

## Update in relation to Resolution 2. Approval of Directors' Remuneration Policy

At the Company's AGM, held on 2 May 2019, approximately 31.3% of shares cast were voted against the resolution to approve the Directors' Remuneration Policy ("DRP"). As announced at the time of issuing the AGM voting results, the Company's Remuneration Committee had undertaken an extensive consultation with a majority of shareholders in advance of the AGM; most of whom were supportive of proposed changes under the DRP. In advance of the AGM, the Company incorporated changes to the DRP based on shareholder feedback from the consultation process.

In light of the voting outcome at the AGM, the Company has again corresponded with a majority of shareholders and during the course of the fourth quarter, the Chairman will conduct additional one-to-one meetings or calls with shareholders. The Company will provide further detail on this process in the 2019 Annual Report and Accounts.

31 October 2020

## Additional Update on Shareholder Engagement

This notice is intended to provide additional information in relation to Dialog Semiconductor's ("Dialog" the "Company") shareholder engagement during 2019 and 2020, to supplement the previous announcement above and disclosure in the 2019 Annual Report & Accounts ("Annual Report"). As a company incorporated in the UK and listed in Frankfurt, Dialog is not subject to the provisions of the UK Corporate Governance Code ("the Code"). Nonetheless, reflecting our commitment to high standards of corporate governance, in addition to issuing an [announcement with the vote results](#), in line with Provision 4<sup>1</sup> of the Code, within six months of the AGM we issued the statement above. A summary of each of those engagements, from the fourth quarter 2018 lead up to the 2019 AGM through the fourth quarter of 2019, is detailed on pages 7 and 92 of the 2019 Annual Report.

The Board and the Remuneration Committee (the "Committee") are satisfied they have conducted a thorough and appropriate process of engagement in line with their duty to shareholders and regulatory best-practice; however, the Company acknowledges that there could have been more detailed disclosure around the rationale for shareholders' voting against the proposed policy at the 2019 AGM. The Company has found it difficult to ascertain clear feedback from a wide range of shareholders when conducting shareholder engagement. This difficulty is consistent with the voting turnout at our recent AGMs (e.g. 40.1% of shareholders voting on the remuneration policy at the 2019 AGM). Further, in the Chairman's one-on-one meetings with investors, which we convened with the objective of soliciting feedback on governance matters and voting, the issue of remuneration was not raised as a priority among investors. However, having reviewed the limited feedback provided on remuneration, as well as from our own research of public filings from our own investors, one of the primary drivers of shareholders' voting against the remuneration policy seems to be potential remuneration levels that could be earned, assuming the achievement of defined and stretching targets under the policy. The Board acknowledges that this detail could have been included in the Annual Report and, in an effort to provide assurances as to the rigour of engagement since the 2019 AGM, has opted to issue this update.

The Board and Committee is firmly of the belief that the revised remuneration policy, which was approved at the 2019 AGM by almost 70% of shareholders, is appropriate and in the best interests of the Company and its shareholders. The Company has reached out and listened to shareholders where issues have been raised and, as part of consultation with shareholders before the 2019 AGM, implemented a number of alterations to the remuneration framework and disclosure in line with their feedback. Those amendments include the introduction of a two-year [post-vesting] holding period and enhanced disclosure of performance targets. In the period ahead, we will continue a thorough and

---

<sup>1</sup> When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.

appropriate process of engagement with our shareholders and focus on ensuring remuneration is appropriate and in the best interests of the Company and its shareholders and continuing to improve disclosure of such in future Annual Reports.

10 April 2020