particular, it has the potential to apply to 3TG associated with conflict and/or very serious human rights abuses from anywhere in the world – not just the Great Lakes region of Africa, as specified by the Dodd-Frank Act.

As such, it has the potential to increase the due diligence requirements applicable to a range of actors within the European electronics industry and beyond. We are monitoring the situation to better understand the implications of the evolving EU Regulation both for our own business and for the levels of future assurance that we will be expected to provide to our own customers.





Environmental responsibility

Environmental responsibility

As we contract out the fabrication of our products, our direct environmental impact remains limited. This being said, we take our responsibilities extremely seriously and seek to minimise and offset our impact wherever possible.

Materiality

We operate responsible practices within our own business and promote them across our supply chain.

Our products themselves are based around a range of green IC solutions, and we aim to have a positive impact on the wider environment through the development and marketing of energy saving technology. We make an ongoing effort to minimise our:

- Energy consumption and carbon emissions.
- Pollution and waste.
- Use of natural resources.

Management approach

Responsibility for environmental performance sits with our Senior Vice President Global Manufacturing Operations. We further govern our environmental responsibility through the application of the Dialog Code of Conduct, which addresses our emissions to air and water, resource use, management of hazardous substances and waste management. Furthermore, we are certified to the ISO14001 environmental management standard, and our Company Quality and Management Manual support our efforts to achieve continuous improvement.

Energy and carbon emissions

We are working across our offices to significantly reduce CO₂ emissions and minimise the carbon footprint of our business. This year, we have offset 100% of emissions from air travel, from our two main design centres and the use of rental cars from our main office in Nabern. We work with Climate Care to offset CO₂ emissions through the Pamir Hydro Project.

	2015
Scope 1	159.8
Scope 2	1,890.7
Scope 3 (travel only)	3,975.1

Scope 1: Direct emissions from self-generation.

Scope 2: Indirect emissions from the consumption of purchased electricity, heat or steam.

Scope 3: Other indirect emissions including those related to transport.

Pollution, resources and waste

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 gold, 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 Programme".

Recycle

Each of our major sites systematically measures and records our emissions, waste and recycling on a monthly basis. This reporting system is utilised to ensure that we closely monitor outputs from our major offices to minimise our environmental impact.

We implement the rigorous recycling of precious metals, such as gold, silver and copper, from waste and damaged products.

Our major sites, such as our Swindon design centre, measure our recycling levels by type of waste, waste recovery levels and the level of waste sent to landfill sites. This allows us to calculate the percentage of recycling, the amount of energy recovered, and the number of trees we have saved per month.





Value chain

Value chain

Dialog works with a diverse set of fabrication partners and other suppliers, many of which are based in Taiwan, the People's Republic of China and other parts of Southeast Asia.

Materiality

Given the nature of our business model and our commercial relationships, value chain management is a particularly important issue for Dialog. This not only includes operational aspects (including the avoidance and mitigation of supply chain disruption and supply constraints), but also sustainability aspects such as:

- The impact of our business partners on human rights and labour rights.
- Health and safety performance amongst our suppliers.
- The environmental impacts of both our suppliers and the contents of our products.

This reflects:

- Evolving stakeholder expectations, which place ever-growing emphasis on the need for companies to identify, and use their legitimate influence to proactively manage, their indirect sustainability impacts.
- Dialog's duty to help protect its customers from reputational, contractual or commercial harm.

Management approach

We manage our value chain through:

- A policy of only dealing with fabrication partners who are accredited to or are compliant with the ISO14001 (environment) and ISO9001 (quality) management standards. In addition, we require our major suppliers to commit to the requirements of our Supplier Code of Conduct (and by extension, to the Electronics Industry Citizenship Coalition ("EICC") Code of Conduct) and to apply their own documented corporate social responsibility policy.
- Screening of all new significant fabrication partners (i.e. those supplying more than 1% of our total volume of integrated circuits) against our Self-Audit Checklist (which covers labour and human rights, health and safety, the environment and business ethics), as well as pre-qualification audits prior to their integration into our supply chain. Further details on our screening activity can be seen on page 31.
- Annual auditing of all existing fabrication partners against our Supplier Audit Checklist and Corporate Social Responsibility Checklist. In addition to requirements relating to ISO14001, OHSAS18001 and ISO9001, auditing covers a range of broader sustainability issues, including those drawn from the SA8000 social accountability standard. In 2015, Dialog carried out 23 supplier audits on this basis. The outcomes of our auditing activity can be seen on page 31.
- Regular Business Reviews during which Dialog managers meet with its suppliers to discuss performance and future capabilities.

In addition, our customers carry out additional auditing both of Dialog and our suppliers. This is to ensure that:

- Dialog is effectively communicating customer standards to our suppliers – and has adequate systems in place to monitor their ongoing application in practice.
- Suppliers are achieving a level of performance that is in line with our customers' own requirements (including those around supplier environmental performance, for example).
- The products supplied to customers meet any relevant sustainability criteria that the customer has committed itself to (including those relating to the type and source of input materials, for example).

Responsibility for supply chain management sits with the Senior Vice President Global Manufacturing Operations. He is supported in this role on a day-to-day basis by the Environmental Manager.

Value chain continued

About our Supplier Code of Conduct

We expect all of our major suppliers to comply with our Supplier Code of Conduct. This supplements Dialog's own Code of Conduct ("Dialog Code of Conduct"), which also applies to suppliers.

About our Supplier Code of Conduct

Under the Supplier Code of Conduct, relevant suppliers must comply with the EICC Code of Conduct. This comprehensive document imposes minimum standards with respect to:

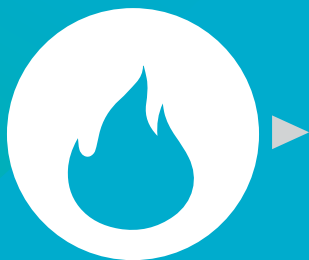
Labour rights

Including the International Labor Organization ("ILO") core labour standards, working hours, wages and benefits, and the treatment of employees in the workplace.



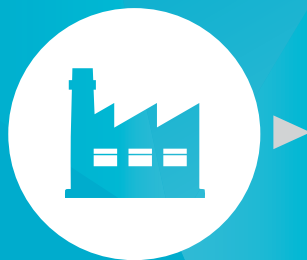
Health and safety

Including occupational health and safety, emergency preparedness, industrial hygiene, living conditions and physical safeguards.



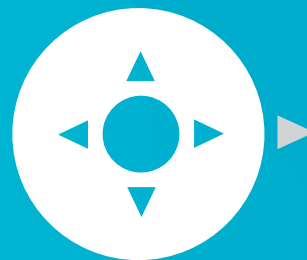
Environmental management

Including pollution prevention, reporting, hazardous substances, waste and wastewater management, and emissions to air.



Ethics

Including business integrity, intellectual property, competition, whistleblowing and conflict minerals.



Management systems

Including policies, lines of accountability, compliance mechanisms, risk assessment, training, auditing and sub-suppliers.



By requiring its suppliers to comply with the EICC requirements, Dialog helps "cascade" good practice throughout its supplier base and minimise its indirect negative impacts. By doing so, it is not only protecting its own reputation, but also the reputation of its customers – some of whom are potentially vulnerable to consumer activism.

www.eiccoalition.org (Code of Conduct)

Sustainability screening and auditing of significant fabrication partners by issue type (new fabrication partners screened¹/existing fabrication partners audited²)

	2013	2014	2015
Health and safety	100% / 100%	100% / 100%	100% / 100%
Environment	100% / 100%	100% / 100%	100% / 100%
Labour rights (incl. human rights)	100% / 100%	100% / 100%	100% / 100%
Society	100% / 100%	100% / 100%	100% / 100%

1 Screening activity is aimed at improving the performance of our fabrication partners where necessary, rather than their exclusion from our supply chain.

2 Includes both documentary auditing and on-site auditing. All of our fabrication partners were subjected to on-site auditing of specific operating sites in 2015.

Type and number of “major” negative audit findings³

	2013	2014	2015
Health and safety	0	0	0
Environment	0	0	0
Labour rights (incl. human rights)	0	2	0
Society	0	0	0

3 i.e. audit findings of sufficient seriousness that Dialog requires immediate correction on the part of the supplier.

Although no “major” audit findings were identified in 2015, Dialog did identify 14 “minor” audit findings. Some examples are set out in the following table. All of these have been notified to the relevant supplier, which is expected to address them within a reasonable timeframe. Progress in addressing such findings is monitored on an ongoing basis.

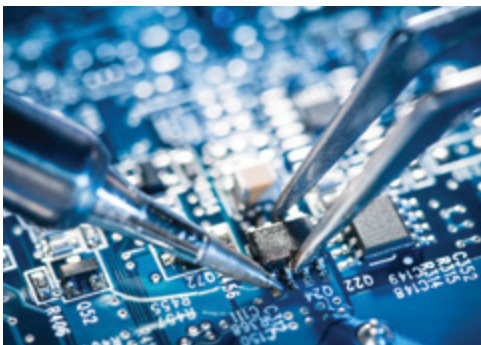
Examples of “minor” negative audit findings in 2015

Health and safety	Incorrect labelling of a Material Safety Data Sheet.
Environment	Fluorescent tubes in waste area not kept in a secure manner.
Labour rights (incl. human rights)	An unsecured window in a dormitory.
Society	n/a

www.dialog-semiconductor.com (Code of Conduct)



Value chain continued



Transparency

Value chain transparency is vital for the maintenance of predictable sourcing and marketing operations, as well as the avoidance and/or minimisation of any negative indirect impacts that we might otherwise contribute to. This includes impacts relating to human rights, labour rights, health and safety, and the environment.

It is a particularly important issue for Dialog, due to:

- Our “fabless” business model, which makes us highly reliant on the ability of our fabrication partners to meet the stringent quality requirements imposed on us by our customers – and to protect our own reputation by maintaining responsible working practices.
- High levels of sensitivity amongst key consumer-facing electronics brands regarding their potential exposure to reputational risk via their supply chains.
- Increasing stakeholder scrutiny of the electronics industry regarding indirect negative impacts taking place at lower, less visible tiers of the supply chain (including amongst sub-suppliers) – particularly in relation to mineral extraction, trading and processing.

In this context, we require our major suppliers to:

- Provide assurance regarding their compliance with our Supplier Code of Conduct through Self-Assessment Questionnaires, validation audits and the provision of documentation.
- Maintain membership of the EICC’s online data management system (“EICC-ON”).
- Complete and return information regarding the origin of potential conflict minerals integrated into parts supplied to Dialog (page 24).

In addition, we assign at least one Dialog representative at each of the fabrication plants producing integrated circuits for us. This allows us to clearly communicate our operational, quality control and sustainability requirements to our partners on an ongoing basis, while also identifying and (in partnership with our fabrication partners) proactively addressing any issues of potential concern.

Responsible supply chain management

Human rights and labour rights

Dialog’s suppliers must demonstrate a commitment to upholding workers’ human rights and to treating them with dignity and respect. In addition to key requirements around the ILO core labour standards (relating to forced labour, child labour, discrimination and freedom of association), the Dialog Code of Conduct also requires our major suppliers to:

- Follow relevant national law with respect to working hours, holiday entitlements and the outsourcing of labour.
- Ensure workers are not subject to physical or verbal abuse, bullying, or any form of unlawful harassment and intimidation.

The Dialog Code of Conduct is directly informed in this respect by the following instruments and standards:

- Universal Declaration of Human Rights.
- ILO International Labour Standards.
- UN Global Compact.
- Electronic Industry Code of Conduct.
- SA8000 social management system standard.

In 2015, none of our significant suppliers or our own operations were found to pose a significant risk to – or to have violated – individuals’ human rights and labour rights (including those relating to the core labour standards).

Health and safety

The highly regulated and automated nature of our fabrication partners’ plants – as well as the mature nature of their health and safety management systems – mean that their risk profile is relatively low compared with many assembly plants higher up the value chain (i.e. where chips are integrated into larger consumer products).

Nonetheless, we work with our major suppliers to ensure that what risks do exist are minimised. In this context, the Dialog Code of Conduct and Supplier Code of Conduct (including the related EICC Code) require them, amongst other things, to:

- Minimise worker exposure to potential health and safety risks, including through the application of design, engineering and administrative controls (including safe work procedures, training and the encouragement of employees to raise related concerns) – as well as the provision of protective equipment where necessary.
- Apply systems to prevent, manage, track and report health and safety incidents, including the proper recording of all cases of occupational injury and illness, the provision of medical treatment and the development/implementation of corrective action plans.
- Implement emergency planning and response measures, including evacuation procedures, the provision of fire detection/suppression equipment, the maintenance of adequate exits and recovery planning.
- Control the exposure of workers to hazardous substances and to physically demanding tasks.

In 2015, none of our significant suppliers or our own operations were found to pose a significant risk to individuals' health and safety.

Environmental impacts

It is important that our fabrication partners respect the environment. This is why we will only work with major suppliers who are accredited to, or comply with, the ISO14001 environmental management system standard.

Under our Supplier Code of Conduct (and related EICC Code), our major suppliers are required to:

- Comply with relevant environmental laws and regulations.
- Minimise their use of resources (including water and energy) and their generation of solid waste and wastewater.
- Identify and safely manage hazardous materials. This includes the provision of relevant materials declarations under EU Directive 2011/65/EU (Restriction of Hazardous Substances or "RoHS2") and EU Regulation (EC) 1907/2006 (Registration, Evaluation, Authorisation and Restriction of Chemicals or "REACH").
- Responsibly manage solid waste (including through recycling) and wastewater (including through treatment prior to discharge, ongoing monitoring and the control of discharges to local water bodies).

- Responsibly manage emissions to air (including volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products) and minimise their greenhouse gas emissions.
- Adhere to all applicable laws, regulations and customer requirements regarding the exclusion of specific substances in products and manufacturing.

We are continuing to work with our major suppliers to develop recovery processes, resource substitution technologies and other methods to reduce carbon emissions throughout the supply chain.

In 2015, none of our significant suppliers or our own operations were found to pose a significant risk to the environment.





Society

Society

Dialog is committed to generating positive social impacts, at both a societal and community level.

Materiality

Our most important social impact (as well as our raison d'être) is our generation of economic value – much of which is distributed amongst our investors, employees, suppliers, host governments and other beneficiaries. Given the ongoing expansion of our business, as well as ever-increasing demand for advanced semiconductor technology, this positive impact is likely to grow – as are our associated indirect economic impacts.

Furthermore, our position at the very forefront of semiconductor R&D means we are constantly helping advance scientific knowledge in this area – helping lay the ground for future technological innovation, whether by ourselves or others. Likewise, the nature of our products, which are primarily focused on power management, power conversion, short range connectivity and solid state lighting, means we play an integral role in helping millions of end-users access affordable and life-enhancing technology.

We also remain committed to having a positive impact at a local level. Our most material issue in this respect is the enhancement of local skills pools. This not only benefits school and university students by enhancing their engineering capabilities, but also helps bolster our own ability to recruit talented new graduates and support our long-term skills pipeline.

Beyond this, we also carry out community engagement and philanthropy. Although these do not represent material issues, such activity is in line with our Vision and helps support our corporate reputation.

Management approach

Full details on how we manage our direct and indirect economic value generation and distribution, as well as our research and development activities, can be found throughout our 2015 annual report.

We help promote electronic engineering skills in our local communities through a range of means, including:

- The provision of sponsorship and access bursaries to engineering students at the universities of Edinburgh, London (Imperial College), Southampton, Ulm and Karlsruhe, as well as National Chiao Tung University.
- A key partnership with University Technical College Swindon ("UTC Swindon") in the United Kingdom.
- Industrial placements for undergraduate students in ten countries.
- Mentoring and support of school students in the UK, Netherlands and Germany.

Responsibility sits with our Chief Executive Officer and Chief Financial Officer (with respect to our economic performance). Meanwhile, our Senior Vice President Engineering is responsible for technological innovation. In addition, in 2015 our Chief Financial Officer oversaw all community investment activity, supported on a day-to-day basis by our Head of Sustainability.



Society continued

Societal benefits

Economic impact

As with any business, our primary obligation is to generate profit for our shareholders. In pursuit of this aim, we also generate broader economic value, much of which is distributed to a wider set of stakeholders.

Direct impacts

Our most important means of distributing value are through:

- Payments to our employees and employed contractors (including both wages and benefits).
- Payments to other businesses, including our fabrication partners and other suppliers.
- Payments to government, including taxes.
- Community investment spending (page 38).
- Payments to our providers of capital.

The generation of economic value is our most material issue. If we don't do it, our business will cease to exist, as will all else that flows from it. In turn, this would materially affect a wide range of our stakeholders, including individuals we would no longer be able to employ, customers who otherwise rely on the continued delivery of our highly specialised products, suppliers who rely on our continued demand for their goods and governments that rely on our taxes.

The table opposite shows how much value we generated over the last three years – and to whom it was distributed.

There are no material government shareholdings in our Company.

Indirect impacts

In addition to our direct economic impact, we also generate a range of additional indirect economic impacts, including through:

- The application of our technology to improve the capabilities and portability of handheld electronic devices (amongst others). This enhances the ability of our customers to develop and market enhanced consumer products – as reflected in the recent boom in advanced mobile communications and tablet technology. In turn, this has helped support the creation and maintenance of jobs amongst suppliers and customers working in this exciting sector. Furthermore, it also supports the delivery of ever-more productive and portable communications and computing technology to end-users. In 2015, for example, we shipped over a billion integrated circuit chips.
- Enhancing skills and knowledge within the electronic engineering community through our range of “pre-employment” educational initiatives, our recruitment and development of high-quality graduate electronics engineers (page 17), the experience our senior engineers gain by working on cutting-edge products (pages 06, 23 and 37) and our considerable investment in R&D.

Technological impact

Our business is also helping advance integrated, mixed signal circuit technology in a range of areas, including:

- Mobile power management.
- Power conversion.
- Bluetooth® Smart connectivity.

Total value generation and distribution by type (US\$ millions)

	2013	2014	2015
Economic value generated	901.4	1,156.1	1,355.3
Economic value distributed	844.5	1,020.7	1,201.1
Operating costs ¹	659.4	764.0	871.7
Employee wages and benefits ²	144.2	210.4	224.3
Payments to providers of capital	13.3	14.8	6.6
Payments to government	27.6	31.5	98.5
Community investments	0.5	0.5	0.6
Economic value retained	56.9	135.4	154.2

¹ Excluding employee wages and benefits and property tax.

² Including share-based payments.

Given the rapid evolution of technology and fast-moving consumer demands, the sustainability of our business requires us to stay at the cutting-edge of these technologies. As a result, we invest a significant amount into R&D. In 2015, for example, we spent US\$223 million on R&D activities, or 16.5% of our total revenue.

Number of United States patents (held and pending) in each given year (non-cumulative)

	2013	2014	2015
Held	36	14	3
Pending	46	104	84

As a result of this kind of investment, we produce original technological inventions on an ongoing basis. This not only helps underpin the future success of our business, but also increases the sum of global technological knowledge in the three areas set out above.

As of 31 December 2015 we had approximately 645 inventions for which we are pursuing or have already obtained patent protection. These include more than 620 cases in the United States, of which around 360 have been granted.

While intellectual property protection around this technology means it will not be shared in the short to medium term (see page 23), in the long term it is technology that can be applied by anyone.

Product impacts

Positive product impacts

The technology that we design, develop and market supports the wider provision (by our business partners) of advanced, affordable technology to consumers in a range of global mass-markets, including:

- Personal, portable handheld devices.
- LED solid-state lighting.
- Automotive technology.

In this context, our products offer a range of advantages to end-users (and, by extension, our customers who are selling to them).

These include:

- **Mobile power management:** Greater power efficiency, resulting in longer battery life and increased mobility. For example, typical usage tests suggest our Power Management Integrated Circuits decrease the power consumption of smartphones, tablets and Ultrabooks™ by up to 30%.
- **Power conversion:** Our high efficiency AC/DC power converters and LED drivers help maximise power conversion efficiency using digital technology and fewer components. This includes converters that use little or no power while on standby – a particularly important aspect when you consider that standby demand consumes more than 100 billion kilowatt-hours of electricity annually in the United States alone (enough to power more than 9 million American households).

Furthermore, our solid-state lighting (“SSL”) LED drivers support very high efficiency, long-lifespan SSL bulbs. It is estimated that the increased use of energy-efficient LED lighting of all kinds in the United States alone will save 300 terrawatt hours by 2030 – equivalent to approximately 210 million tonnes of greenhouse gas emissions.

- **Connectivity:** Our ultra-low power Bluetooth® Smart, SmartBond™ System-On-Chip helps increase the battery life of relevant wireless products by up to 100% – reducing overall power usage and enhancing the mobility of connected products.

Minimisation of negative product impacts

The nature of our integrated circuits means that their actual and potential negative impacts are relatively limited. Nonetheless, we design our products in a way that is intended to minimise any negative impacts they might have over their lifecycle. This includes efforts to reduce the size of our integrated circuits (thus reducing the amount of input materials required, as well as the amount of packaging used to protect and ship them). In addition, and as described above, we aim to make our integrated circuits as energy efficient as possible – while also enhancing the energy efficiency of the larger products they are integrated into.

Given the important role our integrated circuits play in managing the power supply of more than a billion consumer end-products, we place significant emphasis on ensuring they do not pose any health and safety risks to end-users.

Enhancing the skills pool

Case Study – Women in engineering

In 2015 we maintained our commitment to increasing the number of female engineers in our industry. As a major supporter of the Women in Engineering Society, we sponsored the national Women in Engineering Student Conference at Aston University, Birmingham in November 2015, providing funding to help female students attend the two-day event.

Female engineers working at Dialog also act as ambassadors for women in engineering. In 2015, they took part in the “She’s an Engineer” campaign with the Women in Engineering Society, and were also featured in the WISE (Women in Science, Technology and Engineering) “People Like Me” resource pack, aimed at inspiring and educating girls about careers in engineering.

We are also actively engaged with women in engineering students groups, sponsoring the York Women Engineers Society and providing female engineers as mentors to girls studying at University Technical College Swindon (“UTC Swindon”).

Since the launch of Dialog’s “Gary Duncan Women in Engineering Scholarship” we have continued to support female engineers throughout their engineering education.



Society continued



This includes ensuring that none of our products have (in the context of their integration into larger electronic end-products) the potential to result in:

- Overheating.
- Fire risks.
- Power overload.

Furthermore, we are subject to extensive official legal and customer requirements in this regard (pages 22–23), making product health and safety a key compliance issue. For example, we are required to ensure that all of our products meet with the following official standards (in addition to comprehensive customer standards imposed by consumer-facing electronics brands):

- RoHS2.
- REACH SVHC168.
- Halogen-free.

The key means by which we manage product health and safety issues include the following:

- Pre-emptive product design – including the application of proven “fail-safe” technology and processes.
- Extensive lab-testing of new designs – including factors relating to physical integrity, heat emission and functionality.
- External auditing of product technical performance – including by our customers.



These are applied to all of our product categories, with the aim of achieving continuously improved performance. These processes are overseen by the Senior Vice President of Global Manufacturing and Operations, who is ultimately responsible for ensuring the safety of our products.

As a result of such efforts, in 2015 we had no reported incidents of non-compliance with any legal or customer requirements concerning the cross-lifecycle health and safety performance of our products.

Community benefits

Community engagement and corporate giving

Dialog has an active community engagement and corporate giving programme, and in 2015 gave US\$602,000 to various causes aligned with our business objectives. These included the use of our technology for good causes, promoting STEM education, and encouraging women in engineering.

Corporate giving focus areas



Appendix

External review of reporting on sustainability

Verisk Maplecroft was commissioned by Dialog Semiconductor Plc to help advance its sustainability reporting.

This included guidance with respect to reporting strategy, materiality, internal and external engagement, selected content and reporting best practice. This statement is made in our capacity as a service provider to Dialog Semiconductor Plc on this assignment. Verisk Maplecroft did not verify the data contained in this sustainability report.

Approach

Verisk Maplecroft was involved in the following activities between late 2015 and early 2016:

- **Review of reporting standards:** Including the GRI G4 Sustainability Reporting Guidelines ("G4 Guidelines") and the Ten Principles of the United Nations Global Compact.
- **Gap analysis:** To identify and, where feasible, help address gaps in Dialog Semiconductor's existing reporting practices against the relevant reporting standards.
- **Engagement:** Including both remote and face-to-face engagement with Dialog Semiconductor managers (supported by visits to Dialog Semiconductor facilities in Germany and the United Kingdom).
- **Materiality process:** The design and application of a structured materiality process to help identify Dialog Semiconductor's material sustainability issues. This process was aligned with the requirements of the G4 Guidelines. Feedback from both internal and external stakeholders directly influenced the final assessment.
- **Performance enhancement:** The outcomes from the above processes were used, where possible, to enhance Dialog Semiconductor's level of reporting and support its closer alignment with the "Core" requirements of the G4 Guidelines.

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25 April 2016

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Appendix continued

GRI G4 material aspects

Category	G4 aspect	Material?	Page
Economic	Economic performance	Y	35–36
Economic	Market presence		17–18
Economic	Indirect economic impacts	Y	35–36
Economic	Procurement practices		35–36
Environmental	Materials		27, 29, 33
Environmental	Energy		27
Environmental	Water		
Environmental	Biodiversity		
Environmental	Emissions		27
Environmental	Effluents and waste		
Environmental	Products and services	Y	37–38, GRI Table
Environmental	Compliance	Y	22–25, 27
Environmental	Transport		
Environmental	Overall		
Environmental	Supplier environmental assessment		29–33
Environmental	Environmental grievance mechanisms		
Social: Labor practices	Employment		16–19
Social: Labor practices	Labor/management relations		
Social: Labor practices	Occupational health and safety		20
Social: Labor practices	Training and education		16, 18
Social: Labor practices	Diversity and equal opportunity		20
Social: Labor practices	Equal remuneration for women and men		18, 20
Social: Labor practices	Supplier assessment for labor practices	Y	29–32

Category	G4 aspect	Material?	Page
Social: Labor practices	Labor practices grievance mechanisms		
Social: Human rights	Investment	Y	29–32
Social: Human rights	Non-discrimination		20, 22, 32
Social: Human rights	Freedom of association and collective bargaining	Y	22, 29–32, GRI Table
Social: Human rights	Child labor	Y	22, 29–32, GRI Table
Social: Human rights	Forced or compulsory labor	Y	22, 29–32, GRI Table
Social: Human rights	Security practices		
Social: Human rights	Indigenous rights		
Social: Human rights	Assessment		
Social: Human rights	Supplier human rights assessment	Y	29–32
Social: Human rights	Human rights grievance mechanisms		
Social: Society	Local communities		3, 35, 37–39
Social: Society	Anti-corruption	Y	22–24, 29–33
Social: Society	Public policy		
Social: Society	Anti-competitive behaviour		22
Social: Society	Compliance		22
Social: Society	Supplier assessment for impacts on society	Y	29–33
Social: Society	Grievance mechanisms for impacts on society		
Social: Product responsibility	Customer health and safety	Y	22–23, 37–38, GRI Table
Social: Product responsibility	Product and service labelling	Y	22–23, 38, GRI Table
Social: Product responsibility	Marketing communications		
Social: Product responsibility	Customer privacy	Y	22–23
Social: Product responsibility	Compliance	Y	22–23, 38

UN Global Compact reference table

Category	Principle	Page
Human rights	1 Businesses should support and respect the protection of internationally proclaimed human rights	9, 16, 18–20, 24–25, 29–33, 38
Human rights	2 Businesses should make sure that they are not complicit in human rights abuses	9, 16, 18–20, 24–25, 29–33, 38
Labor	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	9, 16, 18, 22, 29–32, GRI Table
Labor	4 Businesses should uphold the elimination of all forms of forced and compulsory labour	9, 16, 22, 24–25, 29–32, GRI Table
Labor	5 Businesses should uphold the effective abolition of child labour	9, 16, 22, 24–25, 29–32, GRI Table
Labor	6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	9, 16, 20, 22, 29–32, GRI Table
Environment	7 Businesses should support a precautionary approach to environmental challenges	9, 27, 29–31, 33, 37–38, GRI Table
Environment	8 Businesses should undertake initiatives to promote greater environmental responsibility	9, 27, 29–31, 33, 37–38, GRI Table
Environment	9 Businesses should encourage the development and diffusion of environmentally friendly technologies	6–7, 9, 37–38, GRI Table, Annual Report
Anti-corruption	10 Businesses should work against corruption in all its forms, including extortion and bribery	9, 22, 24, 29–31

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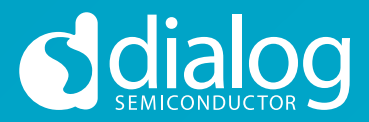
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