

ANNUAL REPORT 2022



NORDIC[®]
SEMICONDUCTOR

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01

Message from
the CEO

Message from the CEO

2022 was another strong year for Nordic, with continued revenue growth, high gross margins, and record results. Our Bluetooth Low Energy products remain in high demand from our tier-1 customers, although our delivery capabilities continued to be held back by wafer supply. The supply situation remains an issue also for 2023, and combined with lower demand for our proprietary products and a more uncertain outlook for cellular IoT, this has made us lower our growth expectations for 2023. However, we maintain our long-term growth ambitions, and that means we continue to invest in our organization, our R&D, and our growth capabilities. The development of a complete connectivity portfolio across Bluetooth, Wi-Fi and cellular IoT broadens our scope of business and opens significant long-term growth opportunities.

2022 continued to put strains on the organization, with Covid-19 travel restrictions, mandatory home office in the beginning of the year, and logistics challenges in many industries and geographical regions. Nevertheless, we stayed fully operational and handled the higher business volumes and continued logistics challenges.

We also continued growing our competence base and capabilities. We onboarded around 250 new employees during the year and expanded our workforce to almost 1,450 people globally. This was quite an achievement, and I want to take the opportunity to thank everyone in our organization for their patience, stamina, and drive to make this happen. Working out of offices in 16 different countries, we have the kind of enthusiastic, inclusive, diverse, and ingenious culture required to attract and retain the top talents we need to succeed in our market.

"We have the kind of enthusiastic, inclusive, diverse, and ingenious culture required to attract and retain the top talents we need to succeed in our market."



In regard to our financial development, revenue increased by 27% to USD 777 million in 2022, and our revenue has increased by an annual average of almost 40% over the past three years. The key growth drivers remain strong demand from major tier-1 customers, accelerating traction in Industrial IoT, and disruptive technology adoption in the healthcare sector. Last year, I also included consumer electronics market as a growth drive, although demand in parts of this market has eased off in the backend of the pandemic.

Bluetooth® Low Energy (LE) is by far the largest revenue contributor of our connectivity technologies, increasing by 33% year-on-year and now accounting for 86% of revenue. We continue to excite developers and engage both tier-1s and broad market customers. Bluetooth revenue share from our top-10 customers increased from 40% in 2021 to 44% in 2022 and exceeded 50% as we moved into 2023.

Our proprietary products enjoyed strong demand through the pandemic years, with home offices and gaming driving demand for PC accessories and HID devices. In 2022 we saw revenue decline by 10% with low demand towards the end of the year. Proprietary products accounted for 10% of full-year revenue, and this is expected to decline further as customers are migrating to more modern technologies such as Bluetooth Low Energy. We saw revenue growth of nearly 50% for our cellular IoT products, although demand eased off in the second half of the year. Cellular IoT accounts for around 3% of revenue and is

expected to become a stronger revenue contributor in the years to come. We also hold high long-term ambitions for our other products groups within Wi-Fi®, Power Management, DECT New Radio plus (NR+) and Cloud Services, which are still in early- or pre-commercial stages.

We are optimistic about our growth opportunities in the years to come, with a solid outlook for Bluetooth Low Energy and gradually increasing volumes and revenues coming from new connectivity technologies and from new products, services, and applications.

With our strong gross margins and high operational leverage, we delivered record EBITDA-margins of 26.5% and profit before tax of USD 167.2 million in 2022. Going forward, we expect to maintain gross margins above 50%, and reiterate our long-term EBITDA-margin ambition of 25%.

Investing early in high-growth opportunities is one of our strategic pillars. Around 40% of our capex investments go into segments that account for only around 4% of current revenue, and we will continue to invest to make the most of our growth potential. Another example of our commitment to growth is our up-front payment to broaden our wafer supply base with a new vendor. This will begin to support our wafer demands from 2024 onwards. Additionally, we are expanding our competence base and closed the acquisition of the US memory specialist Mobile Semiconductor in March 2023. Combined with our organic investments, these investments significantly expand our opportunity pipeline and addressable market, and will enable continued strong growth in the longer-term.

Digitalization, connectivity and IoT will play an important role in solving many environmental and societal challenges for both consumers and enterprises, as well as shaping a more sustainable economy. Nordic continues our commitment to contributing in a tangible way through our energy-efficient products and support for customers with various solutions for these challenges. This year, we have also enhanced

our sustainability framework and governance by, for instance, establishing a Sustainability Committee at the Board level. This ensures a holistic approach throughout our organization and progress toward our defined ESG targets.

We continue to gain recognition for our ESG reporting and received an "A" rating in Position Green's annual report on companies based in the Nordic countries, and was awarded an "A" for our environmental reporting by Carbon Disclosure Project (CDP). Nordic also remains a constituent of the STOXX Global ESG Leaders Index, and was selected last year by Euronext to participate in the Euronext Tech Leaders initiative.

Please dive deeper into our sustainability efforts in the ESG section of this report.

Rounding off, I would like to take the opportunity to thank all my colleagues in the company for their invaluable efforts to make us a little bit better every day. We will do our very best to remain a strong partner for our customers, suppliers, distributors, and other stakeholders in 2023.

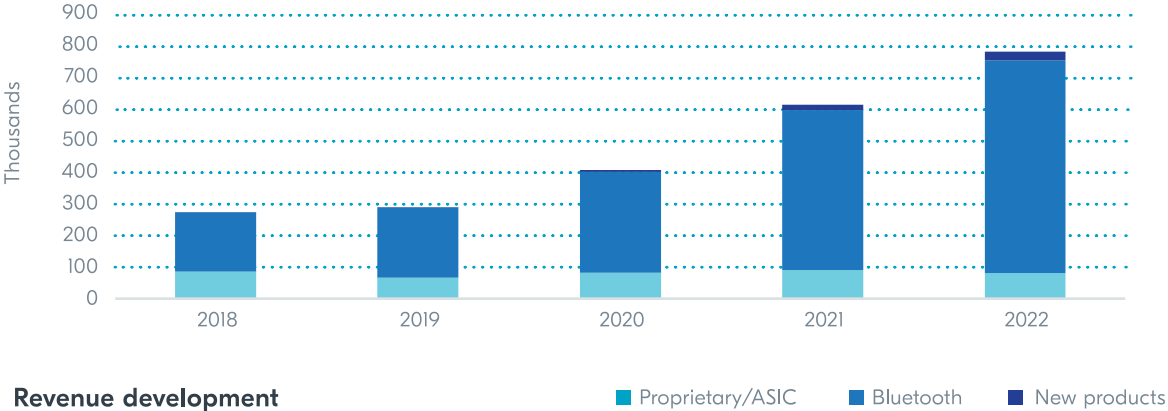
The background is split diagonally from the top-left to the bottom-right. The upper-left portion is a solid medium blue, while the lower-right portion is a lighter, textured blue. Scattered across both sections are several small, stylized icons of microchips or integrated circuits in various shades of blue and grey.

02

Nordic at a glance

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Sound growth is profitable growth



Healthcare
9%



Other
4%



Industrial
25%

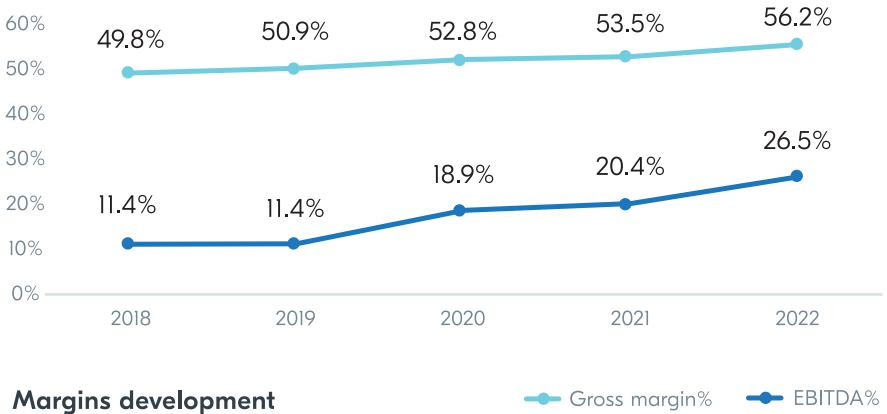


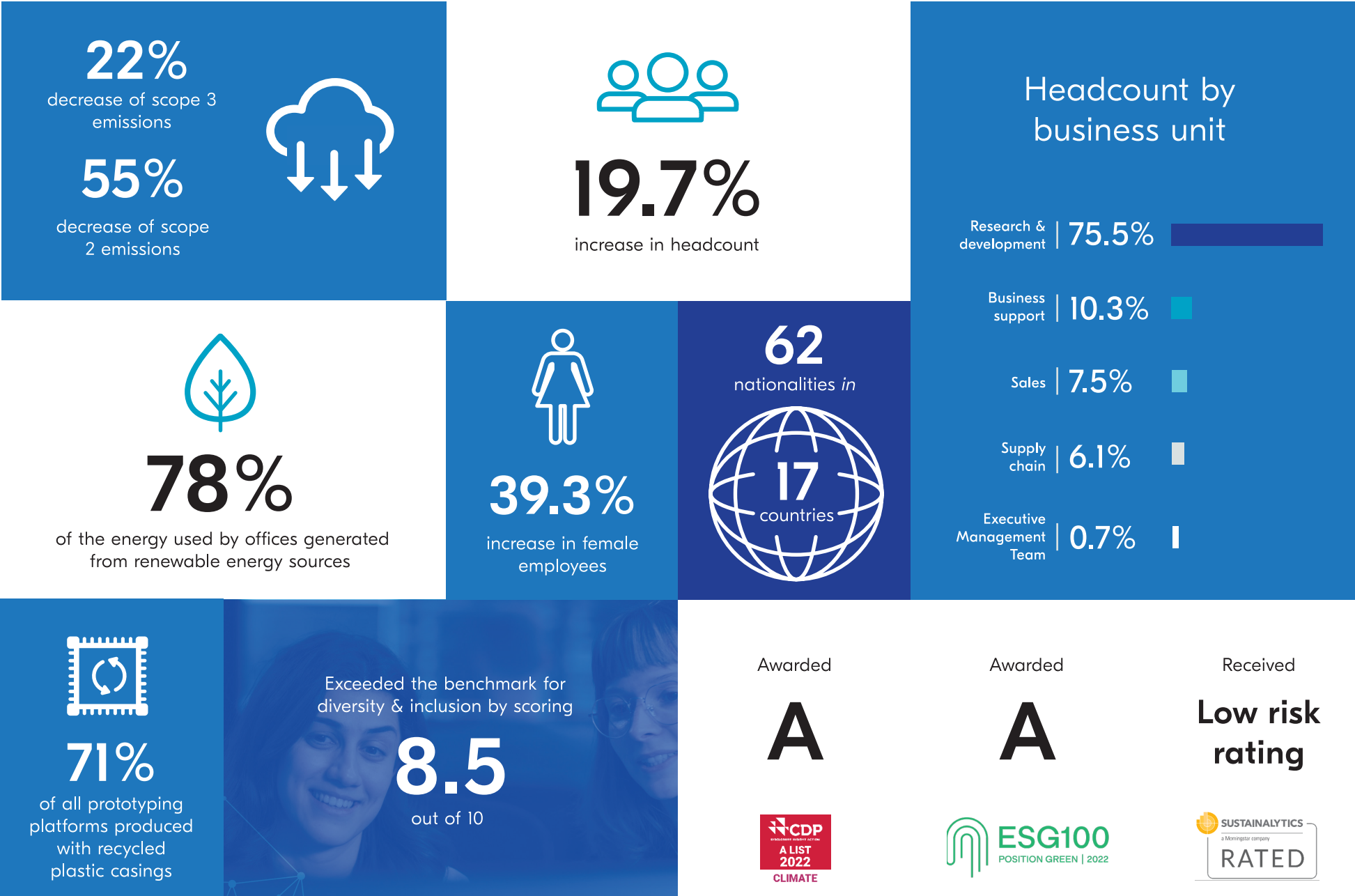
Consumer
63%

Markets

“

Investing in a complete connectivity portfolio







Complementary

Providing solutions for optimal energy consumption and connectivity requirements

Short-range

Market leader with proven performance from recognized solutions



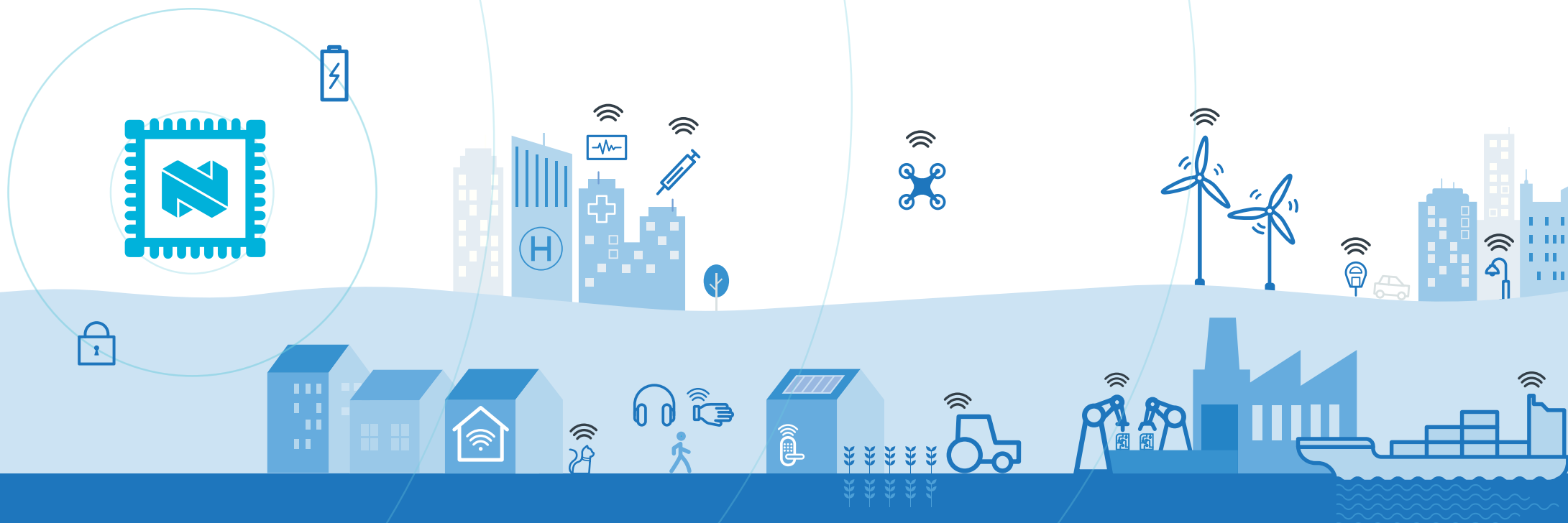
Wi-Fi

Early mover in new and growing market leveraging foundation from recognized solutions



Long-range

Early mover in new and growing market leveraging foundation from recognized solutions



03

Report from the
Board of Directors



Report from the Board of Directors

In 2022, we achieved solid revenue growth, higher gross margins, and record results. Although the demand for our Bluetooth Low Energy products from large tier-1 customers remains strong, our delivery capabilities are currently limited by the availability of wafers. We continue our commitment to investing in future growth, as evidenced by the launch of our first Wi-Fi product and significant improvements in our cross-technology development platform. Additionally, we are proud to have been promoted to the highest level of membership in the Matter standard organization, Connectivity Standards Alliance. This recognition reflects our commitment to setting connectivity industry standards.

Group Overview

Nordic Semiconductor (Nordic or "the Group") is a fabless semiconductor company designing, marketing, selling, and supporting hardware products, embedded software, and cloud-based services enabling wireless connectivity solutions.

Nordic has been a pioneer within wireless connectivity since its beginning in 1982 as an integrated circuits manufacturer. Starting with proprietary 2.4GHz technology for PC accessories, Nordic has developed into a globally leading supplier of *Bluetooth*® Low Energy and multiprotocol solutions for short-range connectivity. The Group has also established a leading position in the emerging market for cellular IoT, and in 2020 expanded into next-generation Wi-Fi technology to cover the embedded Wi-Fi market.

Nordic's product offering includes integrated circuits (ICs), Systems-on-Chip (SoCs), Systems-in-Package (SiPs), and Software Development Kits (SDKs). The Group sources components, and assembles and packages the products through world-class subcontractors in Asia, and distributes its products to branded electronics manufacturers through an extensive network of global and regional distribution partners.

Nordic Semiconductor ASA ("The Company") is the Group parent, headquartered in Trondheim (Norway). As of year-end 2022, the Group has offices in Trondheim and Oslo (Norway); Beijing, Shanghai, Shenzhen and Hong Kong (China); Oulu, Espoo, Tampere, and Turku (Finland); Düsseldorf (Germany); Hyderabad (India); Yokohama (Japan); Eindhoven (the Netherlands); Manila (the Philippines); Krakow and Wroclaw (Poland); Singapore (Singapore); Seoul (South Korea); Stockholm and Lund (Sweden); Taipei (Taiwan); Bristol, Hatfield and Swindon (UK); and Portland (USA).

Strategy and ambitions

Nordic's mission is to be a world-leading supplier of connectivity solutions. The Group offers proprietary technology and ultra-low power Bluetooth and multiprotocol technologies in the short-range market, and cellular IoT over LTE-M and NB-IoT networks in the long-range market. In the second half of 2022, the Group also launched its first Wi-Fi product, a companion chip to its short-range and long-range products. Nordic is one of few companies offering all three of the world's most popular IoT technologies (Bluetooth, Wi-Fi and cellular). The Group is also a key contributor to a variety of connectivity standard initiatives, like the new 5G wireless standard DECT NR+ and Matter by the Connectivity Standards Alliance (CSA).

To build and maintain a strong market position in fast-paced and innovative markets, it is crucial to inspire and engage developers. Nordic has accomplished this by creating a globally-renowned developer community, DevZone, which has over 160 thousand Q&As and supports more than 100,000 unique development projects.

Overall, the Group shipped more than 700 million units in 2022 to a broad customer base ranging from single developers to globally leading high-volume customers. To develop and maintain these volumes, it has been key to develop scalable solutions across technologies and markets, and to engage both large enterprises and smaller one-product companies as customers.

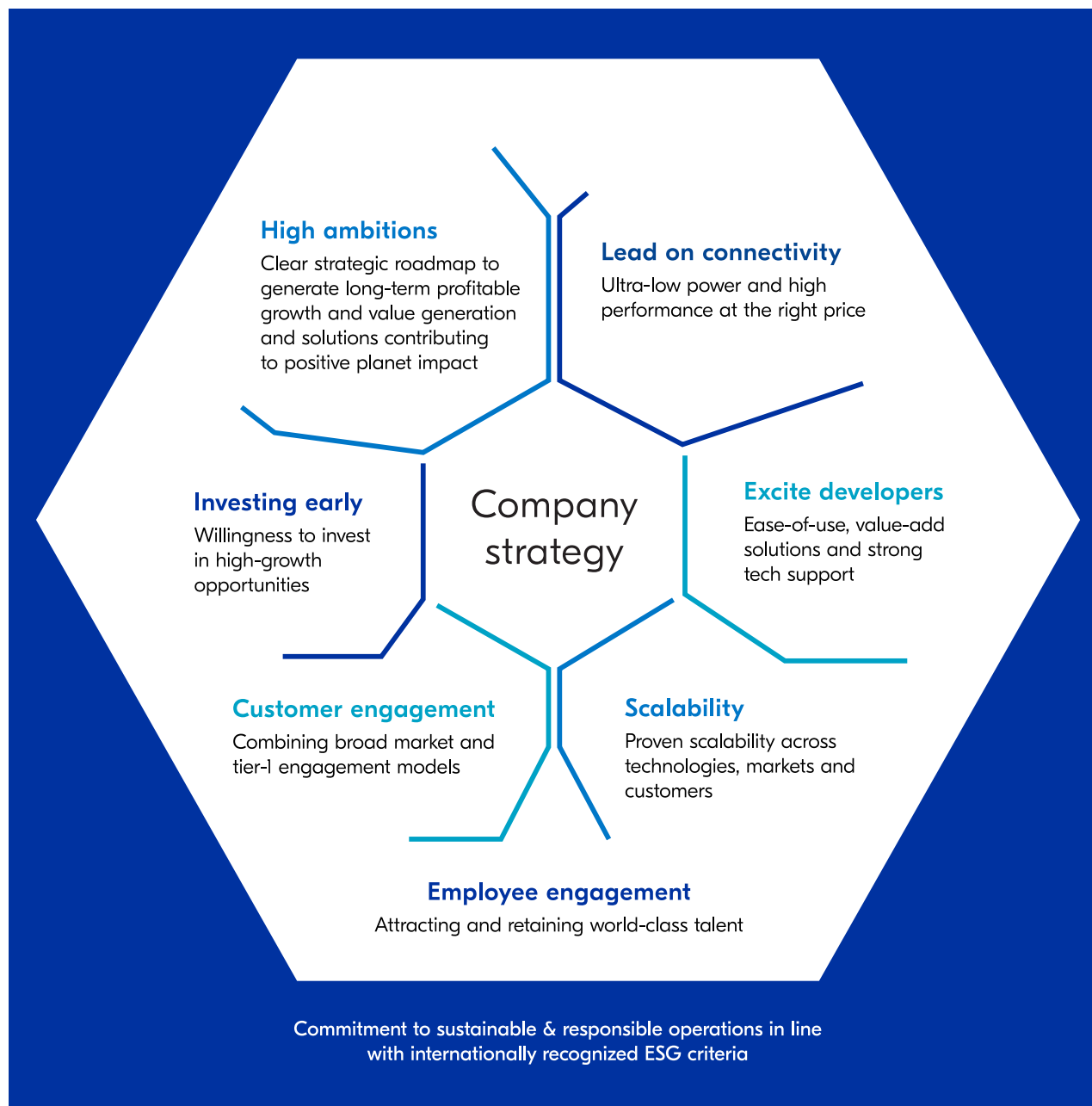
Nordic has been the market leader in the broad market ever since the introduction of Bluetooth Low Energy products in 2012. The Group has also established strong customer relationships with tier-I customers, such as major global platform companies and market leaders in different verticals. Demand from these customers has increased sharply over the past years.

Revenue increased by 27% in 2022 and has shown an average annual increase of 39% over the past three years. The end-user markets for Nordic's products include both consumer products and an increasing variety of industrial and healthcare applications. Healthcare revenue increased by 90% over 2021, industrial revenue by 35%, and consumer revenue by 19%. Revenues in the "Other" segment mainly reflect sales to module manufacturers, and increased by 59% year-on-year.

Connectivity and IoT through low power wireless solutions will play an important role in finding solutions for a more sustainable economy. Nordic remains committed to contributing to sustainable solutions through the potential use of its products in such applications as well improving its own ESG performance. In 2022, Nordic has enhanced its sustainability framework and governance by, for example, establishing a Sustainability Committee at the Board level. This to ensure proactive management of risks and compliance with the increasing ESG regulations while taking a holistic and aligned approach throughout the organization.

Employees are one of Nordic's key resources, and employee engagement is a strategic pillar of the Group's current and future success. Nordic believes employee engagement is best fostered in an environment including a diverse mix of age, gender, and cultural backgrounds who feel valued and equally treated. Nordic's 1,435 employees are between the ages of 22 and 71. Last year saw a 42% increase in new female hires. This diversity is part of the reason for Nordic's low employee turnover and high loyalty scores. Furthermore, high growth requires continuous organizational development. Nordic expanded its employee base, resulting in a 19% increase from the end of 2021. Overall, the Group has expanded its global workforce by more than 86% over the past three years.

These investments reflect our belief in the long-term growth potential and support the Group's high ambitions.



Operational review

Supply chain constraints

Nordic's main commercial products are Bluetooth and multiprotocol Systems-on-Chip (SoCs) providing short-range connectivity, and Systems-in-Package (SiPs) providing connectivity on long-range LTE-M and NB-IoT cellular networks. As a fabless semiconductor company, Nordic manufactures and assembles its products through subcontractors in Asia, and delivers to customers through global and regional distributor partners.

As in 2021, Nordic's delivery capacity have been negatively affected by a shortage of wafers on the node the Group uses for its Bluetooth Low Energy products. Production capacity for the Group's cellular IoT products was also affected by a component shortage in the first half of 2022.

Nordic has worked tirelessly to help its customers manage the challenges this has created, both by striving to secure additional wafers and by pulling in wafers from subsequent quarters to allow for early delivery. Overall, Nordic shipped over 700 million products in 2022.

Nordic's own supply chain capacity and in-house testing capabilities have met the higher volume, following investments in testing equipment and component inventory buffers over the past three years.

Demand developments

Nordic saw very strong demand across its entire short-range portfolio throughout the pandemic, with weaker development in parts of the market during 2022. In terms of technologies, this mainly relates to the Group's legacy products, the proprietary 2.4GHz productions and the first-generation Bluetooth products in the nRF51 Series. Toward the end of 2022 the Group experienced a slowdown in the cellular market. We believe this to be temporary given the amount of pre-commercial cellular IoT projects with high volume potential.

A significant portion of proprietary products is used in PC accessories such as mice and keyboards, which saw a boost due to home office use during the pandemic, and a slowdown as workers began returning to the offices in 2022. Most nRF51 Series SoCs were used for cost-constrained consumer products for the domestic Chinese market, which also weakened significantly in 2022.

Demand for Bluetooth Low Energy products from the largest tier-1 customers remains strong, and these customers account for an increasing share of revenue. The top-10 customers accounted for around 44% of Bluetooth Low Energy revenues in 2022, up from 40% in 2021. The share toward the end of the year exceeded 50%. This development reflects not only strong demand from these customers, but also that the Group has prioritized these customers in a market with constrained wafer supply.

A combination of high demand and limited supply led to a large increase in the order backlog to NOK 1.8 billion at the end of 2021. This was significantly higher than production capacity. Throughout 2022, Nordic has worked with its customers to better align the order backlog with delivery capability. Toward the end of the year, the Group also saw lower demand for its proprietary products and generally weaker demand among Chinese broad market customers, leading to more order cancellations. Nordic has encouraged its tier-1 customers to return to normal purchasing patterns of placing orders only for next two quarters, which also contributed to a reduction of the backlog. At the end of the year, the order backlog had thus declined to USD 839 million.

Bluetooth Low Energy and multiprotocol products

Nordic is the market leader in Bluetooth and multiprotocol designs. According to Bluetooth Special Interest Group (SIG) data compiled by DNB Markets, Nordic had a market share of 39% of new design certifications in the Bluetooth Low Energy market in 2021. A total of more than 1,100 new designs were certified in 2022, of which 446 had Nordic inside. The design market share has been relatively consistent over time, and the Group has had a market share around 40% of the more than 6,000 designs certified over the past five years.

These high market shares reflect the breadth of Nordic's portfolio of Bluetooth and multiprotocol products and solutions. Many competitors offer only one or a few alternatives, whereas Nordic offers a wide range of SoCs, ranging from entry-level SoCs for cost-constrained applications to highly advanced SoCs for complex, high-performance applications. This enables the Group to meet different customer requirements at the right price point.

The Group now has 7 different SoCs in the nRF52 Series, from the entry-level nRF52805 to the high-end nRF52840, as well as the flagship nRF5340 SoC. The dual core nRF5340 supports Bluetooth 5.3/Bluetooth Low Energy, Bluetooth mesh, Thread, and Zigbee, with established support for AI and machine learning.

Nordic also uses the nRF5340 to support the Matter standard, where the Group is one of the main contributors. Backed by Apple, Amazon, Google, and several hundred other companies, Matter partners are working to secure seamless connectivity and interoperability of devices, hubs, apps and services from different device manufacturers and software vendors.



Nordic is continuously improving the capabilities of its nRF Connect Software Development Kit (SDK) and recently launched several major updates to its software. The SDK offers a common easy to use platform with

extensive developer tools for product development across Bluetooth Low Energy, Wi-Fi, cellular IoT, Bluetooth mesh, Thread, Zigbee, and Matter products.

Cellular IoT

Nordic is applying a scalable and flexible "go-to-market" strategy in the cellular IoT market, seeking to open the broad market for innovative customers and solutions. Traditional business models in this area have focused on cell phones or 2G/3G industrial applications with 1-1 support, which have limited uptake and commercial opportunity.

Nordic's globally certified, ultra-low power product offers connectivity, application processor and memory, open-source software, and readily available technical support through Nordic DevZone and distributors. The hardware in this offering is the award-winning nRF9160 cellular IoT System-in-Package (SiP), which leads the market on power consumption, size, and form factor. The product has been upgraded during the year, including amongst other improved GNSS functionality and location APIs for cell location services.

Nordic has established a broad carrier certification program with global operators and leading national and regional operators in the US, Canada, Brazil, China, Japan, and South Korea. In Norway, the company has partnered with Telenor to use Nordic's prototyping tool Nordic Thingy:91 in combination with the operator's Managed IoT Cloud (MIC) offering.

Nordic's end customers are currently working on hundreds of different cellular IoT projects across a variety of verticals, including industrial and consumer asset tracking, industrial sensors and metering, smart home consumer products, healthcare applications, and modules.

Many of Nordic's cellular IoT customers have gained commercial traction over the past years driving a 49% revenue growth in 2022. Many customers are startup and growth companies seeking project financing in uncertain economic times. This resulted in lower demand in the second half of 2022, into 2023.

Wi-Fi

Nordic entered the medium-range connectivity market through the acquisition of a Wi-Fi development team and IP technology assets for Wi-Fi 4, 5, and 6 in late 2020. Wi-Fi was a "missing link" capability requested by customers to complement Nordic's strong positions in the short-range and long-range markets. To this end, the Group announced its first Wi-Fi product, the nRF7002, in 2022.



The product is a Wi-Fi 6 companion IC ideally suited to work with the advanced multiprotocol SoCs nRF52840 and nRF5340 or the nRF9160 cellular SiP.

nRF Connect SDK

The nRF Connect Software Development Kit (SDK) is a scalable and unified SDK for building products based on all Nordic devices. It offers developers an extensive framework for building size-optimized software for memory-constrained devices, as well as powerful and complex software for more advanced devices and applications. This cross-technology platform is one of the ways Nordic leverages its connectivity expertise and gain advantages in new connectivity products. Developers can improve time to market and ease of use on all new and existing devices. Updates in 2022 to the nRF Connect SDK added significant new functionality and improved ease of use.

Industry standard initiatives

Nordic is a key contributor to some of the connectivity industry's most pronounced initiatives. One of these is the new 5G wireless standard DECT NR+, which adds another connectivity standard to the portfolio. Also notable is Matter by the Connectivity Standards Alliance. Nordic was recently appointed to the alliance's



Board of Directors and elevated to Board and Promoter status. Becoming a Board and Promoter member puts Nordic in a pivotal role, impacting the alliance's work in "encouraging creativity and collaboration by developing, evolving, and promoting universal open standards that enable all objects to securely connect and interact".

Power Management

Since the release of the first SoC, Nordic's focus has been on delivering wireless connectivity with the lowest possible power consumption. The Group continues to build a portfolio of power management products founded on its knowledge in this area.

Nordic launched its first catalog Power Management product, the nPM1100, in 2021. Its Power Management integrated circuit (PMIC) ensures reliable power supply and stable operation for Nordic's nRF52 and nRF53 Series SoCs, with minimal power usage. In 2022, the portfolio was broadened with the nPM6001 for complex applications in multiple power domains. The Group also has a portfolio of Power Management tools such as the nPM1100 Evaluation Kit and Power Profiler II kit.

Design partner & solutions partner program

In 2021, Nordic launched the Nordic Partner Program with both design partners and solution partners to



help customers accelerate time to market. There are now around 35 design partners across the Americas, Europe/EMEA and Asia, specializing in hardware and RF, embedded software, and security across multiple protocols and technologies. A dozen solution partners work across Bluetooth positioning systems, cloud and device management, cellular antennas, and provisioning of cellular solutions combining connectivity, eSIM, data plans, device management, and consultancy services.

Sustainability review

At Nordic we believe that value is not only created through serving our customers and making innovative world-class products, but also by holding ourselves accountable for the impact of our business on the environment and society. Nordic's vision for sustainability defines business success as integrating responsible practices into our business activities, enabling us to drive innovation, foster long-term growth, and create value for all of our stakeholders.

Sustainability reporting

In order to provide a comprehensive view of our Group's performance, including environmental, social, and governance impacts, we have integrated our sustainability and financial reports. This shows our strengthened commitment to being accountable and transparent about our sustainability efforts. Our goal is to openly communicate our impact, advancements, and future sustainability challenges, as well as our progress towards our sustainability objectives.

Reporting standards and guidelines

Our sustainability reporting follows several reporting standards, frameworks, and recommendations in order to ensure structured, transparent, and relevant reporting of sustainability performance.

This report has been prepared in accordance with Global Reporting Initiative (GRI) standards, the world's most widely used sustainability reporting standard. The respective GRI indicator index can be found in the [appendices](#) section of this report.



Nordic is a signatory of the UN Global Compact, and this report represents our official Communication on Progress (COP).

Moreover, we are disclosing the climate risks facing our business for the first time, following the Task Force on Climate-Related Financial Disclosures (TCFD) framework. The TCFD assessment can be found in the Environmental section of this report, and the TCFD index can be found in the [appendices](#) section.

Materiality assessment

In 2022, we conducted a materiality assessment according to the guidance provided in the GRI 3 (2021) Material Topics. This assessment helped us identify the issues that have the most significant impact on the economy, environment, and people through our activities and business relationships. We have organized our sustainability reporting into these material topics. Each topic is explained in its respective ESG chapter, which includes the reasons for its significance.

ESG performance

ESG targets and/or KPIs are defined to measure and monitor our sustainability performance. Furthermore, to ensure integration in our value creation, key, measurable ESG KPIs are linked to our Short Term Incentive program for all employees and our Long Term Incentive programs for the Executive Management Team.

Reporting period

To ensure consistency and alignment, we adhere to an annual reporting cycle that aligns with the standard financial reporting period. Our most recent sustainability report was included in the previous annual report published in March 2022, covering the Financial Year 2021. To access sustainability reports from previous years, please visit our [investor relations website](#).

EU Taxonomy

An assessment of the EU Taxonomy Regulation and its delegated acts for the financial year of 2022 concluded that the business activities of Nordic Semiconductor are not included in its current scope and therefore disclosed as non-eligible economic activities. However, the Taxonomy regulations and its delegated acts are living documents that evolve over time. More activities are added to its scope, including enabling activities. Nordic will therefore continue to closely monitor the EU developments on the Taxonomy regulation and its delegated acts.



Sustainability awards and acknowledgments highlights

In 2022, we received several awards and acknowledgments for our work and progress on our sustainability goals and initiatives. Some highlights include:



CDP A rating

Nordic was amongst 283 reporting companies out of more than 15,000 that were awarded an “A” for its environmental reporting by CDP in 2022. This rating is awarded to companies that CDP sees as leading the way in environmental transparency and performance on climate change.



Position Green A rating

Nordic received an “A” rating in Position Green’s 2022 “ESG 100” report, which is awarded to companies that Position Green views as reporting in line with best practice. These include a good description of material issues and performance in these areas, as well as a clear strategy and specific, quantifiable targets.



Sustainalytics Low Risk rating

As of February 2022, Nordic Semiconductor received an ESG Risk Rating of 14.8 from Sustainalytics, and was assessed to be at Low Risk of experiencing material negative financial impacts from ESG factors. Nordic’s ESG risk rating was ranked 14/315 for the broader semiconductor industry, and 6/211 for the semiconductor design and manufacturing industry groups.



Nasdaq ESG Transparency Partner

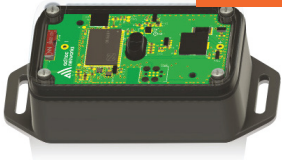

In 2022, Nordic Semiconductor was again recognized as a Nasdaq ESG Transparency Partner. This recognition has been awarded to Nordic since Nasdaq’s inaugural evaluation in 2019. The recognition is awarded to companies that exhibit a high degree of openness to their investors regarding environmental, social, and governance concerns.



STOXX® Global ESG Leaders Index

Nordic Semiconductor was included in the STOXX® Global ESG Leaders index in 2021. The index contains 410 companies that rank highly on environmental, social, and governance metrics.

Our commitment to the Sustainable Development Goals

Heart monitoring	Waste management	Smart city lighting	Smart utility meter	Livestock tracking
 	 	 	 	 
<p>Borsam's Wireless ECG Monitor Event Recorder and ECG Holter Recorder employ Nordic's nRF52832 SoC to connect to a smartphone or gateway, which provide ample processing power for the device to continuously record ECG waveform data and detect arrhythmia in 'real time'. The data is then relayed to an app on the user's smartphone using Nordic Bluetooth® LE wireless connectivity.</p>	<p>The German-based 'adhoc smart waste' solution uses the nRF9160 SiP to provide cellular IoT Cloud connectivity. Built-in optical sensors monitor the fill levels of various containers, including underground waste systems. The monitoring process is overseen by the RF9160 SiP, which then collates the data and sends it to the Cloud, using its multimode LTE-M/ NB-IoT modem.</p>	<p>The streetlights in any town or city can be quickly upgraded to be smart using the Nordic-based cellular IoT luminaire controller. One example of this technology is the "Urban Node 324" by Urban Control, designed for easy installation and can accommodate a range of applications, from one street-light to millions, in a cost-effective manner.</p>	<p>Lobaro's Wireless M-Bus Gateway solely uses solar power and employs Nordic's nRF9160 SiP with integrated LTE-M/NB-IoT for LPWA networking. The smart utility meter gateway can record data from up to 500 consumption meters, including water meters, and heat meters. It operates perpetually on harvested solar energy alone, making it the first gateway of its type.</p>	<p>The South-African based company iSiTech, has developed the iSi-TAG Livestock and wildlife tracker monitors animals over long distances using Bluetooth LE and Nordic range extender. The tags are powered by harvested solar energy, and is powered by nRF52840 SoC, which has been engineered to minimize power consumption with a fully-automatic power management system.</p>

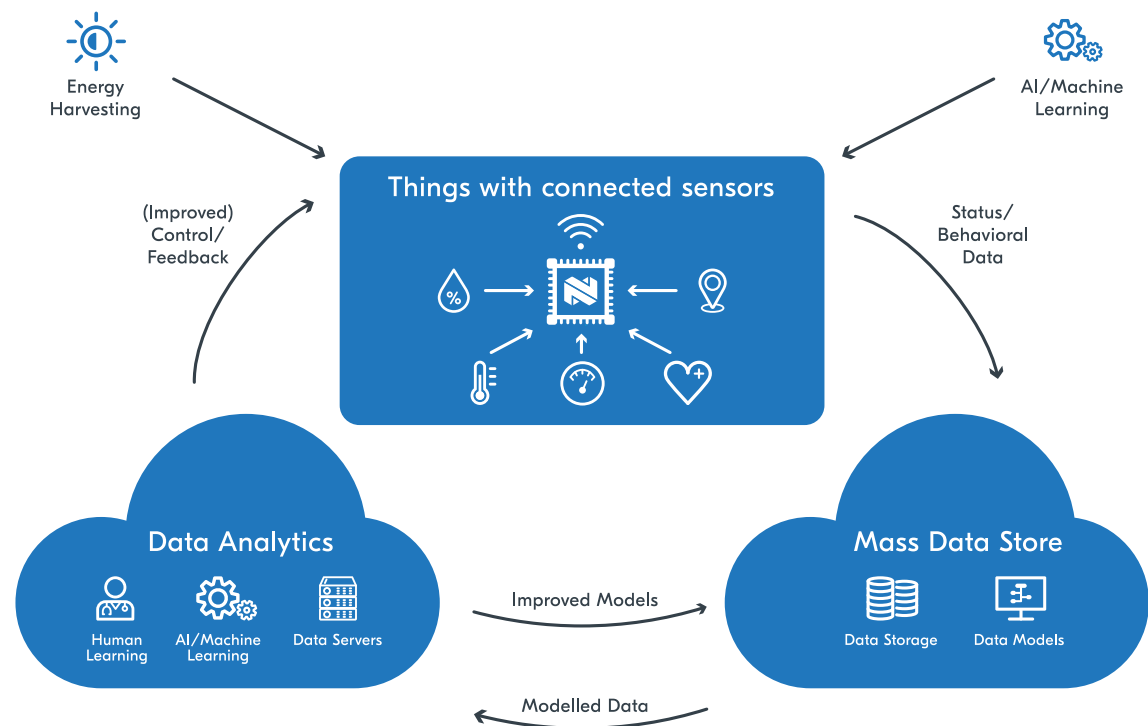
Select 2022 solutions contributing to the SDGs

The Sustainable Development Goals (SDGs) are specific goals and indicators adopted in 2015 by the United Nations for sustainable development. The SDGs set forth a systematic global framework to end poverty and inequality, improve health and education, and spur economic growth — all while tackling climate change and working to preserve our oceans and forests.

The SDGs consist of 17 economic, social, and environmental goals. Nordic support sustainable development through IoT solutions for energy efficiency and energy management. As shown above, the examples from 2022 illustrate how Nordic's products and services provide practical solutions to address a variety of SDGs in both developed and developing countries and in public and private sectors. This highlights the company's commitment to delivering attractive and

efficient solutions that drive positive impact and contribute to sustainable development. For instance, IoT solutions for smart lighting can significantly reduce the energy needed to power homes, businesses, and cities. This saves energy and resources, and reduces greenhouse gas emissions, essential for addressing climate change.

IoT is a crucial part of meeting sustainable development goals



IoT solutions are widely used to optimize resource usage and improve data analytics in various sectors such as energy, travel, healthcare, transportation, maintenance, manufacturing, agriculture, waste management, and smart cities. Consequently, IoT solutions can directly address and contribute to the United Nations' 17 SDGs, depending on the design and utilization of such solutions.

Nordic strives to make its products smarter and more efficient while consuming less energy. Our solutions allow devices to harvest energy locally, perform efficient data analytics, reduce data transfer, and decrease the load on energy-intensive data centers.

To better understand how Nordic's products may contribute to sustainable development and various SDGs, a conceptual illustration of the Internet of Things (IoT) and our product and services role is shown in the figure above.

Conceptual illustration of the Internet of Things. Nordic continuously adds more intelligence and capabilities to its products while using less energy. This enables the "things" to harvest energy locally, do efficient and enhanced data analytics, minimize data transfer and reduce load on energy-intensive data centers.



Financial

Nordic reported solid revenue growth and improved gross margin in 2022, despite delivery capacity remaining capped by limited supply of wafers throughout the year. The Group further increased its EBITDA margin to record high operating profitability while balancing investments in new products and technologies.

Review of the annual accounts

Nordic prepares consolidated annual accounts in accordance with IFRS (International Financial Reporting Standards) as approved by the EU, relevant interpretations, and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this Annual Report.

The Group has identified gross margin, EBITDA, EBITDA margin, short-range EBITDA margin, total operating expenses, cash operating expenses, and order backlog as Alternative Performance Measures in addition to the financial information as prepared in accordance with IFRS as adopted by the EU. Please see the separate chapter on Alternative Performance Measures for further details.

Income statement

The Group classifies its revenues by technology. Short-range wireless components are split on end-product markets.

Revenue by technology:

USDm	2022	2021	Change
Bluetooth	669.1	503.1	33.0%
Proprietary wireless	75.7	83.9	(9.7)%
Short-range wireless components	744.8	587.0	26.9%
Cellular IoT	25.4	17.0	48.9%
ASIC Components	4.6	6.1	(24.3)%
Consulting services	—	0.4	(100.0)%
Other	2.0		
Total	776.7	610.5	27.2%

Total revenue increased by 27.2% to USD 776.7 million in 2022, up from USD 610.5 million in 2021. The growth comes as a result of higher supply of wafers, higher prices, and favorable product mix, offset by reduced Proprietary revenue.

Growth was currently capped by limited availability of wafers for Bluetooth technology. Revenue growth in short-range wireless components is therefore not a complete reflection of growth in demand.

Revenue from Bluetooth increased by 33.0% to USD 669.1 million in 2022. Bluetooth accounted for 86% of Group revenue in 2022. The revenue increase reflects growth in demand across all end-product markets.

Revenue from Nordic's proprietary products decreased by (10)% to USD 75.7 million in 2022. Proprietary revenues are returning to level achieved prior to Covid-19, as consumers return to historical home office electronics spending.

Revenue from cellular IoT increased by 48.9% in 2022 to USD 25.4 million as more projects are gaining commercial traction. Revenue from cellular IoT is distributed over a multitude of customers with relatively new and innovative products.

Sales of ASIC products decreased by 24.3% in 2022 to USD 4.6 million. Nordic is not designing new ASICs, hence future revenue depends on demand from existing customers and applications.

Short-range and cellular components by end-product markets:

USDm	2022	2021	Change
Consumer	483.8	408.2	18.5%
Industrial	191.5	141.9	35.0%
Healthcare	67.6	35.6	90.0%
Other	29.2	18.4	58.5%
Total	772.1	604.1	27.8%

The Group reports on four end-user markets: Consumer, Industrial, Healthcare, and Others.

Consumer revenues increased by 19% in 2022. PC accessories remain the largest sub-segment, although gaming accessories and home entertainment have become increasingly important revenue drivers over the past years.

Industrial revenues grew 35% in 2022. The main drivers have been industrial automation, utility sensors, asset tracking solutions, and retail solutions.

Healthcare revenues increased by 90.0% in 2022. The pandemic has generated strong and sustained momentum for connected medical devices. The Group continues to view the healthcare segment as a market with potentially disruptive growth possibilities, and as one of the key growth drivers for combined short-range and long-range products and solutions.

The "Other" segment revenues increased by 58%. This mainly reflects sales to module manufacturers servicing many end products in all markets and regions.

Gross profit

USDm	2022	2021	Change
Gross Profit	436.8	326.6	33.7%
Gross Margin	56.2%	53.5%	2.7%

Gross profit amounted to USD 436.8 million, an increase of 33.7% from the previous year. Hence, gross margin increased to 56.2% in 2022 from 53.5% in 2021.

The continued strong underlying gross margin reflects a market leading product portfolio. Nordic has focused allocations to tier-I customers in the supply constrained situation. In addition, the Group kept a solid gross margin as product price adjustment absorbed wafer price increase.

The Group's long-term target is to continue generating gross margins above 50%, allowing for changes in the customer and technology mix, with lower margin expected in cellular IoT business.

Operating expenses

USDm	2022	2021	Change
Payroll expenses	161.4	149.8	7.8%
Other OPEX	69.7	52.1	33.8%
OPEX excl. D&A	231.1	201.9	14.5%
Depr. & Amort.	44.1	37.8	16.6%
Total	275.2	239.7	14.8%

Operating expenses amounted to USD 231.1 million in 2022, excluding depreciation and amortization. This was an increase of 14.5% from USD 201.9 million in 2021.

The higher expenses mainly reflect a 20.7% increase in the number of employees from 1,197 to 1,435 during the year partially offset by favorable exchange rates. The increased workforce reflects primarily increased R&D activity in addition to strengthened sales general and administration function (SG&A) and increased supply chain capacity.

Measured by function, expensed R&D accounted for USD 160.5 million of operating expenses in 2022, compared to USD 139.4 million in 2021. R&D intensity, measured as a percentage of revenue, decreased slightly from 22% in 2021 to 21% in 2022 while investments increased USD 21.1 million in absolute terms. Nordic has a strong commitment to innovation in existing and new markets, and will continue to target investing 15%-20% of revenue in R&D.

SG&A expenses increased to USD 70.6 million from USD 62.5 million in 2021. SG&A is also expected to continue to increase in absolute terms, as the Group expands its organization to support growth. However, Nordic has shown operational leverage in 2022. As a percentage of revenue, SG&A slightly decreased from 10% in 2021 to 9% in 2022.

Total cash operating expenses amounted to USD 229.7 million, when adjusting for non-cash items, capitalized development expenses, equity-based compensation, and depreciation and amortization. This was an increase from USD 200.1 million in 2021.

Nordic capitalized USD 6.5 million development expenses in 2022, up from USD 5.6 million in 2021. Equity based compensation was USD 7.8 million, compared to USD 7.6 million in 2021. Please see the section on Alternative Performance Measures for more details.

EBITDA and Operating profit

USDm	2022	2021	Change
EBITDA	205.7	124.7	64.9%
EBITDA margin	26.5%	20.4%	6.1%
Short-range EBITDA	262.2	175.6	49.3%
Short-range EBITDA margin	34.9%	29.6%	5.3%
Operating profit (EBIT)	161.6	86.9	85.9%
EBIT margin	20.8%	14.2%	6.6%

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to USD 205.7 million, an increase from USD 124.7 million in 2021. The corresponding EBITDA margin increased 6.1 percentage points to 26.5%.

Short-range EBITDA totaled USD 262.2 million equivalent to a margin of 34.9% in 2022. This compared to a Short-range EBITDA of USD 175.6 million and a margin of 29.6% in 2021.

Depreciation and amortization amounted to USD 44.1 million in 2022, compared to USD 37.8 million in 2021.

Operating profit (EBIT) amounted to USD 161.6 million, compared to USD 86.9 million in 2021. EBIT margin increased to 20.8% in 2022 from 14.2% in 2021.

Net financial items

USDm	2022	2021
Net interest	4.9	-0.4
Net financial items	0.6	0.7
Total	5.6	0.3

Nordic had net interest gain of USD 4.9 million in 2022, compared to net interest expense of USD 0.4m in 2021.

Profits and taxes

USDm	2022	2021
Profit before tax	167.2	87.3
Income tax expense	-44.8	-16.1
Net profit after tax	122.3	71.2

The Group recognized tax charges of USD 44.8 million, corresponding to an average tax rate of 26.8%. This compares to USD 16.1 million and an average tax rate of 18.4% in 2021.

The Group's statutory tax rate is 22%. Historically average tax rate has been lower due to settlement of equity compensation to employees, not recognized in the profit and loss. In 2022 however, this is offset by foreign exchange gains in statutory tax return.

Tax payable amounted to USD 43.9 million, compared to USD 17.4 million in 2021, with the balance reflecting changes in deferred tax and tax benefit.

Financial position

Balance sheet

Nordic has total assets of USD 776.2 million at the end of 2022, of which USD 674.1 million are in current assets and USD 102.1 million in non-current assets.

These assets were financed by total equity of USD 583.5 million at the end of 2022, non-current liabilities of USD 15.5 million and current liabilities of USD 177.2 million.

Current assets were USD 674.1 million at the end of 2022, compared to USD 488.0 million at the end of 2021. This included cash and cash equivalents of USD 379.1 million at the end of the year, up from USD 279.3 million at the end of 2021.

Inventory increased to USD 102.1 million from USD 54.9 million at the end of 2021. The increase comes from technologies not impacted by current wafer constraints. Accounts receivables increased to USD 175.1 million from USD 141.7 million at the end of 2021, due to higher revenues.

Overall, net working capital amounted to USD 167.9 million, compared to USD 108.4 million at the end of 2021. Measured as a percentage of full year revenue, net working capital increased to 21.6% from 17.8% at the end of 2021. This is mainly a result of higher inventory and tax payable.

Non-current assets decreased to USD 102.1 million at the end of 2022 compared to USD 108.8 million end of 2021.

Fixed assets totaled USD 35.6 million at year end, up from USD 33.9 million in 2021. Software and other intangible assets decreased to USD 11.7 million from 15.8 million. Capitalized development expenses decreased to USD 26.6 million from USD 31.5 million at the end of 2021.

Total shareholders' equity amounted to USD 583.5 million at the end of 2022 up from USD 458.2 million at the end of 2021. The Group equity ratio was hence 75%, compared to 77% at the end of 2021.

Total liabilities amounted to USD 192.7 million, compared to USD 138.6 million at the end of 2021. Non-current liabilities increased to USD 15.5 million from USD 14.9 million. Lease liabilities of USD 14.9 million are included in the non-current liabilities.

Current liabilities increased to USD 177.2 million from USD 123.7 million. The increase is mainly explained by higher accounts payable, short-term employee benefit obligations and taxes.

Cash flow and funding

USDm	2022	2021
Net cash flow from:		
Operating activities	142.7	95.8
Investing activities	-30.6	-30.7
Financing activities	-11.3	-27.3
Currency adj.	-1.0	-1.1
Net change in cash and cash equivalents	99.8	36.8
Cash and cash equivalents 1.1	279.3	242.5
Cash and cash equivalents 31.12	379.1	279.3

Cash flow from operating activities was USD 142.7 million in 2022, compared with USD 95.8 million in 2021. The improved operating cash flow is a result of higher earnings and higher net working capital.

Cash flow used for investing activities was an outflow of USD 30.6 million in 2022, compared to an outflow of USD 30.7 million in 2021. Capital expenditure decreased to USD 24.1 million from USD 25.1 million, including software, whereas capitalized development expenses increased to USD 6.5 million from USD 5.6 million. The change relates to size and number of projects in final development stage. Capitalization level is reflecting anticipated scope of new technologies, functionalities or products soon to be ready for mass market.

Cash outflow from financing activities was USD 11.3 million in 2022, mainly reflecting payment of lease liabilities. In comparison, there was a cash outflow of USD (27.3) million in 2021, mainly reflecting cash settlements of employee options contracts.

Including the effect of exchange rates, net change in cash and cash equivalents was a cash inflow of USD 99.8 million in 2022, compared to USD 36.8 million in 2021.

Cash and cash equivalents increased to USD 379.1 million at the end of 2022, from USD 279.3 million at the end of 2021. The cash is mainly held in the Group's functional currency USD, in order to minimize the impact of currency fluctuations.

In addition to cash at hand, Nordic has undrawn sustainability linked RCF of USD 150 million. All included, available cash amounted to approximately USD 529 million at the end of 2022, compared to approximately USD 348 million at the end of 2021.

Tight cash management is a key priority for the Group, as a strong financial position is required to realize the Group's strategic priorities and growth opportunities. The Board of Directors assesses the liquidity position as adequate given the Group's current activity level, investment plans, and business outlook.

An aerial photograph of a city, likely Taipei, showing a dense urban area with numerous skyscrapers and buildings. In the foreground, there are lush green hills. Overlaid on the image are several hexagonal icons representing various sustainable development goals, such as renewable energy (solar panels, wind turbine), clean water and sanitation (water drop), climate action (flame), industry, innovation and infrastructure (gears), sustainable cities and communities (city skyline), and life on land (leaf). A large globe icon is also visible in the bottom right corner. The image has a blue and yellow color scheme, with a yellow diagonal band in the top left corner.

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Environmental management

Nordic Semiconductor's environmental policy highlights key issues relevant to the company and its operations. The policy is regularly reviewed and approved by the Executive Management Team.

Environmental Management 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.

We are committed to:

- Comply with applicable legal requirements and regulations, and protect the environment through sound management practices and decisions
- Protect the natural environment by minimizing waste generation, pollution and greenhouse gas (GHG) emissions, resource and water consumption, and the use of hazardous materials in our products, as well as developing and using environmentally friendly technologies
- Promote environmental responsibility and ensure that our suppliers live up to Nordic's environmental standard
- Establish and evaluate achievable environmental performance goals to ensure continuous improvement of our environmental management system
- Regularly monitor and report on environmental performance, and to consult with relevant stakeholders on environmental issues

Nordic's Environmental Management System is ISO 14001 certified. All Nordic manufacturing partners must be certified to this standard, as well as compliant with the RBA Code of Conduct and its provisions on environmental topics.

Internal and external environmental aspects are systematically analyzed by a cross-functional team in the organization. Identified environmental aspects are evaluated in terms of risks and opportunities, including potential legal requirements related to them.

As a fabless company, engaging with suppliers is relevant to decision making and risk analysis. Nordic regularly analyzes data from manufacturing partners, and uses supplier audits to follow up on compliance with standards, specifications, and legislative requirements. Results and measurements from the environmental programs are reviewed annually in the Management Review.

Raising awareness on environmental issues relevant to the Group is part of the mandatory introduction program for new employees. Employees who work with environmental issues undergo designated training for relevant topics.

Nordic has set a target of zero environmental compliance incidents. Potential environmental incidents are handled through Nordic's non-conformity procedures, with root cause analysis and corrective and preventive actions.

Environmental targets

Targets for 2022:

- Scope 2 emission reduction by 50% vs 2021 - achieved (54.7% reduction)
- Scope 3 emission reduction by 20% vs 2021 - achieved (21.5 % reduction)
- 80% of prototyping platforms with recyclable plastic casing - not achieved due to an unexpected production delay (71 %)
- 5% of device containers with recycled plastic - achieved (6.5 %)

Targets for 2023:

- Reduce Scope 2 GHG emissions by 50% compared to 2022
- Validate and commit to new climate targets with the science-based target initiative (SBTi) within 2023
- Offset Scope 3 GHG emission intensity to ensure 40% reduction of emission/revenue vs 2020
- Reduce GHG emissions generated from air travel by 50% compared to 2019
- 40% of device containers with recycled plastic

Climate change and GHG emissions

Climate change poses significant risks that require society and business to act on a global scale. The semiconductor industry is highly dependent on energy and clean water, and we recognize the mutual impact on and risks from climate change. This topic is a natural part of our materiality analysis and corporate risk assessments.

Climate change represents a low risk for Nordic's own operations, but there are relevant risks from climate change in our supply chain. Manufacturing partners are faced with challenges, both in the form physical risks (such as extreme weather conditions) or transitional risks (such as legislative requirements), depending on manufacturing location. More details about Nordic's climate-related risk assessment and mitigations are described in the TCFD disclosure in this report.

To slow climate change, reduction of GHG emissions is crucial in order to meet stakeholders' expectations and to reduce potential risks. In 2015, Nordic introduced renewable energy usage in its offices. In 2020, we introduced a dedicated GHG emission reduction program. This program aims to reduce GHG emissions in the Group's direct operations and outsourced manufacturing processes within established time targets. The Group's fabless structure limits feasible reduction mechanisms to Guarantees of Origins (GOO), renewable energy certificates (I-RECs) and, where these options are unavailable, carbon credit offsets.

Setting and achieving ambitious reduction targets over the last two years has prepared Nordic to develop and work towards long-term targets through the Science Based Target initiative (SBTi). We aim to complete validation of targets with the SBTi in 2023 and provide a realistic, long-term, decarbonization trajectory for the Group. (www.sciencebasedtargets.org)

GHG emissions performance

Nordic has monitored GHG emissions since 2011 and reports annually to the Carbon Disclosure Project's (CDP) Climate Change questionnaire (www.cdp.net). The report details how climate change risks and opportunities are managed, as well as GHG accounting results. The Group's methodology for measuring GHG emissions follows the Greenhouse Gas Protocol (ghgprotocol.org), with the financial control approach for consolidating emissions.

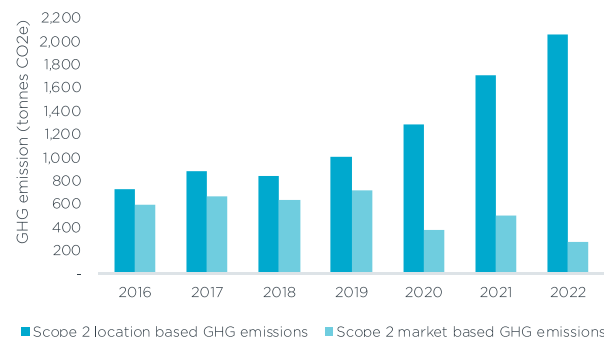
Scope 1 GHG emissions

Scope 1 emissions include all direct emissions from the Group and its operation. Due to Nordic's fabless structure and very limited group-owned and controlled GHG sources, Scope 1 GHG emissions are minor and generated only in abnormal situations, such as refrigerant leakage from the Group's test laboratory cooling system. In 2022, Nordic had no Scope 1 GHG emissions.

Scope 2 GHG emissions

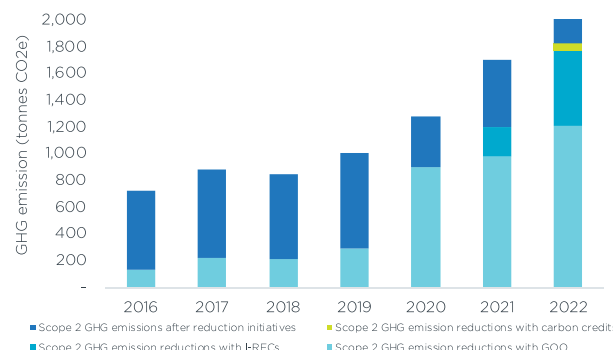
Scope 2 GHG emissions include indirect emissions from purchased electricity and heating. Emissions are calculated based on published tables of energy emission factors, and where applicable, directly from energy providers. Offices with fewer than 10 employees are excluded from our Scope 2 GHG emissions reporting.

In 2022, we reduced our Scope 2 GHG emissions by 54.7%, compared to 2021. Nordic has purchased renewable energy (verified by Guarantee of Origin), I-RECs, and carbon credit offsets to achieve this reduction. In 2022, 77% of all purchased energy for direct operations originated from renewable energy sources.

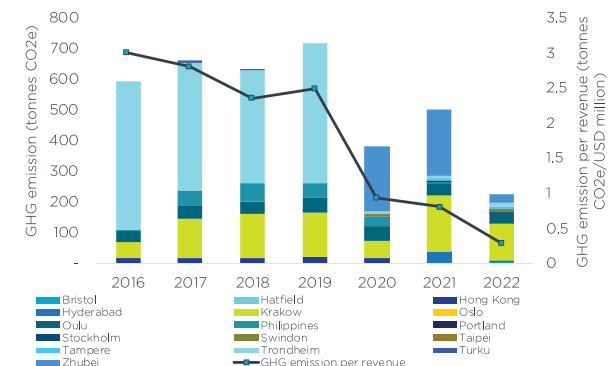


Scope 2 location- and market-based GHG emissions.

Market-based emissions are based on the electricity Nordic has purchased. Location-based emissions are based on local grid factor emission.



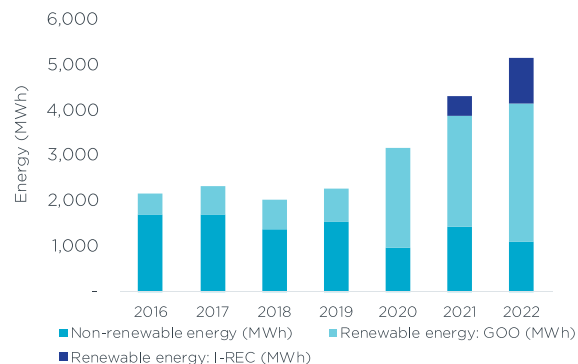
Scope 2 GHG emission reductions and emissions after implementing reduction initiatives



Scope 1 + 2 GHG emissions by site and revenue

From 2021 to 2022, energy usage at our sites has increased by 15%. This is primarily due to the organic growth of the Group, and increased reliability testing in our lab in Taiwan.

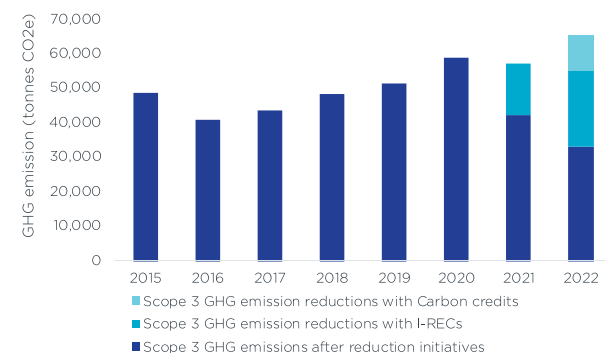
As of today, four of our offices, comprising 46.7% of our office areas, have achieved green building certification. This includes the Leadership in Energy and Environmental Design (LEED) and the Building Research Establishment Environmental Assessment Method (BREEAM). The certification ensures that buildings are built and operated in a way that reduces the need for electricity, water and heating. In addition to the energy procured from electricity providers, Nordic's headquarters in Trondheim has solar panels onsite, producing 30 MWh annually.



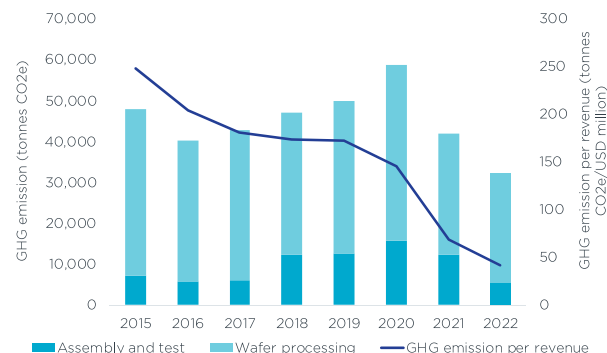
Scope 2 energy consumption by source

Scope 3 GHG emissions

Scope 3 encompasses any other indirect emissions from purchased goods and services, such as outsourced production, travel and transportation.



Scope 3 GHG emission reductions and emissions after implementing reduction initiatives.



Scope 3 GHG emissions related to production

Data is gathered annually from subcontractors when they have completed 3rd party verification in Q2. The data for 2022 is included as estimates in this report. These estimates are based on 2021 emission factors from subcontractors and our records of production volume in 2022.

In 2022, Nordic's Scope 3 GHG emissions decreased by 21.5% compared to 2021. This was achieved by the purchase of renewable energy in the form I-RECs wherever possible. However, in 2022, regulatory changes in Taiwan made I-RECs unavailable on the private market. Consequently, Nordic purchased carbon credits to meet Scope 3 targets. Carbon credit projects were chosen carefully to ensure credibility and quality, with a high impact on climate change mitigation and other sustainable goal initiatives around the world.

Nordic Semiconductor carbon offset projects



Delta blue carbon project:

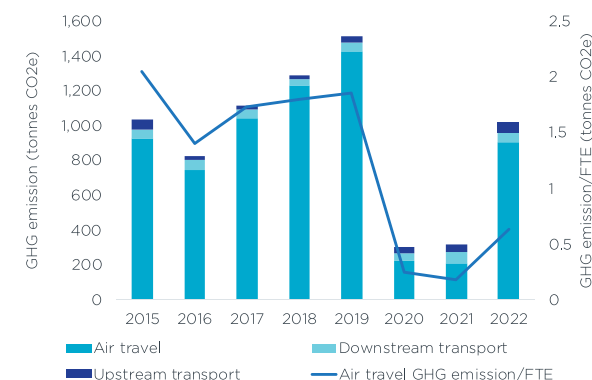
This project delivers GHG removals through afforestation/reforestation/re-vegetation of 350,000 ha in south-eastern Pakistan. More [info](#).



Rimba raya biodiversity reserve project: The project is achieving GHG emission reductions through avoiding deforestation and consequent conversion to palm oil plantation in Borneo. More [info](#).

Applying the lean concept to the entire business structure, Nordic delivers its products to its customers through distribution partners. The “drop-shipment” method from the manufacturers’ warehouses directly to our distributors’ premises enables efficient delivery and more direct transportation routes, which in turn leads to less GHG emissions.

Business travel is permitted again following the Covid-19 pandemic, increasing 2022 emissions from air travel to 67% of pre-Covid levels (2019).



Scope 3 GHG emissions related to business travel and transportation.

Hazardous substances and environmental product compliance

Nordic Semiconductor's products are subject to multiple environmental compliance requirements from regulations, industry standards, customer requirements, and Nordic's own initiatives. While the managerial responsibility for environmental compliance lies with the Group's Quality SVP, the supply chain manages hazardous substances compliance. It is responsible for assuring that our products follow defined environmental requirements and specifications in close collaboration with manufacturing suppliers.

Being a fabless semiconductor company, close communication and cooperation with our products' manufacturing partners are crucial to managing hazardous substances. We regularly address environmental product compliance and hazardous substance use with our manufacturing partners. We communicate our standards through our Hazardous Substances Specification for Suppliers. Manufacturing partners must provide a signed confirmation of compliance with the Hazardous Substances Specification for each revision of the specification.

A third party verifies product content through hazardous substance testing. Certificates for Hazardous Substances testing and Material Composition reports for all products are available on our website (www.nordicsemi.com).

Nordic has controls for design and production processes to ensure compliance to environmental requirements, including the following:

- RoHS (Restriction of use of Hazardous Substances)
- REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)
- EU POPs regulation (Persistent Organic Pollutants)
- California Proposition 65
- Halogen-Free, according to IEC 61249-2-21

In 2022 there were no findings of prohibited substances above limitations, or any other environmental product compliance incidents in any Nordic Semiconductor products.

Resource reduction

We seek to promote a circular economy in our product design and manufacturing by conserving natural resources and raw materials, avoiding hazardous substances, and preferring recycled and recyclable material.

Scarcity of natural resources and conservation of raw materials are important from both an environmental and financial perspective. By replacing gold with copper in almost all products, Nordic has been able to reduce costs and environmental impact without sacrificing product quality or performance.

We continuously seek ways to integrate sustainable materials into our products. Thingy:53, launched in June 2022, is Nordic's first prototyping platform with casing made from recyclable plastic and accounted for 71% of all prototyping platforms produced in 2022.

We are also focused on a circular approach to product packaging. In 2020, Nordic started to require all kits to have packaging made of Forest Stewardship Council (FSC) certified, recyclable cardboard. 98% of all kits produced in 2022 have FSC certified packaging.

Plastic reduction program

In 2021, Nordic established a plastic reduction program to reduce raw material consumption and increase material reuse and recycling. Within this program, we work with our manufacturing partners to gradually increase the share of device containers made from recycled plastic.

The program started in 2022 with one of our manufacturing partners by qualifying and introducing reels made from recycled plastic for QFN devices. In 2023, this program will be expanded to another manufacturing supplier as we begin incorporating CSP devices into this program.

Measurements and targets related to eco design				
Indicator	Target 2023	2022	2021	2020
Percentage of prototyping platforms with recyclable plastic casing ¹	—%	71%	—%	—%
Percentage of development kits with recyclable packaging (cardboard)	100%	100%	100%	100%
Percentage of produced development kits with FSC certified cardboard packaging	100%	98%	99%	84%
Percentage of device containers with recycled plastic	40%	6.5%	—%	—%

Measurements and targets related to eco design

¹ Thingy:53, launched in June 2022, is Nordic's first prototyping platform with casing made from recyclable plastic.



Green procurement

As a fabless company, Nordic is heavily reliant on its manufacturing partners. Compliance with environmental requirements is considered carefully when choosing manufacturers, and is a part of initial supplier assessment and related audits. We ensure green procurement for the production processes through hazardous substance management.

We have implemented procurement process for purchase of products and services not directly related to the production of our products. This includes evaluating and choosing suppliers based on their ethical and environmental profile, from reviewing available information such as office and marketing material.

Description of less material topics

Waste management and recycling

Nordic's waste impact is mainly related to the Group's operations and outsourced manufacturing processes. We work systematically to monitor and minimize waste and its impact on the environment, and prefer use of recycled and recyclable materials where feasible.

We have routines in place for sorting and disposing of different types of waste across our operations. This includes, but is not limited to, EE-waste, hazardous waste, and packing material. Certified waste handling and recycling companies manage the waste we generate in accordance with local legal requirements. Total general office waste from our headquarter office in Trondheim in 2020 was reported as 1.78 (kg/m²) which is equal to 8% decrease compared to 2021.

Nordic is working continuously with its manufacturing suppliers to minimize the number of scrapped devices. Scrapped components from the manufacturing process are sorted and recycled according to local waste regulations. This is managed by our qualified suppliers, who are certified to operate in compliance with the ISO 14001 standard.

Product end-of-life treatment

Nordic's products are utilized and incorporated as components in various end-products and applications. The responsibility for disposing of the finished products lies with the producer of the finished product, this topic is less material to Nordic.

Water

Nordic submits the CDP Water questionnaire annually. As a fabless company, water-related risks such as scarcity and wastewater are of low concern in our direct operations. Water consumption in our operations is limited to overhead water usage (cleaning, drinking, washing) for our offices and laboratory operations. All water used by the company is supplied by municipalities.

Reduced access to clean water is a risk for some of our subcontractors, specifically droughts and floods that can limit production capacity. This is assessed as part of overall Group risk management and business continuity planning.

Air pollution








In accordance with Nordic's environmental policy, we are committed to minimizing air pollution, such as ozone-depleting substances. As a fabless company, most air pollution comes from outsourced manufacturing processes, and therefore, the risks to direct operations are low.




We communicate air pollution restrictions to our supply chain through our Hazardous Substances Specification for Suppliers. Manufacturing partners pledge adherence to the requirements stated in the specification.

TCFD reporting

Nordic has established a systematic approach to identifying climate risks, including potential future costs and new opportunities. Our climate risk and GHG emissions management follow the Task Force on Climate-Related Financial Disclosures (TCFD) framework. For more information, see our TCFD disclosure in the [appendices](#) to this report.

 Low risk	 High opportunity
 Medium risk	 Medium opportunity
 High risk	 Low opportunity

Transition risks and opportunities related to the transition to a low carbon-economy	
Risks	Opportunities
Policy and legal  <p>The regulatory risks relevant to Nordic's value chain fall under the categories of ESG Reporting Regulations (such as CSRD and Taxonomy) and carbon taxes in manufacturing locations. Nordic's risk assessment system considers, evaluates, and mitigates these risks. The Group's strategy is to partner with leading manufacturing suppliers and ensure that they have compliant regulatory systems in place. The risk management system also includes binding climate-related contractual requirements from customers to minimize the risk of violating these agreements.</p>	Resource/Product energy efficiency  <p>As a leading Bluetooth LE group, Nordic has a competitive advantage in improving energy efficiency and management through our low-energy designs. This presents a unique opportunity to capitalize on the market's demand for lower energy consumption in end-user devices and expand the energy-saving capabilities of our solutions, such as smart lighting and energy harvesting. By targeting and improving the resource efficiency of our customers' end devices, Nordic upholds its commitment to addressing climate challenges.</p>
Technology  <p>As a group that outsources its manufacturing, our suppliers' ability to adapt to and support new technologies aimed at reducing carbon emissions will be our main concern. Hence, Nordic's business model is not directly impacted negatively by the technological shifts towards a low-carbon economy, which allows us to take advantage of these advancements without bearing the risks ourselves.</p>	Energy source  <p>Nordic is working to increase the use of renewable energy and reduce GHG emissions in its offices. In Scandinavia, most of the office energy comes from renewable sources. Over 50% of employees work in energy-efficient buildings with certifications like BREEAM and LEED, and the Group's subcontractors are focused on reducing energy consumption and using renewable energy in component production.</p>
Market  <p>The production of semiconductors requires a significant amount of energy. Our markets indicate a growing demand for products with a low carbon footprint. Nordic has taken action to lower its carbon footprint by using renewable energy and other reduction strategies. In 2023, Nordic will create a robust plan for achieving net-zero emissions aligned with the Science Based Targets initiative (SBTi). This plan is part of Nordic's long-term strategy to minimize the risk of losing market share.</p>	Market  <p>The swift global transition to a low-carbon economy provides Nordic with an opportunity to grow its market segments by offering products and technologies that help mitigate climate change globally. The combination of low energy consumption in our products and the capabilities of IoT for resource efficiency (such as smart sensors, cellular IoT, energy harvesting, and more) make Nordic's products and services attractive solutions for both the public and private sectors in developed and developing countries.</p>
Reputation  <p>Environmental and climate change impact is crucial for our brand recognition. Poor performance regarding climate change and GHG emissions (and our suppliers) could harm our brand value and lead to loss of customers due to changing public attitudes towards climate change. Nordic's strategy involves maintaining close relationships with suppliers, conducting annual carbon accounting, regularly reviewing operations, implementing GHG reduction initiatives, and being transparent in reporting.</p>	

Physical risks related to climate change	
Acute risks (event driven) 	Resilience 
Acute physical events from climate change could affect our manufacturing suppliers located in Southeast Asia, where tropical cyclones and flooding have the potential to damage production facilities and infrastructure. Such events are likely to impact Nordic's production capacity and delivery capability in the short-to-medium term, potentially negatively impacting Nordic financially.	Nordic has established a short to medium-term strategy for reducing the risk of supply disruptions caused by natural disasters or other severe weather events. In the short term, we maintain a reserve of wafers or finished products to address any temporary shortage. For medium-term risk mitigation, Nordic uses a second-sourcing strategy to secure insurance against widespread supply disruptions. For long-term risk mitigation, our key manufacturing partners have contingency plans to reduce such chronic risks.
Chronic risks (long-term shifts in climate patterns) 	
Long-term changes in climate patterns that affect acute weather event frequency, as well as events like droughts and flooding, can potentially impact Nordic Semiconductor's suppliers, their production capacity, and our ability to deliver products to our customers. There is a risk of insufficient clean water access in our supply chain. We have already experienced incidents of water rationing within some of the countries in which our suppliers operate.	

Environmental performance overview

Indicators related to environmental performance	Target 2023	YoY change	2022	2021	2020
Number of environmental incidents	0	—%	0	0	0
Suppliers with documented environmental policy	100%	—%	100%	100%	100%
Percentage of new suppliers that were screened using environmental criteria	100%	—%	100%	100%	100%
Hazardous waste - chemicals and batteries (tons) ¹		194%	0.16	0.05	0.05

¹ Hazardous waste measurement for Nordic's offices in Norway only.

Indicators related to energy and GHG emissions performance	YoY change	2022	2021	2020
Energy				
Nordic Semiconductor offices' energy use (MWh)	20.0%	5177.03	4314.05	3180.19
Renewable energy purchase ratio for offices (%)	179%	78%	66%	69%
Nordic Semiconductor offices' energy use per area (MWh/m ²)	9.7%	0.19	0.17	0.16
Nordic Semiconductor offices' energy use per full-time employee (MWh/FTE)	(3.0)%	3.78	3.67	4.01
Nordic Semiconductor offices' energy use per revenue (MWh/USD million)	(5.7)%	6.67	7.07	7.85
Scope 1 & 2 GHG emissions				
Scope 1 GHG emissions (tons CO ₂ e)	—%	0	0	3.9
Scope 2 GHG emissions after reduction initiatives (tons CO ₂ e) ¹	(54.7)%	226.2	498.9	375.9
Scope 2 GHG emissions reductions from GOO offsets (tons CO ₂ e) ²	55.2%	273.7	176.3	173.4
Scope 1+2 GHG emissions per FTE (tons CO ₂ e/FTE)	(61.1)%	0.17	0.42	0.48
Scope 1+2 GHG emissions per area (tons CO ₂ e/m ²)	(58.6)%	0.01	0.02	0.02
Scope 1+2 GHG emissions per revenue (tons CO ₂ e/USD million)	(64.4)%	0.3	0.8	0.9
Scope 3 GHG emissions				
Scope 3 GHG emissions after reduction initiatives (tons CO ₂ e) ³	(21.5)%	33231.1	42312.8	58994.3
Scope 3 GHG emissions per revenue (tons CO ₂ e/USD million)	(38.3)%	42.8	69.3	145.6

Measurements related to energy and GHG emissions

Note that several measurements related to Scope 3 GHG emissions are ready at the end of Q2 due to the reporting schedules of external stakeholders. Therefore, some of the reported numerical are uncertain at the time of publishing this Annual Report.

¹ Reduction initiatives include purchased renewable energy (backed by GOO), I-RECs and carbon credit offsets for Nordic operations. The base year for Scope 2 GHG emission reduction calculations is 2019.

² GOO offset of excess renewable energy from Trondheim office allocated to offices in Krakow and Oslo.

³ Reduction initiatives include purchased renewable energy (backed by I-RECs) and carbon credit offsets for Nordic subcontractor's manufacturing sites. 2020 has been set as a base year for Scope 3 GHG emission reduction calculations. This reduction initiative includes only offsets.



Social

Nordic Semiconductor is a growing business with employees and offices, customers, and suppliers in different parts of the world. We are proud of our diverse workforce. Focusing on diversity, equity, and inclusion throughout the entire employee journey is imperative to attract and retain highly skilled personnel. Therefore, it is an important part of realizing our strategic business objectives. Equally important is the Group's ambition to foster a healthy, safe, and motivating work environment, amplify engagement and contribution, and avoid human and labor rights violations.

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Diversity, equity & inclusion

We consider a diverse workforce a competitive advantage. Diversity fosters innovation and ensures an inclusive and healthy working environment, which amplifies positive business outcome. Diversity is considered not only in age, gender, and cultural background, but also educational background, experience, and personal preferences. This represents an opportunity for the Group to attract, develop, and retain valuable specialized competencies in a highly competitive industry.

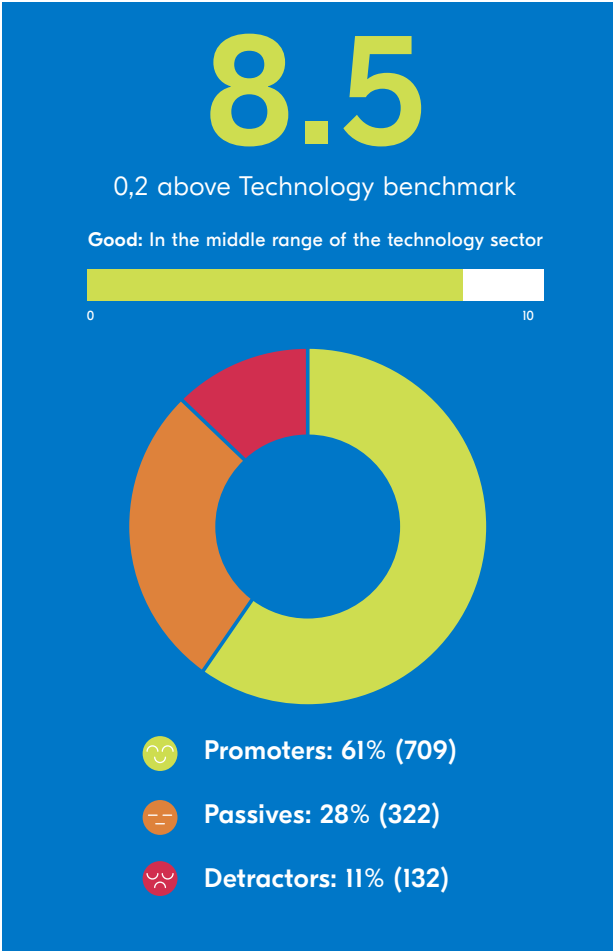
Nordic Semiconductor works continuously through diversity, equity, and inclusion (DE&I) initiatives and introduced new measures to improve both consciousness and data collection during 2022. For example, we used language editing software when creating job advertisements in May 2022 to ensure inclusive language on employer branding material. The software identifies potentially loaded words that could discourage diverse qualified talent to apply, (language showing bias towards gender, age, ethnicity, disability and neurodiversity). It then proposes inclusive alternatives. By the end of the year, the weighed average score on inclusive language was 81, compared to the predefined target of 80 on a scale between 1-100. Recruitment training with managers during 2022 has, among other topics, focused on DE&I through bias awareness and understanding perspective opportunities.

We introduced a new employee engagement survey platform in 2022. This allows continuous feedback and monitoring of performance on specific measures, on an average scale mode between 0 to 10, and on an eNPS scale mode between -100 to 100¹. The Group conducted a global, confidential, engagement survey in October 2022 with an employee participation rate of 89%. The tool provides all people managers with a team dashboard, while all employees have a personal dashboard. This enables continuous assessment of development in the years to come.

The platform also provides a confidential feedback and dialogue function between employee and manager. A heat map presents an overview of results, highlighting

improvement opportunities for the different levels and parts of the organization.

The 2022 survey revealed that employees regard Nordic as a diverse workplace, with an overall DE&I score above the market benchmark for the technology sector. Despite consistently high scores across demographics, there is a minor difference between new joiners and those with more than ten years' experience, compared to those with between 1-10 years experience, where the latter group gives an overall lower rating.



¹ Net promoter score (NPS) is a market research metric based on a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague on a scale from 1-10. Employer net promoter score (eNPS) measures employee satisfaction and loyalty within organizations. The survey NPS mode does not take into account scores between 7-8 into its calculation. Furthermore, it does not use the raw scores in its calculation, but rather the percentage of the two groups (promoters and detractors). In this report, the average scale mode is used.

Non-discrimination/Non-harassment

Nordic Semiconductor does not tolerate harsh, unfair or inhumane treatment of employees, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse. Nordic has a non-discrimination policy ensuring an employee's right not to be harassed or discriminated.

Employees are encouraged to report any signs of potential discrimination or ethical misconduct through the Group's whistleblower channel, further explained in the governance chapter. The annual engagement survey score indicates a group culture where employees feel they can be themselves without fear of discrimination, offering fair opportunities for all employees across the world.

Workforce composition

Nordic has a culturally diverse and highly specialized workforce of 1,435 employees, where technical competence, industry experience, and market understanding are common denominators. With 49 different nationalities represented at the Group's headquarters and 62 nationalities worldwide, we are in a unique position to foster an inclusive culture where different perspectives are valued and utilized, and mutual respect is a matter of course. The Group saw headcount growth of 20% in 2022, compared to 22% in 2021.

R&D engineers represented 76% of total headcount in 2022, with 17% growth during the year. Sales & Marketing's headcount comprised 9% of the workforce with a growth of 15.5%, while Supply Chain, 6% of total headcount, increased by 22%. At the end of 2022, 823 (57%) employees were employed outside of Norway, indicating proportionally stable growth in and out of Norway since 2021 (57%).

Nordic Semiconductor's Non-Discrimination Policy

All Nordic Semiconductor employees shall be treated equally and with dignity, courtesy, and respect



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 prohibits any form of discrimination against and/or harassment of employees or applicants for employment due to race, color, nationality or ethnic origin, age, religion, disability, political opinions, gender, or sexual orientation, as described by ILO conventions.



Nordic Semiconductor's employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blower channels. Retaliation against any employee who has reported misconduct, is prohibited. There shall be no unfavorable treatment to any whistleblowers.

Workforce composition	2022		2021	
Employees by department & gender distribution	Number of employees	% of total employees	Number of employees	% of total employees
Executive Management Team	10	0.7%	10	0.8%
Female	2	0.1%	2	0.2%
Male	8	0.6%	8	0.7%
Business support¹	148	10.3%	54	4.5%
Female	69	4.8%	28	2.3%
Male	79	5.5%	26	2.2%
Research and development	1 083	75.5%	925	77.3%
Female	116	8.1%	86	7.2%
Male	966	67.3%	839	70.1%
Non-binary	1	0.1%	0	—%
Sales	107	7.5%	136	11.4%
Female	9	0.6%	23	1.9%
Male	98	6.8%	113	9.4%
Supply chain	87	6.1%	72	6.0%
Female	37	2.6%	29	2.4%
Male	50	3.5%	43	3.6%
Total	1 435		1 197	

¹ For 2021, Marketing was part of Sales, however included in Business support in 2022.

In 2022, Business support includes: IT, Marketing, Finance, Legal and compliance, People and communication, Product Management and Quality

Employment opportunities

Nordic hires and develops competent workers as part of a permanently employed workforce. Nevertheless, the Group has needed to accommodate other employment opportunities to attract required resources, due to a talent shortage in the market and time-constrained projects. All workers engaged by Nordic, regardless of employment affiliation, are entitled to a healthy work-life balance.

Temporary workers

Nordic engages a significant number of students in internships, placements, and more every year to help students graduate with relevant industry knowledge. Nordic also employs temporary workers either directly or through agencies to cover in cases of temporary absence, such as parental leave. By year-end 2022, Nordic had 83 temporary workers (5.5% of workforce), including students and interns, with a gender split of 67% male and 33% female. Excluding students and interns, Nordic had 11 temporary workers by year-end 2022, with a gender split of 54.5% male and 45.5% female (9 of the 11 were employed in 2022).

Part-time employment

Nordic strives to offer full-time employment in all positions, but offers part-time individual accommodation to the extent it is possible. In 2022, 2.1% of Nordic's permanent employees were employed in part-time positions (excluding interns), either on employee request or in accordance with medical advice. The gender split was 24 men and 6 women (80% versus 20%), largely reflecting the overall gender split. Part-time employees are offered and often accept an opportunity to reevaluate their working percentage during the annual performance conversation with their manager.

Early-in-Career

Collaborating with universities and educational institutions and independently offering student opportunities is important to Nordic. We want to ensure that student workers graduate with relevant competence, in turn ensuring a steady talent pipeline for the Group. Nordic recruited 110 students in 2022, with a gender split of 72% male and 28% female. Moreover,

we recruited 47 graduates in 2022 (81% male and 19% female). This comprised 15% of all hires, a decrease from 22% (59 graduates) in 2021.

Leadership

Nordic has 231 managers¹, with a gender split of 86% male, and 14% female. During 2022, 14% of the employees being promoted or hired into management positions were women. 59% of men and 65% percent of women in R&D were promoted to a higher level on the career ladder.

The Executive Management Team consists of eight men and two women. The Board of Directors consists of four male and three female shareholder-elected members, in addition to two female and two male employee-elected members.

Managers by department	Number of managers	% of total
Research and development	163	71%
Male	150	92%
Female	13	8%
Rest of organization	68	29%
Male	49	72%
Female	19	28%

¹ Managers include business function managers, team managers, group managers, division managers, and executive management.

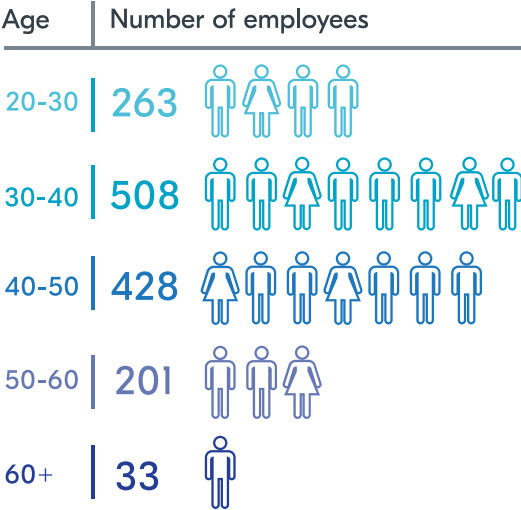
Cultural diversity

During 2022, Nordic in Norway attracted more than 43% percent of its new hires from abroad (53% in 2021). Nordic branches in the UK and Sweden relocated, respectively, 26% and 50% of staff from abroad. We consider relocation an indication of a strong global employer brand and an international talent pool, and an indication of fierce competition for local talent. Successful employee relocation requires us to focus on developing both leadership and communication skills. We must also maintain an inclusive group culture where employees of all backgrounds are valued for who they are. The annual engagement survey score indicates a group culture where employees feel accepted and have a sense of belonging, with scores above market benchmark on inclusiveness.

Age diversity

Nordic Semiconductor aspires to be a healthy and attractive workplace for employees across all age groups and phases of life. The average employee age has been stable over the last three years, with a 2022 average of 39.5 years. Our youngest employee was 22 and the oldest 71. Our Phase of Life Policy aims to facilitate employee development and knowledge growth throughout the employee journey. Each phase is based on the principle that employees have different needs and priorities throughout various stages of their lives.

When measuring employee engagement, we see an overall consistency across all age groups. There is a minor difference in employee engagement between age groups, with employees over 40 having a slightly higher average than younger employees. This might be explained by a larger proportion of employees in the higher age segment having longer tenure, and thus increased loyalty towards the Group. Average tenure across the Group is 5 years. The survey also validates that employees feel supported by their immediate management, with an overall average score of 8.7 on management support (0.1 above market benchmark within the technology sector). Scores are evenly distributed between age groups.



Gender diversity

Nordic has an ambition to minimize our internal gender gap, a recognized challenge within the industry for both competitors and partners. By year-end 2022, the female share of employees was 16.3%, an improvement from 14% in 2021. In order to increase the proportion of women in our workforce, we have engaged in several initiatives during 2022, such as inclusive language in job advertisements, and engaging directly with female students for support in their career choices. Consequently, we see an improvement in number of applications from female candidates, with an increase from 18% to 24% from 2021, and in the number of women interviewed, an increase from 15% to 24%. This is also further reflected in an increase in female hires, an overall improvement with 21.8% of new hires being female in 2022 compared to 18.5% in 2021. In R&D, female hires have increased with 36% from 2021 to 2022. In Norway, female hires have increased by 27%. Please see the table Employee growth with regard to gender diversity for a further breakdown and comparable data from previous years.

Category	2022	2021	2020
Number of total hires	326	270	153
Number of female hires	71	50	20
Female hires in percentage	21.8%	18.5%	13.0%
Total headcount increase percentage	19.7%	22.4%	28.7%
Number of female employees in the Group	234	168	135
Percentage of female employees in the Group	16.3%	14.0%	13.8%
Increase in female employees in percentage	39.3%	22.6%	28.0%

Employee growth with regard to gender diversity

Equality

Internal survey data reveals that female employees score our efforts to maintain a diverse workforce and create an environment where every individual feels included, to 8.4, while male employees gives the score 8.5. The most significant difference is seen when analyzing scores on equal opportunities and freedom of opinion, where

female ratings are 0.3 below male ratings on both factors. However, when it comes to feeling recognized, the survey confirms an equal gap in the opposite direction, where women score 0.3 higher than men. The Group will further strengthen its focus on diversity & inclusion, and have committed to corporate KPIs on DE&I for 2023, including implementing and anchoring a DE&I strategy with measurable objectives.

Equal pay

Nordic strives to ensure that work of equal value receives equal pay. Salary levels are determined based on objective measures, such as performance, responsibility, seniority, education, and experience, in addition to local market expectations. The company's Board has appointed a designated People and Compensation Committee (PCC) to evaluate and oversee the organization's overall compensation strategies. The committee is composed of shareholder- and employee-elected Board members as well as members of the company's Executive Management Team.

Employee Value Proposition

Our aspiration is that our Employee Value Proposition (EVP) offers competitive benefits, including salary, short- and long-term incentives, insurances, pension schemes, and more. Overall satisfaction with our total rewards strategy is confirmed in internal survey analytics. Our scores are above the market benchmark, indicating that employees feel fairly rewarded and are satisfied with the process of determining total compensation. The Group links remuneration to specific Key Performance Indicators (KPIs) and objectives in the belief that this makes our mission and strategy more likely to be attained. As an example, Environment, Social and Governance (ESG) are important focus areas for the Group and our employees. Including measurable ESG objectives as KPIs is aimed at increasing employee engagement and contribute to a better business outcome.

Salary development

The Group has a global standardized framework to determine and adjust salary levels. Employees are expected to advance through a career ladder with fixed

salary levels based on level/position and responsibilities. Salary increases are initiated through an annual salary review process. In addition, there is a rewards strategy for permanent employees, who are eligible for the Group's short- and long-term incentive programs.

Data on salary development for employees within R&D in 2018-2022 shows no significant difference in salary progression between genders or ethnicity in our different labor markets. This confirms that equal work has equal pay, from the graduate level to the principal level. This also includes leadership positions.

Gender pay ratio

Gender pay ratio is calculated as average across positions. Within the R&D department in Norway, the average salary in 2022 for women was 88% of the average salary for men. The average global salary for female employees in all departments was 78%, excluding executive management. Within executive management, the average salary for female employees was 76%. The general salary gap between women and men can be explained by a larger share of men in senior positions, in addition to having a larger proportion of men also in customer-facing roles with higher salaries. We also see a predominance of women in junior and administrative positions, particularly in low-cost countries, where salary levels are below the Group average. This affects the ratio for instance for Supply Chain with main location in Asia.

Category	Male	Female	Gender Pay Ratio ¹
Overall (excl EMT)	1202	233	78%
Executive Management Team (EMT)	8	2	76%
Business support ²	79	69	71%
Research and development ²	967	116	88%
Sales ²	98	9	79%
Supply Chain ²	50	37	42%

Gender pay ratio statistics for 2022, by category

¹ Average female salary / average male salary

² Executive management team has been excluded to avoid double counting

**Labor unions**

Nordic support and recognize freedom of association and the right to organize. The Group encourages and facilitates global employee representation and involvement. 23.7% of our employees are covered by formal collective bargaining agreements, which are based on statutory requirements at the national level of the sector in which Nordic operates. Other employees are represented through an interactive dialogue with elected representatives. Working conditions and terms of employment are proposed and based on benchmarks from professional salary survey providers. Sources include data from organizations with collective bargaining agreements. Nordic positions our working conditions and terms of employment at par or above regional statutory requirements, or in accordance with collective bargaining agreements from other comparable organizations.

Human capital development

At Nordic Semiconductor, we recognize the critical value of our people driving continuous technological innovation in a fiercely competitive business. This allows us to reach our vision of “Simplifying lives through all things connected”. Attracting, integrating, and retaining highly specialized and diverse talents are the pillars of our approach to human capital.

Talent acquisition

In 2022, Nordic had an organic growth in headcount of 20%, equivalent to 323 new employees across the world. Major challenges in talent acquisition remain a global talent shortage and maintaining our ability to attract and hire the technical skill-sets required.

Recruitment

Recruitment is the responsibility of leadership, requiring them to define job descriptions, screen, assess, and onboard new talents. The People & Communication function supports this. In 2022, more than 300 vacancies were advertised and 10,000 applications were received.

Employer branding

As a consequence of fierce competition over talent, Nordic has invested heavily in recent years to strengthen our employer brand. We participated in around 50 career fairs and student events around the globe in 2022. We have also focused on an increased employer presence in social media, contributing to an almost tripled follower base in selected channels in 2022. This has a direct effect on brand recognition and our ability to hire.

Talent development

To enhance the relationship between employee and manager and ensure employee involvement in setting performance objectives, we encourage and facilitate regular appraisal conversations between managers and employees. The purpose of the dialogue is to foster employee engagement, drive performance, and ensure talent development. In 2022, 64% of employees formally completed annual appraisal conversations. One contributing factor to a low percentage is that the Human Capital Management system is not always used for this purpose. The implementation of the new engagement survey tool during 2022 provided leaders and managers with a platform for confidential feedback dialogue, contributing to even better conversations and development opportunities.

Performance culture

According to internal data, employees know what they are expected to deliver, with scores above the market benchmark for *goal setting*. This score suggests they are able to link individual contribution towards group objectives, further supported by high scores in *meaningful work*.

Job autonomy is key to our highly specialized and competent workforce. Internal data indicates that employee priorities have transformed over the last three years, where flexibility and the desire to work from outside the office location are post-pandemic employee expectations. Balancing employee expectations with business needs is challenging, reflected in a score under the market benchmark in our engagement survey. Nevertheless, the data confirms that employees experience challenging tasks.

Leadership training and development

The pillars of our approach to human capital and business success are attracting, integrating, and retaining highly specialized, diverse talent. This requires managers who embrace group development, who can promote creative synergies in their teams and across the organization. Self-awareness, strong communication skills, and intercultural competence are critical assets for any manager at Nordic.

Leadership training

Nordic encourages and facilitates internal recruitment and promotions in leadership responsibilities when possible. The Group uses both internal and external training and resources to train and build leadership capabilities amongst new and experienced managers. The Group structure also requires global alignment on leadership principles, as well as local compliance with national legislation and market practices. Nordic's management handbooks outline country-specific legal and regulatory requirements. Managers are expected to advocate and adhere to these frameworks, policies and practices. Nordic strengthened its capability and framework for training and development in 2022, with 33% of all managers taking part in recruitment training, including unconscious bias awareness.

Leadership development

Self-awareness, strong communication skills and intercultural competence are critical assets for any manager at Nordic. In 2022, 10 executives attended external development courses. External contributions were included in internal management courses and individual coaching. The initiatives included high impact communication, psychological safety, and unleashing talent in others. The long-term ambition is to leverage relevant group transformation through managers embracing disruption and change, to reduce risk, and to increase productivity and employee satisfaction. Equivalent development opportunities will be tailored for our leadership community as part of our continuous organizational development. In addition to these measures, identifying, selecting and developing qualified successor candidates for executive and senior positions is crucial for business success and continuity.

Career development

Nordic engages a large number of students every year. Graduates remain an important candidate segment for group growth. Consequently, training and career development for entry level employees is part of leadership responsibility.

The average tenure in the Group is five years, with more than 12% percent of employees working for Nordic for more than ten years. Considering the Group's substantial growth over recent years, these numbers suggest that employees are able to build a career and take on new responsibilities within the Group. More than 40 employees were promoted to managerial positions in 2022, 10% of which were women. The gender split in the total numbers of external managerial hires was 75% male employees and 25% female employees.

Analysis of R&D career development from developer to principal levels from 2018-2022 shows no significant difference in career progression due to gender or ethnicity.

Retention

In 2022, the employee turnover rate was 6.6%, well above our operational target of 5%, and up from 5.6% in 2021. In total, 82 employees left the Group in 2022, of which 8.4% were women. Nordic's People & Communication function encourages and carries out exit interviews with employees to obtain objective information and ensure a professional experience throughout the entire employee journey.

Employee engagement

Employee engagement is at the foundation of Nordic's strategy. Our people are our most valuable asset. The Group strives to be perceived as a solid employer with defined core values. We pride ourselves on offering employees the opportunity to develop and prosper as part of our business while maintaining a good work-life balance.

Nordic conducted a global employee engagement survey in fall 2022. We saw an overall employee engagement score of 8.4 (average scale from 1-10) with a distribution of 65% promoters, 27% passives and 8% detractors. A further breakdown reveals a 8.0 score on loyalty and 8.4 on satisfaction, all 0.5 above the market benchmark and in the top 25% of companies within the technology sector.

The Group has committed to defined targets for 2023, where the ambition are scores above the technology benchmark on the following indicators;

- Employee Engagement
- Diversity & inclusion
- Health and well-being

Social

Nordic has established an employee-driven social committee at some of its larger offices. These groups receive a formalized social budget from Nordic. The social committee is responsible for various activities throughout the year, including sports and social gatherings. In addition, the Group arranges a variety of events, incorporating local cultural celebrations and initiatives, as well as global events, through the year.

Work-life balance

Nordic is committed to employee well-being and work-life balance. We operate with a flexible core working hour policy adapted to local market practices, which allows employees to vary their start and finish time in agreement with their manager. This allows employees to adjust their working hours according to personal needs, encouraging them to find a healthy balance where work

life can adapt to everyday life. In 2022, managers at Nordic had the possibility to accept individual requests to work from home, up to two days per week where work tasks could be safely executed from outside the office. This safeguards project deliveries and business requirements. However, internal data reveals a score of 0.8 under the market benchmark in perceived freedom to work remotely. Nevertheless, the same analysis confirmed that employees feel they have a physically healthy balance in their lives, with an average score of 8.2. This is 0.2 above the market benchmark.

Working hours

Working hours and other working conditions must minimally comply with local employment laws and/or RBA Code of Conduct paragraphs. All employment contracts include a paragraph describing the local working hours to clarify expectations and adherence to local laws and regulations. Furthermore, working hours and equivalent employment-related conditions are available in country-specific employee handbooks.

Health & Safety

Employees' health and safety is imperative for Nordic Semiconductor. We strive to always uphold our legal and ethical responsibilities and are committed to continuous improvement. Consequently, we review and update our policies and procedures regularly to maintain high standards of transparency and accountability.

Health and safety management system

To ensure a safe working environment and promote good health, Nordic is certified according to the ISO 45001 Occupational Health and Safety Management System standard. ISO standard certification requires an annual review by Det Norske Veritas (DNV), which provides feedback and ensures that we uphold and continuously improve on the standard.

The Group has established local Occupational Health and Safety Committees for operations in Norway, Finland, the Philippines, and Taiwan. Other office locations are safeguarded by the corporate

Occupational Health and Safety Committee (AMU) body in Norway. To further professionalize the efforts of local committees and enhance safety management processes, Nordic established a global Health & Safety Advisor role in 2022.

Supplier requirements

All Nordic Semiconductor manufacturing partners must be certified according to ISO 45001 or a similar standard and adhere to the RBA Code of Conduct.

Safety metrics

Protecting the workforce environment is vital for health and well-being. It contributes to the quality of our products and services, and ensures consistent production.

Total Recordable Rate

Our global Total Recordable Rate (TRR) for 2022 was 0,07%, below the known industry average. The key factor in this value is Nordic's fabless set-up without heavy machinery and equipment. This reduces the risk of accidents and injuries. Employees handling hazardous chemicals are trained and required to follow regularly rehearsed emergency protocol and procedures. In 2022, we had two minor incidents, one of which caused an injury requiring short term sick leave. All incidents are investigated, and corrective actions are put in place to prevent recurrence.

Occupational Health and Safety risk assessment

Nordic Semiconductor conducts an annual Occupational Health and Safety risk assessment to reveal areas of concern in the workplace, followed by preventive measures. In 2022 the analysis concluded that ergonomics and negative stress are key improvement areas. More so, the engagement survey supported the findings with a score of 0.3 below market benchmark on physical working condition. Measures are implemented to address improvement areas, including offering selected employees ergonomic equipment, work tools and access to rapid health support, and encouraging everyone to use 60 minutes work time each week for physical activity.

A healthy workforce

As the Covid-19 situation stabilizes, a main focus of ours has been to bring employees back to the office. We believe that employees, as well as the business, benefit from interaction in the office. Meeting and interacting with colleagues outside of projects may contribute to well-being and mental health as well.

Sick leave

As Nordic’s employee base has grown considerably in recent years, our ambition remains maintaining a low level of sick leave and high employee satisfaction. Illness rate is monitored on an ongoing basis so we can take preventive measures as soon as possible.

The average across our larger office locations for overall sick leave was 2.37%, while the rate of short-term sick leave¹ was 1.59%. This confirms that the level of short-term sick leave stayed well below the threshold of 2.5%. Total sick leave in Norway was 2.8% (0.5% increase from 2021), while short-term sick leave remained below the Group threshold at 1.6% in 2022 (0.4% increase from 2022).

¹ Short-term sick leave is defined as ill-health absenteeism below 16 consecutive days.

Parental leave

During 2022, 67 employees in Nordic took parental leave (62 men and 5 women). In Norway, 22 employees were on paternity leave, while 3 employees were on maternity leave.

Since 1993, part of parental leave in Norway has been legally devoted to fathers as a way to promote gender equality in the labor market. Nordic pays parental benefits beyond the National Insurance Scheme. While the National Insurance Scheme refunds an annual salary up to 6 G, Nordic offers the full salary if the employee has been working for at least 6 of the past 10 months before the birth or adoption of the child. The average number of weeks on leave for men in Norway was 12.95 weeks, while the average for women was 30.66, giving an overall average for parental leave in Norway of 15 weeks in 2022.

Health benefits

Engaging in regular physical activity has a positive impact not only on health, but also on productivity and engagement. To promote physical activity, the Group introduced an initiative in 2022 whereby employees are encouraged to be active for up to 60 minutes per week during work hours. This initiative has been well received and widely used, with over 18,800 hours spent in 2022. In addition, to promote physical activity outside the workplace and working hours, Nordic Semiconductor introduced a benefit subsidizing gym memberships in 2022, with more than 400 employees taking advantage of this throughout the year.

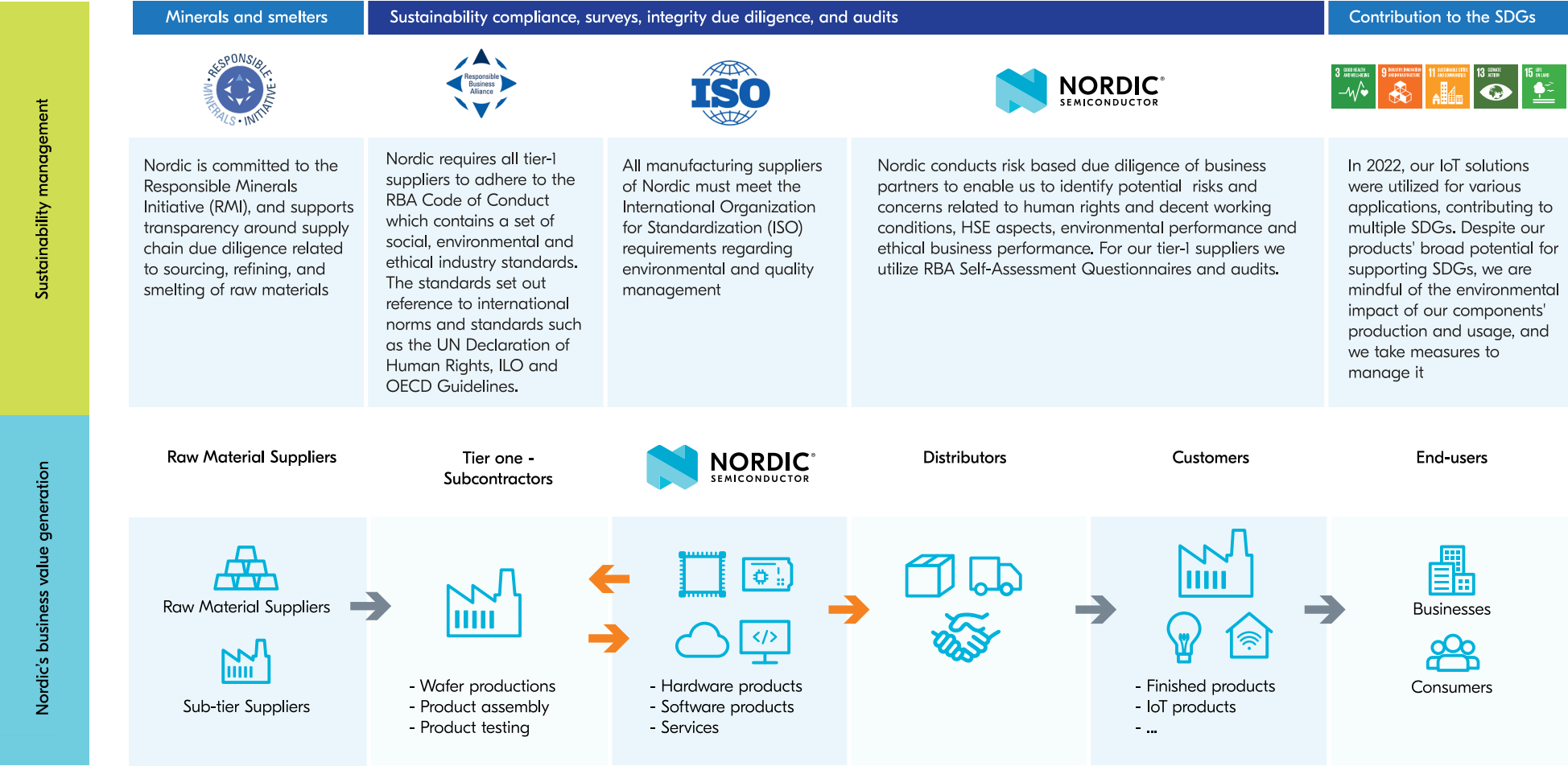
In November 2022, Nordic facilitated an internal health initiative for *Cancer Awareness Week*, meant to open dialogue and educate employees to take care of their own health. The initiative was well received, with almost one third of employees participating in various sessions.

Vaccination

Due to the high risk of being seriously impaired by seasonal influenza, Nordic offered vaccinations to employees across the globe, as well as to temporary workers and students. Nordic also offered the Boostrix polio vaccine and pneumococcus vaccine for employees in medically defined risk groups. More than 500 employees were vaccinated, approximately 35% of the workforce.



Responsible supply chain



Nordic Semiconductor's value chain and illustrative examples to our approach to sustainable value chain management

Why it matters

As a global fabless semiconductor company bringing together the best-in-class expertise from across the globe, we believe that technology must be developed and produced in a sustainable and ethical manner. Supplier management plays a critical part in our success, ensuring continuous focus on sustainable practices and production of high-quality deliverables.

Our approach

Nordic's approach to responsible supply chain management is based on OECD's Guidance for Responsible Business Conduct. This enables us to exercise our commitment to maintaining a responsible supply chain through targeted risk-based efforts, preventive and mitigating measures, and driving continuous improvement.

Sustainability plays a key role throughout the supplier life cycle. New tier-1 suppliers are subject to a thorough qualification process where they are screened for risks and actual negative impacts, and evaluated on whether identified risks and impacts can be acceptably mitigated. We use RBA's risk assessment model, comprised of self-assessment questionnaires and audits, to annually evaluate our manufacturing

suppliers for potential risks involving adverse business practices and non-compliance concerning human rights, ethical business practice, working conditions, and the environment.

Nordic's manufacturing partners are required to be certified to relevant ISO and environmental standards. The Group works with globally recognized suppliers such as TSMC and ASE, recipients of sustainability ratings and awards. Tier-1 suppliers are required to adhere to the RBA Code of Conduct and to promote adherence of the same to tier-2 suppliers to mitigate the risk of unacceptable business behavior.

Significant risks and negative impacts are subject to corrective actions, which are tracked, and the outcome verified. As a whole, our supply chain management contributes to continuous development amongst our suppliers whilst ensuring compliance with our standards and expectations.

Nordic Semiconductor provides a third party whistleblower channel on our website to enable reporting of potential unwanted business practices.



Human rights and labor Rights

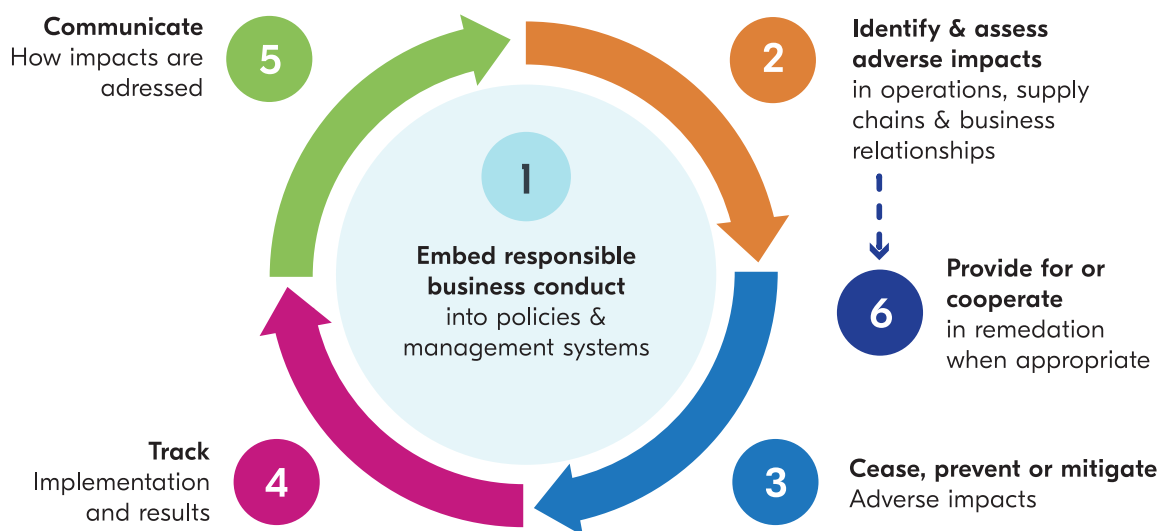
Our commitments

Nordic Semiconductor has made a commitment to conduct business in a way that respects and supports internationally proclaimed human and labor rights as defined by the International Bill of Rights, and the International Labor Organization (ILO) Fundamental Principles and Rights at Work, as well as the UN Global Compact Principles, by preventing and mitigating negative impacts and by driving continuous improvement. This means that we do not tolerate any form of human rights abuse or labor violations, including forced labor, child labor, human trafficking, or any form of modern slavery, at any stage of our operation, including the manufacturing of Nordic Semiconductor products by subcontractors. We stand by the principle that workers shall be treated with

respect and dignity as understood by the international community, all employment shall be freely chosen, workers shall be free to leave their employment with reasonable notice, and working hours and wages shall comply with applicable local laws or the principles of the Responsible Business Alliance ("RBA") to which we are a member (whichever is stricter).

How we work with human and labor rights

To ensure the operationalization of our commitment to respect and support human and labor rights, Nordic Semiconductor has in 2022 established a human rights program as part of our overall compliance framework, inspired by the iterative six-step process outlined in the OECD's Guidelines for Multinational Enterprises. This entails:



1) Anchoring of commitment to policies and management systems.

The Board of Directors, in particular through the Audit Committee, provides oversight of Nordic's work to ensure respect of and support to human and labor rights. Our commitment is reflected in our CSR policy, which is approved by the Executive Management Team and the Board. Our human rights program is managed by the Legal & Compliance function. We have operationalized our commitment through relevant procedures and processes throughout our business functions, implementing relevant measures in a practical manner within their respective area of responsibility. Relevant requirements and expectations are communicated to employees and business partners.

2) Conducting regular risk assessments.

Assessment of the risk of violation of human rights is an integrated part of our corporate risk management process, which is subject to bi-annual review. In 2022, Nordic initiated an overarching human rights due diligence review of our own operations, as well as a more in-depth risk assessment of our supply chain. This will continue in 2023. Nordic will report its findings by June 30th in accordance with the Norwegian Transparency Act.

3) Prevent and mitigate identified risks and actual negative impacts.

Nordic conducts its business with integrity and compliance with relevant regulations, and we expect the same from our business partners. We conduct integrity due diligence, including risks related to human rights, prior to entering into a contractual relationship. We also monitor suppliers' implementation of the RBA Supplier Code of Conduct and contractual clauses covering human and labor rights through tracing of information from conflict mineral reports, reporting on human rights and labor performance, and follow-up of next-tier suppliers. This is done through self-assessment questionnaires and on-site audits of high-risk suppliers.

4) Track and evaluate the efficiency of implemented measures.

Risks and impacts identified in our risk assessments, self-assessment questionnaires, integrity due diligence, audits, grievance mechanisms, or impact assessments are addressed through relevant action plans with targeted mitigating and preventive measures, which are monitored to ensure the desired effect.

5) Communication with employees and stakeholders.

We seek to actively communicate with employee representative bodies as an extension of our efforts to improve respect for human rights and working conditions. Raising employee awareness on human rights is a key part of our efforts. In 2023, we will include training & communication regarding human rights in Nordic in our Code of Conduct project.

6) Remediation of identified or reported grievances.

Nordic Semiconductor allows for anonymous reporting of grievances through our whistleblowing channel. We are committed to providing effective remediation where we have caused or contributed to adverse human or labor rights conditions.

More details related to our human rights work can be found on our website.

Responsible sourcing of minerals

We support, contribute to and rely on industry-wide efforts to validate that the minerals used in our products come from responsible sources. As a committed member of the RBA and the Responsible Minerals Initiative (RMI), we use best practice tools and processes to promote responsible sourcing and avoidance of conflict minerals throughout our supply chain.

Nordic's Conflict Minerals Policy is publicly available on our [website](#) and has been communicated to all relevant suppliers.

As a fabless semiconductor company, Nordic does not purchase minerals directly from mining companies or have direct contact with smelters but monitor our tier-1



suppliers to identify those that supply materials at risk of containing conflict minerals. We rely on third-party auditing programs such as the RMI audit program to ensure compliance.

Nordic utilizes the supply chain reporting scheme set out by RMI and the Global e-Sustainability Initiative (GeSI). Furthermore, Nordic's suppliers must adhere to RBA Code of Conduct and its conflict minerals provisions. Nordic reports at the smelter/refinery level to customers and stakeholders weekly through RMI's Conflict Minerals Reporting Template.

To date, no incidents of minerals supporting armed conflicts have been discovered. For 2023, we expect Conflict Minerals to remain a highly relevant issue related to human rights in our supply chain. We will continue to engage our tier-1 suppliers in identifying the origin of all materials used in Nordic's products.

Social performance overview

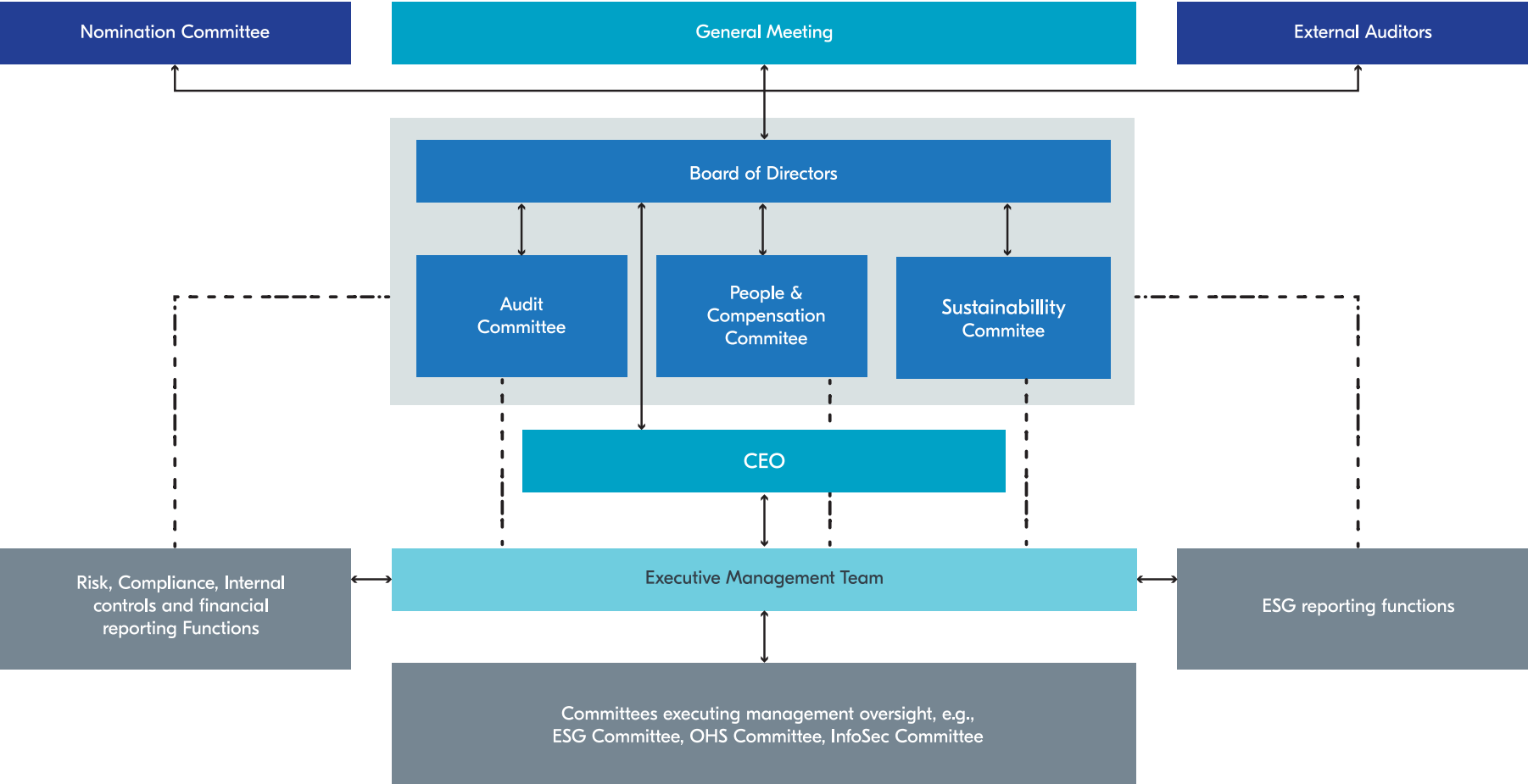
Indicator	Target 2023	2022	2021	2020
Human capital, diversity, and employee engagement				
Number of employees		1435	1197	897
Percentage female employees		16.3%	14.0%	13.8%
Employee turnover rate (%)	< 5.0%	6.6%	5.6%	3.1%
Number of students/interns from universities		110	57	46
Number of contractors		70	54	35
Percentage of temporary workers		5.5%	4.3%	6.8%
Total compensation ratio		10.23	9.18	
Total compensation ratio change (year-over-year)		11.0%		
Diversity, equity & inclusion average score	Above benchmark	8.5		
Employee engagement average score	Above benchmark	8.4		
Health and safety				
Work related incidents	0	2	0	1
Lost Time Incident Rate (LTIR)	0.0	0.1	0.0	0.0
Fatality rate	0	0	0	0
Contractor fatality rate	0		0	0
Total sick leave (Norway)		2.79%	2.28%	1.35%
Short time sick leave (Norway)	< 2.5%	1.59%	1.22%	1.03%
Health and well-being average score	Above benchmark	8.3		
Social well-being average score		7.8		
Mental well-being average score		8.0		
Management support average score		8.7		
Organizational support average score		8.3		
Workload average score		7.9		

Governance

Nordic Semiconductor has a corporate governance framework for how our Group is directed and controlled to ensure we achieve our strategic objectives the right way. Good, transparent, corporate governance aligns the interests of shareholders, management, employees, customers and other stakeholders to maximize value creation and reduce business-related risk. At the same time, the Group's resources must be used in an optimal and sustainable manner.



48	<u>Governing structure</u>	65	_____
49	<u>Board of directors</u>	70	_____
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59	<u>Norwegian Code of Practice for corporate governance</u>		



Governing structure

Our risk management and internal control activities are integrated into our corporate strategy and business planning processes, based on the principle that risk evaluation is an integral part of all business activities.

While corporate risk management is a centrally governed process, the responsibility for day-to-day risk management lies with the respective business functions. Risk management and internal control seek to handle risks and opportunities that may impact Nordic's strategic objectives proactively, systematically

drive long-term value creation, and promote sustainable business conduct. A prerequisite for the implementation of our strategic goals is a clear understanding of organization, responsibility, authority, and roles. See above for an overview of Nordic's governance bodies.

Board of Directors



Birger Steen | Chair

Chair of the Board since 2018 and board member since 2017. Member of the People & Compensation Committee.

Birger Steen is a technology investor based in Munich, Germany and serves as Thematic Partner at Summa Equity AB. He served as CEO of Parallels, Inc. from 2010 to 2016. He was Vice President of Worldwide SMB and Distribution at Microsoft Corp. in Redmond and General Manager of Microsoft Russia and Microsoft Norway from 2002 to 2010. Prior to joining Microsoft, Mr. Steen was CEO of Scandinavia Online and Vice President of Business Development in Schibsted ASA, where he first served as a consultant while at McKinsey & Company from 1993 to 1996. Mr. Steen received his MSc in Computer Science and Industrial Engineering from the Norwegian Institute of Technology in Trondheim. He also holds a degree in Russian language from the Defense School of Intelligence and Security in Oslo and received his MBA from INSEAD in France. Mr. Steen serves as a Non-Executive Director of Nordea Bank Abp, where he chairs the Board Operations and Sustainability Committee, and PragmatIC Semiconductor Ltd. He is Board Chair of Pagero AB¹ and myneva GmbH², and has previously served as a Non-Executive Director of Schibsted ASA and Cognite AS.

Board meetings attendance: 11, PCC attendance: 5

Holdings in the company: 196,840 shares

¹Board positions included in the position as Thematic Partner at Summa Equity AB.

²Mr. Steen is stepping down from his position on the board of myneva GmbH in 2023.



Inger Berg Ørstavik | Shareholder elected

Board member since 2017. Chair of Sustainability Committee. Member of the Audit Committee.

Inger Berg Ørstavik is a professor at the Department of Private Law, University of Oslo. She has previously been a partner at the law firm Schjødt AS and a lawyer at the office of the Attorney General for Civil Affairs. Mrs. Ørstavik has a law degree from the University of Oslo, a LL.M. from Ruprecht-Karls-Universität in Heidelberg, Germany, and a Ph.D. from the University of Oslo in the areas of intellectual property law and competition law. She has taught international human rights law at Fudan University in Shanghai, China where she resided from 2005 to 2009. Mrs. Ørstavik has previously served as a Non-Executive Director of REC Silicon ASA.

Board meetings attendance: 10, SC attendance: 1, AC attendance: 7

Holdings in the company: 5,258 shares



Øyvind Birkenes | Shareholder elected

Board member since 2019. Member of the Sustainability Committee.

Øyvind Birkenes, currently the CEO at Airthings AS, and formerly General Manager for Low Power RF at Texas Instruments (TI) in the USA, where he headed the product lines that developed and sold ultra-low power wireless MCUs, radio transceivers and System-on-Chips.

Board meetings attendance: 11, SC attendance: 1

Holdings in the company: 10,600 shares



Morten Dammen | Employee elected

Board member since 2019. Member of the People & Compensation Committee.

Morten Dammen has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. Morten has been employed in Nordic Semiconductor since 2001, with a seven-year break between 2007 and 2014. Morten is currently working as a Senior Project Manager in IC development. Morten has also been working in Q-Free ASA for 10 years, in several positions from project management and team management to VP R&D.

Board meetings attendance: 11, PCC attendance: 5

Holdings in the company: 1,150 shares and 2,715 RSUs



Anja Dekens | Employee elected

Board member since 2022. Member of the Sustainability Committee.

Anja Dekens joined Nordic in 2014 and has been working with HW design in IC development since then. Besides her position as an engineer, she is also leading the Digital Design Discipline team, which is responsible for the methodology used by all digital designers at Nordic. Anja studied Electrical Engineering in Karlsruhe University, Germany and at NTNU, Trondheim and has a PhD degree from the University of Twente, the Netherlands.

Board meetings attendance: 7, SC attendance: 1

Holdings in the company: 300 shares and 542 RSUs



Jan Frykhammar | Shareholder elected

Board member since 2019. Chair of the Audit Committee.

Jan Frykhammar is a Swedish business executive with over 25 years of experience in the telecommunications and technology industry. He spent the majority of his career at Ericsson, one of the world's largest telecommunications companies, where he held various executive positions over the years. He was appointed as the company's Chief Financial Officer (CFO) in 2009. As CFO, he was responsible for overseeing the company's financial operations and played a key role in Ericsson's cost-reduction program. Frykhammar also has experience in strategic planning, portfolio optimization, and mergers and acquisitions (M&A). He led several acquisitions and divestments amongst others Ericsson's acquisition of Nortel and Telcordia as well as the divestment of Sony-Ericsson and ST-Ericsson. Furthermore, Frykhammar has extensive board experience in several industries including technology by Enea AB, Alphawave Semi, Telavox AB and Clavister AB, renewable energy by OX2 and consultancy by Aspia Group.

Board meetings attendance: 11, AC attendance: 7

Holdings in the company: 24,528 shares



Gro Fykse | Employee elected

Board member since 2022.

Gro Fykse has a Master of Science in Electrical Engineering from NTNU in Trondheim. In 2017, she started at Nordic Semiconductor as a Sr. Project Manager. Since 2018, Gro has been leading Nordic's System Architecture Group. Gro has 15 years of experience from Atmel Corporation in different roles ranging from chip design, product engineering, program management, team management, and QA management. In addition to over twenty years of experience in the semiconductor business, she worked as a QA and Project Director at Norbit ASA.

Board meetings attendance: 7

Holdings in the company: 850 shares and 1,191 RSUs



Annastiina Hintsa | Shareholder elected

Board member since 2019. Member of the Sustainability Committee.

Annastiina Hintsa is the CEO of Hintsa Performance in Finland, a company focusing on enhancing the performance and leadership of client companies, best known for working with Formula 1 teams. Ms. Hintsa also has experience from McKinsey & Co. and from the Bank of Finland.

Board meetings attendance: 11, SC attendance: 1

Holdings in the company: 4,258 shares



Endre Holen | Shareholder elected

Board member since 2019. Chair of the People & Compensation Committee.

Endre Holen has more than 25 years consultancy experience from McKinsey & Co. He has primarily worked with large international technology companies and has been Managing Partner for McKinsey's Global Tech Media and Telecom team. Mr. Holen also has broad experience and a wide professional network from counseling Fortune 1000 CEOs on topics like strategy, corporate performance, succession planning, leadership and Board governance.

Board meetings attendance: 11, PCC attendance: 5

Holdings in the company: 154,888 shares



Anita Huun | Shareholder elected

Board member since 2019. Member of the Audit Committee.

Anita Huun is an experienced business executive and the current Commercial Director for Techstep, former CFO for Techstep. Huun has more than 20 years of experience in finance, capital markets and management. Prior to joining Techstep, Huun served as the CFO of Cappelen Damm, a Norwegian publishing company and CFO for Microsoft Norway. Huun's capital market experience comes from her years as an equity analyst, covering the Norwegian IT sector, for Handelsbanken Capital Markets. Furthermore, Huun has board experience from Link Mobility until it was acquired by Abry partners. She has a MSc from the Norwegian School of Economics (NHH), with specialization in Finance.

Board meetings attendance: 11, AC attendance: 7

Holdings in the company: 13,258 shares



Jon Helge Nistad | Employee elected

Board member since 2017

Jon Helge Nistad has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. Jon Helge has been employed in Nordic Semiconductor since 2006, where he has gained experience in application development, embedded software design and project management. He is currently working as a Principal R&D engineer in Nordic Semiconductor.

Board meetings attendance: 11

Holdings in the company: 600 shares and 298 RSUs

Executive Management Team



Svenn-Tore Larsen | Chief Executive Officer / President

CEO & President since 2002

Mr. Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor. Larsen was a member of the Board of Nordic Semiconductor from 2000-2002. Svenn-Tore Larsen is based in Oslo, Norway.

Holdings in the company at year-end: 1,932,272 shares, 28,086 RSUs and 23,366 performance shares



Pål Elstad | Chief Financial Officer / EVP Finance

Member of the Executive Management Team since 2014

Mr. Elstad has held several senior financial positions, most recently as investor relations responsible for REC Silicon ASA and Head of Finance for REC Solar in Singapore. He joined Nordic as CFO in 2014. Mr. Elstad has extensive manufacturing and supply-chain experience from General Electric Healthcare. He holds a Bachelor of Economics degree from the Norwegian Business School (BI) and is a State Authorized Public Accountant (CPA). Pål Elstad is based in Oslo, Norway.

Holdings in the company at year-end: 31,650 shares, 12,594 RSUs and 12,594 performance shares



Ola Boström | SVP Quality

Member of the Executive Management Team since 2022

Mr. Boström holds a M.Sc. degree from Uppsala University and a PhD from the University of Aix-Marseille III. Before joining the Quality Department of Nordic in 2006, Mr. Boström worked with wafer manufacturing and TCAD in the R&D Department of STMicroelectronics. Mr. Boström has held several positions inside Nordic including Product Engineering and Product Qualifications before being in charge of the installation and operation of a high-end Electrical/Physical Analysis lab in Trondheim. Ola Boström is based in Oslo, Norway.

Holdings in the company at year-end: 575 shares and 4,585 RSUs



Katarina Finneng | EVP People & Communication

Member of the Executive Management Team since 2019

Mrs. Finneng has extensive international experience within management, Human Resources and Communication/PR from several different sectors. Her most recent position before joining Nordic in 2019 was with Norwegian Air Shuttle ASA, and previous experience includes different roles in Hafslund ASA and the Volvo Group. Mrs. Finneng holds a Master of Political Science degree from the University of Gothenburg, Sweden, as well as an Executive Master degree in Management from BI Norwegian Business School. Mrs. Finneng is Secretary of the Board's People and Compensation Committee. Katarina Finneng is based in Oslo, Norway.

Holdings in the company at year-end: 600 shares, 10,427 RSUs and 10,427 performance shares



Kjetil Holstad | EVP Product Management

Member of the Executive Management Team since 2019

Mr. Holstad has a B.Sc degree in Electronics from Sør-Trøndelag University College (HiST). After working 15 years in various technical and marketing positions related to MCUs and wireless technologies in Atmel Corporation and Texas Instruments, he joined Nordic in 2015 as a Product Manager for the short range wireless business. Kjetil Holstad is based in Oslo, Norway.

Holdings in the company at year-end: 10,415 shares, 8,812 RSUs and 8,812 performance shares



Ole-Fredrik Morken | EVP Supply Chain

Member of the Executive Management Team since 2010

Mr. Morken joined the company as an Analog IC designer in 1994 and has since held numerous positions related to Project- and Supply Chain Management, including a brief employment for SensoNor ASA in 1999. Mr. Morken holds a Master's degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). Ole-Fredrik Morken is based in Taipei, Taiwan.

Holdings in the company at year-end: 190,670 shares, 9,995 RSUs and 9,995 performance shares



Geir Langeland | EVP Sales and Marketing

Member of the Executive Management Team since 2005

Mr. Langeland has a Bachelor of Engineering (Honours) degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He started as a Product Manager Standard Components in Nordic Semiconductor in 1999, before being appointed as a member of the Executive Management Team in 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/Applications Engineer in Memec Norway, a leading global electronic components distribution company. Geir Langeland is based in Oslo, Norway.

Holdings in the company at year-end: 201,114 shares, 16,139 RSUs and 13,189 performance shares



Svein-Egil Nielsen | Chief Technology Officer / EVP R&D and Strategy

Member of the Executive Management Team since 2013

Mr. Nielsen holds MBA from the Haas School of Business at the University of California, Berkeley and Bachelor of Engineering honors degree in Computer and Electronics Systems from University of Strathclyde. He joined Nordic in 2001 as Director of Sales and Marketing. Mr. Nielsen also held a position as R&D director from 2005 to 2006 and Director of Emerging Technologies and Strategic Partnerships from 2010 to 2012. Additionally, he served Innovation Norway as their Director of San Francisco and Houston offices where he was in charge of promoting Norwegian technology from 2007 to 2010. Prior to Nordic, he worked for Boston Consulting Group as a consultant. Svein-Egil Nielsen is based in Oslo, Norway.

Holdings in the company at year-end: 32,244 shares, 14,236 RSUs and 14,236 performance shares



Linda Pettersson | SVP Legal and Compliance

Member of the Executive Management Team since 2022

Mrs. Pettersson holds a Master of Law degree from Uppsala University in Sweden and has long international experience within Legal and Compliance functions within several different sectors. She started as a Legal Counsel at Wallenius Wilhelmsen Logistics AS, providing legal support within a wide variety of law across many jurisdictions. At Wallenius Wilhelmsen Logistics, she developed and implemented company-wide compliance programs including all their components, she supported investigations, and identified solutions for non-compliance matters. Her most recent position before joining Nordic in 2022 was to head the Group Compliance function at Norsk Hydro ASA. Mrs. Pettersson also acts as Secretary to the Board of Directors. Linda Pettersson is based in Oslo, Norway.

Holdings in the company at year-end: 598 RSUs



Ståle "Steel" Ytterdal | SVP IR

Member of the Executive Management Team since 2019

Mr. Ytterdal holds a Bachelor of Electronics Engineering and Business Administration from NKI College of Engineering in Oslo, Norway. He worked several years in Ericsson Standard Component before starting in Nordic as Regional Sales Manager for Asia and the Pacific in 2001. Between 2004 and 2019, Mr. Ytterdal was stationed in Hong Kong as Director of Sales & Marketing in APAC, establishing Nordic's presence in the region. He also held a position as Director of the Board of the Norwegian Chamber of Commerce in Hong Kong from 2005-2008. Mr. Ytterdal moved back to Oslo/Norway in 2019, where he now has his base.

Holdings in the company at year-end: 135,452 shares, 8,567 RSUs and 8,567 performance shares

Events and developments

Nordic Semiconductor ASA is a public limited company organized with a governance structure based on Norwegian corporate law. Our corporate

governance provides a foundation for value creation and good control mechanisms. A prerequisite for the implementation and execution of our strategic goals is a clear understanding of organization, responsibility,

authority, and roles. An overview of the status and development of Nordic's governance bodies is provided in the following overview.

Description	Developments and events during the reporting year	References
General Meeting Company shareholders exercise ultimate authority through the Annual General Meeting. The General Meeting shall: 1. Adopt the annual accounts and report, including the application of the annual surplus or covering of loss pursuant to the adopted balance sheet, and the distribution of dividend. 2. Elect members of the Board of Directors and members of the Nomination Committee. 3. Adopt remuneration to the members of the Board of Directors and approve the remuneration to the auditor. 4. Address and decide any other matters which are referred to in the notice of the General Meeting.	The General Meeting was held April 28, 2022.	The protocols from the General Meeting can be found at the company's website: Corporate Governance - nordicsemi.com
Nomination Committee The company has a Nomination Committee according to its Articles of Association. The General Meeting stipulates instructions for the Nomination Committee, elects the chair and members, and stipulates the committee's remuneration. The Nomination Committee shall make proposals to the General Meeting regarding candidates to the Board of Directors and the remuneration to the Board of Directors.	The Nomination Committee has held 23 meetings during 2022. Members: a. Viggo Leisner (Chair) b. Eivind Lotsberg c. Fredrik Thorsen	Articles of Association, §8 can be found at the company's website: Corporate Governance - nordicsemi.com
Board of Directors The Board of Directors currently includes 11 members. Seven are elected by the General Meeting and four are employees elected by other employees for a term of up to two years. In accordance with the Norwegian Public Companies Act, the Board of Directors assumes the overall governance of the company, ensures that appropriate management and control systems are in place, and supervises the day-to-day management as carried out by the CEO. All shareholder-elected members are external. No members elected by employees are part of the company's executive management. Employee directors have no other service contractual agreements with the company outside of their employee contracts, though they are subject to their duties as board members.	The Board of Directors has held 11 meetings in 2022. The Board of Directors has an annual plan for its work that includes strategy, sustainability and business review, risk and compliance oversight, financial reporting, people agenda and succession planning. High on the Board of Directors' agenda in 2022 was progress on technology projects related to shifting to a new process node, the acquisition of Mobile Semiconductor Corporation, and the establishment of a Board Sustainability Committee. Extraordinary meetings were held to handle critical matters. The Board of Directors shall conduct an annual self-assessment of its work and competence within a reasonable time prior to the Annual General Meeting in 2023. Gro Fykse and Anja Dekens were elected as board members from the company's employees and participated in their first meeting in June 2022. All shareholder-elected members were deemed in 2022 to be independent, according to the Norwegian Code of Practice. None of the company's non-employee board members had any other service contractual agreements with the company.	The Rules of Procedure of the Board of Directors can be found at the company's website: Corporate Governance - nordicsemi.com Biographical information on the board members can be found in the Board of Directors section of this report and at the company's website: Board of directors - nordicsemi.com

Description	Developments and events during the reporting year	References
Audit Committee		
<p>The Audit Committee consists of three members from the Board of Directors.</p> <p>The Audit Committee is a preparatory body that supports the Board of Directors in fulfilling its responsibilities with respect to financial reporting, auditing and control. Its supervisory area includes adequate company policies, procedures, systems and measures to prevent violations of relevant rules and regulations, including anti-corruption, data privacy, and human rights. The committee shall be informed and evaluate material risks and issues related to tax. The committee also supports the Board in the evaluation of IT and cyber security risk in the company. The committee supervises the company's external reporting, including the integrated annual report and its alignment with relevant regulations and international guidance to ensure transparent and reliable data.</p> <p>The Audit Committee reviews and approves all non-audit fees paid to the companies elected auditor.</p> <p>The Nordic Group Compliance Officer has a dotted reporting line to, and meets regularly with, the Audit Committee.</p>	<p>The Audit Committee has held 7 meetings during 2022.</p> <p>In 2022, the committee focused on reviewing the Group's internal controls in connection with higher digitalization of reporting functions, as well as reviewing processes to mitigate increased cyber threat.</p> <p>Members:</p> <ul style="list-style-type: none"> a. Jan Frykhammar (Chair) b. Inger Berg Ørstavik c. Anita Huun <p>The members meet the Norwegian requirements for independence and competence.</p>	<p>The Audit Committee charter can be found at the company's website: Corporate Governance - nordicsemi.com</p>
People & Compensation Committee		
<p>The People & Compensation Committee consists of three members of the Board of Directors.</p> <p>The committee shall assist the Board of Directors in exercising its oversight responsibility in particular regarding compensation matters pertaining to the CEO and other members of the Executive Management Team. The committee handles other compensation issues of principal importance, such as coherent remuneration policies and practices to enable the company to attract and retain executives and employees who will create value for shareholders. It supports the Board of Director and supervises management on human capital development, working conditions, and diversity, equity, and inclusion (DE&I).</p>	<p>The People & Compensation Committee held 5 meetings in 2022.</p> <p>Succession planning, performance and growth management, and continued development and review of the company's organizational fundamentals and rewards structures were important focus areas for the PCC in 2022.</p> <p>Members:</p> <ul style="list-style-type: none"> a. Endre Holen (Chair) b. Birger K. Steen c. Morten Dammen <p>The members of the committee are selected to ensure that the compensation programs are fair and appropriate, but also reflect the challenges related to attracting and retaining key talent in a global technology market for engineers. Therefore, the committee includes both an employee-elected director and two shareholder-elected directors with extensive experience from the global technology space.</p>	<p>The People & Compensation Committee charter can be found at the company's website: Corporate Governance - nordicsemi.com</p>

Description	Developments and events during the reporting year	References
Sustainability Committee		
<p>The Sustainability Committee consists of four members of the Board of Directors.</p> <p>The Sustainability Committee is a preparatory body for the Board in fulfilling the Board's responsibilities with respect to considering sustainability within the activities and value creation of the company. The committee supervises the integration of sustainability into Nordic strategy and business activities, reflected in adequate follow-up of ESG metrics to measure and monitor its sustainability performance.</p>	<p>The Sustainability Committee was established by the Board of Directors in September, 2022.</p> <p>The Sustainability Committee has held 1 meeting in 2022.</p> <p>In 2022 the committee focused on establishing an enhanced sustainability framework for the company and reviewing ESG metrics, including a high-level peer analysis.</p> <p>Members:</p> <ul style="list-style-type: none"> a. Inger Berg Ørstavik (chair) b. Annastiina Hinsta c. Øyvind Birkenes d. Anja Dekens 	<p>The Sustainability Committee charter can be found at the company's website: Corporate Governance - nordicsemi.com</p>
CEO & Executive Management Team		
<p>According to Norwegian corporate law, the CEO constitutes the formal governing body responsible for the daily management of the company. The CEO leads the company with the assistance of the Executive Management Team.</p> <p>The division of functions and responsibilities between the CEO and the Board of Directors are defined in greater detail in the Rules of Procedure for the Board of Directors of the company.</p>	<p>The Executive Management Team held 20 meetings in 2022.</p> <p>Marianne Frydenlund stepped down as SVP Legal in July 2022. Linda Pettersson was appointed SVP Legal & Compliance with effect from July, 2022. Ebbe Rømcke stepped down as SVP Quality & Sustainability in August 2022. Ola Boström was appointed SVP Quality with effect from August 2022.</p>	<p>Biographical information on the CEO and Executive Management Team can be found in the Executive Management section of this report and at the Company's website at: Management - nordicsemi.com</p>

Board of Directors' report in relation to the Norwegian Code of Practice for Corporate governance

The Board of Directors ("Board") and Management of Nordic Semiconductor ASA ("the company") aim to execute their respective tasks in accordance with the highest standards for corporate governance to drive long-term value creation and promote sustainable business conduct.

Nordic Semiconductor is subject to corporate governance requirements according to the Norwegian Public Limited Companies Act, the Norwegian Accounting Act, section 3-3b, the Oslo Stock Exchange's Oslo Rulebook II - Issuers Rules, Chapter 4.5, section 5-8a of the Norwegian Securities Act, and the Norwegian Code of Practice for Corporate Governance ("the Code of Practice") as adopted by the Norwegian Corporate Governance Board (NUES).

This chapter provides a detailed overview of how Nordic Semiconductor follows the Code of Practice. The information requirements that follows from the Norwegian Public Limited Companies Act and Norwegian Accounting Act are integrated into the statement below where appropriate.

Implementation of and reporting on corporate governance

Nordic Semiconductor's standards for corporate governance provide a critical foundation for the company's management. These standards must be viewed in conjunction with the company's efforts to constantly promote a sound corporate culture throughout the organization. The company's core values of engagement, contribution, knowledge, respect and responsibility are central to the Board's and management's efforts to build confidence in the company, both internally and externally.

Nordic follows the most recent edition of the Code of Practice from 2021. The Board monitors the subject of corporate governance actively and continuously. The

Board approved this statement on the meeting of March 17, 2023 through the signing of the annual report.

Business

Nordic designs, sells and delivers integrated circuits and related products and services for use in short- and long- range wireless applications. The Group specializes in ultra-low power components, based on its proprietary 2.4 GHz RF, various Bluetooth related standards and emerging standards for cellular IoT communications like NB-IoT and LTE-M. All manufacturing and direct distribution of components are outsourced to specialist subcontractors. The Group is headquartered in Trondheim, Norway. As of 2022, the Group has offices in China, Finland, India, Japan, Korea, Germany, Poland, Philippines, Singapore, Sweden, Taiwan, UK, and the USA.

The scope of Nordic's business is defined in section 2 of its Articles of Association:

"The objective for which the company is established is the development and sale of electronic components, integrated circuits, design tools and related solutions."

The Articles of Association are published in full on the Group website.

The Board sets clear objectives for the business with a view to create long-term value for shareholders. The Board has an annual plan for its work, leads the company's strategic planning, and makes decisions that form a basis for the company's executive management. These decisions allow the company to prepare and carry out investments to drive future growth in a sustainable manner. The objectives include matters related to environmental impact, social matters such as human and labor rights, equal treatment, and the prevention of discrimination, as well as the prevention of corruption. Strategic plans are evaluated on an ongoing basis, with a Board strategy review conducted annually at an off-site, multi-day meeting. New and updated long-term objectives, strategies and risk profiles are revised and agreed on toward the end of the year or in connection with major events.

Nordic has purchased and maintains a Directors and Officers Liability Insurance on behalf of the members of the Board and the CEO. The insurance policy is issued by a reputable insurer with an appropriate rating.

More details on Nordic's objectives, strategies, and risk profiles, including Environmental, Social and Governance matters, are presented in the respective chapters of the Report of the Board of Directors. More information about Nordic's objectives and efforts related to Environmental, Social and Governance matters is also available on the Group website.

Equity and dividends

The Board of Directors ensures that the company has a capital structure that is appropriate to the company's objectives, strategy and risk profile. The company's growth philosophy, as well as the cyclical nature of its business, means that the company aims to maintain a high equity ratio and considerable liquidity. The company aims primarily to provide shareholders with returns in the form of appreciation of shares. The company has a long-term goal to pay dividends based on surplus cash generated by the company, while taking longer term growth targets into consideration. Nordic assesses its cash position to be adequate given the expected level of R&D and capex investments. The company believes a strong balance sheet is required to ensure flexibility and resilience. Cash generation is, however, expected to increase over the coming years. This will allow for the evaluation of cash return to shareholders when available and expected cash exceed our liquidity risk policy. The company's dividend policy is reviewed each year by the Board of Directors. The Annual General Meeting can mandate the Board the authorization to pay dividends based on the latest approved Annual Report. The justification for this authorization needs to be explained and should reflect the Company's dividend policy.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held April 28, 2022, has been authorized to buy back up to 19,200,000 own shares for a total par value of NOK 192,000.00 in

one or more transactions. The authorization is limited to 10 percent of the company's share capital. The price per share, which in this case the company may pay for, shall not be less than the par value nor greater than NOK 350. This power of attorney will remain in effect until the company's ordinary Annual General Meeting in 2023. The Board believes that it is expedient for the Board to be authorized to purchase its own shares, partly to fulfil the remuneration schemes for employees, and partly so that shares can be used as a consideration in connection with the acquisition of businesses or for subsequent sale or cancellation. Such authorization must be decided by the General Meeting and will apply until 30 June the following year.

In accordance with the decision passed at the general meeting held April 28, 2022, the Board of Directors has the authority to increase the company's share capital by issuing up to 19,200,000 shares with a total par value of NOK 192,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including strengthening the Company's shareholder's equity, to execute share capital increases with one or more strategic partners, or to complete a merger or acquisition using shares or cash. This power of attorney will remain in effect until the Company's Annual General Meeting in 2023, and can be implemented through a private placement, rights issue or public offering.

If the Board wishes to quickly raise capital, the Board has been authorized to direct a share capital increase to selected investors chosen by the Board, up to the limits quantified above. In this event, the company will notify the stock exchange of its reasons for implementing a directed share placement. Existing shareholders' preemptive subscription rights under §10-4 in the Norwegian Companies Act can be waived under these circumstances.

Such capital increases shall be executed at or near the current stock price listed on the Oslo Stock Exchange. This authorization remains valid until the company's ordinary annual general meeting in 2023.

Equal treatment of shareholders and transactions with close associates

Nordic Semiconductor has one class of shares, where each share has one vote at the company's shareholders' meeting. Nordic Semiconductor strictly adheres to the principle of equal treatment of all shareholders. The company's transactions in its own shares are conducted in accordance with good stock exchange practice in Norway.

The company is generally cautious in regard to transactions with shareholders, members of the Board of Directors, senior employees or related parties to the above. To ensure that the best code of conduct applies, the Board requires notification and review of any process or transaction in which both the company and a senior employee or member of the Board of Directors may have interests. Nordic Semiconductor will seek to comply with the principles of equal treatment of related parties and possible transactions with related parties that are laid down in the Code of Practice.

The company considers Shareholders' preemption rights in connection with an increase in share capital to be an important and fundamental right in a healthy shareholder community. The preemption right can only be waived in exceptional circumstances. Waiving of this right will be based on the company's and shareholders' mutual interests. In such a case, there will be full transparency about the matter. Shareholders will receive identical information simultaneously through a stock exchange announcement and the company's website.

This also applies if the Board uses the authorizations it has been granted.

The company's transactions in own shares must always comply with the arm's length principle and be on ordinary market terms.

Contact between the Board of Directors and investors is normally conducted through company management. Under special circumstances, the Board, represented by the chairperson, may conduct dialogue directly with investors.

Freely negotiable shares

Nordic Semiconductor's shares are freely tradable. There are no restrictions on the sale and purchase of the company's shares beyond those pursuant to Norwegian law.

Each share carries one vote.

General Meeting

The Annual General Meeting is the company's highest body and the shareholders exert their authority in the company through the Annual General Meeting. Nordic Semiconductor and the Board encourage all shareholders to participate and exercise their rights at the Annual General Meeting.

The Board of Directors should ensure that the Annual General Meeting is held in accordance with the Code of Practice, ensuring all shareholders the ability to participate. The notice of the Annual General Meeting, including relevant information, will be announced and distributed at least 21 days in advance of the Annual General Meeting. The final date for notification of attendance is one working day prior to the Annual General Meeting. The Board of Directors should further ensure that:

- The resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting.
- Any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible.
- The Chair of the Board of Directors and the Chair of the Nomination Committee are present at the general meeting. In addition, the Chair of the Audit Committee and Chair of the People & Compensation Committee should attend the meeting

Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the

opportunity to vote. The company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

Deviations from the Code of Practice: Nordic has one deviation related to participation in the General Meeting. The entire Board of Directors has normally not participated in the General Meeting. Matters under consideration at the General Meeting of shareholders have not previously required this. The Chair of the Board of Directors is always at hand to present the report and answer any questions. Other board members participate as needed. The Board of Directors considers this to be adequate.

Nomination Committee

Nordic Semiconductor has a Nomination Committee, as provided for in its Articles of Association. The Annual General Meeting stipulate guidelines for the duties of the Nomination Committee, elect the chair and members, and stipulates the committee's remuneration.

The Nomination Committee's duties are to represent the interests of the shareholders in general, and to propose qualified candidates for the Annual General Meeting's election of the Board of Directors as well as to propose the remuneration to the Board of Directors.

The Nomination Committee should justify why it is proposing each candidate in the notice for the AGM separately, including information on the candidates' competence, capacity and independence.

The Nomination Committee holds regular meetings with major shareholders as well as management and individual shareholder elected Board members. In addition, all shareholders can submit suggestions to the nomination committee through a link on Nordic's webpage.

The Nomination Committee consists of three shareholder members or representatives. The company's executive personnel are not represented on the Nomination Committee. The deadline for submitting

proposals to the Nomination Committee is two months before the Annual General Meeting.

The Nomination Committee held 23 meetings in 2022.

The members of the Nomination Committee are:

- Viggo Leisner (Chair)
- Fredrik Thoresen
- Eivind Lotsberg

The Board of Directors: composition and independence

In accordance with the Norwegian Public Companies Act, the Board of Directors has the overriding responsibility for the management of the company. The Board's role and responsibility is also to supervise the company's day-to-day management and the company's activities in general. The responsibility for day-to-day management has been delegated to the CEO, as set out in the Rules of Procedure for the Board of Directors of Nordic Semiconductor ASA.

Norwegian companies can be governed by either a one-tier or a two-tier board structure, consisting of a board of directors and, in a two-tier structure, a corporate assembly.

Any company with more than 200 employees is generally required to have a corporate assembly, with two-thirds of the members elected by shareholders and one-third elected by the company's employees. If a company agrees with its employees not to have a corporate assembly, employees have the right to appoint additional representatives to the board of directors. Nordic has agreed with its employees not to have a corporate assembly and thereby increased the numbers of employees elected Board members.

The Board of Directors and the Chair of the Board of Directors are elected by the shareholders at the Annual General Meeting on the basis of proposals from the Nomination Committee.

The shareholder-elected Board members are elected, in accordance with the Articles of Association, for one year at a time. Employee representatives serve for two years at a time.

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the Board should be independent of the company's executive personnel and material business contacts.

The Code of Practice recommends that a majority of shareholder-elected directors are independent of the company and its executive management and that no members of executive management serve as directors.

Furthermore, the Norwegian Public Companies Act prohibits the CEO from serving as chair and requires that public companies have boards of directors consisting of at least 40% women. This requirement is related to shareholder-elected board members. Employee-elected board members should not be included in this requirement.

In 2022, the Board, as elected in accordance with the above-mentioned principles by the General Assembly, consisted of seven shareholder-elected Board Members and four employee-elected Board Members.

No executive personnel or representatives of business associates are members of the Board. At least 40% of the shareholder elected Board Members are female (in 2022 three out of seven or 43%).

Members of the Board are encouraged to hold shares in the company.

A more detailed description of the background, qualifications, and term of service for each member of the Board of Directors and the number of Nordic Semiconductor shares they own is provided in the Board of Directors section in this annual report and on the company's webpage.

The work of the Board of Directors

The Board has established Rules of Procedures to govern its work in relation to Nordic Semiconductor ASA. In accordance with said procedures, the Board shall ensure that the company's activities are soundly organized, and shall adopt sufficient plans and budgets of the company. The Board shall be kept informed of all circumstances necessary for the Board to perform its duties. The Board shall keep itself informed of the company's financial position and has a duty to ensure that its activities, accounts and asset management are subject to adequate control.

In accordance with its Rules of Procedure, neither a Board member nor the company CEO may participate in Board discussions or decisions of matters that are of such special importance to him or her, or to any connected person of said board member or CEO, that the member must be deemed to have a special or prominent personal or financial interest in the matter.

The Board of Directors has an annual plan for its work. It includes recurring topics such as strategy, sustainability and business review, risk and compliance oversight, financial reporting, people agenda and succession planning.

Progressing on technology projects related to shifting to a new process node was high on the Board of Directors' agenda in 2022, along with the acquisition of Mobile Semiconductor Corporation and establishment of a Board Sustainability Committee.

During 2022, the Board held eight ordinary Board Meetings and three extraordinary meetings. The meetings were held as a mix of virtual and physical meetings.

The Board of Directors carries out an evaluation of its activities each year, and on this basis discusses improvements to the organization and implementation of its work.

The Board has established three board committees comprised of Board members – the People and Compensation Committee, the Audit Committee and the Sustainability Committee. Furthermore, ad hoc committees to address particular time bound issues and questions are appointed. The committees' mandates are based on a group perspective. The board committees do not have decision-making power but are charged with making proper preparations for board meetings in the matters with which they are concerned. In the Board's experience, the work of board committees makes the overall Board more effective and efficient, as well as allowing for deeper and stronger involvement in the business' challenges and initiatives.

People and Compensation Committee

The Board's People and Compensation Committee supports the Board and Executive Management in fulfilling their responsibilities with respect to People Agenda, Organizational Development and Compensation Approach. This includes to ensure coherent remuneration policies and practices enabling the company to attract and retain key talent, generate sustained business performance, and support company objectives and values. It also includes to review other relevant people and business culture matters requested by the Board or the management. The committee recommends and evaluates remuneration principles and execution for the CEO, guides and evaluates principles and strategy for the compensation of executive management, and evaluates and oversees the overall compensation strategy for the Group. The committee held 5 meetings in 2022.

The People and Compensation committee consists of the following Board Members:

- Endre Holen (Chair)
- Birger K. Steen
- Morten Dammen

The members of the People and Compensation Committee are selected to support continuous organizational development that reflects the challenges related to attraction and retention in a global technology market. Therefore, the committee consists of two shareholder-elected Board Members with global experience in the technology space, in addition to an employee-elected Board Member with extensive company experience.

All members participated in all meetings during 2022.

Audit Committee

The Audit Committee consists of three members of the Board. The Committee collectively has the competence required in the Public Limited Liability Companies Act § 6-42. All members of the Audit Committee are independent to the company according to § 6-42 Public Limited Liability Companies Act. At least one member has required qualifications within accounting or auditing. The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, internal control, and prepares discussions and resolutions for Board meetings. The committee also supports the Board in evaluating IT and cyber security risk to the company. Additionally, the committee oversees qualifications, independence and performance of the external auditor. The head of group compliance meets regularly with the Audit Committee.

The Audit Committee held seven meetings in 2022 and has been in regular contact with the Group's auditor regarding audits of the statutory accounts. It also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

The Audit Committee consists of the following Board Members:

- Jan Frykhammar (Chair)
- Inger Berg Ørstavik
- Anita Huun

The members of the of the Audit Committee have the extensive experience required to properly oversee the Company's accounting, financial reporting, and internal and external audits. They adhere to principles of good corporate governance.

One member has extensive experience as a CFO in a global technology company. one member has experience from both investment banking and the CFO role and the final member has experience as a professor in law.

According to the Norwegian Accounting Act, the Audit Committee reviews and approves all non-audit fees paid to the companies elected auditor.

The elected auditors independence is evaluated annually. Auditor partner and company rotations is done when considered appropriate. In 2019 a full tender for audit services was conducted and elected auditor EY was replaced by PwC.

All members participated in all meetings.

Sustainability Committee

The Board established a Sustainability Committee in September 2022.

The Sustainability Committee is a preparatory body for the Board in fulfilling the Board's responsibilities with respect to considering sustainability within the activities and value creation of the company. The Committee supervises the integration of sustainability into Nordic strategy and business activities, hereunder adequate follow-up of ESG metrics to measure and monitor its sustainability performance.

The Sustainability Committee consists of the following Board Members:

- Inger Berg Ørstavik (chair)
- Annastiina Hinsta
- Øyvind Birkenes
- Anja Dekens

The Sustainability Committee has held one meeting in 2022. All members participated in this meeting.

Risk Management and internal control

The Board and Management are committed to ensure long-term value for its shareholders by maintaining sound and effective internal controls and frameworks for risk management that are appropriate in relation to the extent and nature of the company's activities.

The Board of Directors oversees the risk management process and carries out biannual reviews of the most important areas of exposure and internal controls. Risks are also considered by the Board in relation to the assessment of specific projects and ongoing business. For more information with regard to the development of specific risks and how Nordic Semiconductor ASA responds to them, see the Risk Management section under Report from the Board of Directors.

The company's primary internal control routines related to financial reporting are as follows: The finance team prepares a monthly financial report which is distributed to and reviewed by CEO and the Board of Directors. In preparing the monthly financial report, the accounting team conducts reconciliations of all major balance sheet items, which are independently reviewed by a second member of the team. Balance sheet items subject to accounting estimates are regularly analyzed to ensure that all assumptions relating to the accounting estimate remain valid. As part of the monthly financial report, the financial results are compared with the company's budget and prior forecast to analyze variances and ensure that they are not the result of incorrect reporting.

The quarterly and annual financial reports are subject to review and approval by the Board. The Board of Directors also performs an annual review of the company's business strategy, focusing on market development, technology updates, competitive positioning and risk factors. The Board reviews various aspects of the company's business throughout the year, including a detailed risk review twice a year.

The Board presents an in-depth description and analysis of the company's financial status in the report of the Board of Directors in the company's annual report. The report also describes the main drivers and risks related to the operation of the business.

Remuneration to the Board of Directors

Remuneration to the Board of Directors is decided by the Annual General Meeting based in the Nomination Committees recommendation. All remuneration to the Board of Directors is disclosed in Note 10 of the Nordic Semiconductor Group's annual accounts. The remuneration to Board members is neither performance based nor linked to the company's performance, and the company does not provide share options to Board members. Members of the Board of Directors receive remuneration for work related to Board committees.

Remuneration to the Executive Management

The Board of Directors discusses and approves the terms and conditions for the CEO once a year. It also reviews and monitors the general terms and conditions for other senior employees of the Group.

The main principle in the Group's policy for remuneration and compensation is that the leading employees shall be offered competitive terms, so as to ensure the group continues to attract and retain the desired and necessary talent. Compensation for executive management is established in accordance with the above-mentioned main principle.

The Group has established an annual performance bonus for the executive management team (EMT), for which the employee must remain within her position until the start of the following year to be eligible. Bonuses are awarded through a direct cash payment and, when appropriate, long-term incentives in the form of restricted shares and/or stock options. Performance-based compensation is subject to absolute payout limits and fulfillment of performance criteria, both decided by the Board at its discretion.

The remuneration policy includes a clawback agreement for all members of the EMT, stating that any remuneration paid or delivered under incentive schemes such as shares, options or cash, and any vested right to such remuneration, are subject to clawback by the company in case of breach with the guidelines.

The remuneration policy was approved by the shareholders at the Annual General Meeting in 2022.

The approved policy is available on Nordic's website. A new management remuneration report for 2022 will be published on Nordic's website and presented to the Annual General Meeting in 2023 for an advisory vote.

Information and Communications

The Board of Directors has established a communications strategy for the company's reporting of financial and other information based on transparency and taking into account the requirement for equal treatment of all participants in the securities market. The strategy is available on the company's investor relations web pages: <https://www.nordicsemi.com/Investor-Relations/Investor-relations-policy>

Nordic Semiconductor aims to communicate actively, openly and in a timely fashion with the financial market. The Group's accounting procedures are highly transparent and its financial statements are prepared and presented in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors monitors the Group's reporting.

Nordic Semiconductor's financial reporting calendar for 2023 has been announced to the Oslo Stock Exchange and can be found on the company's website. The Group's annual and quarterly reports contain extensive information about the various aspects of the Group's activities. The Group's quarterly presentations can be found on Nordic Semiconductor's investor relations webpages along with quarterly and annual reports, as well as a comprehensive and detailed presentation of other information, reports and documents.

Nordic Semiconductor's Chief Financial Officer is responsible for contact with shareholders outside of the General Meeting. SVP Investor Relations has extensive contact with shareholders. The Chief Financial Officer and SVP Investor Relations report regularly to the Board about the Group's investor relations activities.

Take-overs

The Board of Directors have established guiding principles for how it will act in the event of a takeover bid.

The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's activities or shares. In the event of a takeover bid, as discussed in item 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will seek to comply with the recommendations therein as well as complying with relevant legislation and regulations.

If the company is acquired, the CEO's resignation period extends to 12 months. Any remaining retention bonus to the CEO will be paid in its entirety following the closing of the acquisition, as described in Note 10 of the Group financial statements. Severance pay equivalent to one year's base salary is agreed to be paid to the CEO and executive management team members in case of involuntary termination within 12 months after a potential merger or acquisition. There are otherwise no material obligations expected by the company as a result of an acquisition, aside from normal legal and advisory fees.

Auditor





























PWC was elected effective 2019 by the Annual General Meeting to act as auditor to confirm to the Annual General Meeting that Nordic Semiconductor's annual accounts have been prepared and presented in accordance with current laws and regulations. Fees paid to the auditor are approved at the Annual General Meeting.

In the fall, the external auditor presents to the Audit Committee an evaluation of risk, internal control and the quality of reporting at Nordic Semiconductor with the audit plan for the current year. The auditor meets the Audit Committee on a regular basis. The external auditor also takes part in the Board's discussions on annual financial statements. On both occasions, the Board of Directors ensures that the Board and external auditor are able to discuss relevant matters at a meeting at which the executive management is not present.

The auditor shall be independent of the company. Therefore, Nordic Semiconductor does not engage the elected auditor for tasks other than the financial audit required by law. Nevertheless, the auditor is used for tasks that are naturally related to the audit, such as technical assistance with tax returns, annual accounts, understanding accounting and tax rules, and confirmation of financial information in various contexts. All other services besides audit services performed by PwC are approved by the Audit Committee.

Risk management

The Group's corporate level risk management framework aims to proactively identify and manage the risks that may impact our ability to deliver on our strategic objectives. The Executive Management Team (EMT) is accountable for managing risks and opportunities at a consolidated corporate level. The Board of Directors oversee risk management through bi-annual reviews of important areas of exposure and controls, as well as on an on-going basis in relation to specific projects or other matters of regular business.

Risk	Influence	Impact
Strategic risks		
Cyclical nature of semiconductor industry		
Constraints in the supply of wafers		
Customer concentration		
Attraction and retention of key talent		
Competitiveness of Nordic products		
Geopolitical risk and trade tensions		
Operational, Financial & Legal risks		
Product ramp		
Product liability		
Product security		
Credit risk		
Intellectual property rights		
Information security and cyber risks		
Acute physical events and natural disasters		
Failure to comply with regulatory requirements		

Nordic Semiconductors risk framework

Framework








Nordic has a well-established corporate level risk framework to manage risks and opportunities that may impact the strategic objectives in a proactive and systematic manner. Risks are evaluated by the Executive Management Team and put into actions and priorities proportionate to identified risks and opportunities to reach or maintain target risk levels.

Process

The Board of Directors oversee risk management through biannual reviews of the Group's most important areas of exposure and internal controls, and on an ongoing basis in relation to the assessment of specific projects or other matters of regular business.

Categories

Nordic utilizes a methodology to assess risks within six categories: Strategic, Operational, Financial, Legal & Compliance, Climate & Environmental and Social, and rates likelihood and impact, as well as how Nordic may influence the risks as means of prioritizing appropriate risk mitigating measures.

100%		
75%		High 
50%		Medium 
25%		Low 

Risk factors

In conducting our business, the Group faces risks that may interfere with our business objectives. It is important to understand the nature of these risks. Based on the information currently known to us, an overview of key risks are included below. Despite our best efforts, our risk mitigating initiatives may fail or prove to be inadequate to mitigate all risks. As our risks increase, decrease, and as new risks emerge over time, the information of this section should be carefully considered by investors.

Theme	Risk	Response
Cyclical nature of the semiconductor industry	An underlying risk factor is the cyclical nature of the semiconductor industry. It is subject to constant and rapid technological standards, short product life cycles and fluctuations in product supply and demand. The semiconductor industry has experienced significant downturns at times, often in connection with or in anticipation of maturing product cycles of semiconductor companies and their customer's products, as well as declines in general economic conditions. Downturns are typically characterized by diminished product demand, accelerated erosion of average selling prices, reduced revenues, lower capacity utilization rates and higher inventory levels. Nordic has historically experienced adverse affects on its results of operations and cash flows during such down turns, specifically in the form of decreased revenue because of reduced demand from end-customers and may experience such adverse effects in future down turns. Nordic's growth is dependent, in part, on demand for its customer's end products, primarily within IoT, consumer, healthcare and industrial sectors. Industry downturns that adversely affect Nordic's customers or their customers, could also adversely affect demand for Nordic's product. Additionally, global, or regional economic slowdowns affecting business and consumer confidence generally could cause demand for semiconductor products to decline.	Nordic monitors the situation and seek to mitigate current and potentially continuing economic slowdown by close dialogue with both customers and suppliers, credit risk management and operational cost control.
Constraints in the supply of wafers	As a fabless semiconductor company, Nordic outsources the capital-intensive production of silicon wafers, packaging, and testing of its products to third-party suppliers, mainly in Asia. The manufacturing pipeline involves multiple stages with multiple suppliers. Disruption at any of these third-party suppliers could negatively affect revenue and customer relationships. Over the recent years, the semiconductor industry has faced significant global demand fluctuations as well as supply issues of various origins. Such as increased electrification of cars, the Covid-19 pandemic, the ongoing war in Ukraine, and geopolitical- and trade tensions. For Nordic Semiconductor, the combined effect of these factors has been a prolonged shortage of wafer supply, which in turn has limited delivery capabilities for certain products, notably in the higher end Bluetooth Low Energy series.	Nordic maintains close dialogue with customers and suppliers to identify and address supply risks. The standard practice of keeping buffer stock of wafers and finished goods continues. Supply chain options are considered when selecting suppliers and technologies to minimize impact of future supply constraints. Nordic seeks to have insurance to cover financial losses from supply disruptions related to disasters.

Theme	Risk	Response
Customer concentration	In 2022, Nordic derived around 45% of its total Bluetooth LE revenue from its 10 largest customers. As a result of our customer concentration and the size of its existing customer base, Nordic revenue could fluctuate materially and could be materially and disproportionately impacted by the decisions of its largest customers if they were to cancel or reduce their purchase commitments. Furthermore, in the event Nordic's largest customers experience a dramatic decline in sales, fail to compete with their competitors due to oversupply or overcapacity in the market or if they decide to alter the product mix, Nordic's business, financial condition, and results of operations could be materially and adversely affected.	Nordic is required to prioritize high-volume customers as well as customers with contractual obligations but strives to maintain allocation to long tail customers. Nordic seeks to expand customer base with new platforms and technologies.
Attraction and retention of key talent	Our success depend largely on our ability to attract and retain key personnel. Loss of key employees or the inability to attract or retain qualified personnel, may result in inability to deliver on growth according to expectations, affecting sales, quality of products, cause delay time to market and more. The demand for skilled workers in the industry has been steadily increasing over the last years, combined with a post-pandemic approach to work life flexibility expectations, leading to a growing need for effective attraction and retention strategies.	Nordic focuses on talent attraction, recruitment, and retainment, as well as succession planning and continues to develop organizational culture and branding. We are continuously improving and adapting our Employer Value Proposition.
Competitiveness of Nordic products	<p>Nordic Semiconductor's strategic goal is to maintain or preferably grow its market share and remain a leading vendor of wireless connectivity and embedded processing solutions for internet connected things.</p> <p>The semiconductor industry is extremely competitive. Competition is based on product performance, structure, pricing, quality, product features, system-level design capability, engineering expertise, responsiveness, new product innovation, product availability, delivery timing and reliability, customer sales and technical support, product line-up and customized design capability. Nordic is exposed to competition from existing companies and new entrants, mainly from China. Nordic's competitors range from large, international companies offering a full range of products to smaller companies specializing in particular semiconductor products. Such competitors may have greater financial, technological, personnel and other resources than Nordic has in a particular market or overall, which again may influence Nordic's business, scope of assignments and customer relationships in the future.</p> <p>Nordic expects competition in the markets in which it participates to continue to increase as existing competitors improve or expand their product offerings or as new participants enter its markets, including those participants that had not historically engaged in such markets. For example, with Bluetooth Low Energy being adopted across more than 25 identified market verticals, it is likely that more focused and specialized competitors gain market share, especially win verticals where Nordic's position is weaker. Furthermore, there is a risk that Bluetooth becomes unattractive compared to other technologies or is bundled with non-Nordic technologies. The largest immediate threat comes from various Wi-Fi standards tightly integrated with Bluetooth in combo chipset. There are other wireless standards, such as Ultra-Wide Band, that may be a risk factor in the long term in some of the verticals where Bluetooth plays a dominant role today. There is a risk that we may not be successful in executing our strategy to capture the cellular IoT market opportunity in terms of scale, time, and volume. Nordic launched the nRF91 Series at the end of 2018, which is Nordic's first family of low power devices for cellular IoT. There is still a risk that cellular IoT will not be as successful as Nordic had hoped for, or that the market is skewed toward NB- IoT where simpler, lower cost devices dominate. Customers may also choose competing low power wide area network (LPWAN) technologies or cancel roll-out of products due to lack of any of the LPWAN technologies.</p>	<p>Nordic continues to invest in developing competitive products, software, software development tools, complementary products and services including investments in cellular technologies. The Group has further developed its products to include support for additional low power, short-range connectivity standards, such as Zigbee and Thread, across its nRF52 Series and its new generation nRF53 Series.</p> <p>Nordic's multiprotocol portfolio ensures that the Group is well positioned to benefit from projects seeking to improve compatibility across different standards. Nordic is a part of the Bluetooth Special Interest Group (Bluetooth SIG), which is continuously developing the Bluetooth standards. Nordic joined the Board of Connectivity Standards Alliance as a Promoter Member, the highest level of membership in 2022. This allows the Group to further shape the Alliance's continued development of standards such as "Matter", which will ensure interoperability between smart home devices and accelerate the mainstream adoption of smart home technologies.</p> <p>Nordic will continue to monitor the trends in the market, keeping the product portfolio relevant.</p>

Theme	Risk	Response
Product ramp	There is a risk that Nordic is not able to ramp up production of new products according to customer demand, resulting in reduced or delayed market absorption of products, reduction in revenue growth, and/or high yield loss.	Given the timetables for some key product introductions, tight control over the New Product Introduction process is imperative, including quality assurance during high volume product ramps. In addition, Nordic has invested heavily in its own failure analysis lab, to solve any issues as quickly as possible.
Geopolitical risk and trade tensions	As a global group, Nordic Semiconductor is exposed to geopolitical risks, challenging global economic conditions, trade frictions, political unrest, war and related uncertainties which can result in reduced demand for our products or negatively affect our supply chain. Trade tensions have resulted in the implementation of trade restrictions, tariffs, export controls and sanctions and other trade barriers against certain countries and individual companies. In particular, the ongoing efforts by the United States to protect its national security by imposing trade controls related to China has and will continue to have implications for the global supply chain of semiconductors. Such implications may include change in manufacturing patterns and cost for end-customers, and/or limit ability to source certain components required for production of their end-products which may reduce demand for Nordic Semiconductors products and materially harm our business, financial condition and results of our operations. During fiscal year 2022, the percentage of our revenue associated with end customers in China was 14%.	<p>Nordic is continuously monitoring potential implications of geopolitical risks, such as the Russian invasion of Ukraine, the increased tension between China and Taiwan and China and United States respectively to mitigate potential risks.</p> <p>Nordic seeks preparedness and robustness through close customer dialogues, dual sourcing planning, business contingency planning and strong balance sheet.</p> <p>Nordic maintains an active, and seek to continuously enhance, sanctions & trade compliance framework to ensure compliance with increasingly complex regulations.</p>
Acute physical events and natural disasters	The nature of our business as a fabless manufacturer, means that Nordic is heavily reliant on semiconductor manufacturing in Taiwan as well as testing and assembly in Asia. Acute physical events from climate change could affect our suppliers located in Southeast Asia where tropical cyclones and flooding, or natural disasters such as earthquakes, have the potential to damage production facilities and infrastructure. Such events could impact Nordic's delivery capability short-to-medium term.	Nordic has established a short-to-medium term strategy for reducing the risk of supply disruptions caused by natural disasters or other severe weather events. In the short term, we maintain a reserve of wafers or finished products to address temporary shortage. For medium-term risk mitigation, Nordic utilizes a second-sourcing strategy to secure insurance against widespread supply disruptions. In addition, Nordic is seeking to maintain partial insurance coverage. For long-term risk mitigation, our key manufacturing partners have contingency plans to reduce such chronic risks.
Information Security and Cyber Risk	Nordic relies heavily on information technology systems across its operations, including for procurement, research and development, sales, delivery and various other processes and transactions. Nordic's ability to effectively manage its business and coordinate the production, distribution and sale of products depends significantly on the reliability and capacity of these systems. In addition, Nordic may face attempts by others to gain unauthorized access through the internet, or to introduce malicious software, to its information systems, and if successful, could expose Nordic and any other affected parties to risk of loss or misuse of proprietary or confidential information or disruptions of Nordic's business operations.	Employing world class data protection is a top priority, in addition to reducing the risk related to human behavior by providing regular awareness training to all employees. Nordic has implemented disaster recovery plans and backup routines in order to mitigate any effects of potential cyber-attacks and seeks to maintain appropriate insurance coverage to support the management of potential threats and attacks.
Credit Risk	Nordic is exposed to credit risk pursuant to trade credit arrangements with its distributors and certain customers. The main counterparties are leading international distributors of electronic components. Nordic has not historically suffered any significant credit losses pursuant to its trade credit arrangements with its distributors or customers, however, if such distributors or customers were to experience financial difficulties or any deterioration in their ability to satisfy their obligations, Nordic's cash flow could be materially and adversely affected.	Credit monitoring routines are integrated into any new credit lines, requiring security in the form of payment guarantees or advance payment requirements if needed.

Theme	Risk	Response
Failure to comply with regulatory requirements	Nordic is subject to regulatory regimes of each country in which it operates, including among others, those relating to anti-trust, anti-corruption, sanctions & export control, human rights and data privacy. Although Nordic has in place internal controls and compliance system for the purpose of complying of such laws and regulations, there can be no assurance that such systems and other efforts to promote compliance, will be effective. Any violation of such regulations could result in criminal penalties, sanctions, significant fines or mandatory suspension from certain business activities and could also adversely affect Nordic's reputation, business and results of operations.	Nordic seek to continuously enhance its compliance system and programs, internal controls and risk mitigating measures, including efforts to strengthen its culture of integrity.
Intellectual property rights	<p>Enabling licensing of intellectual property rights in and to patents that are essential for the radio communication standards on which Nordic base its products is one of our key priorities. Many owners of standard essential patents have decided to only license the end-device, leaving it up to Nordic's customers to get third party IP necessary for their products, as opposed to licensing Nordic's products.</p> <p>Nordic Semiconductor has never been prevented from selling its established line of products due to intellectual property rights, and is continuously investigating any allegations by patent holders that Nordic's products infringe on the intellectual property of others. Nordic is taking steps to ensure that any such allegations do not prevent the selling, purchasing and use of our products.</p> <p>The Bluetooth specifications are intended to be written so that all patent claims which are necessary to implement them are held by members of the Bluetooth SIG. Any necessary claims held by members of the Bluetooth SIG, are automatically licensed to members like Nordic as a condition of membership. However, there are other participants in the industry, that own patents and are not members of the Bluetooth SIG, who assert their patents towards companies like Nordic.</p> <p>Patent infringement and licensing practices in both cellular IoT and Bluetooth are considered when Nordic assesses potential loss in connection with litigation. While we believe the risk of loss is minimal due to the company's vast experience and prior art in working with Bluetooth, we will defend any claims asserted against Nordic vigorously, in light of the inherent uncertainties of access to licensing on component level.</p>	Nordic is a willing licensee and invites the owners of standard essential patents to NB-IoT and LTE-M to license Nordic's products on FRAND terms on component level, or to enable access to such license to its customers. Nordic Semiconductor plays an active part in raising awareness around the implications which the lack of licenses has on the industry. Furthermore, Nordic is and has always been active in, and contributing to, standard setting organizations, promoting openness and availability for all to standard essential patents.
Product Security	There is a risk that released products have security vulnerabilities, and that Nordic does not meet all customers' expectations with regards to their preferred mitigating measures that may vary from application to application. Although Nordic certifies products in accordance with security industry standards, there is a risk of loss of reputation and recognition due to cyber-attacks in end-products.	Nordic continues to invest in security architecture, and we continuously enhance our well-established processes for incident management. Our dedicated Product Security Officer is working with industry standards on security and certifying Nordic products to relevant standards. Our Product Security Incident Response Team Manager manages vulnerability reporting and follows up on our engagement with our external bug bounty program with HackerOne. Nordic's liability is limited to substantial conformance with own specifications for our generic line of products.
Product liability	Our products are complex and vulnerabilities in our products may not have been detected during product development and manufacturing. This may result in decreased revenue for our customers and a damaged reputation if no work-around is possible. Customer contracts and Product Warranty is clear in its apportioning of product liability, however there is a risk that legal action can be brought forward representing a material risk on our results.	Nordic follows very high standards in terms of quality assurance. Investing in lab equipment and testers reduces time used on fault-finding, enables workarounds to be implemented faster, and effectively screens production defects. Nordic aims to limit the contractual liability to an acceptable level in the industry and seek adequate insurance coverage.

Managing sustainability in Nordic



To ensure that sustainability is integrated into all of our business activities and value creation, sustainability is not the sole responsibility of a particular function. Instead, our sustainability governance framework is set up to ensure that sustainability is integrated into our overall way of doing business. We utilize tangible Environmental, Social and Governance (ESG) criteria to allow for transparent follow-up and measurement of our sustainability performance. Since 2021, ESG related Key Performance Indicators (KPIs) have been incorporated into our incentive programs.

The Nordic Board of Directors established a Sustainability Committee (SC) in 2022, assisting the Board to maintain the oversight of Nordic's overall integration of sustainability in the value creation. An important part of the tasks of the SC is to assist the Board in monitoring the company's performance in accordance with defined ESG criteria that measure our sustainable performance. The SC has a particular focus on Climate & Environment topics as well the way Nordic products and services are used in solutions for climate change and other sustainability related applications.

The Board Audit Committee (AC) is a preparatory body that supports the Board in fulfilling its financial reporting, auditing, and control responsibilities. The AC oversees that the Group has adequate policies, procedures, systems, and measures to prevent violation of relevant rules and regulations, including anti-corruption and bribery, data privacy, human rights, and tax. To ensure transparent and reliable data, the AC also oversees the Group's external reporting, including the integrated annual report and its alignment with relevant regulations and international guidance.

The Board People & Compensation Committee (PCC) assists the Board in exercising its oversight responsibility, particularly in relation to compensation. Matters of principal importance are coherent remuneration policies and practices, to enable Nordic to attract and retain executives and employees. This contributes to create value for shareholders, generate sustained business performance, and support Nordic's goals and values. The PCC focuses on several sustainability topics, including human capital development, working conditions, and diversity, equity & inclusion.

On a Nordic management level, the ESG Committee supports the CEO to develop and maintain the Group's sustainability framework and drive a holistic and aligned approach to sustainability across Nordic. The ESG Committee is chaired by the SVP Legal & Compliance. It consists of EMT members with dedicated functional responsibilities within the ESG sphere: SVP QA, EVP Supply Chain, EVP People & Communication, EVP Product Management, EVP Finance, and SVP Investor Relations. The functional responsibilities follow the principle of integrating sustainability across business functions, and subject matter expertise to ensure proximity to the right competencies, key stakeholders, and relevant business processes.

The Nordic organization integrates our defined sustainability agenda through line management leadership within our daily operations, including following up on our value chain.

Our commitments

Responsible Business Alliance



Nordic is a member of the Responsible Business Alliance (RBA), the world's largest industry coalition dedicated to corporate social responsibility in global supply chains.

The RBA has established a [Code of Conduct \(Code\)](#), which sets forth standards on social, environmental, and ethical issues in the electronics industry supply chain. The RBA involves a variety of stakeholders from the business community, government, community groups, investors, and educational institutions in order to obtain diverse perspectives and specialized knowledge. This enables the RBA to review and revise the Code on an annual basis. For us, this helps to continually improve our performance and adhere to our values. The Code is reflected in our internal policies, standards, audit processes, and agreements with suppliers. It guides our business and sustainability strategy and plays an important role in informing our decision-making processes.

Since 2007, Nordic has committed to following the RBA Code of Conduct and has aligned its policies with the Code to improve sustainability performance. In 2021, Nordic became a member of RBA to further strengthen our commitment to the Code and engage with our stakeholders to achieve common industry goals: Advancing labor rights, health and safety, environment preservation, and ethics worldwide.

The standards outlined in the Code are aligned with the UN Guiding Principles on Business and Human Rights, which are derived from essential international human rights standards, including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights.

Nordic's tier-1 suppliers are required to adhere to the RBA Code of Conduct. We also actively encourage tier-1 suppliers to require the same of their own suppliers, in an effort to achieve common industry goals such as advancing labor rights, health and safety, environmental preservation, and ethics on a global scale.

UN Global Compact Principles



The United Nations Global Compact is a voluntary program that encourages businesses to adopt and implement 10 principles related to human rights, labor, the environment, and anti-corruption in their operations and strategies.

Nordic Semiconductor has been a signatory to these principles since 2016 and has committed to integrating them into its policies, procedures, and strategies to ensure that they are firmly integrated into the Group's foundation.

The ten principles of the UN Global Compact

Human Rights

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Ensure that they are not complicit in human rights abuses

Labor

- Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: Eliminate all forms of forced and compulsory labor
- Principle 5: Abolish child labor
- Principle 6: Eliminate discrimination in respect to employment and occupation

Environment

- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- 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

Compliance & integrity

Nordic Semiconductor's long-term success is based on earning the trust and confidence of our stakeholders. To maintain this trust and confidence, we must ensure that our conduct complies with the values for which we stand. With our growing global presence, our focus on governance and compliance efforts, with an expanding scope of relevant rules and regulations, is also increasing.

Our corporate compliance framework is inspired by standard management system practices and relevant regulations, such as the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, and other relevant national legislation and guidance for corporate compliance programs.

Common to all our material governance topics and respective compliance programs is our systematic and integrated approach, wherein risks and opportunities are identified and assessed through our corporate risk management process. Relevant mitigating actions and opportunities are defined in action plans and/or KPIs as part of our business plan process. We then follow up through performance management processes and management reviews.

Anti-corruption

Nordic has a zero-tolerance policy on bribery and corruption and is committed to conducting business with high ethical standards. This expectation of commitment applies to all employees and directors of our Group, as well as anyone acting on our behalf. The organization is supported with relevant procedures, guidelines and training to mitigate bribery and corruption risks.

Nordic is committed to a culture of trust. We encourage an open dialogue where employees are comfortable to ask questions, seek guidance, and raise concerns. Employees, as well as external stakeholders, are encouraged to report any suspected misconduct

related to the business of the Group through intranet-based whistleblower channels, as well as an external process through our website. Nordic does not tolerate any retaliation against those who report a concern in good faith.

Ensuring awareness of and nurturing a culture of integrity is an essential part of Nordic's compliance system and our approach to governance. One of our main achievements in 2022 was to establish an Integrity Culture Index by integrating defined integrity parameters into our regular employee engagement surveys. This index allows us to measure how employees perceive our internal culture of ethics and integrity. Over time, it will enable us to measure any changes and define targeted measures. The overall score is part of our corporate ESG KPIs, which are part of the evaluation of Long Term Incentives (LTIs) for the Executive Management Team. Our baseline is now set and in 2023, we will follow up on what we learned from the 2022 results.

We continue to focus on enhancements of our compliance framework in 2023. As part of a Group-wide employee engagement project, one of our main activities will be to establish an enhanced Code of Conduct to support our employees and strengthen our company culture. Ensuring the possibility of reporting and adequate follow-up of reports of suspected violations is an important related task. In 2023, we will assess the potential of new reporting systems from 3rd parties and overall management of such reports. Another main initiative is implementing an improved business partner screening process and tool. Both of these initiatives are linked to our Human Rights program.

Please find more information about the components of our Anti-Corruption program on our website: [Nordic Semiconductors Anti-Corruption Program - nordicsemi.com](https://www.nordicsemi.com)

Data privacy and personal data protection

Nordic Semiconductor ASA (including subsidiaries) is committed to individuals' privacy and the protection of registered personal data. The EU General Data Protection Regulation (EU GDPR), as well as an increasing number of global data privacy laws, sets strict requirements for protection of personal data by the Group.

Nordic Semiconductor has implemented internal policies and procedures to support its compliance with applicable privacy law, as well as published privacy policies for describing the personal data processed, the purpose of the processing, and the legal basis for doing so. Furthermore, personal data is protected by relevant measures as identified through our ISO 27001 certified Information Security Management System.

Data privacy is a part of regular information security awareness programs for employees. Employees responsible for processing personal data are further trained in how to ensure legal, justified, accurate, and rightful processing of that data. A dedicated Privacy Responsible, reporting to Senior Vice President Legal & Compliance, is responsible for follow-up on required evaluations of activities and communication with internal and external stakeholders on matters of privacy. Annual reports from the Privacy Responsible are presented in Management Review.

Any incidents of privacy nonconformity are handled according to Group-defined routines for registration, investigation, corrective, and preventive actions (including notifying affected parties and authorities).

Information security

Information security concerns the protection of information confidentiality, integrity, and availability. Nordic Semiconductor is committed to the protection of business information and information systems, such as proprietary design data, external stakeholders' intellectual properties entrusted to Nordic, and personal data.

Nordic Semiconductor is certified according to the standard ISO 27001 Information Security Management System. Technical and organizational measures are implemented to protect information, including (but not limited to) information classification and labeling, access rights reviews, IT operations, backups, and physical security. Vulnerability assessments are regularly conducted on Group systems, and internal and external audits are carried out to identify improvement potential annually at minimum.

Cybersecurity is an important aspect of information security, and Nordic has measures in place to prevent, detect, and respond to data breaches or cyberattacks. The Security Operations Center and Cybersecurity Incident Response Team provide useful resources to prevent and effectively manage potential incidents. The Group has also defined business continuity plans, with disaster recovery strategies to limit the potential subsequent risks. Employees regularly conduct internal training and awareness programs on cybersecurity risks.

Nordic's IPR policy provides visibility and control over relevant in-house IP and patent filing. It is an integral part of project management workflows and milestones, with related checklists.

Governance performance overview

Indicator	Target	2022	2021	2020
Confirmed incidents of corruption and actions taken	0	0	0	0
Numbers of reports made through whistle-blowing channels		1	1	1
Numbers of whistleblower reports investigated and resolved		1	1	1
Substantiated complaints concerning breaches of customer privacy and losses of customer data	0	0	0	0
Number of substantiated complaints or incidents concerning data breaches ¹	0	1	0	0
Annual Information Security awareness training conducted	Yes	Yes	Yes	Yes

Measurements related to governance performance.

¹Identified severe data breach or a complaint lodged with the organization regarding data breaches that has been recognized as legitimate by the organization

Outlook

Nordic maintains a positive market outlook, supported by the continued strong demand from tier-1 customers and the gradual easing of constraints. This outlook supports Nordic's expectation of reaching an annual run rate of USD 1 billion in the second half of 2023, while also maintaining healthy gross margin levels.

Nordic Semiconductor delivered 27% revenue growth to USD 777 million for the full year 2022.

Looking to 2023, Nordic sees lower demand for proprietary products, a near-term slowdown for cellular IoT, and generally weak demand in China.

Demand from tier-1 customers stays strong, although wafer supply constraints continue to curb production of these products. In combination, these factors indicate a quarterly revenue level of USD 140-160 million in the first quarter 2023.

Nordic sees higher wafer allocations later in the year, which will increase delivery capacity. The first quarter is therefore expected to be a low point in terms of revenue.

Given the slow start to the year, Nordic no longer expects to meet its USD 1 billion revenue ambition in 2023, although the Group expects to reach an annual run rate of USD 1 billion in the second half of the year.

Nordic maintains a positive longer-term market outlook, and the Group's strong financial position enables it to continue investing to build a leadership position in a market with significant growth potential. The development of a complete connectivity portfolio across Bluetooth, Wi-Fi and Cellular IoT broadens our scope of business and opens significant long-term growth opportunities.

Our growth ambitions obviously lean on assumptions of economic growth and increasing product demand from both consumers and industrial customers. The Group will adapt its investment plans as necessary to reflect any persistent major changes in economic conditions and/or customer behavior.

Gross margin was 53% in the fourth quarter and 56% for the full year 2022. The Group expects a gross margin level above 52% for the first quarter of 2023. The Group reiterates its long-term ambition to maintain a gross margin level above 50%.

Concluding remarks

The parent company Nordic Semiconductor ASA has a net profit after tax of USD 116.9 million in 2022, compared to USD 65.7 million in 2021.

The entire net profit is attributable to the equity holders of the parent. Net profit after tax corresponds with ordinary earnings of USD 0.61 and fully diluted earnings per share of USD 0.61 for 2022. This compares to ordinary and fully diluted earnings per share in 2021 of USD 0.34 and 0.34, respectively.

Nordic pursues an ambitious long-term growth strategy which requires significant investments in R&D, sales and marketing. The Board of Directors recommends

that Nordic maintains a solid balance sheet with a high equity ratio, and a cash reserve that enables the company to continue driving its technology and product roadmap.

The Board of Directors will propose to the Annual General Meeting that the net profit of the parent company is transferred to "Other equity", and that no dividend is distributed for 2022.

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that accounts have been prepared on a going-concern basis and that the going-concern assumption applies.

Oslo, March 17, 2023



Jan Frykhammar
Board member



Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Sverre Tore Larsen
Chief Executive Officer



Endre Holen
Board member



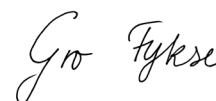
Øyvind Birkenes
Board member



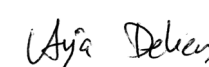
Jon Helge Nistad
Board member, employee



Annastiina Hintsu
Board member



Gro Fykse
Board member, employee



Anja Dekens
Board member, employee



Morten Dammen
Board member, employee

04

Financial statements

Income statement

for the year ended December 31

GROUP				PARENT	
2022	2021	Amount in USD 1000	Note	2022	2021
776 734	610 528	Total Revenue	3	777 763	611 577
-339 941	-283 415	Cost of materials	4	-339 941	-283 415
0	-472	Direct project costs		0	-472
436 793	326 640	Gross profit		437 822	327 690
-161 440	-149 824	Payroll expenses	9/10/12/18	-80 872	-84 483
-69 685	-52 098	Other operating expenses	5/11	-166 328	-130 450
-44 067	-37 798	Depreciation	11/12/21	-36 966	-32 893
161 602	86 920	Operating profit		153 656	79 864
6 205	730	Financial income	6/22/23	6 171	737
-1 270	-1 129	Financial expenses	6/21/22/23	-1 094	-1 001
619	739	Net foreign exchange gains (losses)	6/22	673	704
167 155	87 260	Profit before tax		159 405	80 305
-44 817	-16 089	Income tax expense	7	-42 463	-14 618
122 339	71 171	Net profit after tax		116 942	65 687
		Attributable to:			
122 339	71 171	Equity holders of the parent		116 942	65 687
0.64	0.37	Ordinary earnings per share (USD)	8		
0.63	0.37	Fully diluted earnings per share (USD)	8		
2022	2021	Statement of comprehensive income		2022	2021
122 339	71 171	Net profit after tax		116 942	65 687
74	-150	Actuarial gains (losses) on defined benefit plans (before tax)		74	-150
-13	33	Income tax effect	7	-13	33
-593	-1 186	Currency translation differences			
121 807	69 868	Total Comprehensive Income		117 003	65 570
		Attributable to:			
121 807	69 868	Equity holders of the parent		117 003	65 570

Statement of financial position

as of December 31

GROUP				PARENT	
2022	2021	Amount in USD 1000	Note	2022	2021
		ASSETS			
		Non-current assets			
2 284	2 386	Goodwill	24	249	249
26 608	31 542	Capitalized development expenses	12	26 608	31 542
11 655	15 764	Software and other intangible assets	12	10 726	15 232
4 554	6 331	Deferred tax assets	7	3 808	5 748
21 416	18 935	Right of use assets	21	12 076	14 923
35 603	33 885	Fixed assets	11/22/23	25 271	28 824
0	0	Shares in subsidiaries	1/13	10 055	6 696
102 120	108 844	Total non-current assets		88 793	103 215
		Current assets			
102 091	54 943	Inventory	4	102 091	54 943
175 120	141 748	Accounts receivable	14/22/23	175 120	141 748
267	0	Current financial assets	22/23	267	0
17 539	11 951	Other current receivables	15/22/23	21 884	11 283
379 104	279 331	Cash and cash equivalents	16/22/23	369 709	273 430
674 121	487 973	Total current assets		669 070	481 405
776 241	596 817	TOTAL ASSETS		757 864	584 620

		EQUITY			
317	317	Share Capital	17	317	317
235 448	235 448	Share premium	17	235 448	235 448
347 779	222 443	Other components of equity		325 308	204 924
583 544	458 209	Total equity		561 074	440 690
		LIABILITIES			
		Non-current liabilities			
676	580	Pension liabilities	18	430	554
14 861	14 281	Non-current lease liabilities	21/22/23	8 711	11 673
15 537	14 861	Total non-current liabilities		9 141	12 226
		Current liabilities			
34 229	28 392	Accounts payable	20/22/23	32 335	27 558
43 758	17 427	Income taxes payable	7	42 837	17 181
6 455	7 599	Public duties	20	4 745	6 266
6 280	5 594	Current lease liabilities	21/22/23	2 813	3 921
0	520	Current financial liabilities	22/23	0	520
86 439	64 215	Other current liabilities	15/20/23	104 918	76 258
177 160	123 747	Total current liabilities		187 648	131 703
192 697	138 608	Total liabilities		196 790	143 930
776 241	596 817	TOTAL EQUITY AND LIABILITIES		757 864	584 620

Oslo, March 17, 2023



Jan Frykhammar
Board member



Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Sverre Torsen
Chief Executive Officer



Endre Holen
Board member




Øyvind Birkenes
Board member



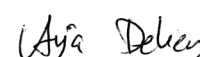
Jon Helge Nistad
Board member, employee



Annastiina Hintsa
Board member



Gro Fykse
Board member, employee



Anja Dekens
Board member, employee



Morten Dammen
Board member, employee

Nordic Semiconductor Group

Consolidated statement of changes in equity

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Currency translation reserve	Retained earnings	Total equity
Equity as of 01.01.2021	317	-2	235 448	15 980	379	150 368	402 492
Net profit for the period						71 171	71 171
Other comprehensive income					-1 185	-117	-1 302
Share based compensation				6 670			6 670
Option exercise				-20 821			-20 821
Equity as of 31.12.2021	317	-2	235 448	1 830	-806	221 421	458 209
Net profit for the period						122 339	122 339
Other comprehensive income					-593	61	-532
Share based compensation				7 769			7 769
Option exercise				-4 240			-4 240
Equity as of 31.12.2022	317	-2	235 448	5 359	-1 399	343 820	583 544

Nordic Semiconductor Parent

Statement of changes in equity

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 01.01.2021	317	-3	235 448	14 219	139 283	389 266
Net profit for the period					65 687	65 687
Other comprehensive income					-117	-117
Share based compensation				6 670		6 670
Option exercise				-20 816		-20 816
Equity as of 31.12.2021	317	-3	235 448	74	204 853	440 690
Net profit for the period					116 942	116 942
Other comprehensive income					61	61
Share based compensation				7 621		7 621
Option exercise				-4 240		-4 239
Equity as of 31.12.2022	317	-2	235 448	3 456	321 856	561 074

Statement of cash flows

for the year ended December 31.

GROUP				PARENT	
2022	2021	Amount in USD 1000	Note	2022	2021
		Cash flows from operating activities			
167 155	87 260	Profit before tax		159 405	80 305
-16 760	-6 332	Taxes paid for the period	7	-15 967	-5 045
44 067	37 798	Depreciation and amortization	11/12/21	36 966	32 893
-74 595	-41 043	Change in inventories, trade receivables and payables	4/14/20/22	-75 743	-40 204
7 794	6 670	Share-based compensation		4 554	4 359
104	134	Pension fund payments		-46	106
14 947	11 332	Other operations related adjustments		19 136	16 460
142 711	95 818	Net cash flows from operating activities		128 305	88 873
		Cash flows used in investing activities			
-24 065	-25 050	Capital expenditures (including software)	11/12	-17 038	-20 301
-6 489	-5 644	Capitalized development expenses	12	-6 489	-5 644
0	0	Investment in subsidiaries		0	-2 878
-30 554	-30 694	Net cash flows used in investing activities		-23 527	-28 824
		Cash flows from financing activities			
-4 727	-20 758	Cash settlement of options contract		-4 727	-20 758
-6 609	-6 493	Repayment of lease liabilities		-3 773	-4 476
-11 336	-27 250	Net cash flows from financing activities		-8 500	-25 234
-1 049	-1 090	Effects of exchange rate changes on cash and cash equivalents		0	0
99 772	36 784	Net change in cash and cash equivalents		96 279	34 815
279 331	242 547	Cash and cash equivalents as of 1.1.		273 430	238 615
379 104	279 331	Cash and cash equivalents as of 31.12.	16/22	369 709	273 430
2 479	2 285	Restricted cash incl. in the cash and cash equivalents as of 31.12.	16	2 479	2 285

Note 1: Background**1.1 Corporate information**

Nordic Semiconductor ASA is a public limited company whose ordinary shares are listed on the Oslo Stock Exchange with ticker code NOD. The company is domiciled in Norway, and the registered head office is at Otto Nielsens veg 12, 7052 Trondheim.

The Group includes the ultimate parent company Nordic Semiconductor ASA and its wholly owned subsidiaries, as specified in Note 13: Subsidiaries.

Nordic Semiconductor is a Norwegian fabless semiconductor company specializing in wireless communication technology that powers the Internet of Things (IoT). Nordic was established in 1983 and has around 1400 employees across the globe. The Group's award-winning *Bluetooth*® Low Energy solutions pioneered ultra-low power wireless, making it the global market leader. Nordic's technology range was later supplemented by ANT+, Thread and Zigbee. In 2018, Nordic launched its low power, compact LTE-M/NB-IoT cellular IoT solutions to extend the penetration of IoT. The Nordic portfolio was further complemented by Wi-Fi technology in 2021.

1.2 Basis for preparation

The financial accounts for the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and Norwegian authorities, and are effective as of December 31, 2022. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

The consolidated financial statements are presented in US dollars (USD), which is the functional currency of the parent company. All USD amounts are rounded to the nearest thousand, if nothing else is noted. As a result of rounding differences, it is possible that amounts and percentages do not add up to the total.

Gross profit is revenue less cost of materials and direct project costs. Cost of materials include direct and indirect cost of production. Nordic Semiconductor uses gross profit for internal reporting and has therefore chosen to include it in the external financial reporting.

The Group has only one operating segment. The Group does not report or monitor profitability on a lower level, but breaks down its revenue into the following end product markets: Consumer, Industrial, Healthcare, and Other. The Group also breaks down its revenue in the geographical areas in which its distributors are located.

The financial accounts were audited and approved for publication by the Board of Directors on March 17, 2023, and will be presented for approval at the Annual General Meeting on April 2th, 2023.

1.3 Accounting standards adopted in 2022

In 2022, there are few revisions by the International Accounting Standards Board to the financial reporting requirements in accounting policies. There are no amendments that significantly effects the financial reporting in 2022.

Note 2: Significant Accounting Principles**2.1 Basis for consolidation**

The consolidated financial statements incorporate the results, cash flows, and assets and liabilities of the parent company and its subsidiaries.

A subsidiary is an entity that is controlled, either directly or indirectly, by the parent company. Control exists when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Generally, such power exists where the parent company holds a majority of the voting rights of an investee.

Subsidiaries are consolidated from the date control is obtained until the date that control ceases. All subsidiaries are wholly owned by the parent company and there are no non-controlling interests. Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires that management uses judgement, estimates, and assumptions that effect the amounts reported in the financial statements and its disclosures. Management bases its estimates and judgement on previous experience and on various other factors deemed to be reasonable and sensible given the specific circumstances. The main areas of uncertainty for assessments and estimates are the balance sheet date, which represent a risk of creating significant changes to the value of assets and liabilities, are discussed below.

Estimates are continuously reassessed based on changes in the underlying assumptions. Changes in accounting estimates are recognized in the period in which such changes occur. If such changes also apply to future periods, the effect is distributed between current and future periods. The Group's Financial Statement

currently holds low volume of assets that are dependent on assessment of future cashflows. Hence, the climate risk is assessed to have low impact on current financial statement although it may impact the Group's future as described in Report from the Board of Directors.

Revenue recognition

Principles are described in 2.4 Revenue recognition.

Nordic Semiconductor predominantly sells to electronic distributors under a distribution agreement. The distributors will hold a given level of Nordic Semiconductor's inventory that is subsequently shipped to an end customer. Nordic Semiconductor uses a "sell in" model in connection with revenue recognition to distribution customers. Under a "sell in" model, management needs to make judgements and estimates the amount that can affect the reported amounts of revenues and expenses. The main judgments are described as follows.

Variable consideration for "Ship and Debit"

When a distributor sells components to specified customer accounts, the distributor will receive an additional rebate after the sale is made, commonly known as a "Ship and Debit" rebate. In estimating the variable consideration, the Group is required to use the expected value method. The Group estimates the rebate based on historical discounts to each distributor, the distributors' inventory level as of 31 December 2022, and expected sales mix. An estimate for this rebate is provided in the accounts, reducing the revenue and increasing refund liabilities. See note 3.3.

Development costs

Development costs are capitalized in accordance with the principles in 2.5 Intangible assets.

In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefits, normally 1-5 years.

Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. During 2022 USD 6.5 million was capitalized. The carrying amount of capitalized development costs as of December 31, 2022 and 2021 was USD 27 million and USD 32 million respectively.

Leases - Estimating the incremental borrowing rate

The interest rate implicit in the lease cannot readily be determined, therefore the incremental borrowing rate (IBR) is used to measure lease liabilities.

The lessee's IBR is defined in IFRS 16 as "the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment".

The Group has a centralized treasury department, and all financing is from the parent company in order to minimize the costs of finance. The subsidiaries are self-financed with low credit risk due to cost-plus intercompany invoicing for services, and do not enter into financing transactions into third parties. The Group entities have stand-alone arrangements for lease payments either with deposits or bank guarantee.

The IBR reflects what the companies of the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's standalone credit rating).

2.3 Foreign currency translation

Each entity within the Group has a functional currency, which is normally the currency in which the entity primarily generates and expends cash. The parent company is the most significant entity in the Group, and its functional currency is USD.

At entity level, a foreign currency is a currency other than the entity's functional currency. Transactions in the profit and loss statement denominated in foreign currencies are recorded in the entity's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Currency translation differences arising at entity level are recognized in profit or loss.

The Group's presentation currency is USD, and foreign operations are those of the parent company's subsidiaries and branches whose functional currency is not USD. On consolidation, assets and liabilities of foreign operations are translated into USD according to the exchange rates prevailing on the balance sheet date. Profit or loss items are translated according to monthly average exchange rates. Changes in net assets resulting from exchange rate movements are recognized in other comprehensive income and taken to the currency translation reserve.

2.4 Revenue recognition

The Group is in the business of developing and selling integrated circuits. Revenue from customers is mainly generated from sale of products. Services delivered consists of consulting services. The Group and the customer do not receive financing from the sales, and therefore there are no significant financing components to be accounted for separately from the revenue transaction. The normal credit term is 30-60 days upon delivery. In other words, the contract does not require the customer to pay in advance or require the customer to pay a significant amount after delivery.

Sale of products

Sales of products are mostly made to distributors (customers). Revenue from product sales is recognized when control of the goods is transferred to the customer. The time of delivery is considered to be when the goods are transferred to the transport carrier. Upon delivery, the Group has the right of payment for the asset, the customer has legal title to the asset, physical possession has been transferred to the customer, and the customer has full ownership of the asset.

Revenue recognized on the sale of products is measured at the fair value of the consideration received or receivable, excluding sales taxes and after making allowance for variable considerations such as rebates and product returns.

Ship and debit rebate

The Group sells products to certain distributors on "ship and debit" terms. It means that the distributor may be entitled to a rebate if the distributor sells the product to end customers at a price lower than the price at which the distributor purchased the products from the Group. The difference in price is then claimed (debited) by the distributor.

The Ship and Debit rebates are recognized as reduction in revenue and an increase in liabilities before the sale has taken place.

Stock rotation rights

Some distributors are entitled to limited rights of return, referred to as stock rotation rights. The Group tracks the distributor's inventory and can initiate a stock rotation earlier if a certain product is selling better with another distributor. As the products have similar margin, there are no significant losses for the Group when stock rotations are initiated. The Group does not make provisions or adjustments for stock rotation unless we expect the goods returned to be obsolete. Stock rotation provisions are made if necessary, based on most likely amount method.

End-customer volume rebates

Some end customers have entered into agreements with Nordic to receive a rebate based on their purchase quantity and price from the distributor. The rebates are recognized as reduction in revenue and increase in liabilities before payout by the end customer.

Sale of services

Revenue from services is recognized as the services are rendered/delivered.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 2.9.

Assets and liabilities arising from rights of return

Right of return asset

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. As the customers are only able to exchange the goods, the Group does not have a right of return asset.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.5 Intangible assets

Capitalized development expenses

Research costs are expensed as incurred. Costs associated with development are capitalized if the following criteria are met in full:

- The product or the process is clearly defined and the cost elements can be identified and measured reliably;
- The technical feasibility is demonstrated;
- The product or the process will be sold or used in the business;
- The asset will generate future financial benefits;
- Sufficient technical, financial and other resources for project completion are in place

Costs expensed in prior accounting periods will not be capitalized. Depreciation begins when the product is transferred from development to production. Depreciation is calculated on a straight-line basis over 1-5 years. Uncertainty exists with respect to the expected period of benefits, as this depends on the future technological development in the market.

Goodwill

Goodwill acquired in a business combination is carried at cost as established at the acquisition date, less impairment losses, if any.

Other intangible assets

Other intangible assets comprise identifiable intangibles acquired in business combination (IP, developed technology), licenses and computer software. The assets held by the Group have finite useful lives determined by the expected usage of the asset by the entity. The assets are amortized on a straight-line basis over its estimated useful lives, normally 3-10 years.

The other intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price of the asset (including non-refundable purchase taxes) and any costs directly attributable to preparing the asset for

its intended use. In the case of an asset acquired in a business combination, the cost is its fair value at the acquisition date.

The amortization period and the amortization method for intangible assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

2.6 Government grants

Grants received are tax refunds and are classified as operating grants. Operating grants are accounted for at the same time as the costs they are intended to cover. Tax refunds are accounted for as a cost reduction. See note 5 and 9.

2.7 Property, plant and equipment

Property, plant and equipment are valued at the lower of cost net of accumulated depreciation and net realizable value. When an asset is sold or discontinued, the gain or loss from the transaction is recognized in the income statement. Cost comprises the purchase price of the asset including fees/taxes and any direct costs associated with commissioning the asset for use.

Repair and maintenance costs are expensed when incurred. If repair and maintenance increase the value of the asset, the cost will be added to the asset on the balance sheet. Depreciation is calculated on a straight-line basis over the following periods of time:

Office and lab equipment	3-5 years
Computer equipment	3-4 years
Leasehold improvements	5 years

The assets' residual value, useful lives and methods of depreciation are reviewed on an ongoing basis and adjusted prospectively, if necessary.

2.8 Impairment of non-financial assets

The Group's non-financial assets includes:

- Goodwill
- Capitalized development expenses
- Other intangible assets (software and IP)
- Property, plant and equipment
- Right-of-use assets

Non-financial assets are tested for impairment whenever there is an indication that their carrying amounts may not be recoverable. Goodwill and intangible assets still under development are subject to an annual impairment test.

A CGU of one non-financial asset is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs that are expected to benefit from the synergies of the related business combination.

If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group is recognizing a financial asset or liability when it becomes a party to the instrument's contractual terms.

The Group's financial assets and liabilities includes money market fund, accounts receivable, other financial assets, other current receivables, accounts payable, and other current payables.

Financial assets

Initial recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset. There is an exemption for accounts receivables, that do not contain a significant financing component or for which the Group has applied the practical expedient, are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.4 Revenue recognition.

Depending of the financial asset's contractual cash flow characteristics and the Group's business model for managing them, the assets are at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

Financial assets are classified and measured at amortized cost or fair value through OCI, if it gives rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit and loss (held for trading)

The categories relevant for the Group is amortized cost, including accounts receivables and other current receivables, and fair value through profit or loss (held for trading), including money market fund.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit and loss are subsequently at fair value with resulting gains and losses recognized in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred the asset according to IFRS 9 paragraph 3.2.4 and 3.2.5

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and accounts payables, net of directly attributable transaction costs.

Subsequent measurement

All financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss.

After initial recognition, borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments (currency swap) entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits with an original maturity of three months or less and money market fund. Money market funds and short-term time deposits are defined as cash equivalents because they are highly liquid and not subject to material fluctuations in value.

2.11 Inventory

Inventory is valued at the lower of cost according to the FIFO principle and net realizable value after deduction for obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Cost of inventories includes purchase price of raw materials and costs directly related to the conversion of materials into finished goods. They also include fixed and variable overheads which can be allocated to items based on normal capacity.

The Group applies standard cost method to measure cost of inventories. The cost on products with high sales volume is reviewed monthly, and quarterly for other goods. Standard cost variance is the difference between standard cost and actual cost. This variance is impacting the cost of goods sold, and the variance is monitored on a regular basis.

Obsolete inventory is written down completely.

2.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group has used the optional exemption in IFRS 16 and not accounted lease concessions, such as reduction in lease payments, due to Covid-19 as a lease modification. The following conditions are met:

- The reversed consideration is substantially the same or less than the original consideration
- The reduction in lease payments relates to payments due on or before 30 June 2022
- No other substantive changes have been made to the terms of the lease

That means reductions in lease payments are accounted for as negative variable lease payments and be recognized in profit and loss.

The right-of-use assets are also subject to impairment, see note 2.8

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease

payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low-value assets. The low value election is made on a lease-by-lease basis, and it refers to underlying assets with a value in order of USD 5 000 or less. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

2.13 Income taxes

Income tax expenses consist of taxes due and changes to the net deferred tax assets or liabilities.

Deferred tax assets and liabilities are calculated based on the differences between the carrying value of assets and liabilities in the financial accounts and their tax basis when such differences are considered at temporary in nature.

Deferred tax assets are recognized to the extent that it is probable that the individual company will have sufficient taxable income in later periods to utilize the tax assets.

Deferred tax liabilities are accounted for at the nominal value and classified as long-term obligations in the balance sheet.

Deferred income tax relating to items recognized in Other Comprehensive Income ("OCI") or directly in equity is recognized outside profit or loss.

The parent company pays its tax obligation in NOK and the fluctuations between the NOK and the USD impact the financial items. The Group's legal entities that do not have their tax base in USD are exposed to changes in the USD/ tax base currency rates. Effects within the current year are classified as tax expense.

2.14 Provisions

Provisions (such as legal claims and contractual severance) are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed each balance sheet date and the level reflects the best estimate of the obligation. When the time value is insignificant, the amount of the provision will be equal to the estimated expenditure required to settle the obligation. When the time effect is significant, the amount of the provision will be equal to the present value of future estimated expenditures to settle the obligation.

2.15 Employee benefits

Defined benefit pension plans

The Group had a defined benefit pension plan for its employees who were hired before December 31, 2007. The Group has also established a similar plan for employees in the Philippines. This plan is still open. Pension plan assets are valued at fair value. The defined benefit scheme in Norway was converted to a defined

contribution scheme. In connection with the transfer, the employees received a "Paid up benefit" for all earned benefits in the defined benefit plan. As there exist certain obligations related to retirees and employees on sick leave, an actuarial calculation is performed and a liability for these employees is included as of December 31, 2022.

Defined contribution pension plans

Employees hired after January 1, 2008, have a defined contribution pension plan described in note 18.

Share based compensation

The Group grants restricted stock units and other awards over its ordinary shares to all employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 19.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other paid in capital), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). See note 19.

Accounting treatment of social security tax is not treated in IFRS 2. Social security tax is accrued over the vesting period based on the actual value of the stock unit.

2.16 Treasury shares

When treasury shares are purchased, the purchase price, including directly attributable costs are recognized as changes in equity. Treasury shares are presented as a reduction of equity. Gains or losses on transactions in treasury shares are not recognized in the income statement.

2.17 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

Note 3: Revenues

All figures in USD 1 000

3.1 Disaggregated revenue information**Revenue classified by end product applications:**

The Group focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: Consumer, Industrial, Healthcare and Others. In 2022, wireless components accounted for 99.4% of sales versus 98.9% in 2021. In addition to standard components, the Group sells customer-specific ASIC components (Application Specific Integrated Circuits) and related Consulting Services.

The Group recognized the first long-range (cellular IoT) revenue in the second half of 2018. Most of Nordic's cellular IoT customers are still in the development phase or in early commercial phase. When cellular IoT revenue materialize, Nordic will report the revenue in the relevant end product areas.

GROUP			PARENT	
2022	2021	Revenue	2022	2021
483 799	408 156	Consumer	483 799	408 156
191 543	141 936	Industrial	191 543	141 936
67 623	35 575	Healthcare	67 623	35 575
29 163	18 376	Others	29 163	18 376
772 128	604 044	Wireless components	772 128	604 044
4 607	6 083	ASIC components	4 607	6 083
0	400	Consulting services	0	400
0	0	Management fee	1 029	1 049
776 734	610 528	Total revenue from contracts with customers	777 763	611 577

Revenue classified by customers' location:

The Group also classifies its revenues on a geographical basis according to its customers' location.

GROUP			PARENT	
2022	2021		2022	2021
97 868	53 116	Europe	98 679	53 886
107 966	61 663	Americas	108 123	61 910
570 899	495 749	Asia/Pacific	570 961	495 781
776 734	610 528	Total revenue from contracts with customers	777 763	611 577

The Group sells its components to distributors, which then sell components onward to electronics manufacturers which build end products and sell them to customers across the world. Two distributors were above 10% of revenue in 2022, with 34% and 12% of total revenue respectively. Both distributors are in Asia. In comparison, one distributor represented more than 10% of the Group's total revenues in 2021 with 28% of total revenues.

Revenue from contracts with customers classified by timing of revenue recognition:

GROUP			PARENT	
2022	2021		2022	2021
776 734	610 128	Goods transferred at a point in time	776 734	610 128
0	400	Services transferred over time	1 029	1 449
776 734	610 528	Total revenue from contracts with customers	777 763	611 577

3.2 Contract balances

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. See note 22 for further details.

GROUP			PARENT	
2022	2021		2022	2021
175 120	141 748	Trade receivables	175 120	141 748

3.3 Refund liabilities

GROUP			PARENT	
2022	2021		2022	2021
30 694	20 530	Refund liability — from ship & debit	30 694	20 530
23 382	10 757	Refund liability — from end-customer rebates	23 382	10 757

3.4 Performance obligations

The performance obligations for the sale of components are normally satisfied upon the time of delivery. Payment is generally due 30 to 60 days within delivery.

For the consulting services, the performance obligation is satisfied over-time and the customer is generally invoiced at month-end for the work performed.

The Group has decided to use the practical expedient and not disclose unsatisfied or partially unsatisfied performance obligations. All remaining performance obligations are expected to be recognized within one year.

Note 4: Cost of materials / inventory

All figures in USD 1 000

GROUP			PARENT	
2022	2021		2022	2021
387 088	276 402	Purchased materials	387 088	276 402
-47 147	7 012	Changes in inventory	-47 147	7 012
339 941	283 415	Cost of materials	339 941	283 415
34 356	9 704	Raw materials	34 356	9 704
25 380	18 440	Work in Progress	25 380	18 440
42 355	26 799	Finished goods	42 355	26 799
102 091	54 943	Total inventory	102 091	54 943
5 006	5 712	Amount Written down	5 006	5 712

As Nordic Semiconductor is a fabless manufacturer, all inventories, including raw materials and finished goods, are located at sub-contractors.

Note 5: Other operating expenses

All figures in USD 1 000

GROUP			PARENT	
2022	2021		2022	2021
24 837	19 580	Service and maintenance	23 222	18 288
17 422	15 527	Other consultancy fees	12 318	11 658
2 301	1 582	Office expenses	1 088	1 030
1 956	1 558	Office equipment	1 246	1 201
11 401	6 198	Material and components	9 720	5 142
-57	-108	Tax grant	-57	-108
-2 034	-1 515	Capitalized development expenses	-2 036	-1 515
3 585	1 068	Travel and meeting expenses	1 799	742
10 274	8 207	Other operating expenses	8 448	7 297
—	—	Other operating expenses intercompany	110 581	86 715
69 685	52 097	Total other operating expenses	166 328	130 450

Auditor remuneration, excl. of VAT

Fees to the auditor are included in consultancy fees above.

GROUP			PARENT	
2022	2021		2022	2021
109	90	Audit services	93	72
14	4	Other attestation Services	14	—
4	3	Tax advisory Services	—	3
—	—	Other Non Audit Services	—	—
128	96	Total revenues	107	74

Note 6: Net financial items

All figures in USD 1 000

GROUP			PARENT	
2022	2021		2022	2021
5 230	340	Interest income	5 203	350
972	389	Other financial income	968	387
6 202	730	Financial income	6 171	737
621	822	Interest expenses on lease liabilities	478	733
646	307	Other financial expense	616	268
1 267	1 128	Financial expense	1 094	1 001
-619	-739	Foreign exchange loss (net)	-673	-704
5 554	340	Net financial	5 749	441

Note 7: Tax

All figures in USD 1 000

GROUP			PARENT	
2022	2021	Tax consists of	2022	2021
-43 907	-17 427	Tax payable	-42 837	-17 181
-2 102	2 663	Change in deferred tax / benefit	-1 940	2 719
—	—	Group contribution, tax amount	-83	—
1 192	-1 325	Other items	2 397	-156
-44 817	-16 089	Tax expense	-42 463	-14 618

GROUP			PARENT	
2022	2021	Reconciliation of nominal and actual tax expense	2022	2021
167 155	87 260	Profit before tax	159 405	80 305
-36 774	-19 197	Tax at nominal rate 22 %	-35 069	-17 667
42	47	Tax effect of different tax rates in other countries	42	-89
518	4 605	Tax effect permanent differences	1 527	4 679
726	—	Credit for tax paid	98	—
-265	25	Excess tax provision previous year	—	25
-9 064	-1 568	Currency effect from translation to USD	-9 061	-1 566
-44 817	-16 089	Tax expense	-42 463	-14 618

The Group has not recognized net deferred tax benefit of USD 34 related to the subsidiary in India.

GROUP						
Deferred taxes:	Balance sheet		Income statement		Other. Comp. income	
	2022	2021	2022	2021	2022	2021
Inventory	757	1 517	600	1 023	—	—
Fixed Assets	3 267	2 439	-1 178	613	—	—
Leasing	177	36	-145	-121	—	—
Options (share based payments)	—	1 729	1 547	747	—	—
Pension obligation	95	122	-3	-10	13	33
Financial instrument	—	114	—	48	—	—
Accruals	341	489	212	344	—	—
Deferred tax benefit - gross	4 637	6 446	1 033	2 644	13	33
Gain and loss account	24	33	6	-10	—	—
Net other tax-obligations	—	82	73	24	—	—
Financial instrument	59	—	-161	—	—	—
Deferred tax obligation - gross	83	115	-82	14	0	0
Currency effect of translation to USD			-21	165		
Net deferred tax benefit (obligation)	4 554	6 331				
Deferred tax expense			1 094	2 795	13	33

PARENT						
Deferred taxes:	Balance sheet		Income statement		Other. Comp. income	
	2022	2021	2022	2021	2022	2021
Inventory	757	1 517	600	1 023	—	—
Fixed Assets	2 836	2 044	-1 008	857	—	—
Leasing	173	36	-140	-121	—	—
Options (share based payments)	—	1 729	1 547	747	—	—
Pension obligation	95	122	-3	-10	13	33
Financial instrument	—	114	—	48	—	—
Accruals	30	302	240	157	—	—
Deferred tax benefit - gross	3 891	5 864	1 236	2 701	13	33
Gain and loss account	24	33	6	-10	—	—
Net other tax-obligations	—	82	70	24	—	—
Financial instrument	59	—	-161	—	—	—
Deferred tax obligation - gross	83	115	-85	14	0	0
Currency effect of translation to USD			-9	127		
Net deferred tax benefit (obligation)	3 808	5 749				
Deferred tax expense			1 312	2 813	13	33

GROUP			PARENT	
2022	2021	Reconciliation of net deferred tax obligation	2022	2021
6 331	3 668	Opening balance as of 1.1	5 748	3 029
-1 083	2 795	Tax expense recognized in the P&L	-1 312	2 813
13	33	Tax expense recognized in OCI	13	33
-711	-165	Currency effect from translation to USD	-645	-127
4 550	6 331	Net deferred tax obligation / benefit 31.12	3 804	5 748

GROUP			PARENT	
2022	2021	Net deferred tax recognized in OCI as of 31.12	2022	2021
13	33	Net gain on actuarial gains and losses	13	33
13	33	Total tax other comprehensive income	13	33

Note 8: Shares outstanding

Basis for calculation of basic earnings per share		2022	2021
Earnings for the year (USD '000)		122 339	71 171
Weighted average number of outstanding shares ('000)		191 365	190 961
Earnings per share (USD)		0.64	0.37
Basis for calculation of fully diluted earnings per share			
Earnings for the year (USD '000)		122 339	71 171
Weighted average number of outstanding shares ('000)		192 739	193 042
Earnings per share (USD)		0.63	0.37

The number of shares was as follows:

Date		Shares issued	Shares outstanding
01.01.2022	Opening balance	192 781 600	190 962 563
31.12.2022	Closing balance	192 781 600	191 575 087

Options granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if they have been vested at the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earning per share. Details relating to the options are set out in note 19.

Note 9: Payroll expenses

All figures in USD 1 000

GROUP			PARENT	
2022	2021	Combined expenses for salary and other compensation are distributed as follows:	2022	2021
115 380	104 476	Salary and vacation pay	57 004	56 579
28 335	25 239	Other compensation	15 448	16 747
11 704	14 011	Payroll tax	8 692	11 869
-424	-431	Tax grant	-424	-431
10 898	10 650	Defined contribution pension	4 606	3 840
-4 453	-4 121	Capitalized development expenses (hourly costs)	-4 453	-4 121
161 440	149 824	Total	80 872	84 483
1 311	1 090	Weighted average number of full time employees	647	599

GROUP			PARENT	
2022	2021	Employees as of December 31, are distributed as follows:	2022	2021
612	518	Norway	612	518
322	273	Finland	—	—
115	93	Poland	—	—
49	52	India	—	—
57	49	USA	—	—
58	49	Taiwan	—	49
77	48	UK	—	—
41	34	Philippines	41	34
40	28	Sweden	—	—
28	19	China	—	19
15	13	Hong Kong	—	—
4	5	South Korea	4	5
4	4	Germany	—	—
4	3	Japan	—	—
3	3	The Netherlands	3	3
0	2	Spain	—	2
2	2	Australia	2	2
0	1	Switzerland	—	1
4	1	Singapore	—	1
1 435	1 197	Total	662	634

Note 10: Executive compensation

All figures in USD 1 000

Note 10.1: Management remuneration

Pursuant to the changes in the Public Limited Liability Companies Act, i.e., the addition of a new section 6-16 (b), and associated new regulations, Nordic will publish a separate management remuneration report for presentation at the Annual General Meeting on 20 April 2023, containing detailed information on remuneration to Executive Management Team (EMT) for the reporting year 2022. The remuneration report includes detailed information on EMTs remuneration complementing the numbers

presented below. This includes an overview of the operational, financial, environmental, social and governance targets that form basis for the short-term incentives.

EMT members' salaries and other benefits, including long term incentive plans are presented in the table below. Unless otherwise stated, Nordic did not have any loans to or guarantees made on behalf of any of the EMT members in 2022 and 2021.

The remuneration paid or awarded to the CEO and other members of the EMT was aligned with Nordics's remuneration policy. The policy is available in its full at nordicsemi.com.

Total compensation* expensed during the year for the CEO and other executives:							
2022	Salary	Bonus	Options & PSU**	RSUs & PSUs	Other Comp.	Pension expenses	Total
Svenn-Tore Larsen, CEO	461	185	71	267	2	87	1 072
Pål Elstad, CFO/EVP Finance	273	98	34	124	4	42	575
Svein Egil Nielsen, CTO/EVP R&D and Strategy	308	112	41	140	4	52	657
Geir Langeland, EVP Sales & Marketing	290	118	36	150	4	50	648
Ebbe Rømcke, SVP Quality & Sustainability****	189	65	23	83	2	26	387
Ole Fredrik Morken, EVP Supply Chain***	303	74	29	98	3	31	538
Marianne Frydenlund, SVP Legal****	121	—	19	—	1	9	150
Ståle Ytterdal, SVP IR & Strategic Sales	203	65	25	84	4	25	406
Kjetil Holstad, EVP Product Management	203	73	20	87	3	30	417
Katarina Finneng, EVP People & Communication	227	83	1	103	3	35	453
Linda Pettersson, SVP Legal & Compliance****	136	40	0	4	2	17	198
Ola Boström, SVP Quality & Sustainability****	160	44	0	28	3	20	257
Total	2 873	958	299	1 168	35	425	5 758
2021	Salary	Bonus	Options & PSU**	RSUs & PSUs	Other Comp.	Pension expenses	Total
Svenn-Tore Larsen, CEO	488	270	11	237	4	18	1 027
Pål Elstad, CFO/EVP Finance	289	143	7	112	2	18	571
Svein Egil Nielsen, CTO/EVP R&D and Strategy	327	162	8	128	2	18	645
Geir Langeland, EVP Sales & Marketing	306	168	7	132	2	18	633
Ebbe Rømcke, SVP Quality & Sustainability****	203	96	5	75	2	18	399
Ole Fredrik Morken, EVP Supply Chain***	328	109	6	90	2	18	552
Marianne Frydenlund, SVP Legal****	182	90	2	68	2	18	361
Ståle Ytterdal, SVP IR & Strategic Sales	224	97	5	78	2	18	424
Kjetil Holstad, EVP Product Management	208	101	4	74	2	18	407
Katarina Finneng, EVP People & Communication	239	118	6	69	2	18	451
Total	2 794	1 355	60	1 063	19	179	5 470

*Management compensation is paid in NOK. Exchange rate for 2022: 9.62 and 2021: 8.56

**Option cost is the expense of fair value of options based on Black Scholes calculation

***Includes expat allowances

****Marianne Frydenlund and Ebbe Rømcke were no longer a part of the EMT by year end 2022. Linda Pettersson and Ola Boström joined the EMT during 2022, in July and August respectively

The Group has granted EMT members the following RSUs and performance shares (PSUs):

EMT member	2022		2021	
Svenn-Tore Larsen, CEO	6 532 RSUs	6 532 PSUs	10 933 RSUs	6 213 PSUs
Pål Elstad, CFO/EVP Finance	3 193 RSUs	3 193 PSUs	3 056 RSUs	3 056 PSUs
Svein Egil Nielsen, CTO/EVP R&D and Strategy	3 609 RSUs	3 609 PSUs	3 455 RSUs	3 455 PSUs
Geir Langeland, EVP Sales & Marketing	3 379 RSUs	3 379 PSUs	6 139 RSUs	3 189 PSUs
Ebbe Rømcke, SVP Quality & Sustainability	2 111 RSUs	2 111 PSUs	2 059 RSUs	2 059 PSUs
Ole Fredrik Morken, EVP Supply Chain**	2 429 RSUs	2 429 PSUs	2 325 RSUs	2 325 PSUs
Marianne Frydenlund, SVP Legal***	0 RSUs	0 PSUs	1 927 RSUs	1 927 PSUs
Ståle Ytterdal, SVP IR & Strategic Sales	2 087 RSUs	2 087 PSUs	2 066 RSUs	2 066 PSUs
Kjetil Holstad, EVP Product Management	2 380 RSUs	2 380 PSUs	2 156 RSUs	2 156 PSUs
Katarina Finneng, EVP People & Communication	2 662 RSUs	2 662 PSUs	2 524 RSUs	2 524 PSUs

During 2022 the executives exercised the following options:

Executives	Grant year	Number of options exercised	Strike price in NOK	Cash payout in USD 1000
Svenn-Tore Larsen, CEO	2019 Option	12 721	45.10	119
	2019 PSU	26 872		533
Pål Elstad, CFO/EVP Finance	2019 Option	7 880	45.10	74
	2019 PSU	12 804		254
Svein Egil Nielsen, CTO/EVP R&D and Strategy	2019 Option	9 381	45.10	88
	2019 PSU	15 244		302
Geir Langeland, EVP Sales & Marketing	2019 Option	8 256	45.10	77
	2019 PSU	13 414		266
Ebbe Rømcke, SVP Quality & Sustainability	2019 Option	5 254	45.10	49
	2019 PSU	8 536		168
Ole Fredrik Morken, EVP Supply Chain**	2019 Option	6 567	45.10	62
	2019 PSU	10 670		212
Marianne Frydenlund, SVP Legal	2019 Option	4 315	45.10	40
	2019 PSU	7 012		138
Ståle Ytterdal, SVP IR & Strategic Sales	2019 Option	5 816	45.10	55
	2019 PSU	9 452		187
Kjetil Holstad, EVP Product Management	2019 Option	4 691	45.10	44
	2019 PSU	7 622		15
Katarina Finneng, EVP People & Communication	2019 Option	6 667	45.10	63

*The RSU for management vest after three years for management two years for employees

** Purchased shares, no cash payout from the company

*** Grant in 2022 due to ended employment contract

Note 10.2: Board remuneration

Total compensation expensed for Board Members*	2022	2021
Birger Steen, Chair	165	132
Inger Berg Ørstavik, Board Member	68	57
Endre Holen, Board Member	90	72
Jan Magnus Frykhammar, Board Member	80	65
Øyvind Birkenes, Board Member	62	50
Annastiina Hintsa, Board Member	63	50
Anita Huun, Board Member	68	57
Jon Helge Nistad, Board Employee Representative (Board remuneration only)	16	18
Susheel Nuguru, Board Employee Representative (Board remuneration only)	5	18
Morten Dammen, Board Employee Representative (Board remuneration only)	16	18
Joel Stapleton, Board Employee Representative (Board remuneration only)	5	18
Gro Fykse, Board Employee Representative (Board remuneration only)	10	0
Anja Dekens, Board Employee Representative (Board remuneration only)	10	0
Total	659	554

*Numbers noted in USD and converted from NOK using USD/NOK rate of 9,62 for 2022 and 8,56 for 2021.

Note 11: Fixed assets

All figures in USD 1 000

GROUP					
2022	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	37 980	66 006	6 716	333	111 035
Additions	8 027	11 492	1 374	—	20 893
Disposals	-6 163	-32 826	-1 950	—	-40 939
Acquisition cost as of 31.12	39 843	44 673	6 138	333	90 989
Opening balance	25 192	47 999	3 958	—	77 149
Depreciation expenses	7 485	10 781	990	—	19 257
Disposals	-6 163	-32 825	-2 032	—	-41 020
Accumulated depreciation as of 31.12	26 514	25 955	2 916	0	55 384
Net carrying value as of 31.12	13 329	18 716	3 222	333	35 603

PARENT					
2022	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	25 482	61 891	5 469	333	93 174
Additions	2 818	11 315	771	—	14 903
Disposals	-10 038	-32 650	-3 262	—	-45 950
Acquisition cost as of 31.12	18 262	40 555	2 977	333	62 126
Opening balance	15 563	45 382	3 404	—	64 349
Depreciation expenses	4 402	10 334	577	—	15 313
Disposals	-7 753	-32 589	-2 465	—	-42 807
Accumulated depreciation as of 31.12	12 212	23 127	1 517	0	36 855
Net carrying value as of 31.12	6 050	17 429	1 460	333	25 271

GROUP					
2021	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	30 055	53 470	5 556	333	89 414
Additions	7 925	12 536	1 159	—	21 619
Acquisition cost as of 31.12	37 980	66 006	6 716	333	111 034
Opening balance	18 725	39 302	3 104	—	61 131
Depreciation expenses	6 468	8 697	854	—	16 019
Accumulated depreciation as of 31.12	25 192	47 999	3 958	0	77 149
Net carrying value as of 31.12	12 788	18 007	2 757	333	33 885

PARENT					
2021	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	20 565	50 051	4 795	333	75 743
Additions	4 917	11 840	674	—	17 430
Acquisition cost as of 31.12	25 482	61 891	5 469	333	93 174
Opening balance	11 031	37 014	2 737	—	50 782
Depreciation expenses	4 532	8 368	667	—	13 567
Accumulated depreciation as of 31.12	15 563	45 382	3 404	0	64 349
Net carrying value as of 31.12	9 919	16 509	2 064	333	28 824
GROUP AND PARENT					
Estimated useful life	3 - 5 years	3 - 4 years	5 years		
Depreciation method	Straight-line	Straight-line	Straight-line	No depreciation	

Total depreciation expenses consist of depreciation of fixed assets and depreciation of intangible assets (note 12).

Non-depreciable property assets:

The parent company has an apartment in Trondheim for use by employees in the Oslo office while in Trondheim. The apartment is assessed at acquisition cost. The residual value is expected to be at least equal to the book value.

Scrapped capital assets

All capital assets that are ready to be scrapped have been fully depreciated and have no residual book value.

Capital assets temporarily out of operation

The Group has no capital assets that are temporarily out of operation.

Impairment

There have been no indications of impairment losses during the year.

Change in estimate with respect to useful lives and depreciation methods

There has been no basis for changing useful lives and depreciation methods during the year.

Note 12: Intangible assets

All figures in USD 1 000.

GROUP				
2022	Software and other intangible assets	Capitalized development expenses	Goodwill	Total
Acquisition cost				
Opening balance	50 896	80 019	2 386	133 302
Additions	2 909	6 489	-102	9 297
Disposals	-22 684	-29 491	—	-52 175
Acquisition cost as of 31.12	31 121	57 015	2 284	90 424
Accumulated depreciation				
Opening balance	35 132	48 477	—	83 609
Depreciation expenses	7 068	11 423	—	18 491
Disposals	-22 734	-29 491	—	-52 225
Accumulated depreciation as of 31.12	19 466	30 408	0	49 874
Net carrying value as of 31.12	11 655	26 608	2 284	40 547

PARENT				
2022	Software and other intangible assets	Capitalized development expenses	Goodwill	Total
Acquisition cost				
Opening balance	49 387	80 017	249	129 653
Additions	2 135	6 489	—	8 624
Disposals	-22 683	-29 491	—	-52 174
Acquisition cost as of 31.12	28 839	57 015	249	86 103
Accumulated depreciation				
Opening balance	34 155	48 476	—	82 631
Depreciation expenses	6 642	11 423	—	18 065
Disposals	-22 683	-29 491	—	-52 174
Accumulated depreciation as of 31.12	18 114	30 408	0	48 522
Net carrying value as of 31.12	10 726	26 608	249	37 583
Estimated useful life	3 - 10 years	1 - 5 years	No depreciation	
Depreciation method	Straight-line	Straight-line	NA	

GROUP	R&D expenses:	PARENT
98 672	Personnel expenses	40 232
38 488	Other operating expenses	29 209
137 160	Total cost recognized in income statement	69 441
143 649	Total cost for R&D (incl. capitalized development cost)	75 930

GROUP				
2021	Software and other intangible assets	Capitalized development expenses	Goodwill	Total
Acquisition cost				
Opening balance	47 799	74 373	2 393	124 566
Additions	3 096	5 646	-7	8 735
Acquisition cost as of 31.12	50 896	80 019	2 386	133 302
Accumulated depreciation				
Opening balance	27 894	39 811	—	67 705
Depreciation expenses	7 238	8 665	—	15 904
Accumulated depreciation as of 31.12	35 132	48 477	0	83 610
Net carrying value as of 31.12	15 764	31 542	2 386	49 693

PARENT				
2021	Software and other intangible assets	Capitalized development expenses	Goodwill	Total
Acquisition cost				
Opening balance	46 517	74 373	249	121 140
Additions	2 870	5 644	—	8 514
Acquisition cost as of 31.12	49 387	80 017	249	129 653
Accumulated depreciation				
Opening balance	27 231	39 811	—	67 042
Depreciation expenses	6 924	8 665	—	15 589
Accumulated depreciation as of 31.12	34 155	48 476	0	82 631
Net carrying value as of 31.12	15 232	31 541	249	47 022
Estimated useful life	3 - 10 years	1 - 5 years	No depreciation	
Depreciation method	Straight-line	Straight-line	NA	

GROUP	R&D expenses:	PARENT
102 189	Personnel expenses	49 886
37 211	Other operating expenses	25 335
139 400	Total cost recognized in income statement	75 221
145 046	Total cost for R&D (incl. capitalized development cost)	80 866

Impairment

There have been no indications of impairment losses during the year.

Change in estimate with respect to useful lives and depreciation methods

There has been no basis for changing useful lives and depreciation methods during the year.

Note 13: Subsidiaries

All figures in USD 1 000

The following subsidiaries have been included in the financial statements:

Subsidiaries consolidated in	Established Year	Location	Share Ownership	Voting Rights
Nordic Semiconductor Inc	2006	USA	100%	100%
Nordic Semiconductor Poland S.P z o.o	2013	Poland	100%	100%
Nordic Semiconductor Finland OY	2014	Finland	100%	100%
Nordic Semiconductor Japan KK	2017	Japan	100%	100%
Nordic Semiconductor Germany GmbH	2018	Germany	100%	100%
Nordic Semiconductor Norway AS	2020	Norway	100%	100%
Nordic Semiconductor UK Limited	2020	UK	100%	100%
Nordic Semiconductor India Pvt. Ltd	2020	India	100%	100%
Nordic Semiconductor Sweden AB	2020	Sweden	100%	100%
Nordic Semiconductor Hong Kong Limited	2021	Hong Kong	100%	100%
Nordic Semiconductor (Shenzhen) Limited	2021	China	100%	100%
Nordic Semiconductor Singapore PTE Ltd	2022	Singapore	100%	100%
Nordic Semiconductor Denmark ApS	2022	Denmark	100%	100%
Nordic Semiconductor Philippines, Inc.	2022	Philippines	100%	100%

Subsidiaries as of 31 December 2022	Ownership	Share of votes	Net profit 2022	Equity 31. Dec 2022
Nordic Semiconductor Inc, USA	100%	100%	407	3 551
Nordic Semiconductor Poland S.P z o.o	100%	100%	1 106	3 061
Nordic Semiconductor Finland OY	100%	100%	2 513	17 423
Nordic Semiconductor Japan KK	100%	100%	6	110
Nordic Semiconductor Germany GmbH	100%	100%	7	115
Nordic Semiconductor Norway AS	100%	100%	75	3 674
Nordic Semiconductor UK Limited	100%	100%	507	2 149
Nordic Semiconductor India Pvt. Ltd	100%	100%	388	1 794
Nordic Semiconductor Sweden AB	100%	100%	351	749
Nordic Semiconductor Hong Kong Limited	100%	100%	112	300
Nordic Semiconductor (Shenzhen) Limited	100%	100%	176	257
Nordic Semiconductor Singapore PTE Ltd	100%	100%	20	140
Nordic Semiconductor Denmark ApS	100%	100%	-8	-8
Nordic Semiconductor Philippines, Inc.	100%	100%	0	18

- All intellectual property (IP) is owned by Nordic Semiconductor ASA. Nordic Semiconductor ASA is the ultimate parent company of the Group. All subsidiaries invoice Nordic Semiconductor ASA according to the Group's transfer pricing policy.
- Nordic Semiconductor Inc is a market development, product promotion, and support company, but since 2016 has run a small R&D department as well.
- Nordic Semiconductor Poland Sp. z o.o. is an extension of the software development team in the parent company.
- Nordic Semiconductor Finland OY is a development company working with mainly long range technology. The R&D team in Finland works closely alongside the rest of the R&D teams in the Group.
- Nordic Semiconductor Japan KK is a market development, product promotion, and support company,
- Nordic Semiconductor Germany GmbH is a market development, product promotion, and support company,
- Nordic Semiconductor Norway AS is the parent company of Nordic Semiconductor UK Limited, Nordic Semiconductor India Pvt. Ltd, Nordic Semiconductor Sweden AB, Nordic Semiconductor Hong Kong Limited and Nordic Semiconductor (Shenzhen) Limited.
- Nordic Semiconductor UK limited is a development company working with Wi-Fi and PMIC technology. The R&D team in the UK works closely alongside the rest of the R&D teams in the Group.
- Nordic Semiconductor India Pvt. Ltd is a development company working with Wi-Fi technology. The R&D team in India works closely alongside the rest of the R&D teams in the Group.
- Nordic Semiconductor Sweden AB is a development company working mainly with Wi-Fi technology. The R&D team in Sweden works closely alongside the rest of the R&D teams in the Group.
- Nordic Semiconductor Hong Kong Limited is a market development, product promotion, and support company.
- Nordic Semiconductor (Shenzhen) Limited is a market development, product promotion, and support company.
- Nordic Semiconductor Singapore PTE Ltd is Nordic's regional head office in APAC.
- Nordic Semiconductor Denmark ApS is a development company working across technologies. The R&D team in the Denmark works closely alongside the rest of the R&D teams in the Group.
- Nordic Semiconductor Philippines, Inc. is a development company working across technologies. The R&D team in the Philippines works closely alongside the rest of the R&D teams in the Group.

Note 14: Accounts receivable

All figures in USD 1 000

GROUP			PARENT	
2022	2021		2022	2021
175 120	141 748	Gross receivables	175 120	141 748
—	236	Provision for doubtful accounts	—	236
175 120	141 984	Accounts receivable, net	175 120	141 984

Note 15: Intercompany

All figures in USD 1 000

PARENT	2022	2021
Loan to group companies	—	—
Receivables group companies	10 486	1 692
Total	10 486	1 692
Payables	—	—
Accounts payable, group companies	31 994	25 596
Total	31 994	25 596

PARENT	2022	2021
Service fee for management services	1 029	1 049
Total revenue intercompany	1 029	1 049
Service fee for R&D and product promotion	110 581	86 715
Total intercompany expenses	110 581	86 715

Note 16: Cash and cash equivalents

All figures in USD 1 000

GROUP			PARENT	
2022	2021	Cash and cash equivalents as of the balance sheet date were as follows:	2022	2021
277 700	223 786	Cash at bank	268 304	217 886
2 479	2 285	Restricted cash (withholding tax account)	2 479	2 285
50 467	—	Short-term bank deposits	50 467	—
48 458	53 259	Money market funds	48 458	53 259
379 104	279 330	Cash and cash equivalents in statement of financial position	369 709	273 430

- Cash at banks earns interest at floating rates based on daily bank deposit rates.
- Nordic Semiconductor ASA presents total bank deposits in the international cash pool, while Nordic Semiconductor OY presents its share of the international cash pool as a receivable from the company. Nordic Semiconductor ASA and Nordic Semiconductor OY participate in the cash pool, which is operated by Danske Bank.
- Restricted deposits are held by Nordic Semiconductor ASA. They are subject to regulatory restrictions and are therefore not available for general use by the entities within the Group.
- Interest on bank deposits is set to floating rates based on daily bank deposit rates.

For information on credit and liquidity risk, see Note 23: Financial risk management.

Note 17: Share capital and shareholder information**Share capital**

The share capital in Nordic Semiconductor as of December 31, 2022 consists of one share class with a total of 192,781,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,927,816. Each share grants the same rights in the company, and

in the event of any increase in capital, existing shareholders have preemptive rights for any new shares. During the year the following changes have been made in the number of shares, share capital and share premium:

GROUP	Number of shares		Share capital (USD 1000)		Treasury shares (USD 1000)		Share premium (USD 1000)	
	2022	2021	2022	2021	2022	2021	2022	2021
Holdings as of 1.1	192 781 600	192 781 600	317	317	-3	-3	235 448	235 448
Change in treasury shares					1			
Holdings as of 31.12	192 781 600	192 781 600	317	317	-2	-3	235 448	235 448

Dividend

No dividend was paid during 2022.

Treasury shares

The company owned 1,206,513 treasury shares on December 31, 2022. On January 1, 2022, the company owned 1,819,037 treasury shares. Based on a resolution of the annual general meeting of April 28, 2022, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 192,000 through one or more transactions. This authority is limited to 9.96% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 350. This authority applies until the company's annual general meeting in 2023, and by June 30, 2023 the latest.

Long-Term Incentive plan

With reference to the annual general meeting, on April 28, 2022, Nordic Semiconductor approved a Restricted Stock Unit (RSU) program for all employees, and a combination of RSUs and Performance Shares for Executive Management. See note 19 for further information.

Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2022 based on data provided by an investor relations advisory service provider*, and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Nordic VPS share register.

Shareholder	Shares	Percentage
Folketrygdfondet	17 077 869	8.9%
Capital Research and Management	11 662 016	6.0%
DNB Asset Management	9 405 822	4.9%
Danske Bank	6 022 054	3.1%
The Vanguard Group	5 539 580	2.9%
Invesco Advisers	5 089 089	2.6%
Hardman Johnston Global Advisors	4 847 702	2.5%
Alfred Berg Kapitalforvaltning	4 473 230	2.3%
Swedbank Robur Fonder	4 240 000	2.2%
KLP Kapitalforvaltning	4 177 632	2.2%
Oberweis Asset Management	4 104 644	2.1%
Robeco Institutional Asset Management	3 675 000	1.9%
Contour Asset Management	3 035 986	1.6%
Handelsbanken Fonder	2 808 596	1.5%
Passesta	2 700 000	1.4%
RBC Global Asset Management	2 669 001	1.4%
Eika Kapitalforvaltning	2 535 666	1.3%
BlackRock Fund Advisors	2 271 762	1.2%
Storebrand Asset Management	2 036 606	1.1%
Alden	2 000 000	1.0%
Total for the 20 largest shareholders	100 372 255	52.1%
Other shareholders	92 409 345	47.9%
Total shares outstanding	192 781 600	100.0%

*Every reasonable effort has been made to verify the data, however neither Nordic nor the investor relations advisory service provider can guarantee the accuracy of the analysis.

Shares held by the Board of Directors and Executive Management were as follows as of December 31, 2022:

Board of Directors	Shares	Executive Management	Shares
Birger Steen	196 840	Svenn-Tore Larsen	1 932 272
Endre Holen	154 888	Geir Langeland	201 114
Jan Frykhammar	24 258	Ole Fredrik Morken	190 670
Anita Huun	13 258	Ståle Ytterdal	135 452
Øyvind Birkenes	10 600	Ola Bostrøm	575
Inger Berg Ørstavik	5 258	Pål Elstad	31 650
Annastiina Hintsa	4 258	Svein-Egil Nielsen	32 244
Jon Helge Nistad	600	Kjetil Holstad	10 415
Anja Dekens	300	Linda Pettersson	0
Morten Dammen	1 150	Katarina Finneng	600
Gro Fykse	850		
Total	412 260	Total	2 534 992

Note 18: Pensions

Defined benefit plan

The pension liability for the Group consists of liabilities in Norway, Poland, India and The Philippines.

Nordic has set up a pension plan for the Philippine office as of January 2014. The retirement plan is unfunded and of the defined benefit type which provides a retirement benefit calculated based on number of years of credited service. At the end of 2022 the pension liability was USD 210,944.

For the company in Finland, pensions are financed by contributions from the insured employees and employers. The Norwegian company in the Group is required to have mandatory employment pension for employees in Norway, according to the Mandatory Employment Pension Act.

The defined benefit plan was closed for new members effective January 1, 2008 and from this point a new defined contribution plan was established. The two different types of pensions are described below:

All figures in USD 1 000

Defined Pension Plan	2022	2021
Current service cost	—	—
Interest expense	16	17
Expected return on plan assets	-13	-14
Administration fee	2	2
Total pension expense excl. Social security tax	5	5
Social security tax	1	1
Total pension expense incl. Social security tax	6	6

Net pension obligation for the year was calculated as follows:	2022	2021
Pension obligations	1 091	1 195
Plan assets	899	964
Estimated net obligation	192	231
Social security tax	27	33
Total actual net obligation incl. Social security tax	219	263

Total pension liability for the Group	2022	2021
Employees in Norway	219	263
Employees in Philippines	211	290
Employees in the UK	—	4
Employees in Poland	30	22
Employees in India	216	—
Total	676	580

Defined contribution pension plan

All employees in Norway have a defined contribution pension plan from January 1, 2016. The main benefit is a contribution of 7% of salary up to 7.1 basis points (G) and 18% of salary between 7.1 and 12 basis points. In addition to this, the company offers a disability pension of approximately 66% of salary including estimated social security based on 40 years of full employment. In 2022, the cost of the defined contribution pension was USD 4,553,944, and the plan had 708 members.

Note 19: Long-term incentive plans

On March 15, 2019, Nordic Semiconductor granted 1,752,366 share options to 666 employees. The options were granted at a strike price of NOK 39.44 (10% above volume weighted average share price the five days prior to the grant date). If the company's share price exceeds a cap of NOK 118.32, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On May 3, 2019, Nordic Semiconductor granted 196,644 share options and 55,814 performance shares to the management group. The options were granted at a strike price of NOK 45.1 (10% above volume weighted average share price the five days prior to the grant date). If the company's share price exceeds a cap of NOK 135.3, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

On April 29, 2020, Nordic Semiconductor granted 754,224 Restricted Stock Units (RSUs) and Performance shares to 775 employees. A share price of NOK 58.4 was used as basis for the calculation of RSUs and Performance Shares, which was the weighted average share price the five trading days after the Annual General Meeting. The RSUs vest after two and three years. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

On April 28, 2021, Nordic Semiconductor granted 452,353 Restricted Stock Units (RSUs) and Performance shares to 1,087 employees. A share price of NOK 182.2 was used as basis for the calculation of RSUs and Performance Shares, which was the weighted average share price the five trading days after the Annual General Meeting. The RSUs vest after two and three years. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

On April 28, 2022, Nordic Semiconductor granted 486,677 Restricted Stock Units (RSUs) and Performance shares to 1,288 employees. A share price of NOK 183.8 was used as basis for the calculation of RSUs and Performance Shares, which was the weighted average share price the five trading days after the Annual General Meeting. The RSUs vest after two and three years. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

A summary of share options transactions during 2022 and 2021 below:	2022	2021
Outstanding options 1.1	545 203	2 548 589
Granted	—	—
Forfeited	705	28 992
Exercised	544 498	1 974 394
Expired	—	—
Outstanding options 31.12	—	545 203
Of which exercisable	—	—

A summary of RSUs transactions during 2022 and 2021 below:	2022	2021
Outstanding RSUs 1.1	1 058 947	690 617
Granted	486 677	423 383
Forfeited	50 340	55 053
Exercised	492 780	—
Outstanding RSUs 31.12	1 002 504	1 058 947

A summary of performance shares during 2022 and 2021 below:	2022	2021
Outstanding performance shares 1.1	142 990	114 020
Granted	30 376	28 970
Forfeited	7 921	—
Exercised	111 626	—
Outstanding performance shares 31.12	53 819	142 990

The fair value of the options, RSUs and performance shares are set on the grant date and expensed over the vesting period. USD 7,797 thousand was expensed during 2022 and USD 4,287 thousand in 2021.

The fair value per RSU and performance share without market condition granted in 2022 was NOK 236.00 and 177.50. The fair value of the performance shares with Relative Total Shareholder Return performance condition granted in 2022 was NOK 270.1612. The valuation is based on a Monte Carlo simulation model with the following assumptions:

Share price on the grant date

The closing share price of the company and peer group companies (SOX Index) were NOK 177.35 and USD 2,982.06, respectively.

Risk-free interest rate

The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2022, i.e. 2.676 % in Norway and US.

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equaled 47.89% on the date of grant in 2022 for the company and 37.92% for the SOX Index.

Expected lifetime

Performance shares vest on the April 28, 2025. Performance end date is December 31, 2024, so as of vesting date the quantity to vest is known. Performance shares expire 3 years from grant date, i.e. 28th of April 2025.

Correlation coefficients

Correlation coefficient quantifies the degree to which the companies' share prices jointly react to the news flow. The historic correlation coefficients has been calculated by using daily share price logarithmic returns of peer group companies in local currency.

Note 20: Current liabilities

All figures in USD 1 000

GROUP			PARENT	
2022	2021		2022	2021
34 229	28 392	Accounts payable	32 335	27 558
	—	Accounts payable from subsidiaries	31 994	25 596
43 758	17 427	Taxes payable	42 837	17 181
14 542	17 452	Employee benefit obligations	7 333	10 312
6 455	7 599	Social security tax and payroll tax	4 745	6 266
10 129	8 620	Holiday pay	5 991	5 548
30 694	20 530	Ship and debit rebate	30 694	20 530
23 382	10 757	End-customer rebate	23 382	10 757
	1 011	Contractual severance payment	—	—
	567	Legal claims	—	567
6 280	5 594	Current lease liabilities	2 813	3 921
	520	Currency swap	—	520
7 547	5 197	Accrued expenses	5 450	2 879
145	79	Other current liabilities	74	68
177 160	123 747	Total current liabilities	187 648	131 703

Note 21: Leases

All figures in USD 1 000.

The Group is a lessee and has entered into agreements to lease office space, office equipment, machinery and vehicles.

The Group's office leases range between 1 to 7 years. Equipment and machinery leases range between 1 to 5 years. Vehicles are leased for less than 4 years.

There are no leases with variable lease payments, other than lease payments linked to a consumer price index. Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The Group also has certain leases of office buildings and office equipment and machinery with lease terms of 12 months or less and leases of office equipment and machinery and vehicles with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

In 2022, there have been no material rent concessions as a direct consequence of the Covid-19 pandemic.

In 2022, Nordic Semiconductor ASA signed an office rental agreement in Oslo with an expected commencement date of 1 April 2023 and an office rental agreement in Trondheim with a commencement date of 1 October 2027. Nordic Semiconductor UK Limited has signed an office rental agreement in Bristol with an expected commencement date of 4 May 2023

Below is the contractual cash flow of right to use assets and short-term leases with commencement date after balance sheet date.

GROUP	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Office lease commitments	—	253 479	4 505	51 303	197 670
Short-term leases	—	196	196	—	—
Total	—	253 675	4 701	51 303	197 670

PARENT	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Office lease commitments	—	248 927	3 748	47 508	197 670
Short-term leases	—	—	—	—	—
Total	—	248 927	3 748	47 508	197 670

Minimum lease payments payable on leases are presented in note 23.

Amounts recognized in the balance sheet:

The balance sheet shows the following amounts relating to leases:

GROUP			PARENT	
31.12.2022	31.12.2021	Right of use assets	31.12.2022	31.12.2021
21 416	18 786	Property	12 076	14 774
—	149	Office equipment and machinery	—	149
21 416	18 935	Total	12 076	14 923

GROUP			PARENT	
31.12.2022	31.12.2021	Lease liabilities	31.12.2022	31.12.2021
6 280	5 594	Current	2 813	3 921
14 861	14 281	Non-Current	8 711	11 673
21 141	19 876	Total	11 524	15 594

GROUP			PARENT	
2022	2021		2022	2021
8 951	-80	Additions and adj. to right-of-use assets	1 277	-1 998
—	—	Disposals to the right-of-use assets	-534	—

In 2021, Nordic Semiconductor ASA signed an office rental agreement in Oslo with commencement date of 1 January, 2023. During 2022, the date of expire was changed from 31 December 2022 to 1 April 2023. The total adjustment to the right-of-use asset is a reduction of USD 0.2m.

The statement of profit or loss shows the following amounts relating to leases:

GROUP			PARENT	
2022	2021	Depreciation of right-of-use assets	2022	2021
5 974	5 662	Properties	3 427	3 524
162	213	Office equipment and machinery	162	213
6 135	5 875	Total depreciation	3 588	3 737
621	822	Interest expense	478	733
513	214	Expenses relating to short-term leases	235	182
644	543	Expenses relating to leases of low-value assets	303	285
7 914	7 454	Total amount recognized in profit and loss	4 603	4 937
7 766	7 265	The total cash outflow for leases	4 311	4 938

Below are the carrying amounts of lease liabilities and movements during the period:

GROUP	Cash flow information for lease liabilities	PARENT
19 876	Net liabilities as at 1 January 2022	15 594
-6 609	Lease payments	-3 773
8 951	Acquisitions and adjustments	1 277
—	Disposals	-534
629	Interest	477
-1 706	Other	-1 517
21 141	Net liabilities as at 31 December 2022	11 524

Note 22: Financial instruments

All figures in USD 1 000.

Capital structure

Nordic Semiconductor's strategy relating to its capital structure is to maintain sufficient cash and cash equivalents to meet the Group's requirements for ongoing operations and for new investments. Management believes that it is especially important to retain a strong credit rating and significant liquidity as the Group competes in a global market against larger companies.

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, Nordic may purchase its own shares on the market, pay dividends to shareholders, pay back capital to shareholders or issue new shares.

Nordic Semiconductor targets to have an equity ratio above 50% at all times, measured as total equity divided by total assets.

GROUP			PARENT	
2022	2021		2022	2021
583 544	458 209	Total equity	561 074	440 690
776 241	596 817	Total assets	757 864	584 620
75%	77%	Equity share	74%	75%

Financial assets

The Group holds the following financial assets at amortized cost:

GROUP			PARENT	
2022	2021	Amortized cost	2022	2021
175 120	141 748	Accounts receivable	175 120	141 748
5 562	3 606	Other current receivables	12 989	3 606
280 178	220 171	Cash at bank	270 783	220 171
50 467	—	Short-term bank deposits	50 467	—
511 327	365 526	Total financial assets at amortized cost	509 359	365 526

GROUP			PARENT	
2022	2021	Fair value through profit or loss	2022	2021
48 458	53 259	Money market fund	48 458	53 259
267	—	Currency swap	267	—
48 725	53 259	Total financial assets at fair value through profit or loss	48 725	53 259

Changes in financial assets at fair value through profit or loss:

GROUP			PARENT	
2022	2021		2022	2021
53 259	54 701	As at 1 January	53 259	54 701
1 073	337	Changes in fair value	1 073	337
-5 607	-1 779	Currency translation differences	-5 607	-1 779
48 725	53 259	As at 31 December	48 725	53 259

Financial liabilities

The Group holds the following financial liabilities:

GROUP			PARENT	
2022	2021	Amortized cost	2022	2021
34 229	28 392	Accounts payable	32 335	27 558
86 439	64 215	Other current liabilities	104 918	76 258
14 861	14 281	Non-current lease liabilities	8 711	11 673
6 280	5 594	Current lease liabilities	2 813	3 921
141 809	112 482	Total financial liabilities at amortized cost	148 777	119 410

GROUP			PARENT	
2022	2021	Fair value through profit or loss	2022	2021
—	520	Currency swap	—	520
—	520	Total financial liabilities through profit or loss	—	520

Changes in financial liabilities at fair value through profit or loss:

GROUP			PARENT	
2022	2021		2022	2021
520	302	As at 1 January	520	302
-520	218	Changes in fair value	-520	218
—	520	As at 31 December	—	520

Interest-bearing loans and borrowings:

The Group has long-term revolving credit facilities ("RCF"), which enables it to borrow up to USD 150m any time with an interest rate equal to SOFR + margin. The line of credit expires in June 2025. As of December 31, 2022, Nordic has not drawn on any of the credit lines. The security is provided by inventory, receivables and operating equipment with book values as follows; inventories USD 102m, accounts receivable USD 175m and operating equipment USD 25m.

The following financial covenants are included for the revolving credit facilities:

- Equity ratio shall not be lower than 40 %.

The remainder of the Group's financing is made through short-term, non-interest bearing debt. This financing typically consists of debt to suppliers, the public sector, employees and others. Nordic has entered into a Tenancy Guarantee with Danske Bank as unconditional guarantor for NOK 41.4m for the office in Trondheim and SEK 0.4m for the office in Stockholm. The first warranty is given to secure payments of up to 24 months of rent for the office in Trondheim.

Fair value measurement

The financial instruments that are carried at fair value are revalued on a recurring basis. The financial instruments are not designated at fair value through profit or loss on initial recognition.

In 2022, the Group has investments in these financial assets and liabilities using the following methods and assumptions:

- Term deposit is defined as cash equivalents because the asset is liquid and there is no significant risk of a change in value as a result of an early withdrawal. The asset is remunerated at fixed maturity date and rate, determined in advance.
- Money market fund is defined as cash equivalents because the asset is liquid and not subject to material fluctuations in value. The asset is measured at quoted market price in an active market at the balance sheet date.
- Currency swap represents the present value of the future contractual cash flows. The fixed side is specified in the swap agreement as the agreed currency rate and the floating side is the observable spot exchange rates.

Note 23: Financial risk management

All figures in USD | 000.

The Group's finance department is responsible for carrying out the policies and guidelines for financial risk management approved by the Board.

The Group is mainly exposed to counterparty credit risk, liquidity risk, and market risk (including interest rate risk and foreign currency risk).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivables) and from its financing activities, including foreign exchange transactions, cash and cash equivalents with banks and other financial institutions and other financial instruments.

The Group's sale of components takes place through its distribution partners within defined geographic regions, where Asia is the dominant region. The Group depends on a relatively small number of customers. Customer credit risk is managed by each region subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit evaluation and individual credit limits are defined in accordance with this assessment. Outstanding accounts receivables are regularly monitored and assurance from distributors that end customer sales is secured through letter of credits is obtained.

The Group make an allowances for expected credit losses on receivables based on a provision matrix that is initially based on the historical observed default rates. The Group has calibrated the matrix to adjust the historical credit loss experience with forward-looking information.

Age distribution of customer receivables was:

GROUP			PARENT	
2022	2021	Gross total	2022	2021
143 750	112 399	Not due	143 750	112 399
30 241	29 327	Past due 0-30 days	30 241	29 327
846	68	Past due 31-120 days	846	68
283	190	Over 120 days	283	190
175 120	141 984	Total	175 120	141 984

Historically there has not been any significant credit losses. 82% percent of trade receivables were within terms at the balance sheet date. On that basis, expected credit loss for trade receivables are limited and allowances for doubtful accounts at 31 December 2022 was 0m.

The Group has a limited number of customers, regular contact and long-term relationships with most of its customer base. Some of the customers are dependent on Nordic Semiconductor to stay in business.

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit and loss.

The maximum exposure to credit risk on the balance sheet date was:

GROUP			PARENT	
2022	2021		2022	2021
175 120	141 748	Accounts receivable	175 120	141 748
17 539	11 951	Other current receivables	21 884	11 283
379 104	279 331	Cash and cash equivalents	369 709	273 430
50 467	—	Short-term bank deposits	50 467	—
622 230	433 030	Total	617 180	426 462

The credit risk in table above is diversified over a range of distributors, vendors, and banks.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when due and to close out market positions.

Overall, we monitor cash flows at both Group and entity level. The Group seeks to minimize risk when investing its cash balances and. Investments can only be made in securities which have been approved by the Board.

As of 31 December 2022, cash and cash equivalents amounted to USD 379.1m (USD 279.3m), see note 16 for details. The total balance includes short-term bank deposits at fair value USD 50.5m and money market fund at fair value USD 48.5m.

The Group has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Group has the following due dates with regard to contracts for financial liabilities as of December 31, 2022:

GROUP	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Accounts payable	34 229	34 229	34 229	—	—
Currency swap	—	—	—	—	—
Other current liabilities	136 652	136 652	136 652	—	—
Lease liabilities *)	21 141	23 056	6 639	15 795	622
Total	192 021	193 937	177 520	15 795	622

PARENT	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Accounts payable	32 335	32 335	32 335	—	—
Accounts payable subsidiaries	31 994	31 994	31 994	—	—
Currency swap	—	—	—	—	—
Other current liabilities	120 506	120 506	120 506	—	—
Lease liabilities *)	11 524	12 481	3 003	9 479	—
Total	196 360	197 316	187 838	9 479	—

*)Lease liabilities is mainly office facility rent in Trondheim, lease ending 31 December 2027

Interest rate risk

The Group's liquidity requirements and risk assessment determine its investment strategy and interest rate exposure.

The Group's policy is to maintain a short-term investment horizon for its surplus cash. The investment portfolio should not have an average duration longer than six (6) months.

The Group has a sustainability linked revolving credit facility, which enables it to borrow up to USD 150 million with an interest rate equal to SOFR + margin. The line of credit expires in June 2025, with option to extend. The security for the credit line is provided by inventory, receivables and operating equipment.

If interest rates increase 1 basis point, the negative effect on profit before tax given current utilization of the RCF is USD 0 per year as the credit facility as of December 31, 2022 is not utilized.

Foreign currency risk

The Group is subject to foreign currency risk as it operates internationally with development and commercial activities.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The dominated functional currency for the Group is USD. Nearly all revenues and cost of goods are in USD. However, approximately 45% of the Group's operating expenses (excluding depreciation and amortization) are denominated in NOK and 25% are denominated in EUR. The Group does not use hedging instruments to minimize its exposure to foreign currency risk from operating activities affecting profit and loss.

Below is a sensitivity analysis of changes in the NOK exchange rate on Group balance sheet items, and their impact on profit and loss:

Profit before tax	
NOK exchange rate +/- 10%	+/- 4 038

The tables below show the exposure in sales to foreign currency risk in the most significant currencies:

GROUP	2022			2021		
	Local currency (1,000)	USD (1,000)	Share of total revenue in %	Local currency (1,000)	USD (1,000)	Share of total revenue in %
USD	776 712	776 712	100.0%	610 283	610 283	100.0%
EUR	6	6	—%	175	208	—%
Other	130	16	—%	314	37	—%
Total		776 734	100.0%		610 528	100.0%

PARENT	2022			2021		
	Local currency (1,000)	USD (1,000)	Share of total revenue in %	Local currency (1,000)	USD (1,000)	Share of total revenue in %
USD	777 106	777 106	99.9%	610 528	610 528	99.8%
EUR	356	369	—%	538	636	0.1%
Other	4 532	287	—%	5 163	411	0.1%
Total		777 763	100.0%		611 577	100.0%

The Group uses derivative financial instruments to reduce its exposure to currency exchange rate movements and hold currency swap in relation to fixed income fund investments. Derivatives are not held for speculative purposes.

All derivative financial instruments are recognized as assets and liabilities measured at fair value, and all fair value gains and losses are recognized in profit or loss. Where the fair value of a derivative on initial recognition differs from the transaction price, if any, the difference is recognized immediately in profit or loss only if the fair value is evidenced by a quoted price in an active market or is based on a valuation technique that uses only data from observable markets.

The tables below show the exposure at the end of reporting period in the most significant currencies:

All amounts stated in USD 1000.

GROUP	2022		2021	
	Accounts receivable	Accounts payables	Accounts receivable	Accounts payables
USD	175 120	30 640	141 971	25 140
EUR	—	1 955	—	1 024
NOK	—	1 106	—	1 854
Other	—	528	—	374
Total	175 120	34 229	141 971	28 392

PARENT	2022		2021	
	Accounts receivable	Accounts payables	Accounts receivable	Accounts payables
USD	175 120	30 640	141 971	25 140
EUR	—	499	—	461
NOK	—	1 106	—	1 854
Other	—	90	—	103
Total	175 120	32 335	141 971	27 558

Determination of fair value

As of December 31, 2021 the Group had no financial assets or financial liabilities where there is considered to be a difference between book value and fair value.

Below is an overview of Nordic's financial instruments:

GROUP	2022		2021	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Accounts receivable	175 120	175 120	141 748	141 748
Current financial assets	267	267	—	—
Short-term receivables	17 539	17 539	11 951	11 951
Cash and cash equivalents	379 104	379 104	279 330	279 330
<i>incl. money market fund</i>	48 458	48 458	53 259	53 259
Financial liabilities				
Accounts payable	34 229	34 229	28 392	28 392
Current financial liabilities	—	—	520	302
Other current liabilities	86 439	86 439	64 215	64 215

PARENT	2022		2021	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Accounts receivable	175 120	175 120	141 748	141 748
Current financial assets	267	267	—	—
Short-term receivables	21 884	21 884	11 283	11 283
Cash and cash equivalents	369 708	369 708	273 430	273 430
<i>incl. money market fund</i>	48 458	48 458	53 259	53 259
Financial liabilities				
Accounts payable	32 335	32 335	27 558	27 558
Current financial liabilities	—	—	520	302
Other current liabilities	104 918	104 918	76 258	76 258

Book value is a reasonable estimate of fair value in cases where these numbers are identical.

Note 24: Events after the balance sheet date

During the first quarter 2023, Nordic made a prepayment of USD 100 million related to ongoing initiatives to strengthen supply resilience and diversification.

On February 1, 2023, Nordic received regulatory approval for the acquisition of Mobile Semiconductor. The transaction was closed in March 2023.

No other events have occurred since December 31, 2022 with any significant effect that will impact the evaluation of the submitted accounts.

Note 25: Related party transactions

Nordic Semiconductor ASA, the ultimate parent company of the Group, is listed on Oslo Stock Exchange. The Group has no material transactions with related parties.

The ultimate parent company has transactions with its wholly-owned subsidiaries, see Note 15: Intercompany for further information.

Alternative Performance Measures

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures (APM) that are regularly reviewed by management to enhance the understanding of the Group's performance. An Alternative Performance Measure is a measure of historical or future financial performance, financial position, or cash flows other than those defined or specified in the applicable financial reporting framework. The Group has identified the following APMs used in reporting (amounts in USD million).

Gross margin is presented as it is the main financial KPI to measure the Group's operations performance.

- Gross Margin. Gross Profit divided by Total Revenue.

GROUP	2022	2021
Gross profit	436.8	326.6
Total revenue	776.7	610.5
Gross margin	56.2%	53.5%

EBITDA terms are presented as they are commonly used by investors and financial analysts.

- EBITDA is Earnings before interest, taxes, depreciation and amortization.

GROUP	2022	2021
Operating profit	161.6	86.9
Depreciation	44.1	37.8
EBITDA	205.7	124.7

- EBITDA margin. EBITDA divided by Total Revenue.

GROUP	2022	2021
EBITDA	205.7	124.7
Total revenue	776.7	610.5
EBITDA Margin	26.5%	20.4%

Total Operating Expenses and Cash Operating Expenses. Nordic management believes that this measurement best captures the difference in expenses impacting the cost compared to cash flow of the Group.

- Total Operating Expenses. Sum of payroll expenses, other operating expenses, depreciation and amortization.
- Cash Operating Expenses. Total payroll and other operating expenses adjusted for non-cash related items including option expenses, receivable write-off and capitalization of development expenses.

GROUP	2022	2021
Payroll expenses	161.4	149.8
Other operating expenses	69.7	52.1
Depreciation	44.1	37.8
Total operating expenses	275.2	239.7
Depreciation	-44.1	-37.8
Option expense	-7.8	-7.6
Capitalized expenses	6.5	5.6
Cash operating expenses	229.7	200.1

Order backlog. Customer orders placed by the end of the reporting period for delivery in later quarters. In a normal supply situation, where supplies are not constrained, order backlog is a leading indicator of revenue in the coming 2 quarters. Since early 2021 we are in a supply constrained situation, therefore order backlog is well beyond 2 quarters, and hence order backlog is not an appropriate guide for revenue but it is retained as an APM for consistency.

Adjusted EBITDA and Adjusted EBITDA margin. This APM shows Nordic's profitability excluding products in an investment phase with limited revenue

- EBITDA excluding cellular IoT, divided by Total revenue excluding cellular IoT revenue.

GROUP	2022	2021
Reported EBITDA	205.7	124.7
Long range (cellular IoT) EBITDA loss	41.4	38.5
Wi-Fi expense	15.1	12.3
Adjusted EBITDA	262.2	175.6
Total revenue (excluding cellular IoT revenue)	751.4	593.5
Adjusted EBITDA margin	34.9%	29.6%

LTM opex to LTM revenue. Nordic's business is seasonal and by dividing last twelve months operating expenses excl. depreciation by last twelve months revenue, management is able to track cost level trends in relation to revenue. As a growth business it is key to keep cost level under control while still growing the business, and this ratio keeps track on that.

- Last twelve months operating expenses excluding depreciation divided by last twelve months revenue.

GROUP	2022	2021
Total operating expenses	275.2	239.7
Depreciation	-44.1	-37.8
Operating expenses excluding depreciation and amortization	231.1	201.9
Total revenue	776.7	610.5
LTM opex / LTM revenue	29.8%	33.1%

Net working capital is a measure of both a company's efficiency and its short-term financial health, and by dividing the measure by last twelve months, seasonal effects are excluded. Nordic management uses this ratio to report on liquidity management to the financial market and internally to track performance.

- Net working capital divided by last twelve months revenue.

GROUP	2022	2021
Current assets	674.1	488.0
Cash and cash equivalents	-379.1	-279.3
Current liabilities	-177.2	-123.7
Current financial liabilities	0.0	0.5
Current lease liabilities	6.3	5.6
Income taxes payable	43.8	17.4
Net working capital	167.9	108.4
Total revenue	776.7	610.5
NWC / LTM revenue	21.6%	17.8%

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Responsibility Statement

Responsibility Statement

The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for 2022 have been prepared in accordance with current accounting standards and give a true and fair view of the parent company and the Group's assets, liabilities, financial position and results of the operations.

Oslo, March 17, 2023



Jan Frykhammar
Board member




Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Sverre Tore Larsen
Chief Executive Officer



Endre Holen
Board member



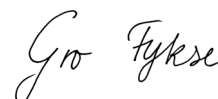
Øyvind Birkenes
Board member



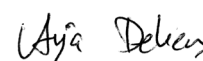
Jon Helge Nistad
Board member, employee



Annastiina Hintsa
Board member



Gro Fykse
Board member, employee



Anja Dekens
Board member, employee



Morten Dammen
Board member, employee



06

Audit opinion letter



To the General Meeting of Nordic Semiconductor ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic Semiconductor ASA, which comprise:

- the financial statements of the parent company Nordic Semiconductor ASA (the Company), which comprise the statement of financial position as at 31 December 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Nordic Semiconductor ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, and the income statement, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 24 April 2019 for the accounting year 2019.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's activities are largely unchanged compared to the prior year, and there have not been any changes to laws and regulations, transactions or events which could have a significant impact on the financial statements as a whole. *Revenue Recognition – Ship and Debit Provision* carries the same characteristics and risks this year, and consequently continues to be in our focus for the 2022 audit.

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue Recognition – Ship and Debit Provision Revenue from contracts with customers is recognized when control of the goods is transferred to the customer (distributor). The time of delivery, and the time where control of goods is transferred, is usually the time when the goods are transferred to the transport carrier. When a distributor sells components to specified customer accounts, the distributor receives an additional discount after the sale is made, commonly known as a "Ship and Debit" discount. The Group uses the expected value method for calculating the discount. The calculation of discounts, through the use of the expected value method, takes into account historical discounts to each distributor, the distributors' inventory level at the balance sheet date and the expected sales mix. An estimated Ship and debit discount is recognised in the financial statements, reducing revenue and increasing liabilities with USD 30 694 thousand as at 31 December 2022. Due to the amounts involved and the application of management judgement, we have determined ship and debit provision to be a key audit matter. Refer to note 2.2, note 2.4 and note 3.3 where management explains the Group's revenue recognition policy, including significant judgements, estimates and assumptions, and the recorded ship and debit provision.	We assessed the Group's revenue recognition policy, including revenue recognition for ship and debit sales, against IFRS requirements based on underlying agreements on distributor Ship and Debit discounts. Furthermore, we obtained an understanding of management's process for estimating the ship and debit provision and reviewed a sample of distributor sales agreements. We performed a retrospective review of the outcome of management's prior year estimates by comparing actual discounts in 2022 to the prior year ship and debit provision. We also performed a retrospective review of the monthly ship and debit provisions throughout 2022 and compared the monthly discount provision levels to actual ship and debit discount levels. We compared the estimated ship and debit provision as at the balance sheet date to historical discount levels, and challenged management, through discussions, on the estimated discounts per distributor. We tested the mathematical accuracy of the calculation of the provision. We also obtained the actual ship and debit claims in January 2023 and compared the ship and debit level to the ship and debit provision at the balance sheet date. Based on our audit procedures we found management's assumptions to be reasonable. We also assessed the information in note 2.2, note 2.4 and note 3.3 and found it appropriate.



Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Directors' report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The



risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Revisjonsberetning

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Nordic Semiconductor ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name nordicsemi-2022-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 17 March 2023
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant
(This document is signed electronically)

Signers:

Name	Method	Date
Nilsen, Eivind	BANKID	2023-03-17 09:40



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07

Appendices

TCFD Index			
Governance	a) Describe the board's oversight of climate-related risks and opportunities	The Board of directors shall ensure that considerations of sustainability, hereunder climate & environmental matters, are closely linked with the company's activities and value creation. The overall responsibility for oversight lies with the Board itself. In addition, the Nordic Board of Directors established a Sustainability Committee in 2022, assisting the Board in overseeing Nordic's overall integration of sustainability in the value creation of the Group as well as the defined ESG criteria that measure our sustainable performance. The committee handles ESG issues, focusing on climate and environmental topics and how Nordic products and services are used in solutions for climate change and other sustainability-related applications. The committee reviews climate-related initiatives and Climate-related KPIs approval (i.e. both planned and achieved GHG emission reduction targets).	Governance chapter , and its sub-chapters: Governing Structure, Managing Sustainability Nordic 2022 CDP Climate Change report C1.1b
	b) Describe management's role in assessing and managing climate-related risks and opportunities	On a Nordic management level, the ESG Committee supports our CEO in developing and maintaining the Group's sustainability framework and driving a holistic and aligned approach to sustainability across Nordic. The ESG Committee is chaired by the SVP Legal & Compliance. It consists of EMT members with dedicated functional responsibilities within the ESG sphere: SVP QA, EVP Supply Chain, EVP People & Communication, EVP Product Management, EVP Finance, and SVP Investor Relations. The functional responsibilities follow the principle of integrating sustainability across business functions, and subject matter expertise to ensure proximity to the right competencies, key stakeholders, and relevant business processes.	Governance chapter , and its sub-chapters: Governing Structure, Managing Sustainability Nordic 2022 CDP Climate Change report C1.2, C1.2a

Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	<p>Short-term: 0 – 3 years Medium-term: 3 – 6 years Long-term: 6 – 10 years</p> <p>Timespan categorization is made according to our business sensitivity to climate change, the need for a shift in strategy, and the pace of arising climate change scenarios.</p>	<p>Nordic 2022 CDP Climate Change report C2.1, C2.2b, C2.2c, C2.3 C2.3a, C2.4, C2.4a</p>
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	<p>Climate-related risks and opportunities have influenced Nordic Semiconductor's strategy in four areas:</p> <ul style="list-style-type: none"> • Influence on products & services: Initiating a renewable energy program and financial planning to cover manufacturing GHG emissions by purchasing I-RECs. This responds to the market's preference for low-emissions production and risk. Further, our climate strategy includes establishing Science Based GHG emission targets in collaboration and support from the Science Based Target Initiative (SBTi). • Influence on Supply chain and/or value chain: Climate change factors present an important risk identified by the sustainability/environment discipline. Climate-related risks with considerable probability-impact weight have been included in enterprise risk assessment. Such risks (such as acute/chronic physical events, market behavior, and transitional risks) have driven our strategy and approaches to these risks/opportunities. As a fabless company with subcontractors located in Asia, our key measure is to second-source vital components in order to mitigate acute physical risks. • Influence on R&D investments: As an IoT technology enabler and supporter, Nordic is committed to promoting better environmental and climate-friendly performance in our markets. In response to the recent push to take action on climate change and risk assessment outcomes, we have initiated a sustainability program to offer sustainable products with minimal negative environmental and climate impact. We have developed innovative products that support this mission, such as cloud services that enable remote industrial control, reducing the need for travel to conduct on-site tests. Additionally, we offer evaluation kits that support IoT products with a positive climate-related impact. • Influence on Operations: Nordic has conducted a risk assessment of our different business aspects, which has resulted in identifying potential actions related to climate change in our operations. As our operations are limited to R&D, sales, and administration within our offices, we have developed a strategy to eliminate 100% of emissions from our electricity consumption by 2025. To achieve this goal, we initiated a renewable energy program in 2020. 	<p>TCFD reporting chapter</p> <p>Nordic 2022 CDP Climate Change report C2.3a, C2.4a, C2.5, C2.6, C3.1</p>
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>Nordic Semiconductor established a GHG emission program in 2020 for all scopes 1, 2, and 3. A key KPI for 2023 is to validate net-zero GHG emission targets with the Science Based Targets initiative (SBTi) to ensure a resilient transition plan aligned with the 1.5-degree Paris Agreement objective. Nordic's GHG emission net-zero targets for Scopes 1 and 2 currently exceed SBTi criteria.</p>	<p>TCFD reporting chapter</p> <p>Nordic 2022 CDP Climate Change report C3.1a, C3.1d</p>

Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks	Climate Change related risks (and opportunities) are identified and evaluated (in categories: current/emerging regulations, technology, legal, market, reputation, acute physical, chronic physical) by entering the risk assessment process. For group management risk assessments, a non-linear scale is used to deem financial and strategic impacts ranging from 1 (Insignificant) to 5 (Catastrophic). This scale defines criteria and definitions for each impact rating within different impact categories: Financial, Reputational, Climate and Environment, and People or Property.	Nordic 2022 CDP Climate Change report C2.2b, C2.2c
	b) Describe the organization's processes for managing climate-related risks	Related risks to climate change have been identified in the TCFD reporting chapter . To exemplify the risk management process, acute physical risks, such as droughts, typhoons, or storms, specifically apply to our critical manufacturing suppliers in Southeast Asia. Tropical cyclones (i.e., hurricanes, typhoons, and resulting floods) are becoming increasingly frequent. A potential disaster could impact our wafer supplier, TSMC, in Taiwan, leading to reduced production capacity. It is estimated that an incident causing one month's downtime/delay in wafer production at TSMC could cause a significant reduction in annual revenue, which corresponds to a Moderate impact (3). The probability of such an event is considered "as likely as not" (3) in the short-term. Long-term risk has increased based on changing patterns and the frequency of storms in that region. The combination (3×3=9) of the probability and impact suggests a risk mitigation reaction strategy. In this case, Nordic Semiconductor has secured buffer stock to reduce the potential impact of such events. We also communicate closely with our suppliers to ensure their business continuity plans are sufficient for such events. Furthermore, a mix of working with our suppliers' contingency plans, second-sourcing, and insurance will reduce risk to an acceptable level.	TCFD reporting chapter Nordic 2022 CDP Climate Change report C2.2b, C2.2d
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	The identification, assessment and management of climate related risks is an integrated part of the company's Corporate Risk Management framework with the aim to proactively identify and manage risks that may impact our ability to deliver on our strategic objectives. The outcome of our climate-related risk assessment, including probability, and impact forms an integral part of the company's corporate risk report. The Board of Directors oversees risk management through bi-annual reviews, as well as on an ongoing basis in relation to specific projects or other matters of regular business. The Executive Management Team and the defined risk functions are accountable for implementing the necessary risk-mitigating measures in the relevant parts of the organization.	Risk management section Nordic 2022 CDP Climate Change report C2.2

Metrics and Targets	a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process	Nordic reports climate-related metrics in our annual reporting. See the Environment chapter for GHG emission scope 1, 2, and 3 data.	Environment chapter
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Refer to the Environment chapter for disclosure on emissions.	Environment chapter
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<p>ESG-related KPIs, with the potential for incentives, are set for the Executive Management Team (EMT) members as well as specific positions reporting to EMT members of Nordic Semiconductor ASA. Specific GHG emission targets, and related KPIs are listed and described below.</p> <p>Targets for 2022:</p> <ul style="list-style-type: none"> • Scope 2 emission reduction by 50% vs 2021 - achieved (54.7 % reduction) • Scope 3 emission reduction by 20% vs 2021 - achieved (21.5 % reduction) <p>Annual KPIs (Targets for 2023):</p> <ul style="list-style-type: none"> • Reduce GHG emission generated from air travel by 50% compared to 2019 • Reduce Scope 2 GHG emission by 50% compared to 2022. • Validate and commit to new climate targets with the science-based target initiative (SBTi) within 2023 • Offset Scope 3 GHG emission intensity to ensure 40% reduction of emission/revenue vs 2020. 	Environment chapter

GRI Index

GRI Standard	Standard disclosure	Nordic response
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	2-1 A-C: See Disclosures: Note 1.1 Corporate Information for legal name, nature of ownership and legal form, and headquarter address. 2-1 B: See Report from the Board of Directors for a list of countries of operation.
	2-2 Entities included in the organization's sustainability reporting	2-2 A: See Disclosures: Note 13 Subsidiaries . 2-2 B: All subsidiaries shall be included in the sustainability reporting where the same data collection and assimilation methodologies are applied unless specified otherwise. 2-2 C: All subsidiaries are included in the sustainability reporting, as stated above, except for offices with fewer than 10 employees, which are excluded from Scope 2 GHG emission reporting by default.
	2-3 Reporting period, frequency and contact point	2-3 A-B: See Sustainability review 2-3 C: To be published on the 20th of March, 2023. 2-3 D: ESG Reporting Specialist: Martin.Bjerkmo@nordicsemi.no
	2-4 Restatements of information	2-4 A: No restatements have been made in the reporting period.
	2-5 External assurance	2-5 A: At the time of reporting, Nordic Semiconductor does not have a policy in place which covers external assurance of sustainability reporting. 2-5 B: At the time of reporting, Nordic Semiconductor's sustainability reporting has not been externally assured.
	2-6 Activities, value chain and other business relationships	2-6 A: See Strategy and ambitions 2-6 B-C: See Responsible supply chain 2-6 D: No significant changes compared to previous reporting period
	2-7 Employees	2-7 A: See 2-7 A: Diversity, equity & inclusion , Disclosures: Note 9: Payroll expenses 2-7 B-E: See the Social chapter Omission: Nordic does not currently have complete data available for for all required indicators.
	2-8 Workers who are not employees	2-8 A: i. Workers who are not classified as employees are mainly contractors. Contractors: By year-end 2022, Nordic had 70 contractors, of whom 43 joined during 2022. The gender split was 86% male and 14% female, which is consistent with the overall gender split within the Group. Nordic also hires workers through Professional Employer Organizations (PEOs) in countries where the Group does not have legal entities. This means the PEO is the employer of record, performing employee administration tasks such as payroll and benefits administration, on behalf of Nordic. By year-end 2022, Nordic had 18 workers through PEOs, 10 male (56%) and 8 female (44%). ii. Workers who are not classified as employees are typically engaged by Nordic to provide required expertise and capacity in certain technologies and/or defined projects. 2-8 B-C: See the Social chapter
	2-9 Governance structure and composition	2-9 A: See the Governance chapter 2-9 B: See Managing sustainability in Nordic 2-9 C: See the Governance chapter, 2-9 C: viii. Stakeholder representation: the Board of Directors consist of 4 employee elected representatives while shareholders elect 7 representatives.

	2-10 Nomination and selection of the highest governance body	2-10 A-B: See the Governance chapter
	2-11 Chair of the highest governance body	2-11 A-B: The chairman of Nordic is not an executive officer. See Board of Directors' report in relation to the Norwegian Code of Practice for Corporate governance
	2-12 Role of the highest governance body in overseeing the management of impacts	2-12 A-B: See the Governance chapter
	2-13 Delegation of responsibility for managing impacts	2-13 A-B: See the Governance chapter
	2-14 Role of the highest governance body in sustainability reporting	2-14 A-B: The annual report 2022, including the sustainability reporting, has been reviewed and approved by the Board of Directors.
	2-15 Conflicts of interest	2-15 A: See Board of Directors' report in relation to the Norwegian Code of Practice for Corporate governance . The Rules of Procedure of the Board of Directors stipulates requirements related to disclosing and managing potential conflict of interests, as well as for primary insiders.
	2-16 Communication of critical concerns	2-16 A: CEO reports about critical concerns to the Board of Directors on a running basis when relevant. Compliance Officer reports on status on compliance matters, including reported matters and critical concerns on a regular basis to the Audit Committee. 2-16 B: See Governance chapter , Governance performance overview for numbers of reports made through whistleblower channel and how they have been investigated and resolved.
	2-17 Collective knowledge of the highest governance body	2-17 A: See Managing sustainability in Nordic . The various committees of Nordic have regular knowledge exchanges on various sustainability topics and are thus kept abreast of the latest matters regarding Nordic's sustainability initiatives and relevant projects. Further, the committees are regularly updated on the latest changes concerning sustainability reporting, regulations, and requirements.
	2-18 Evaluation of the performance of the highest governance body	See the Governance chapter . The Rules of Procedure of the Board of Directors stipulates that the Board, and each of its committees conduct an annual self-performance evaluation to determine whether the Board and each of its committees are functioning effectively in overseeing the management of the organization's impact.
	2-19 Remuneration policies	See Board of Directors' report in relation to the Norwegian Code of Practice for Corporate governance , Disclosure: Note 10.1: Management remuneration , Remuneration guidelines and policy
	2-20 Process to determine remuneration	See Remuneration Report . Key remuneration decisions are made by the Board of Directors. The Board People & Compensation Committee (PCC) operates as a preparatory committee for the Board in matters concerning remuneration. The PCC reviews, analyzes, discusses, evaluates and recommends remuneration principles and decisions to the Board. The Board of Directors provides a Remuneration Report as well as a Remuneration Policy and Guideline for the Board of Directors and Senior Executive Management to the Annual General Meeting for advisory votes. The votes of the annual general meeting are made available as part of the minutes from the annual general meeting on the Company's website.

	2-21 Annual total compensation ratio	<p>2-21 A-B: See Social performance overview.</p> <p>2-21 C: The data has been compiled using total compensation figures for all employees based in Norway, and total compensation for the highest-paid individual (the CEO), which represents a total annual compensation ratio of 10.23, with an annual percentage increase of 11%. The process to obtain data for calculating the median employees for all countries of operations will commence, and be included in reporting once obtainable.</p>
	2-22 Statement on sustainable development strategy	See Message from the CEO , Sustainability review , Managing sustainability in Nordic , Responsible Supply chain
	2-23 Policy commitments	<p>2-23 A: Nordic Semiconductor has committed to conducting business in a way that respects and supports internationally proclaimed human and labor rights, as defined by the International Bill of Rights and the International Labor Organization (ILO) Fundamental Principles and Rights at Work, by preventing and mitigating negative impacts and by driving continuous improvement. Nordic has established a human rights due diligence framework based on OECD's Guidelines for Multinational Enterprises to operationalize our commitment to safeguarding human and labor rights. Further, Nordic is committed to the ten principles of the UN Global Compact. For further information, see Managing sustainability in Nordic.</p> <p>2-23 B: See Responsible supply chain, Human rights and labor rights</p> <p>2-23 C-F: See Nordic's Policies and Statements and the description in each respective policy</p>
	2-24 Embedding policy commitments	See Nordic's public policies and statements on the Nordic website and the compliance & integrity chapter for general information.
	2-25 Processes to remediate negative impacts	2-25 A-E: Nordic engages in stakeholder dialogue to identify negative impacts from its activities and business relationships and to identify necessary remediating actions. Nordic has established a human rights due diligence framework to remediate negative impacts concerning human and labor rights. See response to 2-23 A for further information. In addition, Nordic has established a whistleblowing channel where any suspected incidents of misconduct can be reported. For details, see the responsible supply chain and the compliance & integrity chapter.
	2-26 Mechanisms for seeking advice and raising concerns	2-26 A: Nordic has established a whistleblowing channel where any suspected incidents of misconduct can be reported. For details, see the responsible supply chain and the compliance & integrity chapter.
	2-27 Compliance with laws and regulations	<p>2-27 A: The company is not aware of any significant instances of non-compliance with laws and regulations during the reporting period. Hence, no fines nor non-monetary sanctions incurred during the reporting period.</p> <p>2-27 B: Not applicable.</p>
	2-28 Membership associations	Member of Bluetooth SIG , Connectivity Standard Alliance

	2-29 Approach to stakeholder engagement	<p>See overview table below with examples from stakeholder dialogue:</p> <table><tr><th>Stakeholders</th><th>Stakeholder dialogue examples</th></tr><tr><td>Investors</td><td><ol style="list-style-type: none">1. Quarterly reporting2. Annual report3. Direct contact4. Annual general meeting5. Capital Market day</td></tr><tr><td>Customers and distributors</td><td><ol style="list-style-type: none">1. Direct contact2. Nordic Semiconductor webpage3. Nordic Semiconductor Developer Zone4. Customer surveys5. Participation on exhibitions and seminars6. Customer Audits7. Contractual binding Codes of Conduct</td></tr><tr><td>Employees</td><td><ol style="list-style-type: none">1. Daily contact2. Performance reviews3. Employee satisfaction survey4. Nordic Semiconductor intranet5. Quarterly reporting meetings6. Employee unions and representatives7. Exit interviews8. Whistleblower channel</td></tr><tr><td>Subcontractors</td><td><ol style="list-style-type: none">1. Quarterly performance reviews2. Supplier audits3. Yield improvement and waste reduction projects4. Supplier qualification</td></tr><tr><td>Authorities</td><td><ol style="list-style-type: none">1. Legislative requirements2. Audits3. Authorities advisory functions4. Newsletter monitoring</td></tr><tr><td>Community and public</td><td><ol style="list-style-type: none">1. Press releases2. Business presentations at educational institutions</td></tr><tr><td>Non-profitable organizations</td><td><ol style="list-style-type: none">1. Regular Standards announcements Press releases2. Newsletter and subscriptions monitoring Press releases3. Business presentations at educational institutions</td></tr></table> <p>In addition, see the Environment, Social, and Governance chapters</p>	Stakeholders	Stakeholder dialogue examples	Investors	<ol style="list-style-type: none">1. Quarterly reporting2. Annual report3. Direct contact4. Annual general meeting5. Capital Market day	Customers and distributors	<ol style="list-style-type: none">1. Direct contact2. Nordic Semiconductor webpage3. Nordic Semiconductor Developer Zone4. Customer surveys5. Participation on exhibitions and seminars6. Customer Audits7. Contractual binding Codes of Conduct	Employees	<ol style="list-style-type: none">1. Daily contact2. Performance reviews3. Employee satisfaction survey4. Nordic Semiconductor intranet5. Quarterly reporting meetings6. Employee unions and representatives7. Exit interviews8. Whistleblower channel	Subcontractors	<ol style="list-style-type: none">1. Quarterly performance reviews2. Supplier audits3. Yield improvement and waste reduction projects4. Supplier qualification	Authorities	<ol style="list-style-type: none">1. Legislative requirements2. Audits3. Authorities advisory functions4. Newsletter monitoring	Community and public	<ol style="list-style-type: none">1. Press releases2. Business presentations at educational institutions	Non-profitable organizations	<ol style="list-style-type: none">1. Regular Standards announcements Press releases2. Newsletter and subscriptions monitoring Press releases3. Business presentations at educational institutions
Stakeholders	Stakeholder dialogue examples																	
Investors	<ol style="list-style-type: none">1. Quarterly reporting2. Annual report3. Direct contact4. Annual general meeting5. Capital Market day																	
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Employees	<ol style="list-style-type: none">1. Daily contact2. Performance reviews3. Employee satisfaction survey4. Nordic Semiconductor intranet5. Quarterly reporting meetings6. Employee unions and representatives7. Exit interviews8. Whistleblower channel																	
Subcontractors	<ol style="list-style-type: none">1. Quarterly performance reviews2. Supplier audits3. Yield improvement and waste reduction projects4. Supplier qualification																	
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	2-30 Collective bargaining agreements	See Diversity, equity & inclusion																

Material topics																														
GRI 3: Material Topics 2021	3-1 Process to determine material topics	<p>3-1 A: See the Sustainability review and the illustration below:</p> <div><div>Relevant topics</div><div>Material topics</div><div>Priorities</div><div><div>Scope</div><div>Materiality</div><div>Risk & Opportunity</div><div>Programs</div></div></div> <p>3-1 B: Identifying and selecting material topics is a cross-organizational effort in which various subject matter experts (SME) participate. This includes SMEs from the quality, human resources, legal and compliance, and various other units and functions that have been part of the process. In addition, external stakeholders influence the process, and a list of such stakeholders can be referenced above in 2-29 Approach to stakeholder engagement.</p>																												
	3-2 List of material topics	<p>3-2 A: See the list of material topics below:</p> <table><tr><th>Material topic</th><th>Description</th></tr><tr><td>Anti-corruption & integrity</td><td>Anti-corruption and general business ethics</td></tr><tr><td>Data privacy</td><td>Protection of personal data and upholding individuals privacy rights</td></tr><tr><td>Diversity, equity & inclusion</td><td>Diversity in employee workforce, and non-discrimination</td></tr><tr><td>Employee engagement</td><td>Employee engagement score, support from management, support from peers, and mental/physical well-being</td></tr><tr><td>GHG emission/climate change</td><td>Emission of climate gasses from direct or indirect operations</td></tr><tr><td>Hazardous substances</td><td>Hazardous substances management in the manufacturing process.</td></tr><tr><td>Health & Safety</td><td>Occupational health and safety</td></tr><tr><td>Human capital development</td><td>Recruitment, training, competency development, leadership development, career development and challenging tasks</td></tr><tr><td>Human rights and labor rights</td><td>Modern slavery, Child labor, Conflict minerals</td></tr><tr><td>Information security</td><td>Protection of information's confidentiality, integrity, and availability</td></tr><tr><td>Product energy efficiency</td><td>Energy efficiency of Nordic's products, services, and solutions</td></tr><tr><td>Product security</td><td>Product security for Nordic's products, including software services that enable our customers to develop highly secure products</td></tr><tr><td>Resource reduction</td><td>Plastic reduction, ECO design, Green procurement</td></tr></table> <p>3-2 B: For the 2022 review of material topics, 3 topics where added, including; Employee engagement, Product energy efficiency, and Product security. In addition, the material topic Diversity & inclusion was expanded to include Diversity, equity, & inclusion. The material topic of Privacy was amended to Data privacy.</p>	Material topic	Description	Anti-corruption & integrity	Anti-corruption and general business ethics	Data privacy	Protection of personal data and upholding individuals privacy rights	Diversity, equity & inclusion	Diversity in employee workforce, and non-discrimination	Employee engagement	Employee engagement score, support from management, support from peers, and mental/physical well-being	GHG emission/climate change	Emission of climate gasses from direct or indirect operations	Hazardous substances	Hazardous substances management in the manufacturing process.	Health & Safety	Occupational health and safety	Human capital development	Recruitment, training, competency development, leadership development, career development and challenging tasks	Human rights and labor rights	Modern slavery, Child labor, Conflict minerals	Information security	Protection of information's confidentiality, integrity, and availability	Product energy efficiency	Energy efficiency of Nordic's products, services, and solutions	Product security	Product security for Nordic's products, including software services that enable our customers to develop highly secure products	Resource reduction	Plastic reduction, ECO design, Green procurement
Material topic	Description																													
Anti-corruption & integrity	Anti-corruption and general business ethics																													
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Product energy efficiency	Energy efficiency of Nordic's products, services, and solutions																													
Product security	Product security for Nordic's products, including software services that enable our customers to develop highly secure products																													
Resource reduction	Plastic reduction, ECO design, Green procurement																													
	3-3 Management of material topics	Each respective sub-chapter of the Environment , Social , and Governance chapters corresponds to each identified material topic, which includes, where relevant, a description of the topic, its impacts, relevant policies, actions taken, and associated metrics and targets.																												

Anti-corruption & Integrity		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	The assessment of the potential of risks and relevant mitigation activities related to corruption or bribery is part of the Company's Corporate Risk Management framework, and is as such performed on a semi-annual basis. For general information regarding anti-corruption and integrity, see the Compliance & Integrity chapter and the publicly available information regarding Nordic's Anti-Corruption Program . Our anti-corruption policy is communicated to new employees as part of onboarding, and relevant guidance is part of our Employee Handbook. We aim to provide relevant and targeted training to enable our employees to make sound ethical decisions. An introduction course to Compliance & Integrity is provided to all new employees. Nordic require all Tier 1 suppliers to commit to the Code of Conduct of the Responsible Business Alliance. The company is not aware of any confirmed incidents of corruption involving the company, including its employees during the reporting period. No public legal causes regarding corruption has been brought against the organization during the reporting period.
	205-2 Communication and training about anti-corruption policies and procedures	
	205-3 Confirmed incidents of corruption and actions taken	
Data Privacy / Information security		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	For general information regarding data privacy and personal data protection, see the Compliance & Integrity chapter and the publicly available information regarding Nordic's Product security vulnerabilities and management process for product vulnerabilities which may be relevant to data privacy matters. 418-1 A: See the Governance performance overview . 418-1 B-C: No such incidents occurred during the reporting period.
Diversity, equity & inclusion		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	See the Social chapter
	405-2 Ratio of basic salary and remuneration of women to men	See the Social chapter

GHG emission/climate change																																																								
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	305-1-305-5: See the Environment chapter <table><tr><th>Benefits</th><th>Permanent employees</th><th>Temporary employees (not students)</th><th>Students¹</th><th>Contractors</th><th>Interns</th></tr><tr><td>Life insurance</td><td>Yes</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr><tr><td>Health care</td><td>Yes</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr><tr><td>Critical illness</td><td>Yes</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr><tr><td>Disability and invalidity coverage</td><td>Yes</td><td>No</td><td>No</td><td>No</td><td>No</td></tr><tr><td>Occupational injury insurance</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td></tr><tr><td>Parental leave²</td><td>Yes</td><td>No</td><td>No</td><td>No</td><td>No</td></tr><tr><td>Retirement provision</td><td>Yes</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr><tr><td>Stock ownership</td><td>Yes</td><td>No</td><td>No</td><td>No</td><td>No</td></tr></table> ¹ Students are covered by the applicable insurances when working 20% or more ² Parental leave includes benefits exceeding statutory benefits	Benefits	Permanent employees	Temporary employees (not students)	Students ¹	Contractors	Interns	Life insurance	Yes	Yes	Yes	No	Yes	Health care	Yes	Yes	Yes	No	Yes	Critical illness	Yes	Yes	Yes	No	Yes	Disability and invalidity coverage	Yes	No	No	No	No	Occupational injury insurance	Yes	Yes	Yes	Yes	Yes	Parental leave ²	Yes	No	No	No	No	Retirement provision	Yes	Yes	Yes	No	Yes	Stock ownership	Yes	No	No	No	No
Benefits	Permanent employees		Temporary employees (not students)	Students ¹	Contractors	Interns																																																		
Life insurance	Yes		Yes	Yes	No	Yes																																																		
Health care	Yes		Yes	Yes	No	Yes																																																		
Critical illness	Yes		Yes	Yes	No	Yes																																																		
Disability and invalidity coverage	Yes	No	No	No	No																																																			
Occupational injury insurance	Yes	Yes	Yes	Yes	Yes																																																			
Parental leave ²	Yes	No	No	No	No																																																			
Retirement provision	Yes	Yes	Yes	No	Yes																																																			
Stock ownership	Yes	No	No	No	No																																																			
	305-2 Energy indirect (Scope 2) GHG emissions																																																							
	305-3 Other indirect (Scope 3) GHG emissions																																																							
	305-4 GHG emissions intensity																																																							
	305-5 Reduction of GHG emissions																																																							
	305-6 Emissions of ozone-depleting substances (ODS)	Omission: During the reporting period, Nordic did not directly contribute to any emissions of ODS. Further Nordic does not currently have complete data available for ODS emissions stemming from its manufacturing suppliers, where CFC and HCFC emissions, etc, are relevant.																																																						
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	See the Environment chapter for a general description of air pollution and its relevancy and direct impact on Nordic's operations. Omission: During the reporting period, Nordic did not directly contribute to any air emissions. Further Nordic does not currently have complete data available for air emissions stemming from its manufacturing suppliers, where NOx and SOx emissions, etc, are relevant.																																																						

Health & Safety / Hazardous substances		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	<p>403-1 A: Nordic's occupational health & management system is based on the ISO Standard ISO 45001 Occupational Health and Safety Management Systems and the Norwegian Working Environment Act (the scope of the certification itself is limited to activities in Norway). The ISO 45001 certification scope covers also Finland activities.</p> <p>403-1 B: Nordic has implemented a management system to improve employees' working conditions continuously. These activities include risk assessments, employee satisfaction surveys, improvement programs, training, and occupational health services. For our highest risk elements, adequate emergency plans are defined and rehearsed. For further general information, see the Health & Safety chapter</p>
	403-2 Hazard identification, risk assessment, and incident investigation	<p>403-2 A: The working environment committee (AMU) is responsible for providing guidelines on OHS and has implemented an OHS policy and principles. Further, local OHS committees have been established for specific offices where legally required. The AMU consist of employees trained in health and safety. The AMU covers other offices that do not have such local OHS committees. One of the key responsibilities of the OHS committees is to identify potential work-related risks concerning changes in the organization or the workplace and initiate measures to reduce risks when relevant. Further, it shall communicate and cooperate with local employees/employee representatives to ensure that workers' views and perspectives are given due consideration in managing changes, decisions, and risks related to the health and safety of the company's employees.</p> <p>403-2 B: Nordic employees are encouraged to report such incidents by utilizing the OHS non-conformity reporting channel. The non-conformity reporting system shall ensure that any issue, whether a non-conformity, incident, or near-incident, is analyzed and dealt with, including those related to OHS work. Proposals for changes and improvements pertaining to occupational health and safety for people working under company control are registered in the non-conformity system under the category OHS. Safety representatives are responsible for registering and following up on OHS-related nonconformities and proposed improvements. Where applicable, local OHS Committees assess and follow up the initiatives. The OHS non-conformity reporting system enables employees to i. Address reported incidents or near-incidents, and ii. Anticipate potential health and safety hazards through inspections and continuous improvement. A report can be registered using one of the following approaches:</p> <ol style="list-style-type: none"> 1. Reporting directly to your nearest leader (who will address this with the OHS organization). 2. Reporting to your safety representatives (site specific). 3. Reporting to the HR department. 4. Reporting directly in the Non-conformity register. <p>Incidents are recorded and handled according to Nordic's internal procedure "7.3 Continuous improvement and Non-conformity handling guideline". Incidents shall also be reported to local authorities according to applicable regulations. Other stakeholders, such as building owners and company management, shall be involved as relevant or explicitly described in OHS non-conformity reporting. Further, The AMU shall at annual basis perform hazard identification and risk assessment to determine the need for controls and improvement actions. Every third year, a more thorough hazard evaluation shall be performed. The risk assessment shall consider all parts of organization's activities. Risk assessments are archived and available for all employees.</p> <p>403-2 C: All employees are protected from any reprisal when reporting or raising issues related to OHS. Stop work authority can be used in case of danger to the employee or people in the immediate vicinity.</p> <p>403-2 D: See 403-2 B. Further, issues raised or reported will be investigated by the appropriate OHS committee, or if applicable, the AMU.</p> <p>For further information on these matters See the Health & Safety chapter, Human and labor rights chapter, Responsible supply chain, Environment chapter</p> <p>In addition, see the publicly available information on Nordic's environmental and related hazardous substance management practices on Nordic's website: Environmental Management</p>

	403-3 Occupational health services	<p>The Management Team is responsible for the organization's working environment and shall ensure a systematic improvement to provide safe employment and meaningful work for the individual employee. The Management team is responsible for the organization's OHS policy and operational targets. The policy shall enable:</p> <ul style="list-style-type: none"> • That employees have a protective working environment • Safe employment and meaningful work for the individual employee • Consultation and participation of workers and worker's representatives • That our suppliers live up to Nordic Semiconductor's OHS standards • Compliance with legal requirements, as well as internal policies and guidelines • Continuous improvements concerning occupational health and safety for all Nordic employees <p>In the event that employees wish to remain anonymous, they can use H&S services through a third party whose contact details are posted on the Nordic's intranet. In the event of an internal investigation, employee details are confidential, and only the designated team has access to such information. Retaliation against any employee who has reported misconduct is prohibited, and there shall be no unfavorable treatment to any whistleblower.</p>
	403-4 Worker participation, consultation, and communication on occupational health and safety	<p>403-4 A: The OHS policy commits to consultations with Nordic employees and representatives with regard to ensuring an inclusive and effective OHS approach across the organization and its business areas. These consultations take place at employee level (Safety inspections and non-compliance reports), For instance, worker's representatives at inspections, risk assessments and changes in the organization, management at inspections and policies development, and OHS Committees on all topics discussed. All assessments, reports, and committee meeting minutes are archived and available to all employees.</p> <p>403-4 B: See response to 403-2 A.</p>
	403-5 Worker training on occupational health and safety	<p>403-5 A: Each new employee undergoes initial training, during which the primary health and safety risks present in the various work areas are discussed. Furthermore, depending on the role, employees are given additional training on hazards in their area of work. In addition, employee representatives (PSR) and AMU members are sent to additional advanced health and safety courses in order to raise their awareness. Training is conducted in local languages and in English.</p>
	403-6 Promotion of worker health	<p>403-6 A: The health insurance plan comprises several non-occupational medical and healthcare services. For instance, treatment guarantees to ensure quicker access to medical services in private hospitals or clinics with health specialists. The insurance also includes free access to online GPs (experienced practitioners) for all employees and their children. Additionally, employees have access to online mental healthcare consultations with psychologists, offering 5 video calls for 25 minutes free of charge per year and digital self-help programs such as articles, exercises, and techniques to help cope with challenges.</p> <p>403-6 B: Nordic has implemented a new global sponsorship program that allows employees to dedicate 60 minutes weekly to physical activity during work hours. This initiative is regularly promoted by managers and EMT members, who provide guidance on how to actively spend time during work hours. Furthermore, many locations now offer free passes for sports activities, such as gym memberships, allowing employees to remain active outside work hours. As an example to further encourage and promote employee health and wellbeing, Nordic Semiconductor organized a challenge/competition using the Strava platform, which was well-received and saw over 3,400 hours of employee participation</p> <p>For further information and examples, see the Health & Safety chapter.</p>
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<p>The AMU shall perform hazard identification and risk assessment annually to determine the need for controls and improvement actions. Every third year, a more thorough hazard evaluation shall be performed. The risk assessment shall consider all parts of the organization's activities. Such assessments are meant to mitigate and safeguard employees. Risk assessments are archived and available for all employees.</p>

	403-8 Workers covered by an occupational health and safety management system	403-8 A: See response to 403-I. In addition, all contractors, consultants, and other non-full-time employees that work for Nordic are covered by the OHS standards of the company. However, as a fabless semiconductor company that works with various manufacturing partners and suppliers, Nordic does not conduct direct audits for contractors, consultants, or other personnel that are not full time employees and work outside of Nordic's offices. Nordic is, however a member of RBA, which conducts on-site audits for Nordic's suppliers as described in the responsible supply chain chapter. i. the number of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system; 152 out of 1435, or 10.6%. ii-iii: Omission: As a fabless company, we are not conducting any external audits. Such audits are conducted by the RBA. In addition, we are performing safety inspections and audits that focus not on workers in particular, but rather on the various work processes, in order to enable an inclusive approach. 403-8 B-C: Not applicable, as stated above.
	403-9 Work-related injuries	See Social performance overview Omission: Incomplete. Nordic does not currently report fully on these indicators.
	403-10 Work-related ill health	
Human capital development		
GRI 401: Employment	401-I New employee hires and employee turnover	See the Social chapter
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	All employees employed by Nordic, regardless of employment affiliation, are treated equally. Some benefits, however, are related to type of employment. We follow legal requirements in addition to local market expectations to have a fair and transparent practice. The following overview contains Norway-specific data. Nordic will strive to have a global dataset going forward.
	401-3 Parental leave	See the Employment engagement chapter
Human rights and labor rights		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	414-1 A: 100% of new suppliers were screened using social criteria for the reporting period.
	414-2 Negative social impacts in the supply chain and actions taken	414-2 A: In 2022, Nordic assessed 118 companies divided by 20 countries for social impacts in our supply chain. 414-2 B-C: Out of the 118 companies assessed for social impacts, Nordic identified 15 companies as having significant actual and potential negative social impacts. 414-2 D-E: Nordic has identified 4 companies as having significant actual and potential negative social impacts where we have indicated remediation action based on the collected assessment data. In 2023 we will review the implementation status of remediation and additional follow up actions.
Resource reduction		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Omission: As a fabless semiconductor company that works with various manufacturing partners and suppliers, Nordic does not currently have available all the required data for all materials used by weight or volume. Nordic aims to advance its data collection to enable reporting on such indicators going forward.
	301-2 Recycled input materials used	See the Environment chapter , and the sub-chapter on Resource reduction
	301-3 Reclaimed products and their packaging materials	See the sub-chapter on Resource reduction



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