

Environmental, Social and Governance Report **2019**



NORDIC[®]
SEMICONDUCTOR

ABOUT THE REPORT

As part of Nordic Semiconductor's commitment as a signatory to the UN Global Compact, this report is intended as our official Communication on Progress (COP), covering the period from January 1st to December 31st 2019, unless otherwise stated.

This ESG (Environmental, Social, Governance) Report has been prepared in accordance with the principles of the United Nations Global Compact (UNGC) initiative and in line with RBA (Responsible Business Alliance) Code of Conduct, and the Norwegian Accounting Act, Section 3-3. The report describes Nordic Semiconductor's policies, goals, implementation, and outcome of its work on key ESG issues such as human- and labor rights, environmental impact reduction, anti-corruption and occupational health and safety. The report's chapters on Environmental, Social and Governance perspectives describes Nordic Semiconductor's operations.

Nordic Semiconductor supports UN Sustainable Development Goals (SDGs) and during 2019 the company started a program to progress on the goals through its products, operations and engagements. This report outlines the most significant social and environmental impact that our company has on the progress of SDGs.

This is the sixth ESG Report (previously called Corporate Social Responsibility Report or CSR Report) published by Nordic Semiconductor, and it is published together with Nordic Semiconductor's annual report for 2019. The reports are published on www.nordicsemi.com.



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STATEMENT OF CONTINUED SUPPORT



Svann-Tore Larsen, Chief Executive Officer

With another year of great effort from our dedicated people in Nordic Semiconductor, we have succeeded to deliver innovative best-in-class products to our customers, helping them realizing their development dreams. And as a result, we see that Nordic's industry-leading technology contributes to the improvement of people's quality of life and companies' competitiveness on a daily basis.

This value creation is not only through serving our customers but also from holding ourselves accountable for the impact of our business on the surrounding environment and the society in which we live. We see the challenge and the risk our planet is facing today and aim not only to reduce our negative impact but aspire to have a positive impact by taking part in the problem-solving process. I believe that environmental, social and corporate governance (ESG) considerations help our company's ability to execute its business strategies and create value, both short and long term.

During the last decade, as Nordic Semiconductor has grown, the social and environmental responsibility aspects have increasingly become a part of the corporate strategy. We have increased the engagement with our suppliers year by year for more control and improved ESG performance on activities arising from our product

manufacturing. To continue our effort and underline our commitment to the UN Global Compact principles, I proudly announce our support and engagement to the contribution of the UN Sustainable Development Goals (SDGs) starting from 2019.

As we are in the initial phase of the program, we focus on identifying the areas where we have the biggest potential for positive impact within our business operations and with the products and services we deliver. Our IoT development technology has a key position to help to achieve the 2030 Agenda for Sustainable Development in different areas, such as better use of and preservation of natural resources.

In the coming years we will focus on target setting and endeavor for a continuous progress on SDGs contribution within our products and operations. Setting a Zero GHG emission target by 2025 by ensuring Green electricity within our operations is one important step forward in our sustainability in this journey.



*Svann-Tore Larsen
Chief Executive Officer*

ABOUT NORDIC SEMICONDUCTOR

Nordic Semiconductor is a fabless semiconductor company specializing in wireless technology that powers the Internet of Things (IoT). The company's award-winning Bluetooth® Low Energy solutions have made it the market leader, and are complemented by ANT+, Bluetooth mesh, Thread, and Zigbee products. Nordic's latest technologies, LTE-M and NB-IoT leverages cellular infrastructure to extend the IoT.

Worldwide top position

- A market leader in ultra-low power wireless technology.
- Strong market share in Bluetooth LE.
- Long-time record as a key contributor to the evolution of Bluetooth LE as a wireless standard.
- Products enabling IoT with short-, medium- and long-range technologies.
- Highest possible standards on energy-efficiency and security.
- Producing ~370 million devices per year.
- Broad product range to maximize customer value.
- Nordic products recognized globally in multiple award programs; Norwegian Tech Awards, GSA
- Awards:
 - China IoT Innovation Award
 - Elektra Awards
 - China Electronic Market Awards, among others
- Membership of:
 - The ANT+ Alliance
 - Bluetooth SIG
 - Thread Group
 - Zigbee Alliance
- Partnerships with:
 - Amazon Common Software for Devices
 - leading Bluetooth tracker company Tile
 - The Alibaba IoT Ecosystem Partner program
 - cellular data carrier iBASIS
- Member and represented in the Board of wireless technology patents watchdog, the Fair Standards Alliance.

Business structure

Innovation and high technology as the heart of the business, since 1983

- ~800 employees in total
- ~500 R&D engineers

Publicly listed on Oslo Stock Exchange (NOD) with operations in Norway (Head quarter), USA, China, Korea, Japan, Taiwan, Poland, Finland, Germany and the Philippines

Fabless company with world class manufacturing subcontractors; TSMC, AMKOR, and ASE

Global distribution partners including Digi-Key, Mouser Electronics, Avnet, Arrow, Rutronik to mention a few

Running a management system based on the following standards:

- ISO 9001 (Certified)
- ISO 14001 (Certified)
- ISO 45001 (Certified)
- ISO 27001 (Certified)
- 'RBA Code of Conduct

Target markets

High volume applications with leading brands in target market segments:

- Smart Home
- Smart lighting
- Drug delivery and disease monitoring
- Logistics/asset tracking
- PC and tablet accessories
- Sports/Health monitors
- Mobile phone accessories
- Media remote controls
- Gaming controllers
- Toys
- Healthcare
- RFID solutions
- Building and retail,
- Home and Industrial Automation

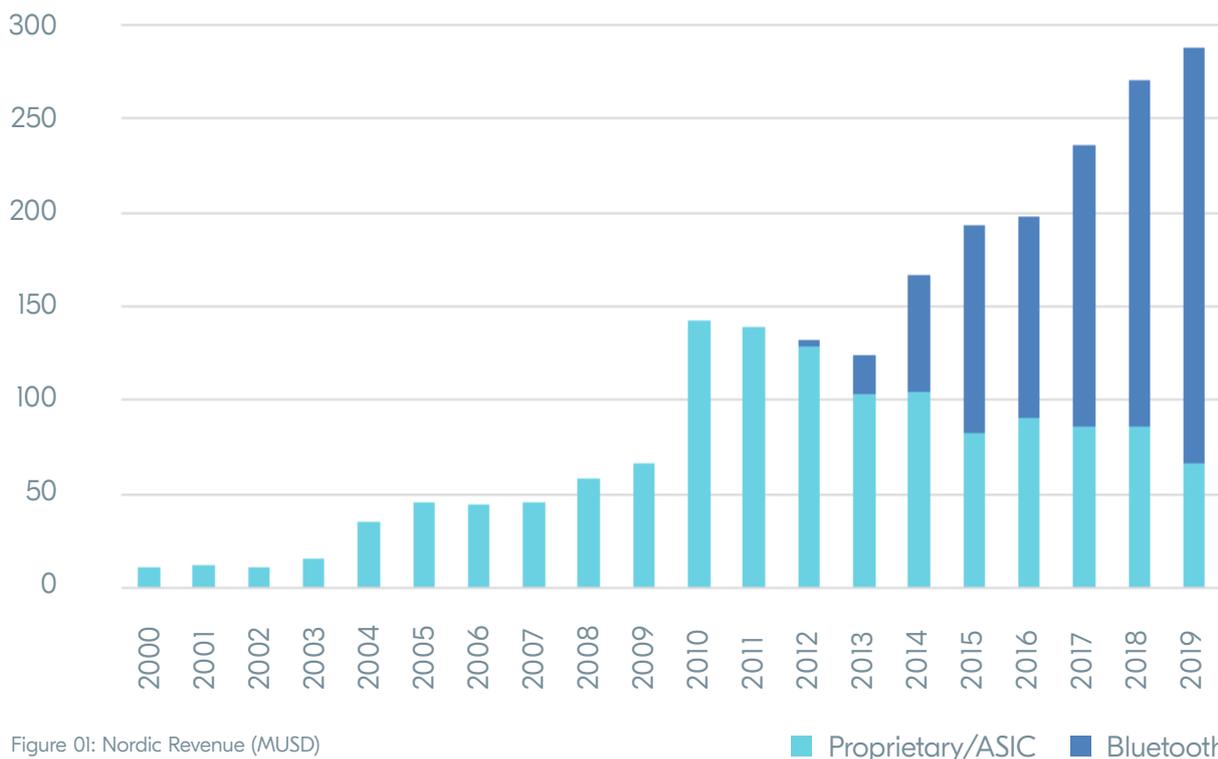


Figure 01: Nordic Revenue (MUSD)

Our commitments and framework

We strongly believe that our business solutions and product designs will improve the lives of people in our global society, both in the short and the long term. The high competence within our business and the technology in our products' solutions are capable of positively impacting both our customers, employees and the society as a whole.

With our focus on environmental and social responsibility, Nordic Semiconductor is committed to the UN Global Compact's Ten Principles, and the Responsible Business Alliance (RBA) Code of Conduct.

Nordic Semiconductor's company values:

- Engagement
- Contribution
- Knowledge
- Respect
- Responsibility

Nordic Semiconductor's Policy on Corporate Social Responsibility

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

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

Specifically, Nordic and its tier one suppliers shall comply to the Responsible Business Alliance (RBA) code of conduct. Nordic shall actively encourage tier 1 suppliers to require the same from their suppliers.

The Ten Principles of the United Nations Global Compact

The Ten Principles of the United Nations Global Compact are fundamental responsibilities formulated for human rights, labor, environment and anti-corruption. By incorporating the Ten Principles of the UN Global Compact into Nordic Semiconductor's strategies, policies and procedures, Nordic Semiconductor has ensured the foundation is in place for sustainable business operations and long-term success.

For more information on the Ten Principles and UN Global Compacts work, please see www.unglobalcompact.org

Nordic Semiconductor is a signatory of UN Global Compact since 2014 and supports UN sustainable goals through its core business, products and solutions.

Responsible Business Alliance (RBA) Code of Conduct

Being an active business in the electronics industry, Nordic Semiconductor follows the Responsible Business Alliance (RBA) Code of Conduct as a core reference for our social responsibility.



The RBA Code of Conduct is a set of standards on social, environmental, and ethical issues in the electronics industry supply chain.

The provisions set out in the Code of Conduct are in alignment with the UN Guiding

Principles on Business and Human Rights and derived from key international human rights standards, including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights.

For more information on the RBA and its work, please see www.responsiblebusiness.org

The ten principles of the UN Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;
- Principle 2: and make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

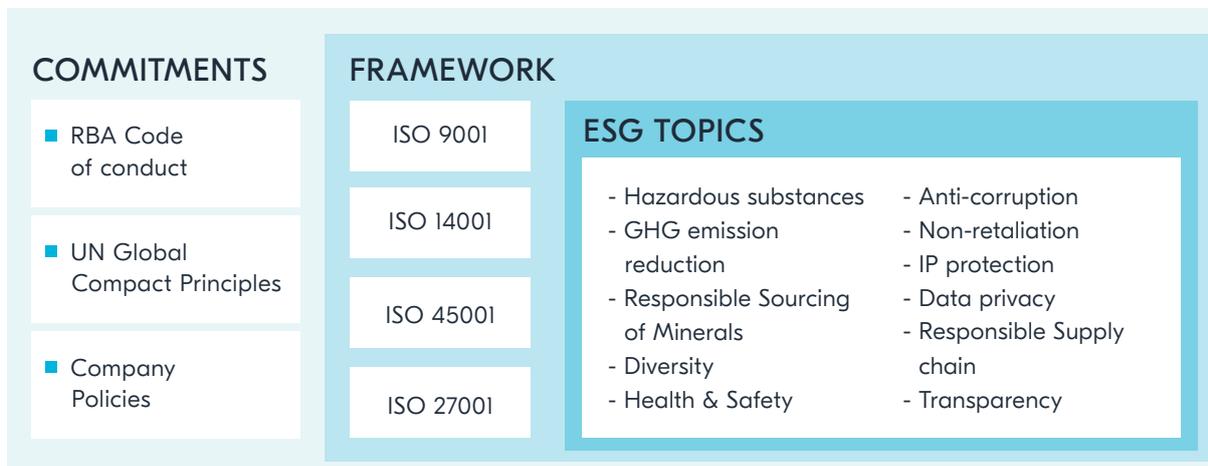


Figure 02: Nordic Semiconductor’s commitments and frameworks for managing ESG topics

Management systems

To manage these commitments, ESG considerations are integrated across our business and built into our management systems - the framework that govern how our company operates.

Nordic Semiconductor’s management system has been certified to ISO 9001 Quality Management System since 1996. Since then the company has expanded

its management system certifications to include ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System, and ISO 27001 Information Security Management System. These standards provide the basis for the company’s management system to ensure a systematic approach to improving our business processes in general, including the company’s performance on ESG topics.

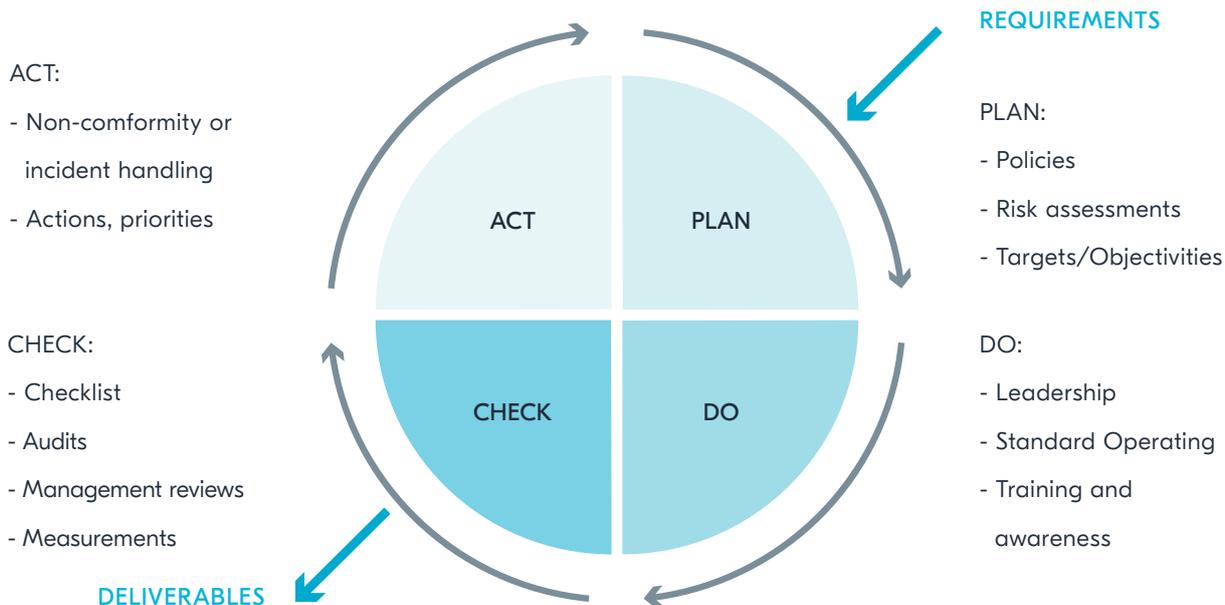


Figure 03: A generic management system’s systematic approach to improvement: the Plan-Do-Check-Act circle

Supplier management in a fables structure

Nordic Semiconductor is a fables company, meaning that the production of physical goods and the production environments are managed by suppliers. As such, a strong focus on supplier management is important to ensure both high quality deliverables, but also proper management of ESG issues in the supply chain. See Figure 04 for a generic illustration of the company’s value chain.

Nordic Semiconductor has a dedicated Supply Chain department, and the Supply Chain Director is part of the company’s management team. This part of the organization is responsible for managing the company’s manufacturing partners. Targets and deadlines are addressed with suppliers as part of normal operational routines and business reviews at defined frequencies. Furthermore, the Supply Chain department works closely with our suppliers to improve their performance, including performing regular supplier audits and follow-up of audit results.

As is typical for the fables business model, Nordic Semiconductor primarily has direct contact with its first-tier suppliers. To limit the risk of any unacceptable business behavior further upstream in the value chain, Nordic Semiconductor requires its tier one suppliers to promote and require adherence to the RBA Code of Conduct from their suppliers (Nordic’s second tier suppliers).

Applying the lean concept within the whole business structure, Nordic Semiconductor delivers its products to the customers through distribution partners. Using the “Drop-shipment” method from the manufacturers’ warehouses directly to our distributors’ premises, enhances efficient delivery and less transportations which leads to less GHG emission.

All of Nordic Semiconductor’s manufacturing partners are certified to ISO9001, ISO 45001 and ISO 14001, as well as to various automotive and environmental standards.

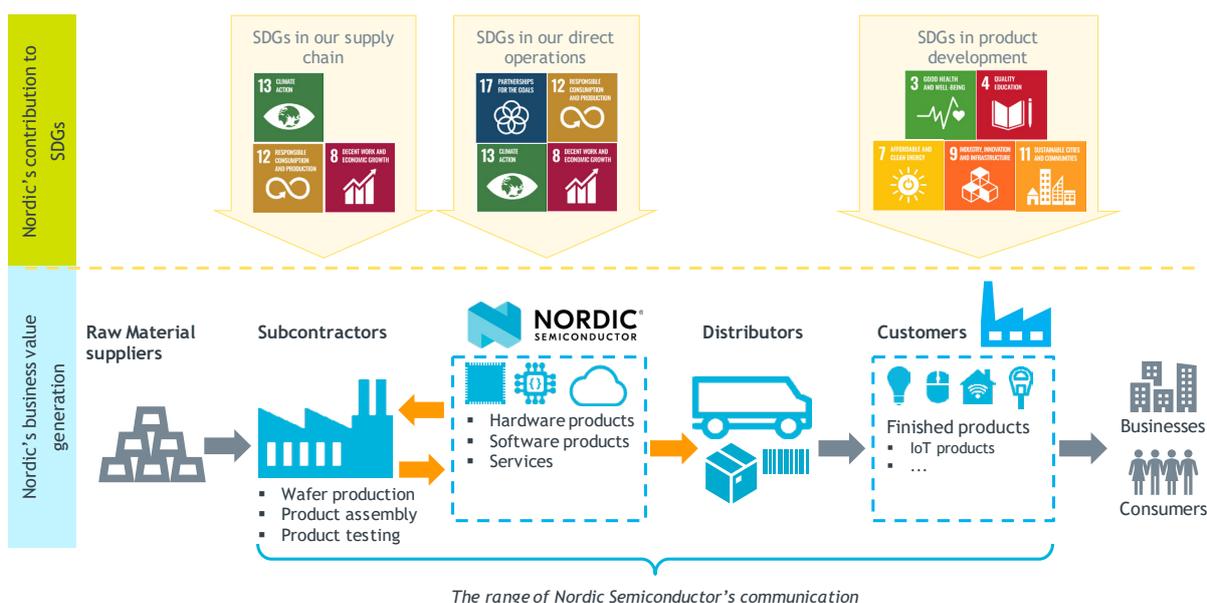


Figure 04: Nordic Semiconductor’s value chain, with indication of Nordic’s contribution to relevant SDGs

UN SUSTAINABLE DEVELOPMENT GOALS CONTRIBUTION

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.
 Source: UN Sustainable development website



In alignment with its commitment to UN Global Compact principles and its ambitions for greater engagement, Nordic Semiconductor in 2019 started a program to support, identify and address the UN SDGs. Contribution to the goals is defined within three areas: products, business operations and community engagements. With support from the Company Management, engagement with key customers and subcontractors, the company is developing a Green Electricity program as a high-priority initiative for Nordic’s operations. The progress towards manufacturing products with renewable energy will be communicated in next ESG reports starting from year 2020. More details on our sustainability work within our operations are described in chapter 4 to 6.



Figure 05: Mapping SDGs across Nordic business

IoT innovation - A connected world is a sustainable world

By 2025, the economic impact of Internet of Things (IoT) has the potential to reach USD 11.1 trillion. (Source: McKinsey Global Institute).

But why is the impact of IoT so large? IoT technology is contributing to the improvement of citizens' quality of life and companies' competitiveness. The use of IoT in various applications can optimize resource usage in travel, transport, maintenance, manufacturing, waste, etc.

This unique position of IoT- apart from being a means to increase commercial profit - creates an opportunity to consider IoT technology as a significant contributor to the 2030 Agenda for Sustainable Development.

Nordic Semiconductor's Company vision:

Nordic Semiconductor, a leading vendor of wireless connectivity and embedded processing solutions for internet connected things.

Things

- ...we wear
- ...we carry around
- ...around us at home
- ...around us at work
- ...around us in the city
- ...around us in the countryside

Things - not infrastructure

- ...not PCs
- ...not phones
- ...not tablets

Out of all the IoT programs addressing the SDGs globally (84% of all IoT programs), 75% concentrate on the following five goals:

- SDG 9: Industry, innovation, and infrastructure (25%)
- SDG 11: Smart cities and communities (19%)
- SDG 7: Affordable and clean energy (19%)
- SDG 3: Good health and well-being (7%)
- SDG 12: Responsible production and consumption (5%)

Source: IoT analytics

Innovation has always been in the DNA of Nordic Semiconductor and what the company vision relies on. We aim to excite our customers with the most innovative products and technologies and take away the complexity of IoT development. This way, all our customers -from the biggest firms to individual developers- can focus on realizing their ideas and getting their product into the market.



Providing easy-to-use reference designs and development kits, software libraries, joint venture projects, development discussion forums and great support during the life cycle of our products, makes Nordic Semiconductor not only an IC supplier but an active partner in innovative IoT solution development. Thus, our business goal is truly aligned with SDG number 9 (Industry, Innovation and infrastructure). IoT is mainly about remotely controlling and communicating with previously unconnected "Things" and it can be the solution for increasing efficiency on resource usage and contribute to today's world challenges in almost any Human life's aspect. Table 01 contains some examples of how Nordic products have made possible the realization of IoT products with applications that are strongly aligned to SDGs needs. Tens of other similar products, stories and solutions can be found on our website (www.nordicsemi.com).

<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>Ensure healthy lives and promote well-being for all at all ages</p>	
	<p>Bluetooth 5/Bluetooth Low Energy medical monitoring 'careable' and digital therapeutic platform delivers patient engagement and remote care management solution.</p> <p>Read more here</p>	<p>How it contributes to the goal?</p> <p>Monitoring health parameters.</p>
	<p>Bluetooth LE connected pill dispenser/organizer reminds users to take right medicine at right time.</p> <p>Read more here</p>	<p>Monitoring health parameters.</p>
	<p>Cellular panic button reveals an NB-IoT future for personal safety alarms.</p> <p>Read more here</p>	<p>Remote personal safety alarms.</p>
	<p>Bluetooth Low Energy insulin injection monitor records dosage information and wirelessly transmits data to smartphone app.</p> <p>Read more here</p>	<p>Providing assistance for medication timing and dosage.</p>

<p>4 QUALITY EDUCATION</p> 	<p>Ensure inclusive and equitable quality education and opportunities for all</p>	
	<p>A four-year, NOK19.95m (\$2.3m) program will see MicroBit put into the hands of all year 5 to 7 pupils in Norway's primary schools to stimulate interest in computing and the IoT. This project is described on page 28 of this report.</p> <p>Read more here and here</p>	<p>How it contributes to the goal?</p> <p>Providing an easy learning tool for programming beginners.</p>
	<p>Bluetooth LE programmable robot allows coders of all skill levels to create their own sensor-based applications.</p> <p>Read more here</p>	<p>Providing an easy learning tool for programming beginners.</p>
	<p>Harry Potter Kano Coding Kit employs nRF52832 to wirelessly connect magic wand with app.</p> <p>Read more here</p>	<p>Providing an easy learning tool for programming beginners.</p>

<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	
	<p>“Nordic inside” IoT solution</p>	<p>How it contributes to the goal?</p>
	<p>A four-year, NOK19.95m (\$2.3m) program will see MicroBit put into the hands of all year 5 to 7 pupils in Norway’s primary schools to stimulate interest in computing and the IoT. This project is described on page 28 of this report. Read more here</p>	<p>Providing an easy learning tool for programming beginners.</p>
	<p>Bluetooth LE programmable robot allows coders of all skill levels to create their own sensor-based applications. Read more here</p>	<p>Providing an easy learning tool for programming beginners.</p>
	<p>Harry Potter Kano Coding Kit employs nRF52832 to wirelessly connect magic wand with app. Read more here</p>	<p>Providing an easy learning tool for programming beginners.</p>
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	
	<p>“Nordic inside” IoT solution</p>	<p>How it contributes to the goal?</p>
	<p>Environmental asset tracker combines cellular IoT and Bluetooth with a world-leading five-year battery life road mapped to become 10 on same tracker. Read more here</p>	<p>Optimizing energy consumption.</p>
	<p>Bluetooth LE/Bluetooth 5 sensor enables remote analysis of industrial asset health data for predictive maintenance. Read more here</p>	<p>Monitoring the structural health of the facilities (waste/resource consumption)</p>
	<p>Cellular IoT animal tracker continually pinpoints herding animal location across vast tracts of unfenced countryside. Enabling remote real time position and wellbeing tracking of live asset. Read more here</p>	<p>Higher yields in food production.</p>

<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<h3>5) Make cities and human settlements inclusive, safe, resilient and sustainable</h3>	
	<p>“Nordic inside” IoT solution</p>	<p>How it contributes to the goal?</p>
	<p>Wireless parking barriers use Nordic Bluetooth Low Energy technology to control access to electric vehicle parking spots and charging stations.</p> <p>Read more here</p>	<p>Controlling parking infrastructures.</p>
	<p>Bluetooth LE/Bluetooth 5 IoT ecosystem uses everyday objects to monitor building occupancy, patient activity and many other applications.</p> <p>Read more here</p>	<p>Improving safety for citizens</p>
	<p>StalkIT provides IoT trackers and service for waste containers, using the new Cellular IoT.</p> <p>Read more here</p>	<p>Improving waste management systems.</p>
	<p>Nordic-powered OpenThread mesh solution enables smart control of energy efficient commercial lighting applications and retail sensor arrays.</p> <p>Read more here</p>	<p>Optimizing energy consumption</p>
	<p>Bluetooth Low Energy air quality sensor system measures air pollution levels and environmental data to ensure safe and healthy working and living conditions</p> <p>Read more here</p>	<p>Contributing to better air quality</p>

Note: As the starting phase, the contribution to SDGs from our product portfolio has focused on identification and prioritization of the most relevant SDGs with a qualitative approach. Going forward, Nordic targets to establish more quantitative measures of SDGs contribution.

Table 01: Examples of how Nordic IoT solutions contribute to the SDGs

STAKEHOLDER CONSIDERATIONS

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

- understand stakeholders' concerns and continue to improve ESG-related performance,
- obtain stakeholders' trust and respect for Nordic Semiconductor, and
- Report on Nordic Semiconductor's efforts and performance to maintain and enhance our reputation.

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

The assessment is performed by evaluating the topics which are "significant to the company's stakeholders" and "significant for the company's economic, social and environmental impacts".

The topics assessed to be significant to both the company's stakeholders and the company's economic, social and environmental impacts are defined as material, and thus prioritised in our work and reporting on corporate responsibility.

The outcome of the materiality assessment is illustrated in Figure 06.

Table 01 shows the identified main topics of interest for each stakeholder, as well as references to how Nordic Semiconductor works with these topics and stakeholder communication channels.



Figure 06: Materiality assessment of ESG topics. The assessment is performed by evaluating the topics that are important to our stakeholders and to Nordic Semiconductor's success and relating these to the indicated UN SDGs.

Stakeholders Stakeholder dialogue examples Main areas of interest (ESG) Page reference to how we work with the topics

Investors	<ul style="list-style-type: none"> - Quarterly reporting - Annual report - Annual ESG report - Carbon Disclosure Project - Direct contact - Annual general meeting 	Ethics and Anti-corruption	29-31
		Environmental Product Compliance	18 and 20-21
		GHG emissions and Renewable Energy consumption	20-22
		Water management	21
		Sustainable IoT development	11-15
Customers and distributors	<ul style="list-style-type: none"> - Direct contact - Nordic Semiconductor webpage - Nordic Semiconductor Developer Zone - Customer surveys - Participation on exhibitions and seminars - Customer Audits - Contractual binding Codes of Conduct 	Environmental Product Compliance	18 and 20-21
		Eco Design	18 and 20-21
		Responsible sourcing	24
		GHG emissions and Renewable Energy consumption	20-22
		Water risk assessment	21
		Information Security, Data privacy	30-31
		Sustainable IoT development	11-15
Employees	<ul style="list-style-type: none"> - Daily contact - Performance reviews - Employee satisfaction survey - Nordic Semiconductor intranet - Quarterly reporting meetings - Employee unions and representatives - Whistle blower channel 	Competence Development	25
		Ethics and Anti-corruption	29-31
		Health and Safety	26-27
		Diversity and Non-discrimination	25, 23 and 27
		Information Security, Data privacy	30-31
Subcontractors	<ul style="list-style-type: none"> - Quarterly operations reviews - Supplier audits - Yield improvement and waste reduction projects - Supplier qualification 	Environmental Product Compliance	18 and 20-21
		Responsible sourcing	24-26
		Human rights and labor compliance	23-24
		Environmental management	18-22
Authorities	<ul style="list-style-type: none"> - Legislative requirements - Authorities advisory functions - Newsletters subscriptions - Interest groups 	Environmental Product Compliance	18 and 20-21
		Waste management	21
		Ethics and Anti-corruption	29-31
		Health and Safety	26-27
		Data privacy	30-31
Community and public	<ul style="list-style-type: none"> - Press releases - Business presentations at educational institutions 	Ethics and Anti-corruption	29-31
		Community Engagement	28
		Competence Development	25

Table 02: Stakeholders dialogue, main areas of interest related to ESG, and Nordic Semiconductor response. Page ref. indicates reference to where in this report the work on these topics are addressed.

ENVIRONMENTAL PERSPECTIVES

Nordic Semiconductor recognizes that environmental responsibility and sustainability is key to producing world-class products and long-term business strategies. Product compliance is a prerequisite for selling Nordic Semiconductor's products worldwide, meeting international legislation as well as customer-specific requirements to product design and production. At the same time, we see customers, markets and the society becoming more aware of, and concerned with, carbon footprints and energy usage.

Nordic Semiconductor's business strategy is to design and develop ultra-low power products, enabling energy efficient end products for the consumer. Furthermore, the company is targeting reduction of greenhouse gas (GHG) emissions, specifically from own operations, while also engaging with our suppliers to manage and reduce our environmental impact.

Nordic Semiconductor's Environmental Policy

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

Nordic Semiconductor is committed to:

- comply to 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 GHG emissions, resource- and water consumption, and the use of hazardous materials in our products, as well as develop and use environmentally friendly technologies
- promote environmental responsibility and ensure that our suppliers live up to Nordic Semiconductor's environmental standards
- establish and evaluate achievable environmental performance goals to ensure continuous improvement of our environmental management system
- regularly monitor and report on environmental performance, and to consult with relevant stakeholders on environmental issues

Nordic Semiconductor has implemented guidelines and procedures into its management system to supplement legal requirements and integrate them in daily working routines. To identify and mitigate any possible risk and integrate the changes into our activities, we have a proactive approach towards regulatory compliance.

Nordic Semiconductor is certified to the standard ISO 14001 Environmental Management Systems. All Nordic Semiconductor's main subcontractors are required to be certified to this standard, as well as to be compliant to RBA Code of Conduct and its provisions on environmental topics.

Raising awareness amongst employees on environmental issues relevant for Nordic Semiconductor is regularly done by internal training, and as part of the mandatory introduction program for new employees. Workers who deal with environmental issues as part of their regular process flows, undergo designated training for the relevant topics.

Monitoring data in relation to environmental topics and engaging with suppliers are relevant parts of decision-making and risk analysis. Data from Nordic Semiconductor's manufacturing partners are periodically analyzed, and supplier audits are used to follow-up on suppliers' compliance with standards, specifications and legislative requirements. Results and measurements from the environmental program are reviewed annually in Management review.

Nordic Semiconductor has set a target of zero environmental product or company compliance incidents. Any incidents are handled through Nordic Semiconductor's non-conformity procedures, with root cause analysis and corrective and preventive actions. There were no environmental incidents or non-conformities in 2019.

The main goal for 2020 is to reduce the GHG emission related to our operations. See separate section on Greenhouse Gas emissions.

Greenhouse gas emissions and renewable energy program

Nordic Semiconductor has monitored annual greenhouse gas (GHG) emissions since 2011 and reports annually to the Carbon Disclosure Project's Climate

Change questionnaire (www.cdp.net), detailing how climate change risk and opportunities related to climate change are managed, as well as GHG accounting results. Overall, climate change represents low risk for Nordic Semiconductor's direct operations. However, our supply chain faces stronger risks and challenges, both in the form of carbon taxations or other legislative requirements but also draughts, storms or typhoons and floods, depending on location.

Nordic Semiconductor's methodology for accounting greenhouse gas emissions follows the Greenhouse Gas Protocol, with differentiation between Scope 1 (direct GHG emissions), Scope 2 (GHG emissions from purchased electricity) and Scope 3 (all other indirect GHG emissions, including our supply chain). For Scope 2 emissions, we see a slight increase in energy consumption and hence GHG emission from 2018 to 2019. This is mainly due to the construction of a new Failure Analysis lab in Trondheim, as well as other new lab test infrastructure on the premises. In cooperation with building owners, Nordic is taking measures such as installation of LED lighting and upgrading of the building isolation for the new office and lab areas housing the Nordic operations. This counterbalances some of the increased energy consumption.

Scope 3 GHG emissions are closely related to our production volume, and our subcontractors' capacity utilization in production, and will to some extent fluctuate beyond our control. Data from suppliers are typically received as an average of their total emission by total production volumes and does not calculate for differences in the production unit (no. of wafer layers, size and complexity of components). Production facilities may need to operate machinery and infrastructure, even in the event of low production, leading to greater emission per production unit. This leads to some uncertainties in the reported Scope 3 figures.

For Nordic Semiconductor, monitoring these emissions is important to assess potential climate change risks and opportunities - but also to act where feasible. Nordic Semiconductor believes that climate change not only represent risks that needs managing, but also an obligation to reduce further environmental impact where possible.

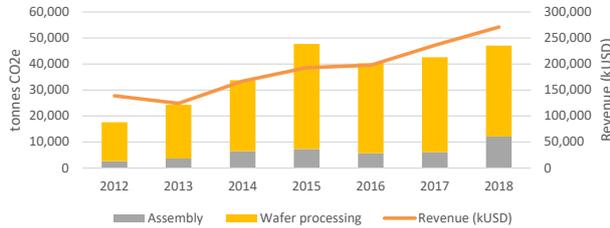
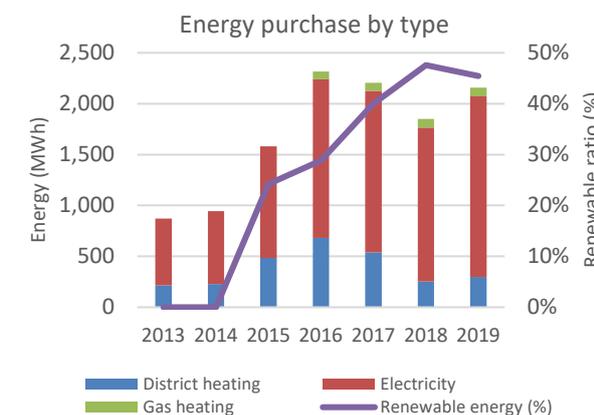
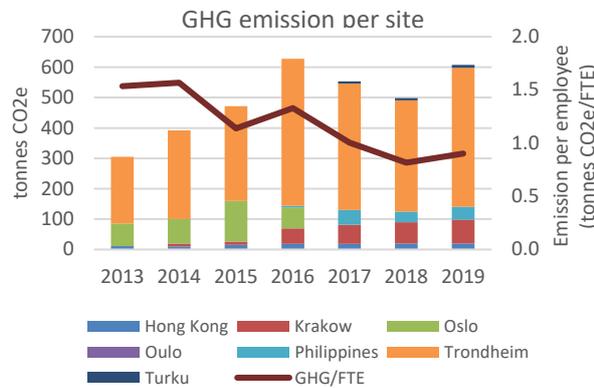


Figure 07: Scope 3 GHG emission by source related to company revenue. Data are gathered annually from subcontractors when they have completed 3rd party verification in Q2.



The target for 2020 is to increase the ratio of renewable energy used to manufacture Nordic products in our outsourced production operations, in a cooperative partnership with selected customers.

In 2018, 48% of all purchased energy for direct operations originated from renewable energy sources, backed by Renewable Energy Certificates. The current target is to reach 60% by end 2020, which will similarly reduce the Scope 2 GHG emission of the company's operations. As a long-term target, Nordic Semiconductor is working towards a goal of zero Scope 1+2 emissions by 2025.



Eco design and product compliance



Nordic Semiconductor's strategic target for eco design is the reduction of environmental impact throughout the life cycle of Nordic's products. Analysis of a product's potential impact on the environment is done from the very beginning of the design phase for new products or product types. While designing to introduce additional functionality or use cases, targets are defined to improve energy efficiency, reduce materials consumption and ensure minimal environmental harm at end of life.

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

The environmental impact from a product's end-of-life, whether it is recycled, incinerated or end up in a landfill, is to a large degree dependent on the product's content. Product content is managed in Nordic's design phases at specific milestones to prevent hazardous substances from being included, based on applicable regulations, customer requirements and Nordic Semiconductor's commitments. These controls are prerequisites for product milestone approval prior to going into production.

While the managerial responsibility for product compliance lies with the company's Quality Director, the Supply Chain discipline of Hazardous Substances management is responsible for assuring the compliance of our products to defined environmental requirements and specifications and has direct contact with suppliers' representatives. Product compliance and use of hazardous substances are regularly addressed with Nordic Semiconductor's manufacturing partners and communicated through Nordic Semiconductor's Hazardous Substances Specification for Suppliers. As a confirmation of compliance with the requirements stated in the Hazardous Substances Specification, manufacturing partners are annually required to provide signed Supplier Declaration of Conformity to Nordic Semiconductor.

Green Program:

Nordic Semiconductor has controls in place for design and production processes to ensure “green products” by compliance to the following:

- RoHS (Restriction of use of Hazardous Substances)
- REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)
- EU POPs regulation (Persistent Organic Pollutants)
- IEC Halogen-Free

Being a fabless semiconductor company, close communication and cooperation with the manufacturing partners of our products are crucial to managing hazardous substances.

Finally, to verify product content, 3rd party testing for hazardous substances is carried out. To ensure transparency, certificates for Hazardous Substances testing and Material Composition reports for all products are published on Nordic Semiconductor’s website (www.nordicsemi.com).

2019 showed no findings of prohibited substances above limitations, or any other environmental product compliance incidents in any Nordic Semiconductor products.

Waste management and recycling

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

Nordic Semiconductor has implemented routines for sorting and disposing material from offices and warehouses in a responsible manner, by the use of certified waste handling and recycling companies. The main focus is on EE-waste, chemical components from laboratories, and paper and packing material. Recycling of EE-waste allows for re-use of metals, such as copper, from waste or damaged products.

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

Water management

Nordic Semiconductor has monitored annual water consumption since 2015 and reports annually to Carbon Disclosure Project’s Water questionnaire (www.cdp.net). Due to the fabless structure of the company, and the location of its offices in low water-risk areas, water management is considered to represent a low risk for Nordic Semiconductor directly. However, water scarcity is considered a relevant risk for some of our subcontractors, specifically risks of limited production capacity due to drought or failure to comply with local legislative requirements and are assessed as part of overall company risk management and business continuity planning.

Subcontractors report annually on details regarding their water programs, including water withdrawal, consumption, recycling and discharge. A consolidated risk analysis, based on reported data as well as WWF’s Water Risk Filter (waterriskfilter.panda.org/) and WRI’s Aqueduct (www.wri.org/aqueduct), is presented as part of the Management Review. Supplier audits are performed according to a pre-defined audit program to verify that our suppliers manage water and wastewater according to Nordic Semiconductor’s standards.

Air emission

Nordic Semiconductor’s environmental policy includes a commitment to reduce air pollution, such as ozone depleting substances, dust, particles or other polluting agents, in addition to the previously described greenhouse gases. As Nordic Semiconductor is a fabless company, the relevant sources of air emission are in outsourced manufacturing processes for wafer, assembly and test. Nordic Semiconductor communicates air emission restrictions to its supply chain, e.g. restricting use of ozone-depleting substances and Persistent Organic Pollutants in line with applicable legislations. Manufacturing partners are annually signing off on adherence to these requirements, and Nordic Semiconductor follows up to ensure that suppliers at minimum comply with any local air emission requirements and permits.

Green procurement

Compliance to environmental requirements is considered when choosing manufacturers as part of initial supplier assessment and related audits.

In addition to the closely monitored production process and engagement with our subcontractors, Nordic Semiconductor has implemented procurement guidelines for purchases of products and services not directly related to the production

of our products. This includes evaluating and choosing suppliers of office material, based on their ethical and environmental profile.

For 2020, Nordic Semiconductor has decided to initiate a campaign to use less plastics and more recycled paper within the company, e.g. for marketing materials and in office administration.

Measurements

Indicator	2020 target	2019	2018	2017	2016
Environmental management					
Number of environmental incidents	0	0	0	0	0
Suppliers with documented environmental policy	100%	100%	100%	100%	100%
Energy efficiency					
Nordic Semiconductor offices energy use ¹ (MWh)		2 159.8	1 849.6	2 205.3	2 317.0
Nordic Semiconductor offices energy use per area ¹ (MWh/m ²)		0.133	0.119	0.153	0.196
Renewable energy purchase ratio (%)	60%	45%	48%	40%	29%
EE-waste (tons)			2.7	2.4	2.2
GHG emissions					
Total Scope 1+2 emissions ¹ (tons CO ₂ e)	< 400	607.0	498.1	553.4	627.4
Scope 1+2 emissions per full time employee ¹ (tons CO ₂ e/FTE)		0.901	0.816	1.004	1.268
GHG emission per average wafer (kg CO ₂ e/8" wafer)			284.2	313.4	334.3
GHG emission per average assembled unit (g CO ₂ e/ EA)			29.8	16.5	18.6
Total Scope 3 emissions (tons CO ₂ e)			48 407	43 761	41 081
CDP score ² Climate Change [Industry average]	B	C [C]	B- [B-]	C [C]	B [C]
CDP score Supplier Engagement Rating ³ [Industry average]	B	B [C]	N/A	N/A	N/A
Water Management					
CDP score Water Security Program [Industry average]		C [B-]	C [C]	B [C]	B- [C]

Table 03: Measurements related to Environmental performance. Note that several environmental measurements are ready at end of Q2 due to the reporting schedules of external stakeholders. Hence, some of the reported numerical values are tied to uncertainties at the time of publishing this ESG report

¹ Energy increase is due to expansion of office facility, and specifically the newly construction Failure Analysis laboratory in Nordic's headquarters. This impacts metrics for energy usage per office area, as well as Scope 1+2 emissions and emissions per full time employee.

² Scoring of annual CDP reports. The annual reporting to CDP takes place in Q2 each year and includes performance data on previous year.

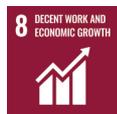
³ CDP evaluates organizations' engagement with their suppliers on climate change. Purchasing organizations have the potential to incentivize significant environmental changes through engagement with their suppliers. By evaluating suppliers' engagement and recognizing best practice, CDP aims to accelerate global action on supply chain emissions. Supplier Engagement Rating is new from 2019.

SOCIAL PERSPECTIVES

Nordic Semiconductor is a growing business with offices, employees and suppliers in different parts of the world. We aim to secure a diverse environment and ensure equal employment opportunities across all operations. Fair recruitment and non-discrimination are important to attract and retain qualified, competent and loyal personnel. At the same time, the organization is determined to foster an inclusive, safe and motivating working environment for existing and hired employees.

It is important for Nordic Semiconductor to ensure that we are not in any way complicit to human rights or labor rights violations. Unfortunately, the electronics industry sees incidences of trafficked and/or forced (bonded) labor or child labor in its supply chain, particularly in Asia and via means of debt bondage and document seizure. Based on our risk assessment, the issues of Conflict Minerals and forced labor in the value chain have been specifically identified as relevant topics pertaining to the Human Rights and-Labor principles, due to their severity.

Human rights and labor rights



Nordic Semiconductor is committed to respect and support Human Rights and Workers' rights, as reflected in our CSR policy, the support for UN Global Compact Principles and the RBA Code of Conduct. Nordic Semiconductor shall uphold and protect internationally proclaimed human rights and workers' rights and treat workers with dignity and respect as understood by the international community. It is our goal that no form of human rights abuses or labor issues shall occur at any stage of our operation, including the manufacturing of Nordic Semiconductor products by subcontractors.

Nordic Semiconductor adheres to the principle that all employment shall be freely chosen and that workers shall be free to leave their employment with reasonable notice. Child labor must not be used at any stage of

manufacturing. Working hours and wages shall comply with applicable local laws or RBA Code of Conduct paragraphs (whichever is stricter).

Collective bargaining and the right to organize in labor unions are protected by law in most countries where Nordic Semiconductor operates. Company policies allowing employees to exercise these rights apply to all Nordic Semiconductor employees and locations. Collective bargaining and the right to organize is also required from our suppliers through their required commitment to RBA Code of Conduct.

As a fabless producer, engagement with our supply chain is important when addressing risks related to human- and labor rights. Nordic Semiconductor requires all tier 1 subcontractors to follow the RBA Code of Conduct, and that they should require the same from their suppliers.

As of today, all our direct suppliers have their own documented corporate social responsibility policy including adherence to RBA Code of Conduct, with commitment to communicate this to next tier suppliers. Currently 5 of our main subcontractors have their own memberships in RBA. In addition, several of Nordic Semiconductor's main suppliers are certified to SA 8000 or similar social responsibility certification. TSMC, which is the primary wafer foundry used in Nordic Semiconductor chip production, is ranked as one of the most sustainable companies in Asia and has received several certifications and other awards/achievements.

Supplier audits are used to review implementation of the RBA Code of Conduct, such as tracing of information for conflict mineral reports, inspecting Human Rights and Labor performance, and follow-up of next tier suppliers.

Raising employee awareness on Human Rights and Labor principles and relevant issues are done by internal training and as part of the introduction program for new employees. Measurements and results are reviewed annually by the management team in the Management Review.

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

Responsible sourcing of minerals

Nordic Semiconductor has worked with the issue of Conflict Minerals since 2010 and engages regularly with our suppliers to provide accurate and transparent information on the origin of minerals to concerned stakeholders. The company's Quality Director is responsible for the Conflict Minerals program. Our **Conflict Minerals policy** is stated on our website and has been communicated to all relevant suppliers. As Nordic Semiconductor's products can contain 3TG (Tin, Tungsten, Tantalum and Gold) and Cobalt, due diligence is conducted based on OECD guidelines to ensure no direct or indirect financing of ongoing conflicts in the DRC-region or elsewhere. Nordic has a commitment to source minerals only from RMI conflict free smelters, also within the DRC and covered countries.

Identification of smelters, and assessment of country of origin of the minerals, are investigated based on the supply chain reporting scheme set out by the Responsible Minerals Initiative (RMI), an initiative by RBA and the Global e-Sustainability Initiative (GeSI). Nordic Semiconductor is not required to report to the US SEC for Conflict Minerals.

Nordic Semiconductor is distanced from the minerals' smelters/refiners in the value chain, and has no direct contact with smelters or providers of material. All such contact is handled through our subcontractors' supply chain, and as such, Nordic Semiconductor needs to rely on 3rd party auditing such as RMI's audit program.

Since 2015 Nordic Semiconductor has required suppliers to source from conflict-free smelters only, i.e. smelters that are verified as RMI compliant by RMI's audit scheme. Our target is to have 100% conflict-free smelters at all times, and we report on due diligence at the smelter/refinery level to customers and other stakeholder at a weekly basis by use of RMI's Conflict Minerals Reporting Template. In case of changes to smelter list or compliance status from our suppliers, these changes are investigated and handled by company routines for non-conformities and corrective actions.

To date, no incidents of minerals supporting armed conflicts have been discovered. For 2020 we expect Conflict Minerals to remain a highly relevant issue related to Human Rights in our supply chain. Nordic Semiconductor will continue to engage its suppliers to precisely identify the origin of all material used in Nordic Semiconductor's products.

Anti-modern slavery

Forced labor takes different forms, including debt bondage, trafficking, and other forms of modern slavery. The California Transparency in Supply Chains Act of 2010 and The UK Modern Slavery Act of 2015 are two extensive legislative requirements, which require certain businesses to disclose their efforts to address the issues of slavery and human trafficking in their supply chains. Nordic Semiconductor is not required to be compliant with these acts, but we have taken the principles from these regulatory acts to govern our Anti Modern Slavery program.

Nordic Semiconductor does not tolerate forced labor practices to be used in any of our operations, as stated in our CSR policy. The RBA Code of Conduct explicitly bans trafficked and forced labor, as well as any form of child labor. Nordic Semiconductor uses sources like the Global Slavery Index to assess risks of modern slavery, and the topic has been addressed in supplier audits.

To date there has been no known incidents of or indications of forced or trafficked labor in Nordic Semiconductor's supply chain.

Diversity program and competence development

Nordic Semiconductor's business is based on a diverse composition of highly specialized and skilled employees, and their level of competence and ideas are very important to us. With 46 different nationalities, that are all represented at the company's headquarter, Nordic has a unique position for fostering an inclusive and diverse company culture. However, other aspects of diversity are equally important, and the company is actively developing its employer branding and internal training approach for constant awareness and development of an inclusive work environment.

The Board of Directors' People and Compensation Committee work actively together with our executive

leadership team to enhance diversity and overall people focus, which is also a standing topic in Board meetings. Nordic is participating in relevant events accentuating diversity, such as promoting engineering education to female candidates (see page 28).

All new employees go through an introduction program to make sure they get to know the Nordic culture and to get them up to speed in their work. The program is continuously being developed based on the evolving business context and introduction requirements. Most positions have a designated mentor for the start-up period. Diversity is also on the agenda for our internal audits as well as annual management business review. Satisfaction surveys and Leadership surveys give continuous feedback enabling the company to prioritize actions for a positive and relevant development.

Nordic Semiconductor's Non-Discrimination Policy

- All Nordic Semiconductor employees shall be treated equally and with dignity, courtesy, and respect
- Nordic Semiconductor prohibits any form of discrimination against and/or harassment of employees or applicants for employment due to race, color, nationality or ethnic origin, age, religion, disability, political opinions, gender or sexual orientation, as described by ILO conventions
- Nordic Semiconductor's organizational culture shall be characterized by openness and good internal communication so that any misconduct or problems can be addressed, discussed and resolved in a timely manner
- Nordic Semiconductor's employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blower channels. Retaliation against any employee who has reported misconduct, is prohibited. There shall be no unfavorable treatment to any whistle blowers

2019 saw a higher employee turnover rate than in previous years, mainly due to individual employees' personal reasons, such as relocation, family reasons or seeking other challenges/opportunities. Nordic Semiconductor focuses on talent management and succession planning and has sharpened the focus on internal career paths and work-life balance, management development, and continues to develop the organizational culture and working environment.

Integration service

As the need for human resources has increased rapidly over the past few years, employees have been recruited

from all around the world. Onboarding and integration are important, especially for our foreign employees in each country. For this, Nordic uses a third-party integration service to make sure that the integration runs smoothly and in the best possible way. They provide aid in practical matters related to relocations, such as finding a home, obtaining a tax card and creating a bank account, in addition to arranging language courses, social meetings and gatherings. This service has been highly appreciated, and the employees' feedback has been that it is greatly benefitting their integration to Nordic Semiconductor and local working culture.

Occupational health and safety

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

As a fabless producer, the risk of injury or incidents in relation to direct operations is considered low. There is

no use of heavy machinery and equipment or operation of vehicles and only limited handling of hazardous chemicals that can cause notable damage or injuries. Nordic Semiconductor's OHS (Occupational Health and Safety) risk assessment has highlighted ergonomic injuries and negative stress in the working situations as the main focus areas for improvements. Only trained personnel may work with hazardous chemicals and emergency routines are in place and regularly rehearsed.

Nordic Semiconductor's Occupational Health and Safety Policy

Low level of employee absence, a stable competent workforce and no work-related incidents in order to achieve high productivity and quality, by ensuring:

- a working environment that gives employees complete security against physical and mental harm
- safe employment and meaningful work for the individual employee
- consultation and participation of workers and worker's representatives
- our suppliers live up to Nordic's OH&S standards
- compliance with legal requirements
- continuous improvements

As Nordic Semiconductor's number of employees has grown considerably in recent years, the target has been to maintain the low level of sick-leave and high employee satisfaction from previous years. Due to the growth, necessary changes have been made to the organizational structure. Ensuring motivated and competent leaders on all levels in the organization is important to continue developing and producing world class products.

To ensure a positive and continuously improved working environment, Nordic Semiconductor has implemented an Occupational Health and Safety management system, certified to the standard ISO 45001 Occupational Health and Safety Management System by DNV GL. All Nordic Semiconductor subcontractors are certified to ISO

45001 or similar standards, and this is a prerequisite to become a Nordic Semiconductor manufacturing partner. Subcontractors are also required to follow the RBA Code of Conduct and must sign off on compliance to this document.

Nordic Semiconductor has established local OHS Committees for company operations in Norway, Finland and Philippines, working to continuously improve the working conditions and ensure a safe working environment.

Based on the 2019 employment satisfaction survey and reports from Occupational Health Service, Nordic Semiconductor employees are very satisfied with their workplace.

Measurements

Indicator	Target	2019	2018	2017	2016
Human rights and Labor					
Number of incidents of Human Rights abuses	0	0	0	0	0
Number of incidents of Labor principles violation	0	0	0	0	0
Percentage of smelters verified as RMI non-compliant	0%	0%	0%	0%	0%
Human capital and diversity					
Number of employees		767	685	601	533
Percentage female employees		14.4%	14%	13%	13.3%
Turnover rate (%)	< 5.0%	6.75%	3.7%	3.5%	3.2%
Number of students/interns from universities		80	64	57	25
Health and Safety					
Work related incidents	0	1	1	1	1
Lost Time Incident Rate (LTIR)	0.0	0.0	0.0	0,0	0,0
Fatality rate	0	0	0	0	0
Contractor Fatality rate	0	0	0	0	0
Total sick leave		2.41%	2.32%	2.21%	2.4%
Short time sick leave ⁴	< 2.5%	1.51%	1.30%	1.31%	1.5%

Table 04: Measurements related to Social perspectives.

⁴Short term sick leave is defined as less than 16 days.

Community engagement

'Make it Digital'



Nordic's involvement with promotion of technological learning has continued in 2019. As part of a four-year program, the tiny Nordic Semiconductor-powered micro:bit computer will be put into the hands of all year 5 to 7 pupils in Norway's primary schools to stimulate interest in computing and the IoT.



Today, micro:bit is promoted by the Microbit Educational Foundation and is available to purchase from dozens of distributors across the world. The computer was distributed to a million ten and 11-year-olds in the U.K. in 2016, and 65,000 Danish schoolchildren in 2018. There are micro:bit activities in over 50 countries around the world and further national roll-outs are planned in Iceland and Croatia, among others.

A NOK 19.95 million (USD 2.3 million), four-year program financed by Sparebankstiftelsen DNB, a Norwegian charitable foundation, will be administered by The Knowledge Center and Lær Kidsa Koding (LKK), non-profit organizations that teach children IT and coding skills, together with the country's regional science centers. The micro:bit is also being made available to LKK's 160 code clubs in Norway. The distribution will be accompanied by a training program for teachers and free online support.



The micro:bit was first developed by the British Broadcasting Corporation (BBC), a U.K. public service broadcaster, and key technology partners, including

Nordic Semiconductor, Arm, Microsoft, and Samsung. It was designed to teach children coding skills and increase the number of students studying computer science at university. For more information, see www.microbit.org

Sponsorship program

In 2019 Nordic Semiconductor introduced a sponsorship program. Several local community activity teams received financial support from us and promoted the Nordic brand by using our logo in different ways. Supporting our employees' community activities is in itself a valuable benefit from such a program, providing our colleagues with the opportunity to contribute to their local communities through their employment.

Promoting engineering education to female candidates



Nordic Semiconductor is a technology-based company and close relations with educational institutions are in the DNA of the company. Every year Nordic Semiconductor gets involved



in activities and collaboration programs with both local and international universities to introduce the practices of the Electronics industry to engineering students, specifically focusing on inspiring students to pursue a career within the semiconductor industry.

In order to increase the percentage of female participants in the industry, Nordic cooperates with the Girl project ADA. The Girl Project ADA is a NTNU project which aims to recruit, motivate and educate females within the Norwegian IT industry. ADA promotes the education of more female engineers and Master graduates from the Faculty of Information Technology, Mathematics and Electrical Engineering (IME) at NTNU. Nordic provides office visits, presentations and network opportunities for female students in NTNU. Read more at www.ntnu.edu/girls.

Nordic sees that there is an increase in the number of female students and graduate candidates applying, and continuously work on employer branding development for equality and diversity focus.

COMPANY GOVERNANCE PERSPECTIVES

The Board's statement on corporate governance is set in **Nordic Semiconductor's Annual Report for 2019**, under the chapter "Standards of Corporate Governance". It complies with the structure adopted by the Norwegian Corporate Governance Board (NUES). The statement also meets the information requirements set out in Section 3-3b of the Norwegian Accounting Act and Section 5-8a of the Securities Trading Act. In this chapter of the Annual Report, details of relevant governance topics such as auditing committees, risk management and executive management are described.

Commitment to the highest standards of business ethics and integrity is crucial for us to earn the continued confidence of our stakeholders. This applies to subjects like Anti-corruption, fair business practices, Intellectual property rights, political involvement and Data Privacy. Incidents of unethical behavior within these areas can impose legal, reputational and financial risks for the company and would ultimately impact the trust and confidence in the company by its stakeholders.

This chapter of Nordic Semiconductor's ESG Report 2019 is meant to describe how the company addresses material governance topics in its daily operations, including its policies, implementations, results and expectations.

Anti-Corruption

Nordic Semiconductor and its employees shall respect the rule of law and international norms of behavior. Nordic Semiconductor has adopted a zero-tolerance policy on corruption and bribery - as clearly stated in the RBA Code of Conduct.

Nordic Semiconductor's Anti-corruption Policy

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



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

Nordic Semiconductor anti-corruption program is based on standard management system practices, with UK Bribery Act and ISO 37001 Anti-Bribery Management as guidelines. The issue of anti-corruption is regularly addressed by internal training and as part of mandatory introduction program for new employees. All Nordic Semiconductor employees are required to read and sign a «Non-corruption acknowledgment form», which includes the company's anti-corruption policy, definitions and guidelines for acceptable behavior.

Nordic Semiconductor requires all subcontractors to follow the RBA Code of Conduct, which prohibits any and all forms of corruption, bribery, extortion and embezzlement. Subcontractors are followed up with supplier audits to raise subjects from the RBA Code of Conduct.

Registered incidents and results are reviewed annually by the management team in the Management Review. To date, Nordic Semiconductor has not had any incident of corruption, bribery or unethical business behavior.

Whistleblower program

To ensure reporting of potential incidents relating to business ethics, Nordic Semiconductor has defined a whistle-blower program. Internal and external stakeholders are encouraged to report any misconduct related to Nordic Semiconductor's business by use of whistle-blower channels as published on Nordic Semiconductor's intranet and external website. Reports of misconduct are handled by Nordic Semiconductor's Whistleblowing Group, led by the company's Legal Director, who reports to the CEO, and the audit committee gets quarterly reports. Any reported concerns shall be investigated for root-cause, corrective and preventive actions, including potentially involving authorities, while preserving reporter confidentiality.

To allow for anonymous reporting, a third-party service is set up as whistleblowing channel, and in case of such reporting only anonymized information will be addressed to the Whistleblowing Group.

According to Nordic Semiconductor's Social responsibility policy, Nordic Semiconductor does not tolerate any unfavorable treatment of or retaliation against the person who reports the misconduct is not allowed.

No whistleblower reports were made through the available channels in 2019.

Data privacy and personal data protection

Protection of personal data is a central topic related to legal obligations for any Information Security Management System. The EU GDPR (EU General Data

Protection Regulative) puts strong requirements for protection of personal data on Nordic Semiconductor. Nordic Semiconductor ASA (including subsidiaries) are committed to individuals' privacy and the protection of registered personal data. Nordic Semiconductor has published privacy policies for describing the personal data processed, the purpose of the processing and the legal basis for doing so. Furthermore, personal data are 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, while employees responsible for processing activities of personal data are further trained in how to ensure legal, justified, accurate and rightful processing of personal information. A dedicated Privacy Responsible is defined to follow-up on required evaluations of activities and communication with internal and external stakeholders on matters of privacy. Annual reports from Privacy Responsible are presented in Management Review.

Any incidents of non-conformities related to privacy are handled according to company defined routines for registration, investigation, corrective and preventive actions (including notifications to affected parties and authorities).

Information security and IP protection

Information Security concerns protection of information's confidentiality, integrity and availability. Nordic Semiconductor is committed to the protection of valuable business information and information systems, such as proprietary design data as well as external stakeholders' intellectual properties entrusted to Nordic. Business Continuity and strategies are in place for protecting

against cybercrime incidents or other disasters putting Nordic Semiconductor's operations and information at risk. Nordic Semiconductor is certified to ISO 27001 Information Security Management System. Nordic's IPR policy provides visibility and control over relevant in-house IP and patent filing, and it is embodied in project management workflows and milestones, with related checklists.

Product security

In the world of connected devices, security is essential. Nordic Semiconductor is at the forefront of supplying solutions, ICs and Software that enable our customers to build highly secure products. Throughout our development organization, there is a focus on designing secure products, optimizing security features and ensuring that we bring products and services to the world with unsurpassed quality, security and reliability. Our Product Security Officer reporting to the CTO is responsible for leading the efforts.

Our systematic security development process takes into account leading edge best practice, regulatory requirements, and customers' input to define our products and services. Nordic's product security strategy is aligned with the Platform Security Architecture (PSA) initiative by ARM, which offers a framework for securing connected devices. Nordic's devices will be certified to comply with PSA requirements.

Nordic Semiconductors Product Security Incident Response Team (PSIRT) responds to reported security vulnerabilities in Nordic Semiconductors Products (Hardware and Software), Documentation and Services. The PSIRT ensures that security vulnerabilities are analyzed, documented and communicated in a responsible manner.

Measurements

Indicator	Target	2019	2018	2017	2016
Number of corruptions, bribery or unethical business behavior incidents	0	0	0	0	0
Numbers of reports made through whistle-blowing channels		0	0	0	0
Suppliers documented RBA Code of Conduct policy	100%	100%	100%	100%	100%
Suppliers communicating RBA Code of Conduct to next tier	100%	100%	100%	100%	100%
Suppliers audited on RBA Code of Conduct	1	1	1	1	1

Table 05: Measurements related to Governance performance.

CONCLUSION

This report has presented a holistic overview of Nordic Semiconductor's ESG framework and policies. We believe that our company has good internal practices, and this disclosure offers transparency on our ESG efforts to our external stakeholders.

As described in the report, our aim has been to describe the details of our annual ESG performance and outline how our measures and targets move along with the growth of our business each year.

We emphasize the importance of the engagement with our key stakeholders through the value chain, such as our customers, suppliers, employees and investors. Close relationships with our stakeholders not only allows for ESG issues to be discussed and addressed, but also establishes interactions that create benefits for both our business and our external stakeholders.

As our CEO states in the beginning of the report, we believe our ESG efforts are prerequisites for long-term value creation, which will also reward long-term benefits to the environment and the society. We aim to continue improving our engagement practices and targets in order to increase the value creation of Nordic Semiconductor.

To realize these opportunities, we will;

- Incorporate ESG issues into corporate decision-making processes.
- Work together to enhance our effectiveness, with the UN Global Compact ten principles, UN SDGs and the RBA Code of Conduct as our main compasses.
- Push the limits to decrease the GHG emissions arising from our operations and production facilities, through a Sustainability Program Initiative with a sharp focus on close engagement with suppliers and customers.
- Strive to make and deliver products and services that are aligned with our sustainability targets. Our cutting-edge IoT technology has great potential to help solve many of the problems and challenges the world faces today, and we will actively address this potential through our IoT product developments.

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