

Powering  
the smart  
connected  
future

# Powering the smart connected future

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Entering a new chapter in the story of our Company.



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2018 was an important year in the history of our company. In October 2018 we signed a landmark agreement with Apple Inc. which clarified our long-term business relationship and monetised our unique IP. We are confident about the future of our business and the opportunity to create long-term value for a wider range of stakeholders

We are a fabless semiconductor company primarily focused on the development of highly-integrated power-efficient mixed-signal products for consumer electronics, and other high-growth markets.

Our ambition is to power the smart connected future with leading power management and energy-efficient integrated circuits ("ICs").

Our technologies contribute to the extension of battery life in portable devices, charge batteries faster and safely, and provide efficient connectivity in Internet of Things ("IoT") applications.

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

The technical excellence of our products and our deep fabrication partnerships result in value to customers.



"In 2018 we signed a landmark agreement with our largest customer, Apple Inc., for the license of certain of our main PMIC technologies, and the transfer of over 300 employees and certain assets"

Dr. Jalal Bagherli  
Chief Executive Officer



You can read more about our sustainability performance at [www.dialog-semiconductor.com/sustainability](http://www.dialog-semiconductor.com/sustainability)

## Introduction

This is our seventh annual sustainability report, published in April 2019 and covering the 2018 calendar year. Since 2015, the company has adopted the Global Reporting Initiative (GRI) framework. In 2018, we transitioned to the GRI Standards, and this report makes a GRI-referenced claim.

This report places primary focus on those topics that are considered most material to Dialog and its stakeholders – as defined through a materiality assessment (pages 8-13).

More details, including a table of GRI Standard topics and disclosures, can be found on our website. The content of this report is not subject to external assurance.

## Entering a new chapter in the story of the company

Our expertise, proven track record and talent, gives me confidence in the future success of our business



“We are creating a vibrant and ambitious mixed-signal business with a growth strategy supported by our competitive advantage and values”

**Dr Jalal Bagherli**  
Chief Executive Officer



United Nations  
Global Compact



CLEAN200

2018 was an important year in the story of our company. On 11 October 2018, we signed an agreement with Apple Inc. for the licensing of certain of our main PMIC technologies, and the transfer of over 300 employees and certain assets. This agreement reflects the quality of our talent, the strength of our technology, and close customer relation.

Every day we continue building strong and responsible relationships with a wide range of stakeholders. Together with our customers, employees, fabrication partners and the communities in which we operate, we create value through innovative and differentiated energy-efficient integrated circuits (“ICs”). Our products helped enhance the usability, effectiveness and sustainability of more than a billion electronic consumer products during 2018. For the last three years Dialog has been listed in the Carbon Clean 200 index, a testimony of the role our technology plays in supporting the move to a cleaner and more energy-efficient economy.

Our ambition to power the smart connected future in a responsible and efficient manner remains intact. As a participant in the United Nations’ Global Compact – to which we committed since 2012 – we continue to apply sustainability management standards in the pursuit of our business ambitions. In 2018, we carried out an interim review of our materiality matrix and we aim to undertake a full materiality assessment in 2019, in line with our policy.

Dialog remains fully committed to playing an active role in extending responsible business practices across the supply chain. One more year, our teams worked hard to continue strengthening the audit verification process relating to human and labour rights, health and safety, and the environment. We published our second Gender Pay Gap analysis report, an important topic for our industry which we aim to manage and contribute positively towards. This year we also published “Our approach to tax”, which is in line with the principles of our Code of Business Conduct.

Innovation is at the core of our sustainable business model. In 2018 we invested US\$326 million in R&D, meaning that since 2012 we have invested approximately US\$1.4 billion.

The nature of our fabless model means that, while exposure to sustainability risks within our own operations is reduced, we must maintain strong oversight of our suppliers to ensure they perform in a way that does not undermine our values nor compromise our customer relationships. Our ICs are manufactured by leading foundries in highly automated plants. They are staffed by qualified technicians and engineers, and are subject to rigorous operational controls. Our fabrication partners apply mature management systems to address issues such as quality control, human resources, and environmental performance.

Although fabless, we are ultimately responsible for the delivery of our products to our customers. In order to monitor and optimise the manufacturing process, we assign Dialog staff members to any foundry producing our ICs. This supports a continuous quality improvement process which seeks to minimise risks potentially associated with the manufacturing process. As a result, we can assure our customers that we will deliver the ICs on time and in line with their exacting standards.

On behalf of the Board and the Executive Team I would like to thank our teams in Human Resources, Quality and Environment Systems, Supply Chain and Value Management, and Manufacturing – as well as our sustainability champions and all other employees involved – for their ongoing commitment and efforts to support our sustainability activities.

**Dr. Jalal Bagherli**  
Chief Executive Officer

## Our performance over the year

In 2018, we continued to strengthen our audit verification process relating to human and labour rights, health and safety and the environment, and distributed US\$1.3 billion in economic value to our stakeholders

In 2018, we carried out an interim review of our materiality matrix. Our materiality assessment identified and prioritised (with the help of our external partners) those sustainability issues impacting Dialog and its stakeholders. The results are 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 make a ‘GRI-referenced’ claim against the Global Reporting Initiative Standards (GRI Standards).

### Key highlights include:

- Distribution of US\$1.3 billion in economic value to our employees, suppliers, host governments, local communities and providers of capital. This represents 90% of our total turnover;
- The auditing of all 11 existing significant fabrication partners against our Supplier Audit Checklist and Corporate Social Responsibility Checklist;
- Throughout 2018 we have strengthened our supplier audit verification process relating to human and labour rights, health and safety, and the environment. All major deviations found at our subcontractors’ audits have been implemented and verified by Dialog;
- The screening and auditing of new and existing fabrication partners (i.e. those supplying more than 95% of our total volume of integrated circuits) against our Self-Audit Checklist. This 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;

- Our emerging talent programmes continued successfully in 2018, with 23 graduates (2017: 26; 2016: 35) and 56 interns (2017: 45; 2016: 51) entering the business; and
- Participation in a strategic partnership with University Technical College Swindon (“UTC Swindon”) and the UK Electronic Skills Foundation (“UKESF”) in the United Kingdom.

In 2019 we aim to make further progress towards a well-defined sustainability strategy. This will help ensure that our sustainability journey stays on course and we continue to integrate sustainability into our business and support Dialog’s long-term value.

For further sustainability information, please contact:

[jose.cano@diasemi.com](mailto:jose.cano@diasemi.com)  
[sustainability@diasemi.com](mailto:sustainability@diasemi.com)

## Our approach to tax

In 2018 we published “Our approach to tax”, a document which sets out Dialog’s approach to how we conduct our tax affairs and deal with tax risks.

For more information see our website  
[www.dialog-semiconductor.com/investor-relations/approach-tax](http://www.dialog-semiconductor.com/investor-relations/approach-tax)



## OUR VALUES



We believe in being entrepreneurial, always moving and decisive: delivering excellence, and keeping things simple.



We care about our impact and know that we make a difference to our customers and their end-consumers, to employees and society.



We are at our best when we work together, across geographic and cultural boundaries. This is about sharing ideas, challenging each other and building strong relationships with our customers, employees and suppliers.



We have a passion for innovation and thrive on new ideas. This is about pushing boundaries and taking pride in new approaches.

## About Dialog

# Developing power management and power-efficient technologies to keep people connected

Our passion for innovation and entrepreneurial spirit ensures we remain at the core of mobile computing and the Internet of Things (“IoT”).

Innovation is at the core of our business. Our most important assets include our highly-skilled engineers and intellectual property (“IP”), the strength of our customer relationships and close collaboration with responsible production partners. All these play an important role in the design of our products.

Through a collaborative R&D approach and responsible supply chain management, we develop and market highly-integrated power management and energy-efficient mixed-signal ICs.

 For more information on our business model, please see our **2018 Annual report**

Our technologies contribute to the extension of battery life in portable devices, charge batteries faster and safely, and provide efficient connectivity in IoT applications.

Our products enhance consumer experience and enable our customers to differentiate and move fast to market. Our highly-integrated standard and custom mixed-signal ICs are optimised for mobile computing, wearables, LED solid state lighting (“SSL”) and backlighting, and Smart Home applications. The highly-integrated approach helps to reduce component size and numbers, meaning our customers can reduce materials and costs and maximise performance. Our technology portfolio includes power management, audio, Bluetooth® low energy, Rapid Charge™, configurable mixed-signal ICs, AC/DC converters and LED drivers.

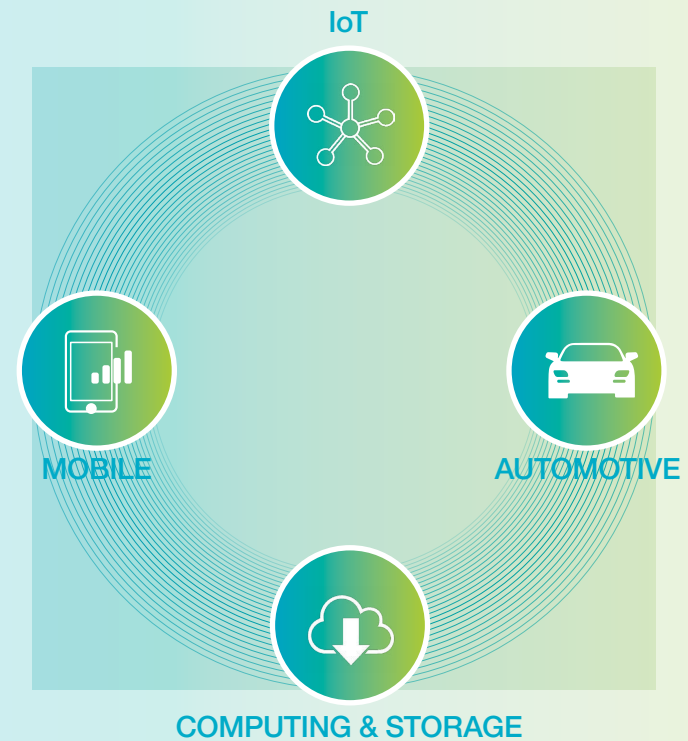
 For more information on our product range and forward focus, please see our **2018 Annual report**

### Key outputs

Economic value creation	30
Power-efficient product range	05
Reusable IP portfolio	19, 30
Trusted relationships with customers	19, 24



### OUR TARGET END-MARKETS



## About Dialog continued



### TECHNOLOGIES

#### POWER MANAGEMENT



### KEY OUTCOMES

- Power efficiency;
- Longer battery life; and
- Lighter, thinner, smaller products.



### HOW WE MAKE OUR PRODUCTS SUSTAINABLE

Dialog replaces multiple discrete power management components with one highly-integrated chip; 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%.

#### CONNECTIVITY

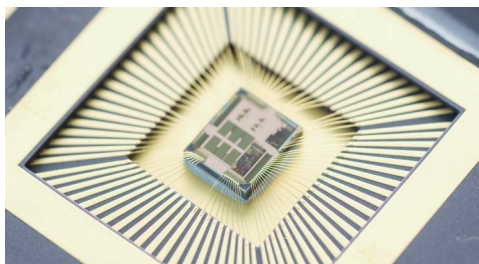


- Ultra-low power Bluetooth® low energy;
- Digital Enhanced Cordless Technology;
- Approximately 50% reduction in power consumption and size of classic Bluetooth® products; and
- One of the most energy-efficient connectivity solutions available to consumers.

Since the launch of our first Bluetooth® low energy System-on-Chip we have shipped over 200 million units of Smartbond™. Our Wearable on-Chip™ enables consumers to benefit from more energy-efficient wearables, Smart Home applications, proximity tags and various other connected smart applications.

Smart connected devices such as wearables or Smart Home applications, are increasingly part of our daily lives. This type of device requires power-efficient connectivity and sensing technologies to interact with the environment.

#### ADVANCE MIXED-SIGNAL



- Configurable Mixed-signal ICs (“CMICs”);
- High efficiency AC/DC power converter;
- Reduction in number of components required; and
- Zero standby power consumption for portable devices.

CMICs integrate multiple analog, logic and discrete component functionality into a single chip, reducing components and board space.

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 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 nine million American households). Dialog was the first company to introduce a zero standby power AC/DC pulse width modulations (“PWM”) controller.

Our 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 terawatt hours by 2030 – equivalent to approximately 210 million tonnes of greenhouse gas emissions.

# Our approach to Sustainability





## Our vision and applicable external standards

# Embedding sustainable and responsible practices into our business

**As a participant in the 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 – while helping advance broader sustainable development.**

It's not just 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 Business Conduct (“Dialog Code of Business Conduct”);
- Quality, Environmental and Energy Policy;
- Health and Safety Policy;
- Intellectual Property Policy; and
- 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 Responsible Business Alliance (“RBA”).

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;
- ISO50001 energy management system standard, to which we are certified in Germany;
- ISO9001 quality management system standard, to which we are certified; and

We are also guided in our external sustainability reporting by the Global Reporting Initiative Standards (GRI Standards).

## Sustainability management

During 2018 we continued to integrate sustainability management into our business activities. Human Resources, Manufacturing, Business Development and Legal departments are responsible for the management of their respective sustainability issues – and are subject to the oversight of the Executive Committee. We believe this is a better way to fully embed sustainability into the responsibilities – and actions – of managers throughout the Company. The Sustainability Committee is comprised of a representative of engineering, human resources and investor relations – who coordinate these activities.

Where sustainability management performance issues are of sufficient importance, responsible departments will report these directly to the Board on an ad hoc basis. Further details regarding the management of specific issues within Dialog can be found in the following chapters.

# Materiality



## Materiality assessment

### The outcome of the materiality process informs our sustainability strategy

Our approach is to undertake a full materiality assessment every other year. In 2018 we carried out an interim review, and we aim to undertake a full materiality assessment in 2019.



#### MATERIALITY ASSESSMENT PROCESS

1	2	3	4	5
<p><b>Initial review of sustainability issues facing Dialog (and the wider electronics sector)</b></p> <p>→ Dialog stakeholders including investors, value chain partners, employees, etc.</p>	<p><b>Definition of a “Dashboard” of relevant issues for Dialog and its stakeholders</b></p>	<p><b>In-depth analysis to prioritise each Dashboard issue based on Dialog’s actual and potential impact on its stakeholders and vice versa</b></p> <p>This included:</p> <ul style="list-style-type: none"> <li>→ Analysis of Dialog’s activities, locations and business partners;</li> <li>→ A review of existing company management system components;</li> <li>→ A review of Dialog’s existing risk assessment and supply chain audit results; and</li> <li>→ A review of external analysis and commentary on the semiconductor (and wider electronics) industry.</li> </ul>	<p><b>Gathering of feedback on the results from internal discipline experts and external stakeholders and the appropriate adjustment of scores</b></p> <ul style="list-style-type: none"> <li>→ Engagement with Human Resources, Supply Chain, Manufacturing, Investor Relations, etc; and</li> <li>→ Engagement with investors, SRI analysts, sustainability specialists, etc.</li> </ul>	<p><b>Mapping Dialog’s most material issues against the GRI Standards Topics.</b></p> <p>We have worked with external advisers to identify and prioritise our most material issues on the basis of:</p> <ul style="list-style-type: none"> <li>→ The potential or actual impact of Dialog on its stakeholders; and</li> <li>→ The potential or actual impact of stakeholders on the ability of Dialog to achieve its business objectives.</li> </ul>

## Materiality 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; and
- 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; and
- 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.

### 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 Management Team and Audit Committee.

These risks are recorded in a central risk register, which is reviewed by our Management 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 2018

Although the risk register cuts across all aspects of our business, key risks relating to our sustainability performance are set out on this page.

Each of these has been integrated into our materiality process. In 2018, a geopolitical risk has been added to our principal risks. For more information on our principal risks, please see pages 53 to 56 of our 2018 Annual report.



### STRATEGIC RISKS

**Human capital:** To keep ahead in a very competitive market we invest in product innovation and ensure Dialog has the appropriate leadership capabilities for an expanding and increasingly complex global operation.

**Dependency on key customers:** The Company relies on a relatively small number of customers for a substantial proportion of its revenue.



### OPERATIONAL RISKS

**Fabless business model:** We work together with our fabrication partners and suppliers to ensure that they perform (both operationally and otherwise) in a way that does not undermine our customer relationships.



### LEGAL AND COMPLIANCE RISKS

**Compliance with laws and regulations:** The expansion of the business into new jurisdictions, means that we need to understand – and comply with – applicable local laws and regulations. The need to ensure that (in the context of the fabless model) suppliers comply with applicable environmental regulations.

**Intellectual property protection:** The need to legally and physically protect highly innovative intellectual property held by Dialog.

## Materiality process continued



### ENGAGING WITH OUR STAKEHOLDERS

Our ongoing engagement with internal and external stakeholders helps us understand the impact of our activities and relationships on others. This engagement also informs how we can best manage these impacts in a responsible manner, as well as the potential risks and opportunities, to create value for all our stakeholders.



Investors



Our people



Strategic partners  
and suppliers



Customers



Society/  
Communities

### General stakeholder engagement activity in 2018

Stakeholder type	Form of engagement	Frequency of engagement	Examples of issues raised
<b>Employees</b>	<ul style="list-style-type: none"> <li>→ Employee annual reviews</li> <li>→ Regular communications on Company intranet</li> <li>→ Global sustainability group representatives from each office</li> </ul>	<ul style="list-style-type: none"> <li>→ At least monthly</li> <li>→ Quarterly group conference calls</li> </ul>	<ul style="list-style-type: none"> <li>→ Involvement in sustainability activities</li> <li>→ Terms of employment</li> <li>→ Employee turnover</li> <li>→ Company strategy</li> <li>→ Learning and development</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>→ Annual report</li> <li>→ Sustainability report</li> <li>→ Investor roadshows</li> <li>→ Ongoing investor relations engagement</li> <li>→ Capital Markets Day</li> <li>→ Investors perception report</li> </ul>	<ul style="list-style-type: none"> <li>→ At least daily</li> </ul>	<ul style="list-style-type: none"> <li>→ Competition for talent</li> <li>→ Technological trends</li> <li>→ Company performance</li> <li>→ Business strategy and customer concentration</li> <li>→ Supply chain management</li> <li>→ Governance (including sustainability)</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>→ Customer service feedback</li> <li>→ Customer audit activity</li> </ul>	<ul style="list-style-type: none"> <li>→ Monthly to annual contact with key customers</li> </ul>	<ul style="list-style-type: none"> <li>→ Product design</li> <li>→ Product quality and price</li> <li>→ Delivery schedules</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>→ Sustainability report</li> <li>→ Community projects</li> </ul>	<ul style="list-style-type: none"> <li>→ Monthly to annual contact with local communities</li> </ul>	<ul style="list-style-type: none"> <li>→ Donations and in-kind support</li> </ul>
<b>Peers</b>	<ul style="list-style-type: none"> <li>→ Industry forums and work groups</li> </ul>	<ul style="list-style-type: none"> <li>→ Ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>→ Industry dynamics</li> <li>→ Technological trends</li> </ul>
<b>Government/ Regulators</b>	<ul style="list-style-type: none"> <li>→ Government consultations</li> <li>→ Regulatory enquiries</li> </ul>	<ul style="list-style-type: none"> <li>→ Ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>→ Environmental regulations</li> <li>→ Product standards</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>→ Procurement contract tenders</li> <li>→ Supply chain audits</li> <li>→ On-site presence at fabrication plants</li> <li>→ Performance reviews</li> </ul>	<ul style="list-style-type: none"> <li>→ At least daily with respect to major suppliers</li> </ul>	<ul style="list-style-type: none"> <li>→ Product quality and price</li> <li>→ Delivery schedules</li> <li>→ Management of identified issues in the 2018 process</li> <li>→ Implementation of the 2019 auditing process</li> </ul>

## Materiality process continued

Our material areas have a clear link with our key business issues

### Material sustainability issues

In 2018, we carried out an interim review of our materiality matrix in line with our materiality review policy and as in 2017, mapped our material sustainability topics and our key business areas.

The outcome of the interim review resulted in adjustments to the prioritisation of two of our core material issues:

- Retention, morale and engagement went up one position; and
- Employee development went down one position.

Our core material issues	Change from 2017	Mapping to business issue
→ Economic performance and impact	=	<b>Society</b>
→ Technological innovation and agility	=	<b>Society</b>
→ Intellectual property	=	<b>Business Ethics</b>
→ Compliance with customer standards	=	<b>Value Chain</b>
→ Product impacts	=	<b>Environment</b>
→ Labour rights and human rights (supply chain)	=	<b>Value Chain</b>
→ Retention, morale and engagement	↑	<b>People</b>
→ Employee development	↓	<b>People</b>
→ Corporate governance and compliance	=	<b>Business Ethics</b>
→ Diversity and equality	=	<b>People</b>

### KEY

+ New material issue

= No change

↑  
↓ Re-prioritisation of material issues

## Materiality process continued

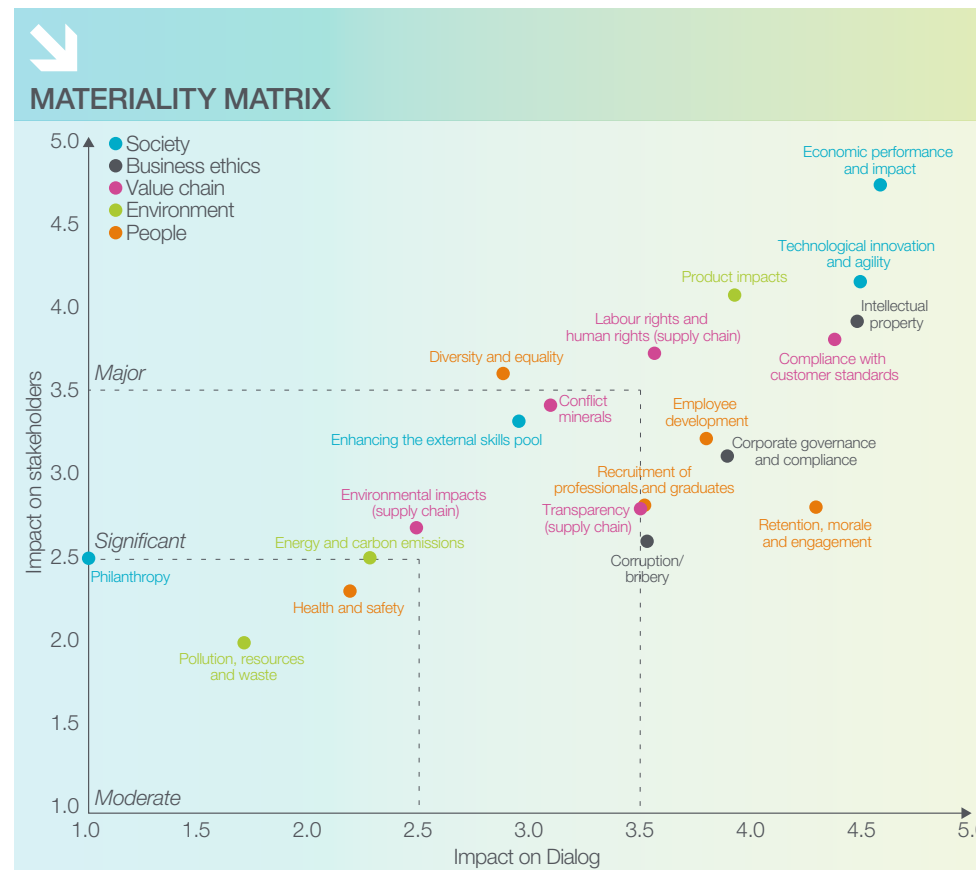
The outputs of our interim review are set out in the materiality matrix

### About the materiality matrix

The outputs from our materiality assessment 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.

The materiality matrix has been directly informed by:

- Ongoing stakeholder engagement throughout 2018;
- Targeted stakeholder engagement in 2018 to directly support our materiality process; and
- Our corporate risk management process.



# Our people





## Our people

# The ability to recruit, develop and retain top talent is vital to fostering innovation

We remain committed to encouraging more women to apply for roles within Dialog and to participate in initiatives that support women in engineering.

### Materiality

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. This is particularly the case given:

- Strong, ongoing competition for skills within the sector;
- An ageing electronics engineering demographic;
- Declining numbers of students in electronics engineering degree programmes and declining numbers of students taking STEM subjects at school required for entry into electronics engineering university programmes; and
- Our 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 Business Conduct, 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 skillset gap identification;
- Proactive engagement at university level to identify and recruit emerging talent; and
- Ongoing identification and engagement of high-value professionals and leaders.

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

 For more information see our website [www.dialog-semiconductor.com/investor-relations/corporate-governance/our-code-business-conduct](http://www.dialog-semiconductor.com/investor-relations/corporate-governance/our-code-business-conduct)

### Recruitment and retention

The nature of our industry means those working in it are highly skilled, international and mobile. Our growing employment brand and development of a strong employment proposition continues to help us attract people to all our locations.

At the end of 2018 we employed 2,100 people (excluding temporary staff on fixed-term contracts), a 1% increase on 2017. We now operate from 29 locations in 16 countries and our global workforce continues to increase in diversity. Dialog employees are drawn from 69 nationalities.

We continue to recruit globally for the most talented people, identify centres of engineering talent and build our business around them. In 2018, we integrated the employees from Silego Technology into our design centres in Europe, Asia and North America.

### Emerging talent programmes

Ensuring we maintain a robust and sustainable skills pipeline is essential for our current and future success. We run targeted intern and graduate recruitment and development programmes to ensure our emerging talent pipelines remain healthy.

Key components of our emerging talent recruitment process include:

- Sponsorships and internships;
- Direct graduate recruitment from our partner universities;



“Dialog provides the opportunity to work on exciting projects with a range of stakeholders across international boundaries. The training and mentorship provided is instrumental in building on my knowledge base as I delve deeper into the industry.”

**Lynette Otiti**  
Investor Relations Graduate

- Careers fairs and university events; and
- Focused graduate and intern assessment days.

In 2018, this helped us recruit a total of 23 new graduates into our workforce – all of whom have been enrolled in our formal Dialog Graduate Development Programme. In addition, we hired over 56 interns in 2018, many of whom are likely to become our future graduate hires once their educational studies have been completed.

### Retention

In 2018, staff turnover was broadly in line with 2017 at 10.7% (2017: 10.3%; 2016: 7.9%). We continue to monitor our staff turnover rate, assess our employees’ professional background and examine the reasons for leaving through exit interviews.

## 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. We need to invest in our existing employees on an ongoing basis.

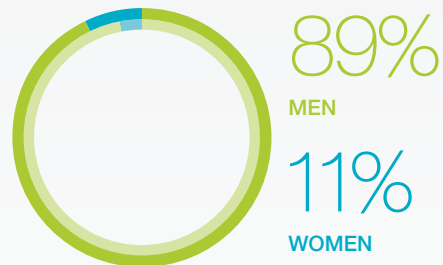
In particular, we need to provide employees with access to high-quality development opportunities. This not only builds their skills, expertise and knowledge, but also enhances the internal pool of world-class talent we can call upon. It also incentivises high performers to continue developing their career with us.

Coaching and developing each other is an important aspect of employee life at Dialog. We offer all employees a wide variety of development opportunities and encourage a 70/20/10 development split of “on the job” learning (70%), feedback and mentoring (20%) and classroom learning (10%). We have also responded to business demand by developing programmes for key employee types and career stages.

### Pay quartiles

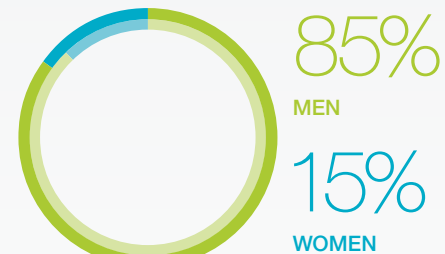
How many men and women are in each quarter of our UK payroll:

#### TOP QUARTILE



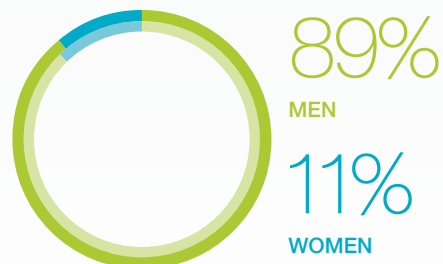
2017: Men 97% Women 7%

#### LOWER MIDDLE QUARTILE



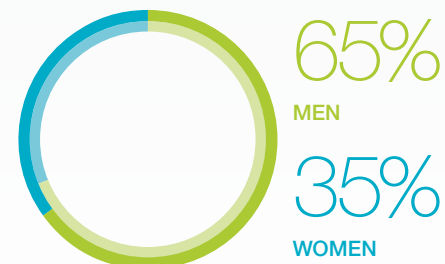
2017: Men 88% Women 12%

#### UPPER MIDDLE QUARTILE



2017: Men 88% Women 12%

#### LOWER QUARTILE



2017: Men 69% Women 31%

Who received bonus pay:



100%  
of men



100%  
of women

## Our people continued

In 2018 we also delivered development opportunities to our employees including mentoring, technical and professional training. During the year we rolled out key technical leadership skills development workshops for our engineers. We continually measure the impact of training by the percentage increase in competence 90 days post-training, and this figure drives our return on investment measurement. In 2018, the total number of training hours for our managers was 3,454 with an average of 15 training hours per person. We will continue to develop our virtual and online solutions into 2019 to offer flexible development options to our employees.

At the same job function and level, pay differences are only driven by permissible factors, such as performance or experience.

### Diversity and equality

We recognise the value a diverse workforce can bring in terms of creativity, dynamism and the sharing of new perspectives. Dialog is 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. In 2018 there were no allegations of discrimination made with respect to our employees.

The globalised nature of our footprint and the nature of our sector mean that we benefit from a highly international workforce. We have a total of 69 nationalities represented within our business – as well as a senior executive team representing seven different nationalities.

The electronic engineering sector performs relatively poorly in terms of gender diversity. Growing focus is being placed on invisible, structural considerations that may induce a degree of self-deselection (i.e. rather than any conscious barriers on the part of the sector).

Women are also underrepresented in our workforce. Female representation on our Board of Directors is 12.5 % (one of eight directors). 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. Our Second Gender Pay Gap Report showed a difference in the median pay between all men and women in Dialog UK of 22.9% (2017: 23.8%). This gender pay gap is a reflection of the lower number of women in engineering and in senior roles, an important issue in the electronic engineering sector.

 [For more information on our gender pay gap, please see our 2018 Gender Pay Gap report](#)

## Overall workplace profile<sup>1</sup> as of 31 December 2018

	Employment type		Gender		Total
	Full time	Part time	Male	Female	
Permanent employees	2,028	72	1,731	369	2,100
Temporary employees	31	8	23	16	39
Total employees	2,059	80	1,754	385	2,139

<sup>1</sup> The temporary employee category is made up of employees on fixed-term contracts. Please note that we do not make material use of workers who are legally recognised as self-employed.

## Overall workplace profile<sup>1</sup> as of 31 December 2017

	Employment type		Gender		Total
	Full time	Part time	Male	Female	
Permanent employees	2,005	66	1,723	348	2,071
Temporary employees	30	6	21	15	36
Total employees	2,035	72	1,744	363	2,107

<sup>1</sup> The temporary employee category is made up of employees on fixed-term contracts. Please note that we do not make material use of workers who are legally recognised as self-employed.

## Geographic distribution of workforce

Region	Gender		2018 Total	Gender		2017 Total
	Male	Female		Male	Female	
Asia	302	94	396	295	89	384
Europe	1,134	208	1,342	1,110	198	1,308
North America	295	67	362	339	76	415
Total	1,731	369	2,100	1,744	363	2,107

As far as our recruitment and selection processes are concerned, and subject to any relevant regulatory restrictions, the national or sub-national origins of applicants is irrelevant.

## 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
Austria	Yes	2.55	2.55
China	Yes	4.89	4.89
Germany	Yes	2.91	2.91
Netherlands	Yes	2.25	2.25
United Kingdom	Yes	2.21	2.21
USA	Yes	2.73	2.73

Note:

The standard entry level is the entry level for professionals after completed university education. Minimum wage figures used are the rates effective in January 2019. For the US the California minimum wage rate has been used, and for China the Shenzhen minimum wage rate.

# Business ethics



## Business ethics

# We strive to establish long-term relationships with our stakeholders, based on trust and adherence to our Code of Business Conduct

### Materiality

Maintaining our partners' trust depends on:

- Our strict adherence to our customers' exact 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; and
- 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, has 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 Business Conduct, which addresses a broad range of issues including conflicts of interest, discrimination, trading in Dialog shares, protection of intellectual property, confidentiality, competition, trade restrictions and export controls, accuracy of records, data privacy and reporting of infractions. The Code of Business Conduct is applicable to all Dialog employees, consultants and contractors;

- A range of specific policies addressing issues such as bribery and corruption, fraud, money laundering, financial dealings and whistleblower protection; and
- Mandatory training on specific topics such as bribery and corruption, conflicts of interest, preventing harassment and insider dealing.

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

#### Customer and industry standards

As a supplier of semiconductors to manufacturers of sophisticated electronic goods, we are subject to a significant body of technical, legal, social responsibility, 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 through which we assess our fabrication partners;
- Regular business reviews with our manufacturing partners to understand their performance and future capabilities; and
- Ongoing annual auditing of our manufacturing 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 (electrostatic discharge control); and
  - Responsible Business Alliance Code of Conduct.

 Further information on our supply chain auditing activity can be found on [pages 23 to 27](#)

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 system;
- Global Manufacturing Operations: Test development, offshore operations and assembly development; and
- 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 manufacturing partners and their application in practice;
- Product testing processes and documentation;
- Materials and product traceability; and
- 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; and
- Customer surveys.

## Business ethics continued

### 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 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 Business Conduct and our contracts of employment;
- Robust information technology systems to prevent data leakage; and
- Access controls to specific project data for employees and third parties.

In addition, we seek to protect our intellectual property from being illegitimately copied or used by others through the application of global patents, copyright and trademarks on a global basis

### Patented technology

With an expanded portfolio of patented technology, Dialog leverages years of research and development in digital, mixed-signal and analog circuits to bring innovative, power-efficient products to market.

GreenPak™	
PrimAccurate™	SmartPulse™
SmartBond™	SmartWave™
Flickerless™	BroadLED™
AccuSwitch™	SmarteXite™
SmartBeat™	

 For more information on our technology see our website [www.dialog-semiconductor.com/technology](http://www.dialog-semiconductor.com/technology)

(see page 30 for further details on our creation of patentable inventions). Our dedicated Patent Committee oversees the identification and legal protection of all new inventions.

In 2018 we had no complaints relating to breaches of customer privacy, losses of customer data or the misuse of customers' intellectual property (2017: nil; 2016: nil).

### 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 Democratic Republic of the Congo ("DRC") and the Great Lakes region of Africa (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 assurance by:

- Identifying whether any 3TG in our products has originated from the DRC or adjoining countries;
- (If it has), understanding whether the 3TG in our products has financed or otherwise benefited armed groups; and
- 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 DRC or adjoining countries 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 DRC or adjoining countries; or (2) sourced from within the DRC or adjoining countries 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 Responsible Business Alliance Code of Conduct ("RBA Code"). Under the RBA 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; and

- 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. The Conflict Minerals Reporting Template (CMRT) is created by the Responsible Minerals Initiative (RMI) supporting companies to deliver accurate information to their customers about mineral country of origin and the smelters and refiners they use. Dialog Semiconductor requires from its suppliers to complete and return the latest CMRT 5.11 regarding the origin of any 3TG contained in products supplied to Dialog. Our QA & Environmental Systems Lead Auditors permanently audit the suppliers on this topic and check the compliance.

If we do identify 3TG in our products that originate from the DRC or adjoining countries 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 2018, as in previous years, we did not identify any cases where 3TG integrated into our products may have or did finance or support armed groups in the DRC or adjoining countries.



# Environmental responsibility

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## Environmental responsibility

As we contract out the fabrication of our products, our direct environmental impact remains limited

### Materiality

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

Our products are based around a range of energy-efficient 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; and
- 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 Business 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 system standard, and our Company Quality and Management Manual support our efforts to achieve continuous improvement.

certified to the ISO14001 environmental management system standard, and our Company Quality and Management Manual support our efforts to achieve continuous improvement.

Our ISO50001-certified energy management system is a comprehensive tool to control energy efficiency within our internal facilities and equipment.

### Pollution, resources and waste

#### Natural resources

We take the scarcity of natural resources seriously and consider the conservation of raw materials to be a priority. Dialog continues to identify potential methods to improve existing technologies and substitute gold for copper, to minimise our impact on the environment, and reduce 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".

### Recycling

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

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.

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.

# 19%

reduction in CO<sub>2</sub> emissions from 2017

### Energy and carbon emissions

We are working across our offices to significantly reduce CO<sub>2</sub> emissions and minimise the carbon footprint of our business. In 2018, there was a 19% reduction in the CO<sub>2</sub> emissions. As in previous years, we offset 100% of emissions from all air travel and the use of rental cars. We work with Climate Care to offset CO<sub>2</sub> emissions through various renewable energy projects in Turkey, China and Taiwan.

CO <sub>2</sub> emissions	2016	2017	2018
Scope 1	86.2	92.5	<b>81.2</b>
Scope 2	1,739.2	1,651.5	<b>1,170.3</b>
Scope 3	4,685.2	5,210.2	<b>4,203.6</b>

Scope 1: Direct emissions from self-generation.

Scope 2: Indirect emissions from the consumption of purchased electricity, heat or steam. Scope 1 and 2 emissions from our two largest design centres – Nabern and Swindon.

Scope 3: Other indirect emissions including those related to transport. Includes all air travel and car hire.

CO <sub>2</sub> emissions	2016	2017	2018
Scope 1	0.05	0.05	<b>0.04</b>
Scope 2	0.98	0.86	<b>0.56</b>
Scope 3	2.65	2.71	<b>1.99</b>
Total	3.68	3.62	<b>2.59</b>



# Value chain



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## Value chain

# In 2018, we continued to strengthen our audit verification process relating to human and labour rights, health and safety, and the environment

### 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; and
- 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; and
- 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 (environmental) and ISO9001 (quality) management system standards. In addition, we require our major suppliers to commit to the requirements of our Supplier Code of Conduct (and by extension, to the RBA 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 found on [pages 26 to 27](#)

- 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 2018, Dialog carried out 22 supplier audits on this basis (2017: 18; 2016: 18). The outcomes of our auditing activity can be seen on page 26; and
- 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' requirements (including those around supplier environmental performance, for example); and
- 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.



**“In 2018 we rolled-out the RBA Code of Conduct to our CMBU major subcontractors. Integration of acquisitions and social responsibility compliance of their manufacturing partners will be our focus for the future.”**

**Bernd Müller-Allinger**

Quality & Environment System Manager,  
Global Operations and Quality

## Value chain continued

An efficient and responsible supply chain is one of our competitive advantages


  
 “In 2018, we successfully upgraded to the latest ISO9001 (quality) and ISO14001 (environmental) management system standards.”
   
**Moshe Reuven**
  
 Vice President, Global Operations and Quality Assurance

### About our Supplier Code of Conduct

We expect all of our major suppliers to comply with our Supplier Code of Conduct.

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

### Dialog Code of Business Conduct


[www.dialog-semiconductor.com/sites/default/files/dialog\\_code\\_of\\_business\\_conduct\\_-\\_v4\\_dec\\_2016.pdf](http://www.dialog-semiconductor.com/sites/default/files/dialog_code_of_business_conduct_-_v4_dec_2016.pdf)


  
**OUR SUPPLIER CODE OF CONDUCT**

				
<b>Labour rights</b>	<b>Health and safety</b>	<b>Environmental management</b>	<b>Ethics</b>	<b>Management systems</b>
Including the International Labor Organization (“ILO”) core labour standards, working hours, wages and benefits, and the treatment of employees in the workplace.	Including occupational health and safety, emergency preparedness, industrial hygiene, living conditions and physical safeguards.	Including pollution prevention, reporting, hazardous substances, waste and wastewater management, and emissions to air.	Including business integrity, intellectual property, competition, whistleblowing and conflict minerals.	Including policies, lines of accountability, compliance mechanisms, risk assessment, training, auditing and sub-suppliers.

By requiring its suppliers to comply with the RBA 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.responsiblebusiness.org/standards/code-of-conduct](http://www.responsiblebusiness.org/standards/code-of-conduct)  
[www.responsiblebusiness.org](http://www.responsiblebusiness.org)
  
 (Code of Conduct)

## Value chain continued

### Sustainability screening and auditing of significant fabrication partners by issue type (new fabrication partners screened<sup>1</sup>/existing fabrication partners audited<sup>2</sup>)

	2016	2017	2018
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 auditing of documentation and on-site auditing. All of our fabrication partners were subjected to on-site auditing of specific operating sites in 2018.

### Type and number of “major” negative audit findings<sup>3</sup>

	2016	2017	2018
Health and safety	0	6	7
Environment	1 <sup>4</sup>	2	5 <sup>5</sup>
Labour rights (incl. human rights)	0	3	20 <sup>6</sup>
Society	0	0	0

- 3 i.e. audit findings of sufficient seriousness that Dialog requires immediate correction on the part of the supplier.
- 4 Discrepancy found in actual temperature setting vs Safety Data Sheet.
- 5 Such as, boundary noise management, waste management and indoor air quality management.
- 6 Such as working hours management above and beyond local law and foreign contract worker protection.

In 2018 we continued to strengthen our audit processes and encountered a marked increase in the number of major audit findings relating to labour rights. During the year, the scope of our audits expanded due to the integration of the acquisition of Silego Technology Inc in November 2017. This will help ensure our suppliers continue to be held to high standards and our customers can be confident in the quality and sustainability of our supply chain. All of these findings have been communicated to the relevant suppliers, who are expected to address them within a reasonable timeframe. Progress in addressing such findings is monitored on an ongoing basis.

### Examples of negative audit findings in 2018

Health and safety	Insufficient signage of escape routes in some areas
Environment	Boundary noise management
Labour rights (incl. human rights)	Third-party contract handling for the recruitment of foreign workers
Society	None

## Transparency

Value chain transparency is vital for the maintenance of predictable sourcing and marketing activities, as well as the avoidance and/or minimisation of any negative indirect impacts to which we might otherwise contribute. 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 fables 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; and
- 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.



### THE MOBILE INDUSTRY ACCELERATES THE DELIVERY OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

In its third edition of the Impact report (GSMA 2018), the mobile industry demonstrates significant and measurable impact in contributing to the UN Sustainable Development Goals (SDGs) and is strengthening its commitment to improving lives around the world.

The Mobile industry has continued to increase its contribution against all 17 Goals since the mobile sector became the first sector in the world to commit to delivery of the SDGs in 2016.

Our technology contributes to keeping people connected for longer so they can continue to access more advanced mobile-enabled services.

Through technological innovation we contribute to the commitment of the mobile ecosystem to maximise its impact across the SDGs.

## Value chain continued

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 RBA's online data management system ("RBA-ON"); and
- Complete and return information regarding the origin of potential conflict minerals integrated into parts supplied to Dialog (page 20).

In addition, we assign at least one Dialog representative to 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 and labour rights and health and safety

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/collective bargaining), 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; and
- Ensure workers are not subject to physical or verbal abuse, bullying, or any form of unlawful harassment and intimidation.

The Dialog Code of Business 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;
- RBA Code of Conduct; and
- SA8000 social management system standard.

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

Nonetheless, we work with our major suppliers to ensure that whatever risks do exist, are minimised. In this context, the Dialog Code of Business Conduct and Supplier Code of Conduct (including the related RBA 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 and implementation of corrective action plans;

- Implement emergency planning and response measures, including evacuation procedures, the provision of fire detection and suppression equipment, the maintenance of adequate exits and recovery planning; and
- Control the exposure of workers to hazardous substances and to physically demanding tasks.

#### 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 RBA 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 "RoHS3") 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; and
- 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, and resource substitution technologies and other methods to reduce greenhouse gas emissions throughout the supply chain.

In 2018, none of our significant suppliers or our own operations were found to pose a significant risk to the environment (2017: nil ; 2016: nil).



# Society

## Society

# Through our business activity, we create value for a wide range of stakeholders

### 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 opportunities for expansion of our business, as well as ever increasing demand for advanced semiconductor technology, this positive impact is expected to grow – as are our associated indirect economic impacts.

Furthermore, our position at the forefront of semiconductor R&D means we are constantly helping to advance scientific knowledge in this area – laying 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, low power short range connectivity, SSL LED and LED backlighting, 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 corporate values, the “Spirit of Dialog”, 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 2018 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, UK Electronic Skills Foundation, and Women in Engineering Society.
- Key partnerships with University Technical College Swindon (“UTC Swindon”), including the provision of an enterprise adviser, in the United Kingdom and the UK Electronic Skills Foundation (UKESF);
- Industrial placements for undergraduate students in global offices; and
- Mentoring and support of school students in the UK and the Netherlands.

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.

### 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 31); and
- Payments to our providers of capital.

## Society continued

Our business and its positive impacts would cease to exist if we fail to generate economic value. This would materially affect a wide range of our stakeholders, including individuals we employ, the customers whose specialised products we procure goods and services from, suppliers and the governments to whom we pay taxes. We also published the 2018 edition of “Our approach to tax” which follows the principles established in our Code of Business Conduct.

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.



### DIALOG TAX PRINCIPLES

- Full compliance with applicable laws and regulations;
- Acting ethically, honestly and with integrity in line with the Dialog Code of Business Conduct;
- Consistent with the Group’s overall business strategy and approach to risk management; and
- Utilising available and legitimate tax incentives and reliefs to minimise the tax cost of conducting our business.



For more information, please see our website [www.dialog-semiconductor.com/company/corporate-social-responsibility](http://www.dialog-semiconductor.com/company/corporate-social-responsibility)

### Indirect impacts

In addition to our direct economic impact, we also generate a range of 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 wearable 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 2018, for example, we shipped in excess of 2.5 billion integrated circuits; and
- The enhancement of 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, the experience our senior engineers gain by working on cutting-edge products and our considerable investment in R&D.

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

	2016	2017	2018
Economic value generated	1,197.6	1,352.8	<b>1,442.1</b>
Economic value distributed	1,076.2	1,183.1	<b>1,304.2</b>
Operating costs <sup>1</sup>	794.9	881.3	<b>933.7</b>
Employee wages and benefits <sup>2</sup>	230.3	274.5	<b>311.2</b>
Payments to providers of capital	3.4	1.3	<b>3.1</b>
Payments to government	47.4	25.8	<b>56.0</b>
Community investments	0.2	0.2	<b>0.2</b>
Economic value retained	121.4	169.7	<b>137.9</b>

<sup>1</sup> Excluding employee wages and benefits and property tax.

<sup>2</sup> Including share-based payments.

### 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® low energy connectivity; and
- Configurable mixed-signal ICs.

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 2018, for example, we invested US\$326 million on R&D activities or 22.6% of our total revenue (2017: US\$303 million; (2017: 22.4% of revenue).

\* Certain product development costs have been reclassified from cost of sales to research and development expenses (see note 1 to the consolidated financial statements for the full year ended 31 December 2018).



## Society continued

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

	2016	2017	2018
Granted	93	94	102
Filed	86	112	119

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 at 31 December 2018 we had approximately 860 inventions (2017: approximately 810; 2016: approximately 700) for which we are pursuing or have already obtained patent protection, 673 (2017: 574; 2016: 460) of which have already been granted in the United States. While intellectual property protection around this technology means it will not be shared in the short to medium term (see page 20), in the long term it is technology that can be applied by anyone.

### Product impacts

#### Positive product impacts

The technology that we 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;
- IoT applications;
- LED solid state lighting and backlighting; and
- 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;
- Configurable mixed-signal ICs: Integrating multiple analog, logic and discrete components into a single IC, contributing to a reduced number of components and board space; and
- Connectivity: Our ultra-low power Bluetooth® low energy, SmartBond™ System-On-Chip helps to significantly increase the battery life of a range of connected devices and IoT applications.

#### 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 in which they are integrated.

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 health and safety risks to end-users.

This includes extensive measures to minimise the risk of our products (in the context of their integration into larger electronic end-products) contributing to:

- Overheating;
- Fire risks; and
- Power overload.

Furthermore, we are subject to extensive official legal and customer requirements in this regard (page 19), making product health and safety a key compliance issue. For example, we are required to ensure that all of our products meet the following official standards (in addition to comprehensive customer standards imposed by consumer-facing electronics brands):

- RoHS3;
- REACH SVHC191; and
- 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; and
- 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 2018 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 2018 we gave approximately US\$154,000 to various causes aligned with our business objectives (2017: US\$181,000). These included: the use of our technology for good causes, promoting STEM education, and encouraging women in engineering. The Corporate Giving Policy, encourages employees to engage with the communities in which they work. The policy places a stronger emphasis on activities to which we can bring additional value through our expertise and business activities.

## 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, 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 mid 2018 and early 2019:

- Review of reporting standards: Including the Global Reporting Initiative Standards (“GRI Standards”) 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;
- Materiality process: Implementation, with Dialog Semiconductor, of an interim review of our materiality assessment which was aligned with the GRI Standards; and
- 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 GRI Standards reporting requirements.

**Gus Macfarlane,**  
06 March 2019

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### GRI Standards Material Topics

GRI Standard	Material	Page
<b>101: Foundation</b>	Y*	<a href="#">1, 7, 9–10, GRI table</a>
<b>102: General disclosures</b>	Y*	<a href="#">Throughout the report</a>
<b>103: Management approach disclosures</b>	Y*	<a href="#">Throughout the report</a>
<b>201: Economic performance</b>	Y	<a href="#">29–20, GRI table</a>
202: Market presence		
<b>203: Indirect economic impact</b>	Y	<a href="#">29–31</a>
204: Procurement practices		
<b>205: Anti-corruption</b>	Y	<a href="#">19, GRI table</a>
206: Anti-competitive behaviour		
<b>301: Materials</b>		
302: Energy		
303: Water and effluents		
304: Biodiversity		
305: Emissions		
306: Effluents and waste		
<b>307: Environmental compliance</b>	Y	<a href="#">19–20, 22, GRI table</a>
<b>308: Supplier environmental assessment</b>	Y	<a href="#">24–27, GRI table</a>

\* Applicable for the material topics identified by Dialog in 2018

## Appendix continued

GRI Standard	Material	Page
<b>401: Employment</b>	Y	<a href="#">15–17, GRI table</a>
402: Labor/management relations		
403: Occupational health and safety		
<b>404: Training and education</b>	Y	<a href="#">15–16, 19, GRI table</a>
<b>405: Diversity and equal opportunity</b>	Y	<a href="#">16–17</a>
<b>406: Non discrimination</b>	Y	<a href="#">17</a>
<b>407: Freedom of association and collective bargaining</b>	Y	<a href="#">24–25, 27, GRI table</a>
<b>408: Child labor</b>	Y	<a href="#">27, GRI table</a>
<b>409: Forced or compulsory labor</b>	Y	<a href="#">27, GRI table</a>
410: Security practices		
411: Rights of indigenous peoples		
<b>412: Human rights assessment</b>	Y	<a href="#">20, 24–27, GRI table</a>
413: Local communities		
<b>414: Supplier social assessment</b>	Y	<a href="#">24–27, GRI table</a>
415: Public policy		
<b>416: Customer health and safety</b>	Y	<a href="#">31, GRI table</a>
<b>417: Marketing and labelling</b>	Y	<a href="#">31, GRI table</a>
<b>418: Customer privacy</b>	Y	<a href="#">19–20, GRI table</a>
<b>419: Socioeconomic compliance</b>	Y	<a href="#">19–20, GRI table</a>

## UN Global Compact reference table

Category	Principle	Page
Human rights	1 Businesses should support and respect the protection of internationally proclaimed human rights	<a href="#">07, 19–20, 24–27, GRI table</a>
Human rights	2 Businesses should make sure that they are not complicit in human rights abuses	<a href="#">07, 19–20, 24–27, GRI table</a>
Labour	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<a href="#">07, 19–20, 24–27, GRI table</a>
Labour	4 Businesses should uphold the elimination of all forms of forced and compulsory labour	<a href="#">07, 15–17, 19–20, 24–27, GRI table</a>
Labour	5 Businesses should uphold the effective abolition of child labour	<a href="#">07, 15–17, 19–20, 24–27, GRI table</a>
Labour	6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	<a href="#">07, 15–17, 24–27, GRI table</a>
Environment	7 Businesses should support a precautionary approach to environmental challenges	<a href="#">07, 22, 24–27, 29–31, GRI table</a>
Environment	8 Businesses should undertake initiatives to promote greater environmental responsibility	<a href="#">07, 22, 24–27, 29–31, GRI table</a>
Environment	9 Businesses should encourage the development and diffusion of environmentally friendly technologies	<a href="#">04–05, 12–13, 30–31, GRI table, Annual report</a>
Anti-corruption	10 Businesses should work against corruption in all its forms, including extortion and bribery	<a href="#">07, 19–20, 24–27, GRI table</a>

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