NORDIC

S E M I C O N D U C T O R

**CORPORATE SOCIAL
RESPONSIBILITY**
REPORT /2015

ABOUT THE REPORT

As part of Nordic Semiconductor's participation in the UN Global Compact, this report is intended as our official Communication on Progress (COP), covering the period from January 1st 2015 to December 31st 2015, unless otherwise stated.

This is the third Corporate Social Responsibility (CSR) Report published by Nordic Semiconductor, and is published together with Nordic Semiconductor's annual financial report for 2015. The reports are published on www.nordicsemi.com.

This Corporate Social Responsibility report has been prepared in accordance with the principles of the United Nations Global Compact (UNGC) initiative, and describes Nordic Semiconductor's policies, goals and implementation, as well as the outcome of its work with human- and labor rights, the environment and anti-corruption.

CONTENTS:

1 STATEMENT OF CONTINUED SUPPORT

Earlier this year Nordic Semiconductor became a signatory to the United Nations Global Compact initiative, and committed to support the related ten principles on human rights, labor, environment and anti-corruption. These are topics Nordic Semiconductor has worked on for years, and joining the UN Global Compact is a way to clearly demonstrate and communicate our efforts for sustainable operations and ethical business conduct to our stakeholders and the general public.

Nordic Semiconductor recognizes that profitable growth goes hand in hand with social responsibility, environment and climate considerations. We will continue to support the UN Global Compact as a governing principle for our sustainability efforts.

This report constitutes our Communication on Progress on our sustainability efforts, where we provide a summary of our activities in relation to our ongoing commitment to the UN Global Compact's Ten Principles.

Svenn-Tore Larsen

CEO, Nordic Semiconductor

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Human Rights

Principle 1:   Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2:   make sure that they are not complicit in human rights abuses.

Labor

Principle 3:   Businesses should uphold 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 labor;

Principle 5:   the effective abolition of child labor; and

Principle 6:   the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7:   Businesses should support a precautionary approach to environmental challenges;

Principle 8:   undertake initiatives to promote greater environmental responsibility; and

Principle 9:   encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10:   Businesses should work against corruption in all its forms, including extortion and bribery.

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

2 ABOUT NORDIC SEMICONDUCTOR

A global leader in Bluetooth Smart wireless solutions

Nordic Semiconductor designs, sells and delivers integrated electronic circuits and related intellectual property for use in wireless communications applications. The company specializes in ultralow power solutions, primarily based on its proprietary 2.4 GHz RF and Bluetooth Smart technology, in which it remains a pioneer and market leader.

Nordic Semiconductor is headquartered in Trondheim, Norway with offices in US, China, Korea, Japan, Taiwan, Poland, Finland and the Philippines. At the end of 2015, Nordic Semiconductor counted 454 employees worldwide.

OUR BUSINESS MODEL

Nordic Semiconductor's business model is centered on developing, selling and delivering integrated circuits and related intellectual property, by defining our own products and standardized solutions, driven by market demands and opportunities.

Innovation and ideas from highly competent workers are central to our business, and a key to our success in creating market leading products. Nordic Semiconductor has recruited engineering talents from all around the world, to retain the right competence and expertise for product innovation and meeting market demands.

Nordic Semiconductor is a «fabless producer», meaning that we outsource capital intensive production and testing to manufacturing partners. The fabless structure allows Nordic Semiconductor to be flexible in choosing manufacturing partners based on capacity, expertise and production processes required to meet market demands. Our products are produced using world class manufacturing subcontractors such as Taiwan Semiconductor Manufacturing Company, Advanced Semiconductor Engineering and Amkor, with whom we been working for years and have strong relationships.
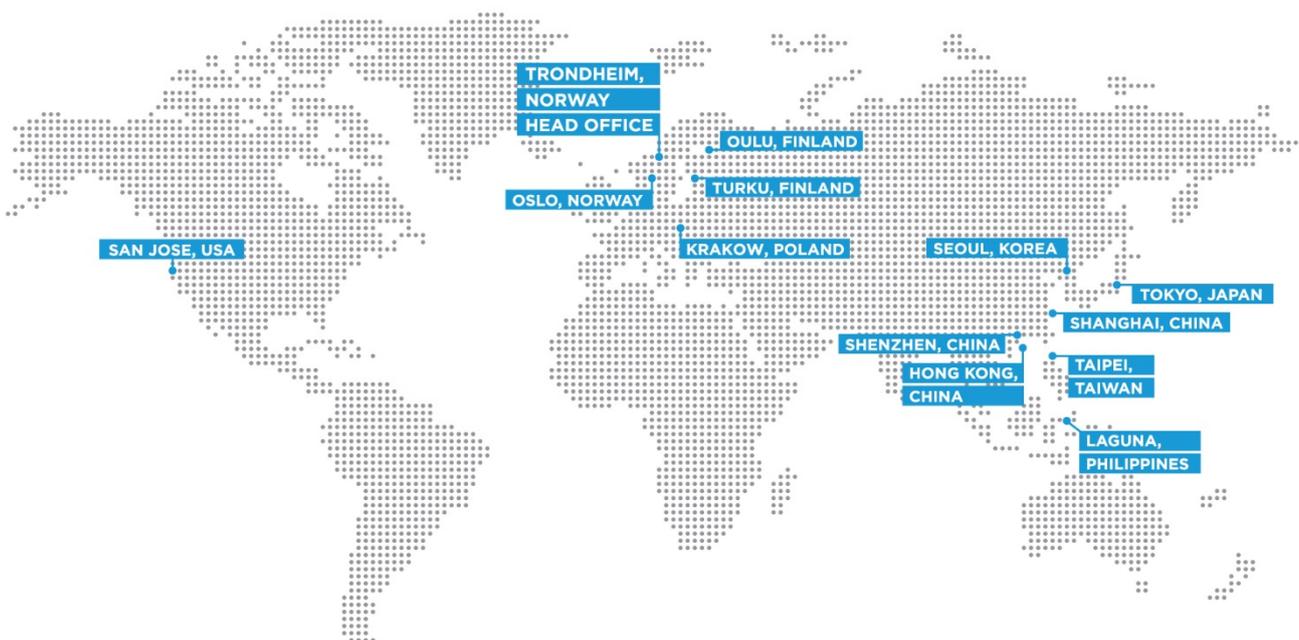
Products are sold world-wide through highly skilled distribution partners, specifically to manufacturers of high volume consumer applications. Nordic Semiconductor's customers include leading brands in each of our target market segments such as PC and tablet accessories, Sports/Health monitors, Mobile phone accessories, Media remote controls, Gaming controllers, Toys, RFID solutions, Home and Industrial Automation. Standardized product solutions with high quality and performance are key to maintain a large and satisfied customer base.

Nordic Semiconductor's management system is based on the standards *ISO 9001 Quality management systems*, *ISO 14001 Environmental Management Systems* and *OHSAS 18001 Occupational Health and Safety Management Systems*, as well as the EICC Code of Conduct's provisions for management systems. Through our management system, topics related to Corporate Social Responsibility are incorporated in our everyday routines where relevant, and ensures continuous and structured improvement.

OUR PRODUCTS

A leading vendor of wireless connectivity and embedded processing solutions for internet connected things.

The company's primary focus is ultra-low power wireless solutions, based on proprietary 2.4 GHz RF and *Bluetooth*® Smart technologies (also known as Bluetooth low energy). Effective power management and increasing energy efficiency is at the core of the consumer electronics market.

Nordic Semiconductor's 0.18µm CMOS technology node products have proved very successful, culminating in its nRF51 series single chip Bluetooth Smart solution which is still one of the most energy-efficient connectivity solutions available to the consumer market.

In 2015 Nordic Semiconductor released the nRF52 Series of ultra-low power RF System on Chips. The selection of the TSMC 55nm ultra-low power platform for this family of devices will further improve our product portfolio's power consumption, processing power and memory options. This process is a key enabler for us to push the envelope on power consumption, performance and integration of the nRF52 Series to meet the future requirements of Wearable and Internet of Things (IoT) applications.

OUR VISION AND VALUES

Nordic Semiconductor's vision for sustainability is to integrate responsible practices into our operations and actions. As a UN Global Compact signatory, Nordic Semiconductor is committed to the Ten Principles of the UNGC and to report on human rights, workers' rights, the environment and anti-corruption.

Nordic Semiconductor's approach to CSR issues is incorporated into our management system, based on the following policy:

Nordic Semiconductor's Policy on Corporate Social Responsibility

Nordic Semiconductor's operating practices, decisions and management systems shall be guided by, and in a transparent way reflect that:

- Nordic Semiconductor is accountable for its impact on the society and the environment
- Nordic Semiconductor respects its stakeholder's interests.
- Nordic Semiconductor behaves ethically and respects human rights at all times, and will not tolerate any form of forced labor or child labor in our supply chain
- Nordic Semiconductor respects the rule of law and international norms of behavior
- Nordic Semiconductor prohibits any retaliatory action for reporting or inquiring about alleged improper or wrongful activity

Specifically, Nordic Semiconductor and its tier one suppliers shall comply with the Electronics Industry Citizenship Coalition (EICC) Code of Conduct. Nordic Semiconductor shall actively encourage tier 1 suppliers to require the same from their suppliers.

EICC Code of Conduct

Founded in 2004 by a group of leading electronics companies, the EICC is a non-profit coalition of electronics companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain.

The EICC Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics industry supply chain. The provisions set out in the Code of Conduct are in alignment with the UN Guiding Principles on Business and Human Rights, and derived from key international human rights standards including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights.

Nordic Semiconductor supports the Electronic Industry Citizenship Coalition (EICC) Code of Conduct and actively pursues conformance to the code and its standards on Labor, Health and Safety, Environment, Ethics and Management Systems.

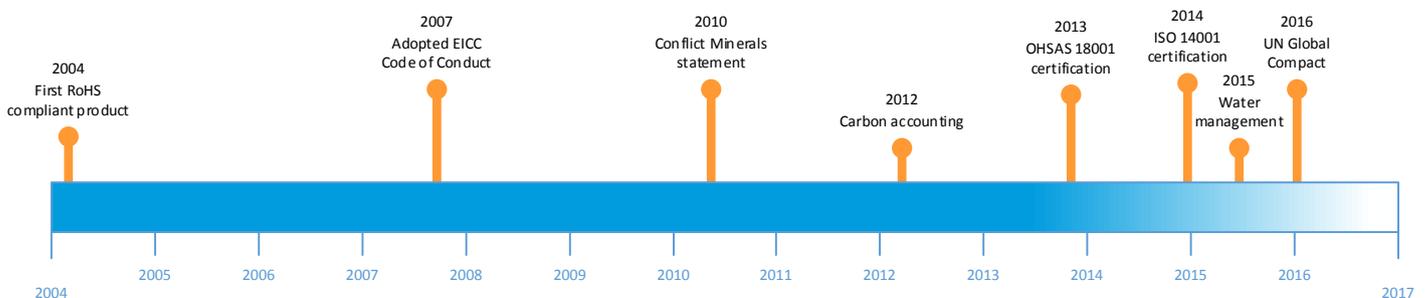For more information on the EICC and its work, please see www.eiccoalition.org.

Figure 1: Timeline illustrating Nordic Semiconductor's CSR work and milestones.

3 OUR STAKEHOLDERS

With a global business model and a quickly growing business, Nordic Semiconductor faces multiple stakeholders with different needs and requirements. Communication with stakeholders is important for continuous improvement on our CSR performance. Our objectives are to

> understand stakeholders' concerns and continue to improve CSR-related performance,

> obtain stakeholders' trust and respect for Nordic Semiconductor, and

> report on Nordic Semiconductor's efforts and performance to maintain and enhance our reputation.

Stakeholders are internal or external persons or organizations which have influence on Nordic Semiconductor, or can be influenced by Nordic Semiconductor. The most relevant stakeholders are identified as owners and investors, customers and distributors, employees, manufacturing partners, authorities and the community /general public.

Based on this, Nordic Semiconductor has analyzed identified CSR topics systematically to assess their materiality. The assessment is performed by evaluating the topics' importance to our stakeholders and to Nordic Semiconductor in terms of impact on revenue, reputation and compliance.

The outcome of the materiality assessment is illustrated in Figure 1 below.

Table 1 on next page shows the identified main topics of interest for each stakeholder, as well as references to how Nordic Semiconductor work with these topics and stakeholder communication channels.
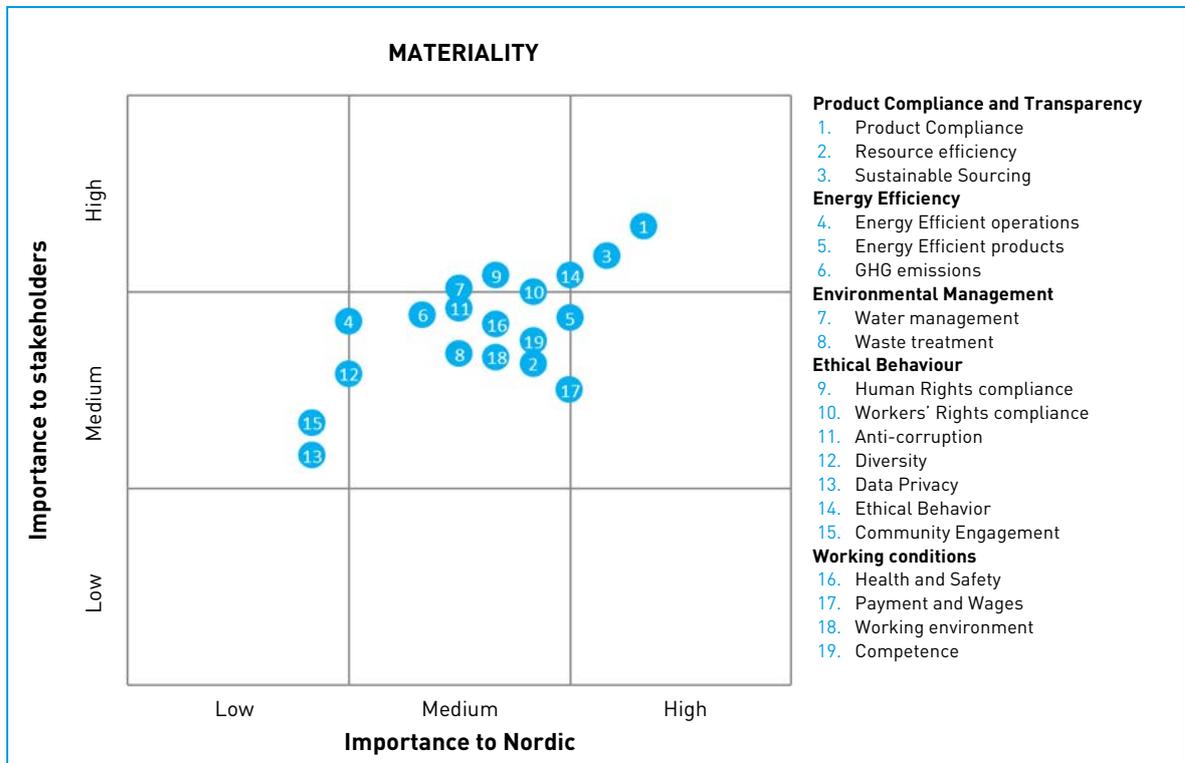

Figure 1: Materiality assessment of CSR topics

Stakeholders	Stakeholder dialogue examples	Main areas of interest (CSR)	How we work with these issues, activities 2015	Page ref.
Owners and investors	› Quarterly financial reporting › Annual Financial report › Annual CSR report › Carbon Disclosure Project › Face-to-face meetings › Annual general meeting	Ethical behavior	EICC Code of Conduct, UN Global Compact	7
		Environmental management	ISO 14001 certification	14
		Energy efficient operations, GHG emissions	CDP Climate Change Program reporting	15
		Water management	CDP Water program reporting	15
Customers and distributors	› Face-to-face meetings and direct contact › Nordic webpage › Nordic Developer Zone › Customer satisfaction survey › Customer surveys › Participation on exhibitions and seminars	Product compliance	Hazardous substances management	14
		Resource efficiency	Ultra-low power products	6
		Sustainable sourcing	Conflict minerals program	11
		Carbon footprint	CDP Climate Change program	15
		Water risk assessment	CDP Water program	15
		Human rights and labor compliance	EICC Code of Conduct, UN Global Compact	10
Employees	› Daily contact › Performance reviews › Employee satisfaction survey › Nordic intranet › Quarterly financial meetings › Internal training › Employee unions and representatives	Training and education	Performance reviews	12
		Business ethics	EICC Code of Conduct	7
		Health and Safety	OHSAS 18001 certification	19
		Working conditions	Working Environment Committee	19
		Non-retaliation	Whistleblower program	18
		Non-discrimination	Non-discrimination policy, diversity program	10
Subcontractors	› Quarterly operations reviews › Supplier audits › Yield improvement and waste reduction projects	Product compliance	Hazardous substances management	14
		Sustainable sourcing	Conflict minerals program	11
		Human rights and labor compliance	EICC Code of Conduct	10
		Environmental management	Carbon accounting, water accounting, waste measurement	14
Authorities	› Legislative requirements › Audits › Authorities advisory functions › Newsletter monitoring	Product compliance	Hazardous substances management	14
		Waste management	ISO 14001 certification	14
		Anti-corruption	Anti-corruption policy, whistleblower program	17
		Working environment	OHSAS 18001 certification	19
Community and general public	› Press releases › Newsletter monitoring › Business presentations at educational institutions	Ethical behavior	CSR reporting, UN Global Compact	7
		Community Engagement	Charitable contributions	21
		Education and training	'Make it Digital' Student program and master thesis	22

Table 1: Stakeholders dialogue, main areas of interest related to corporate social responsibility, and Nordic Semiconductor response. Page ref. indicates reference to where in this report the work on these topics are described.

4 HUMAN RIGHTS AND LABOR RIGHTS

ASSESSMENT

Nordic Semiconductor is a growing business with offices and employees in many parts of the world. We aim to secure a diverse environment and ensure equal employment opportunities. Fair recruitment and non-discrimination is important to attract and retain qualified personnel.

Based on risk assessment, specifically the issues of Conflict Minerals and forced labor in the value chain have been identified as relevant topics pertaining the Human Rights and Labor principles. The electronics industry supply chain unfortunately sees incidences of trafficked and/or forced (bonded) labor or child labor, particularly in Asia and particularly via means of debt bondage and document seizure, and it is important for Nordic Semiconductor to ensure we are not complicit in this in any way.

POLICIES, COMMITMENTS AND GOALS

Nordic Semiconductor's CSR policy and the EICC Code of Conduct commits to respecting and supporting Human Rights and Workers' rights. Nordic Semiconductor shall uphold and protect internationally proclaimed human rights and workers' rights, and to treat workers with dignity and respect as understood by the international community.

Nordic Semiconductor adheres to the principle that all employment shall be freely chosen and that workers shall be free to leave their employment with reasonable notice. Child labor must not be used at any stage of manufacturing. Working hours and wages shall comply with applicable local laws or EICC Code of Conduct paragraphs (whichever is stricter).

Employees shall have rights to organize and collective bargaining.

It is our goal to have no form of human rights abuse or labor issue in any stage related to production of our products. Closer follow-up of new suppliers and increased knowledge of our upstream supply chain are specific targets for the coming year.

Nordic Semiconductors policy on Non-Discrimination
All Nordic Semiconductor employees shall be treated equally and with dignity, courtesy and respect. Nordic Semiconductor prohibits any form of discrimination against and/or harassment of employees or applicants for employment due to race, color, nationality or ethnical origin, age, religion, disability, political opinions, gender or sexual orientation, as described by ILO conventions.

Nordic Semiconductor's organizational culture shall be characterized by openness and good internal communication so that any misconduct or problems can be addressed, discussed and resolved in a timely manner. Nordic Semiconductor's employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blower channels.

Under Norwegian law, employees are granted the right to organize in labor unions. Nordic Semiconductor respects and supports this important right.

IMPLEMENTATION AND RESULTS

As a fabless producer, engagement with our supply chain is important. Nordic Semiconductor requires all tier 1 subcontractors to follow the EICC Code of Conduct, and that they should require the same from their suppliers.

All our major suppliers have their own documented corporate social responsibility policy including adherence to EICC Code of Conduct, with commitment to communicate this to next tier supplier.

Raising awareness of employees on Human Rights and Labor principles and relevant issues are regularly done by internal training and as part of introduction program for new employees.

Supplier audits are used to raise subjects from the EICC Code of Conduct, such as tracing of information for conflict mineral reports and Human Rights and Labor performance.

Measurements and results are reviewed annually by the management team in the Management Review.

To date, Nordic Semiconductor has never experienced an incident of Human Rights abuse or Labor violation.

Conflict Minerals

Nordic Semiconductor has worked with the issue of Conflict Minerals since 2010, and engages regularly with our suppliers to provide accurate and transparent information on the origin of minerals to concerned stakeholders. Our Conflict Minerals policy is stated on our website, and has been communicated to all relevant suppliers. As Nordic Semiconductor's products contain 3TG (Tin, Tungsten, Tantalum and Gold), due diligence is conducted based on OECD guidelines to ensure no direct or indirect financing of ongoing conflicts in the DRC-region or elsewhere.

Country of origin is investigated based on the reporting scheme set out by the Conflict-Free Sourcing Initiative (CFSI), an initiative by EICC and the Global e-Sustainability Initiative (GeSI). Nordic Semiconductor is far away from the smelters/refiners in the value chain, and we have no direct contact with smelters or provider of material. All such contact is handled through our subcontractors. As such Nordic Semiconductor needs to rely on 3rd party auditing such as CFSI's audit program.

Since 2015 Nordic Semiconductor has required suppliers to source only from conflict free smelters, i.e. smelters that are verified as CFSI compliant by CFSI's audit scheme. To date, no incidents of minerals supporting armed conflicts have been discovered, and currently 100% of reported smelters in the value chain are CFSI compliant.

For 2016 we expect Conflict Minerals to remain the most relevant issue related to Human Rights, and that attention on this will increase with the implementation of EU requirements on this topic. Nordic Semiconductor will continue to engage our suppliers to precisely identify the origin of all material used in Nordic Semiconductor's products.

Modern slavery

Forced labor takes different forms, including debt bondage, trafficking and other forms of modern slavery. The *California Transparency in Supply Chains Act* of 2010 and The *UK Modern Slavery Act* of 2015 require certain businesses to disclose their efforts to address the issues of slavery and human trafficking in their supply chains.

Based on risk assessment and data from the Global Slavery Index, specifically operations in China have been identified as having potential incidents of forced labor in the electronics industry, particularly in relation to product assembly.

Nordic, does not tolerate forced labor practices to be used in any of our operations, as stated in our policy (on page 7). We have required all suppliers to sign an agreement of adherence to EICC, and to promote these principles to the next tier suppliers. The EICC Code of Conduct explicitly bans trafficked and forced labor, as well as any form of child labor. The topic has also been addressed in supplier audits.

To date there has been no known incidents of forced or trafficked labor in Nordic Semiconductor's Supply Chain.

Diversity program and training

Nordic Semiconductor's business is based on highly specialized and skilled employees, and their level of competence and ideas are very important to us. To ensure that all employees have equal onboarding training, all new employees undergo an introduction program, and have a designated mentor for their start-up period. Open feedback is at the very core of our business culture, and employees have annual performance evaluations one-to-one with their nearest leader, where additional training and education is discussed and planned for.

Managers are responsible for fair recruiting and fostering a diverse and inclusive culture based on Nordic Semiconductor's Non-discrimination policy (10).

For foreign employees working in Norway, where most employees and foreign employees are working, a third party integration service has been used to provide training and seminars to reduce cultural barriers, as well as social events and language courses.

As Nordic Semiconductor have grown substantially in the last few years, employees have been recruited from all around the world. Currently more than 40 nationalities are represented, whereof more than 35 working in Norway, which is a good indicator of the diversity and inclusiveness in the company.

MEASUREMENTS

Measurement	2016 target	2015	2014	2013
Human rights and Labor				
Number of smelters identified in value chain		122	80	88
Percentage smelters verified as CFSI compliant	100%	100%	95%	28%
Number of incidents of Human Rights abuse	0	0	0	0
Number of incidents of Labor principles violation	0	0	0	0
Suppliers documented EICC Code of Conduct policy	100%	100%	100%	100%
Suppliers communicating EICC Code of conduct to next tier	100%	100%	100%	80%
Human capital and diversity				
Number of employees		454	273	211
Percentage female employees		11 %	13,5 %	14 %
Turnover rate (%)	<5.0%	3.8%	4.0%	3.0%
Training and education				
Number of students/interns from universities		43	21	8

Table 2: Measurements related to Human Rights and Labor principles.

5 ENVIRONMENT

ASSESSMENT

Nordic Semiconductor recognizes that environmental responsibility and sustainability is integral to producing world class products and long term business strategies. Product compliance is required to sell Nordic Semiconductor's products worldwide, meeting international legislation as well as customer-specific requirements to contents and production. Furthermore, Nordic Semiconductor's business strategy is to design and develop «ultra-low power» products, enabling energy efficient end products for the consumer.

As a fabless producer, monitoring and engaging with our manufacturing partners is important to our environmental impact reduction program, and minimizing the use of natural resources and waste generated in our operations.

Nordic Semiconductor has implemented guidelines and procedures into its management system to supplement legal requirements and integrate them in daily working routines. The basic principle for the procedures is Reduce-Reuse-Recycle.

Specific goals for the coming year is to reduce the carbon footprint related to our direct operations. See separate section on Carbon emissions.

POLICIES, COMMITMENTS AND GOALS

Nordic Semiconductor's environmental policy:
Being a preferred partner to environmentally conscious stakeholders, Nordic Semiconductor shall incur no loss of business or profitability due to incidents or issues related to disturbance to health or environment.

Nordic Semiconductor is committed to

> comply to legal requirements and regulations, and protect the environment through sound management practices and decisions

> protect the natural environment by minimizing waste generation, pollution and GHG emissions, resource- and water consumption, and the use of hazardous materials in our products, as well as develop and use environmentally friendly technologies

> promote environmental responsibility and ensure that our suppliers live up to Nordic Semiconductor's environmental standards

> establish and evaluate achievable environmental performance goals to ensure continual improvement of our environmental management system

> regularly monitor and report on environmental performance, and to consult with relevant stakeholders on environmental issues

IMPLEMENTATION AND RESULTS

Nordic Semiconductor is certified to the standard *ISO 14001: Environmental Management Systems*. All Nordic Semiconductor's main suppliers are required to be certified to and comply with this standard, as well as EICC Code of Conduct and its provisions on environmental topics.

Raising awareness amongst employees on Environmental issues relevant for Nordic Semiconductor's organization and processes is regularly done by internal training and as part of the mandatory introduction program for new employees.

Monitoring data in relation to environmental topics and engaging with suppliers are relevant parts of decision-making and risk analysis. Data from Nordic Semiconductor's manufacturing partners are periodically analyzed, and supplier audits are used specifically to control subcontractors' routines with respect to environmental issues such as waste handling and water management. Results and measurements from the environmental program are reviewed annually in Management review.

There were no environmental incidents or non-conformities in 2015. Any incidents will be handled through Nordic Semiconductor's non-conformity procedures, with root cause analysis, corrective and preventive actions.

Eco Design and Product compliance

Targets for the products' energy efficiency are defined in the design specification phase, with the goal to achieve improved energy efficiency, while introducing additional functionality and use cases.

Scarcity of natural resources and conservation of raw materials are considered important from both an environmental and financial perspective. By identifying substitute alternatives, such as copper for gold in almost all products, we have been able to reduce costs and environmental impact without sacrificing quality and performance.

Product content is managed in the design phase by internal procedures at specific milestones to prevent hazardous material from being included, based on applicable regulations, customer requirements and Nordic Semiconductor's commitments.

Product compliance, use of hazardous substances, and ozone-depleting chemicals, are regularly addressed with Nordic Semiconductor's manufacturing partners, and communicated by Nordic Semiconductor's Hazardous Substances Specification for Suppliers.

To verify product content, 3rd party testing for hazardous substances is performed. To ensure transparency, reports for Hazardous Substances and Material Composition for all products are published on Nordic Semiconductor website.

All Nordic Semiconductor's products meet the requirements of RoHS and REACH regulations. In addition, Nordic Semiconductor has introduced "green" package technology, to ensure that Nordic Semiconductor's products are also halogen free. Nordic Semiconductor's own RoHS/REACH Statement, declaring non-use of the hazardous substances included on the initial SVHC (Substances of Very High Concern) candidate list, is published on our website. Nordic Semiconductor has implemented systems that allow us to be updated with relevant environmental requirements (e.g. recent updates in RoHS and REACH regulations) and we continue our efforts to ensure our compliance with these updates.

2015 showed no non-conformities or findings of prohibited substances above limitations in any Nordic Semiconductor products.

Waste management

Nordic Semiconductor works systematically to monitor, reduce and eliminate waste and its impact on the environment. We work continuously with our suppliers to maximize our yields, and thus minimizing the generation of devices that need to be disposed of. Scrapped electronic components from production are sorted and recycled according to EE-regulations. Supplier audits have been performed at our manufacturing partners to verify that waste management is performed according to Nordic Semiconductor's standards.

Nordic Semiconductor has implemented routines for sorting and disposing material from offices and warehouse in a responsible manner by use of certified waste handling and recycling companies. Main focus is on EE-waste, chemical components from laboratories and paper and packing material.

Recycling of EE-waste allows for re-use of metals, such as copper, from waste or damaged products.

To reduce waste and use of resources, Nordic Semiconductor encourages re-use of material where applicable. Usable IT-equipment and furniture are donated to schools or volunteer organizations rather than being scrapped. Internal auctions are held to let interested employees purchase outdated lab equipment.

Water and wastewater management

Water management is considered to represent a low risk for Nordic Semiconductor directly, but water scarcity is relevant for some of our subcontractors. Specifically, the risk of limited production capacity due to drought or failure to comply with legislative requirements is considered. Subcontractors' water usage is monitored regularly, and a consolidated risk analysis is presented as part of the Management Review. Since 2015, Nordic Semiconductor has reported to the CDP Water Program (www.cdp.net).

Focused supplier audits have been performed at our subcontractors to verify that water and wastewater management are performed according to Nordic Semiconductor's standards.

Carbon emissions

Nordic Semiconductor has monitored annual carbon emission since 2011, and it reports annually to the Carbon Disclosure Project (www.cdp.net). Greenhouse gas emissions represent a low risk for Nordic Semiconductor, however monitoring of these emissions and assessment of potential climate change risks and opportunities is important as potential future carbon

taxations or legislative requirements could impact our manufacturing partners' production cost or capacity.

Carbon accounting is performed according to GHG Protocol standards, with differentiation between Scope 1 (direct GHG emissions), Scope 2 (GHG emissions from purchased electricity) and Scope 3 (all other indirect GHG emissions, including our supply chain).

Scope 3 GHG emissions is closely related to our production volume, and our subcontractors' capacity utilization in production, and will fluctuate beyond our control.

Target set for 2016 is to reduce GHG emissions related to our direct operations (sum of Scope 1 and Scope 2), as these are the emissions where we have the strongest influence. We also target to achieve increased level of verification in the GHG accounting.

Green procurement

Compliance to environmental requirements is considered when choosing manufacturers. By practice, this is included in initial supplier assessment and related audits

In addition to the closely monitored production process and engagement with our manufacturing partners, Nordic Semiconductor has implemented procurement guidelines for purchases of products and services not directly related to the production of our products. This includes for instance evaluating and choosing suppliers of office material, based on their ethical and environmental profile.

MEASUREMENTS

Measurement	2016 target	2015	2014	2013
Environmental management system				
Number of environmental incidents	0	0	0	0
Suppliers with documented environmental policy	100%	100%	100%	100%
Energy efficiency				
Nordic offices energy use (MWh)		n/a	944.7	870.8
Nordic offices energy use per area (MWh/m2)		n/a	0.156	0.152
EE-waste (tons)		n/a	1.8	1.0
Greenhouse gas emissions				
GHG emission per wafer (kg CO2e/8" wafer)		n/a	396	336
GHG emission per assembly (g CO2e/8" EA)		n/a	18.9	14.6
GHG emission per unit produced (g CO2e/unit produced)		n/a	101.2	101.1
Total Scope 1+2 emissions (tons CO2e)	< 2015 result	n/a	392.0	305.6
Scope 1+2 emissions per full time employee (tons CO2e/FTE)	< 2015 result	n/a	1.420	1.455
Total Scope 3 emissions (tons CO2e)		n/a	34 393	24 797
Percentage total emissions verified	> 2015 result	n/a	77%	69%
CDP disclosure score		94	91	76
CDP performance score		C	C	D
Water management				
Water withdrawal Nordic offices (m3/year)		n/a	1 417	1 378
Water withdrawal production (m3/year)		n/a	143 910	179 432
Water consumption per unit produced (l/unit)		n/a	0.14	0.17

Table 3: Measurements related to Environmental performance. 2015 data for energy, GHG and water measurements are not ready until 2016-Q2, and will be reported in CDP. CDP disclosure and performance score will change for 2016 reporting, hence no target is set compared to previous years.

6 ANTI-CORRUPTION

ASSESSMENT

To meet social responsibilities and achieve success in the marketplace, Nordic Semiconductor and its employees shall uphold the highest standards of ethics. Incidents of corruption imposes both legal, as well as reputational and financial risks, and ultimately impacts trust and confidence in the company by our stakeholders.

Nordic Semiconductor has adopted a zero tolerance policy on corruption and bribery – as clearly stated in the EICC Code of Conduct.

POLICIES, COMMITMENTS AND GOALS

Nordic Semiconductor and its employees shall respect the rule of law and international norms of behavior. Nordic Semiconductor prohibits any and all forms of bribery, corruption, extortion and embezzlement. Nordic Semiconductor employees may be held liable for bribery or any other corrupt acts, based on the laws of Norway or any applicable region.

Business courtesies (gifts, hospitality, or favors to or from persons or firms with which Nordic Semiconductor may do business) of modest value, conforming to normal social customs and not intended for influence, are not considered bribes or unlawful payments. All business courtesies exceeding the value of 200 USD shall be reported to Nordic Semiconductor's administration. Employees shall not accept a business gift for personal use that exceeds the value of 200 USD on annual basis.

IMPLEMENTATION AND RESULTS

Anti-corruption routines are included in Nordic Semiconductor's management system. The issue of anti-corruption is regularly addressed by internal training and as part of mandatory introduction program for new employees. All Nordic Semiconductor employees are required to read and sign both «Insider trading regulations form» and «Non-corruption acknowledgment form».

Nordic Semiconductor requires all subcontractors to follow the EICC Code of Conduct. Subcontractors are followed up with supplier audits to raise subjects from the EICC Code of Conduct.

Registered incidents and results are reviewed annually by management team in Management Review.

To date, Nordic Semiconductor has not had any incident of corruption, bribery or unethical business behavior.

Whistle-blower program

To ensure recording of potential incidents relating to business ethics, Nordic Semiconductor has introduced a whistle-blower program. Employees and other stakeholders are obligated to report about any misconduct related to Nordic Semiconductor's business by use of whistle-blower channels as published on intranet and Nordic Semiconductor's website. Reporting through a third party service can be made if complete confidentiality is required, and such reports will be addressed to Nordic Semiconductor's HR department.

Any reported concerns shall be investigated for root-cause and corrective and preventive actions, while preserving reporter confidentiality.

As defined in Nordic Semiconductor's Social responsibility policy (on page 7), Nordic Semiconductor does not tolerate any unfavorable treatment of or retaliation against the person who reports the misconduct.

No reports were made through available whistle-blower channels in 2015.

MEASUREMENTS

Measurement	2016 target	2015	2014	2013
Anti-corruption				
Number of corruption, bribery or unethical business behavior incidents	0	0	0	0
Numbers of reports made through whistle-blowing channels		0	0	0

Table 4: Measurements related to Anti-corruption performance.

7 HEALTH AND SAFETY

ASSESSMENT

Nordic Semiconductor recognize that in addition to minimizing work-related injuries and illness, a safe and healthy work environment enhances quality of products and services, consistency of production and worker retention and morale.

As a fabless producer, the risk of injury or incidents in relation to direct operations is considered low. There is no use of heavy machinery and equipment, operating of vehicles or handling of hazardous chemicals that can cause notable damage or injuries. Nordic Semiconductor's OHS (Occupational Health and Safety) risk assessment has highlighted ergonomic injuries and negative stress in the working situations as the main focus areas for improvements.

POLICIES, COMMITMENTS AND GOALS

Nordic Semiconductor is committed to ensuring a safe and stable working environment, and adheres to the standards in EICC Code of Conduct.

Nordic Semiconductor Occupational Health and Safety Policy
Low level of employee absence, a stable competent workforce and no work related incidents in order to achieve high productivity and quality, by ensuring:

> a working environment that gives employees complete security against physical and mental harm

> safe employment and meaningful work for the individual employee

> our suppliers live up to Nordic's OH&S standards

> compliance with legal requirements

> continuous improvements

Operational targets:

> Work related incidents = 0

> Short time sick leave < half of national average in Norway for each country of operation

> Employee turnover < 5% annual

As Nordic Semiconductor has been growing significantly the last few years, target has been to maintain the low level of sick-leave and high employee satisfaction from previous years.

IMPLEMENTATION AND RESULTS

To ensure a positive and continuously improved working environment, Nordic Semiconductor has implemented an Occupational Health and Safety management system, certified to the standard *OHSAS 18001 Occupational Health and Safety Management System* by DNV GL.

Working Environment Committee
One of the focus areas in 2015 has been on proactive preparedness, and developing emergency action plans in order to effectively handle accidents or other emergency situations, either at work or outside work, should they occur. The emergency plan emphasizes the importance of following up the affected parties to prevent sick leave and/or other unwanted consequences on short and long term. In line with this, first aid courses, including heart defibrillator training, were organized for employees.

The annual employment satisfaction survey and the medical health reports display that employees in Nordic Semiconductor are very satisfied.

In addition to the objectives set in the annual health and safety program, Nordic Semiconductor will focus on the action plan for the «Inclusive work life».

Agreement on Inclusive Working Life

Nordic Semiconductor signed a cooperation agreement on «Inclusive working life» with Norwegian Labor and Welfare Service, September 2015. The program aims to improve the working environment, prevent and reduce sick leave and prevent exclusion and withdrawal from working life.

An action plan for 2016 has been defined, focusing specifically on communication of sick leave procedures, continuing to engage people with reduced functional abilities and to establish a life phase policy.

Occupational Health Service

Occupation health controls are conducted every year by a third party Health Service.

Health examinations in 2015 showed musculoskeletal disorders as the most common health problem in the company. The examination was also used to benchmark Nordic Semiconductor's working environment compared to similar businesses. The results from Nordic Semiconductor was on par or better compared with the reference companies.

Other results from Occupational Health Service in 2015:

> Employees are very satisfied with the working environment and working community.

> Low sick leave

> Good focus on ergonomic review as preventive actions

> Good leaders and well managed system for follow-up

> Autonomous employees with great influence in planning their own workdays.

Based on the above results, Nordic Semiconductor focused in 2015 on improving ergonomic working conditions and invested in adjustable desks and other ergonomic facilitation where needed.

Nordic Semiconductor's Working Environment Committee will continue to follow up on the recommendations from Occupational Health Services. It is expected that stress preventive actions and focus on physical activity will improve the working conditions and employee health.

Supplier Management

All Nordic Semiconductor subcontractors are certified to OHSAS 18001, and this is a prerequisite to become a Nordic Semiconductor manufacturing partner. Subcontractors are also required to follow the EICC Code of Conduct.

MEASUREMENTS

Measurement	2016 target	2015	2014	2013
Health and safety				
Work related incidents	N/A	0	0	0
Short time sick leave	< half of national average in Norway	2,1%	1.9%	1.6%
Turnover rate (%)	<5.0%	3.8%	4.0%	3.0%

Table 5: Measurements related to Health and Safety performance.

8 COMMUNITY INVOLVEMENT

EDUCATIONAL PARTNERSHIPS

'Make it Digital'

In 2015, Nordic Semiconductor became official partner of BBC's flagship 'Make it Digital' initiative. Make it Digital is a major UK-wide initiative that strives to get people truly excited about digital creativity and inspire a new generation to get creative with coding, programming and digital technology. The initiative aims to inspire a new generation with digital technology and helping younger audiences discover their creative potential and take their first steps.

The program will give every year-7 school child (11-12 years old) in the UK a programmable hardware coding device, the BBC *micro:bit*. The micro:bit is a small, standalone, entry-level device that can be programmed in a variety of ways with a choice of software editors. The board has a processor which can be programed via a USB link to a computer, a LED display, and a Nordic Semiconductor Bluetooth radio chip. The boards are designed to provide a hands-on learning experience for younger children to start to learn the concepts involved in basic coding.

Helping young people to fulfil their potential is a worthy and inspiring cause; and the opportunity to inspire tomorrow's generation of developers makes this initiative very exciting.

The micro:bit will be in the hands of both teachers and school kids in 2016.

For more information on the 'Make it Digital', see www.bbc.co.uk/makeitdigital.

CHARITABLE DONATION - SAFI KIBERA

Based on suggestions from Nordic Semiconductor employees, the company sponsored in 2015 Safi International's Kibera project in Nairobi, Kenya. The project aims to benefit the very weakest, women and children, in the poorest parts of Africa. These groups are easily forgotten in the refugee crisis that occupies media interest, and do not have a voice that can be heard above the noise from conflicts much closer to us. The Kibera project aims to deploy thousands of Safi Cookers to Kibera residents.

Safi International is a Norwegian initiative that develop, manufacture, sell and distribute efficient, clean and safe cooking stoves, the *Safi Cooker*, for the African market. The Safi Cookers run on denatured bioethanol, which is a renewable energy produced from agricultural feedstock. The burner blends the ethanol gas with air to reach an optimal and efficient burning of the fuel, leaving no soot emissions.

Cooking over fire-wood or charcoal is one of the main causes for people suffering from respiratory illness. World Health Organization (WHO) estimates indoor air pollution was linked to 4.3 million deaths in 2012 in households cooking over coal, wood and biomass stoves. More than 70% of African households use firewood and charcoal when cooking their meals, resulting in an estimated 600.000 deaths each year in Africa alone.

Nordic Semiconductor recognizes how this project addresses multiple aspect in terms of reduced deforestation, improved health and safety (especially for women and children) and increased local economy. By Safi International's estimates, the support by Nordic Semiconductor

- › greatly improves the life of 1000 women and children,
- › saves 2000 acres of African forest,
- › gives women and children 347 000 less hours of work, and
- › increases economic activity by 422 000 USD in the local society

For more information on the Safi Kibera project, please see www.safi-international.com.