

COMMUNICATION ON PROGRESS (COP) 2014

**IT IS OUR MISSION
TO PROVIDE SOLUTIONS
THAT ENABLE CUSTOMERS
MANUFACTURE ADVANCED,
ENERGY EFFICIENT POWER
COMPONENTS.**

Topsil Semiconductor Materials A/S hereby reconfirms its continued support of the UN Global Compact in the below statement:

March 2015

UNITED NATIONS GLOBAL COMPACT

On behalf of Topsil Semiconductor Materials A/S I hereby reconfirm our company's continued support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour Rights, the Environment and Anti-Corruption. We continuously acknowledge our responsibility to balance the business interests of our company with those of our external environment and commit to share our efforts and concerns with our main stakeholders.

In this annual Communication on Progress, we describe the actions taken in the past year to improve our performance on CSR-related matters as well as the goals set for 2015.

In 2014, our main focus was the close-down of our old facility in Denmark for a leaner and more resource efficient manufacture at our new state-of-the-art ultrapure silicon production site. The new plant is characterised by more eco-friendly equipment and solutions, and high-tech systems allow us to continually fine-tune our use of resources to a much wider extent than before.

For 2015 we plan to continue this fine-tuning work while specifically in our Polish plant, we will persist our work on raising employee awareness concerning resource minimisation. We furthermore expect to implement a whistle blower scheme for our entire organisation.

It is our firm belief that our year-on-year targets and reporting help us stay on track on our journey towards a more sustainable exist-

ence. Not only do they aid us save resources and mitigate business risks, thereby making Topsil stronger, but they also contribute to ultimately make our world a little bit greener.

Kind regards,



Kalle Hvidt Nielsen
CEO



TOPSIL IN BUSINESS

ELECTRIC AND HYBRID VEHICLES

Electric cars and hybrid vehicles are expected to become more common on the road in future. However, they can only run if their batteries are charged beforehand, and it is only possible to shift to a higher or lower gear if the electricity supply is regulated.

Silicon has good power control properties and may be used for energy-efficient electricity supply and regulation. Silicon is used, for example, under the bonnet and in the charging stations used to charge the car.



WIND TURBINES

A wind turbine must be able to catch the wind and rotate, generate electricity and connect to and disconnect from the power grid depending on the wind force. Intelligent electronics is required for operating wind turbines and transporting energy, and this is where silicon comes in.

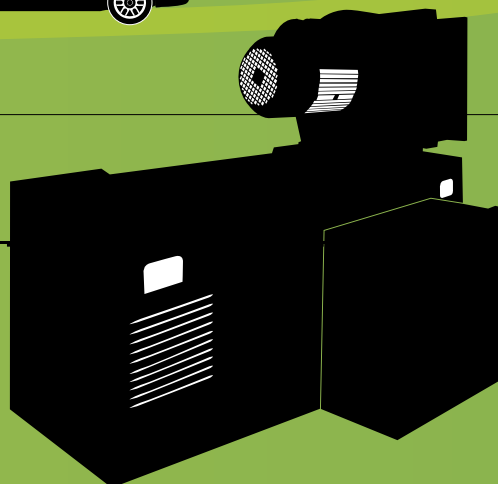
Silicon is used in the electric components of the wind turbine nacelle. It is also used in the transformer system collecting energy and distributing it to the power grid.



PRODUCTION MACHINERY

The industry needs electricity to manufacture goods. Production machinery requires turning on and off, and it must be possible to adjust electric energy and speed.

Silicon is used in machine control mechanisms and electric motors to control and conduct electricity. Silicon is a highly efficient material contributing to optimum machine control as well as optimum energy consumption.



MEGATRENDS

- Growing middle class worldwide, urbanisation. This calls for modern conveniences such as access to stable supply of electricity, well-functioning public transport, cars, white goods, etc.
- Development of green technologies driven by concern on increased levels of pollution, focus on CO₂ emissions, price on fossil fuels.
- Political action: Grid improvements and planning of public transport are in essence driven by governments, including size of investments and pace of implementation.

ELECTRIC TRAINS

Electric trains moving at high speeds pick up energy from overhead wires and the rails. An energy-efficient electricity supply is required, and this is where silicon comes in.

Silicon helps regulate train speed and pick up energy. For example, it is used in complex power control systems installed on top and underneath trains.

POWER GRIDS

Silicon contributes to energy-efficient transport of electricity. In the intelligent electricity distribution network of the future, "Smart Grids," different energy sources may be connected or disconnected according to need in order to balance consumption day and night.

Silicon helps convert electricity from, for example, alternating current to direct current, to connect to the grid, and to ensure a smooth transport of current, often over long distances.

Stakeholder dialogue

TOPSIL SETS THE AGENDA

Should a company like Topsil host a conference with the EU Commissioner for Climate Action, take time out to meet with the Danish Minister for Climate or with a class of local high school students when it is clear that the effect cannot be measured directly on our bottomline? The answer is yes, if we do it prudently. Meeting with a minister is a unique opportunity to make a direct impact on the national political agenda and point to how we as a nation can help pull the development of cleantech in the right direction. And we might even find future employees among the group of high school students who visited us in January.

From time to time, we agree to meet with stakeholders who are not off hand closely related to the silicon industry. However, we always do so after careful consideration of the nature of the meeting. Having good external relations is very important, as this interaction provides support for our business from these stakeholders and ultimately turns them into ambassadors for our company. Adverse contact, on the other hand, carries a risk that stakeholders may take a negative view, which may make it more difficult for us to be heard and to get support for our views.

THE DANISH CLIMATE MINISTER CAME BY

In January 2015, we had the opportunity to meet with the Danish Minister for Climate, Energy and Building, Rasmus Helveg Petersen, who had allocated half a day to meet with selected companies in the cleantech industry. He wanted an informal discussion of the framework conditions and development potential of the industry and also to see our new plant. Our CEO, Kalle Hvidt Nielsen hosted the meeting:

“We always look forward to such a visit. We are proud of our cleantech business, which supports energy efficiency and green transition. It’s a delight to present it as it is the most state-of-the-art plant of its kind in the world.”

One thing was to show a specialised and thoroughly regulated production. Another thing was that this was a welcome opportunity to discuss the conditions and the statutory and regulatory provisions governing our operations, which in certain respects makes it difficult to further increase our environmental efforts.

“Meeting with the relevant minister is an opportunity for us to address a number of the challenges we face in relation to becoming even more competitive and sustainable,” said Kalle Hvidt Nielsen. “One of the issues is direct and indirect taxes, an area where Denmark could choose to make it more attractive to think and produce green. It is also important to look at and solve global problems in a global perspective.”



Danish Minister for Climate, Rasmus Helveg Petersen (left) discussing framework conditions with Topsil CEO, Kalle Hvidt Nielsen (right).

"In some cases, legislation blocks the good intentions," he continued. "We have for example long wanted to resell used chemicals to behave responsibly. Theoretically, it's possible. But then again it's not because we are only allowed to store very limited quantities before we have to send them on. For a potential buyer, receiving shipments in dribs and drabs is not attractive as transport and further handling simply becomes too expensive. I noted during the meeting that this is an issue the Minister is going to consider."

MAKING STUDENTS INTERESTED IN SILICON

During the same month, Topsil hosted another visit by a group of people interested in the production of silicon, this time a class of local high school students. They wanted to know more about silicon technology, and our Chief Technical Officer, Per Kringhøj, showed them round.

"Time allowing, I feel it is important that we play a role in our local community. We can help create an interest among the young people and in that way make an impact on their plans for the future. We definitely have an interest in ensuring that as many of them as possible see the potential of choosing a technically founded education, and that they find out how exciting silicon technology is."

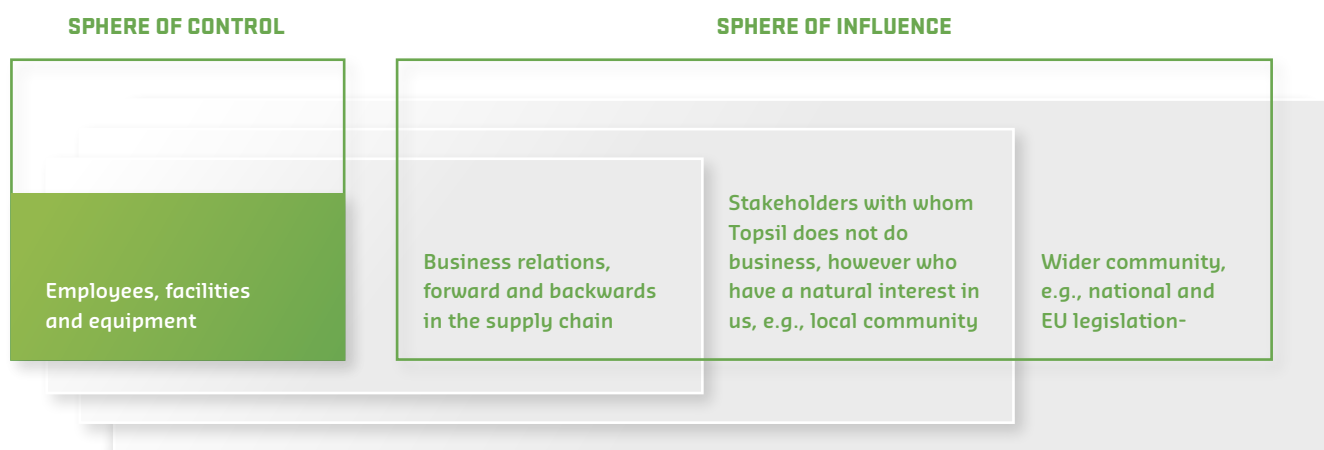
"Many of the young people are also very interested in the green agenda. We can give them an impression of how the things they learn about in school can be used for practical purposes, and how companies can be sustainable" he concluded.

CSR ACTIVITIES EMBEDDED IN OUR EVERYDAY BUSINESS

In Topsil's view each CSR activity must be an embedded part of our day-to-day business in order to obtain the maximum benefit. Such approach fits nicely with Topsil's strategy in which one outspoken focus area is to increase our efficiency and output.

In support of this, our production and technical managers for instance consider resource minimisation part of their jobs. This becomes particularly relevant when purchasing new equipment or when improving already installed mechanical and other systems in our plants.

Likewise, our production managers are appointed overall responsible for employee safety, including training. This makes good sense as most of their staff is operating machinery on a daily basis.



WE FOCUS ON OUR OWN BUSINESS IN PARTICULAR...

Topsil has developed the above model to visualise how to deal with CSR related matters: Upon take-off of our initial CSR journey 2010, we decided to pay particular attention to our sphere of control. This we did as we identified quite a lot of improvement potential in-house. Some CSR-areas we already had a fairly sound approach to at that time, although our practices were maybe

less outspoken. In other areas, we had to set up new policies and guidelines to ensure that everybody understands and supports our overall goals. The sphere of control continues to be our main priority, as we may directly affect it. This is, therefore, also the sphere for which we continually monitor our performance by setting concrete targets and by following up regularly on dedicated management evaluation meetings.

BUT EXTERNAL STAKEHOLDERS ARE IMPORTANT, TOO

Our sphere of control, however, does not stand alone. We have close ties with our suppliers and customers, amongst others. Our customers care as to under which circumstances we manufacture silicon wafers. Concerning our suppliers, we care to look into their procedures and way of conducting business.

One way of addressing this is by use of our supplier handbook which stipulates evaluation criteria when selecting and assessing suppliers. Such evaluation is related to risk management, amongst others, and includes CSR related matters. The handbook thus serves as a tool to direct corporate social responsibility matters in our supplier relations.

In a broader stakeholder perspective, Topsil interacts with its local community, national authorities and the like. In this respect Topsil is concerned to maintain its "licence to operate," measured as its goodwill earned in wider society. Topsil exercises its possibilities to influence such stakeholders wherever applicable. This kind of influence is usually related to influencing framework conditions, maintaining good neighbourliness, or attracting new members of staff.

For each kind of stakeholder, it is Topsil's ambition to communicate openly, accurately and reliably.

HUMAN RIGHTS PRINCIPLES

TOPSIL SUPPORTS THE FOLLOWING HUMAN RIGHTS PRINCIPLES

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

POLICY ON DIVERSITY

Operating globally, Topsil regards a diverse workforce as an asset. We hire on the basis of talent and personality and offer the same possibilities to all employees, regardless of their background, religion, political conviction, gender or age. We encourage that everybody reach their full potential in accordance with personal ambitions and goals.

We promote a work environment of respect and inclusion and expect our employees to act politically and religiously neutral, when acting on the behalf of the company. We acknowledge the right to organise and bargain collectively and do everything in our power to avoid discrimination.

POLICY FOR UNDERREPRESENTED GENDER IN MANAGERIAL POSITIONS

In selecting new candidates for Topsil's Board of Directors, it is important that candidates have specific professional competencies and qualifications from listed companies and international experience. In addition, consideration concerning diversity in terms of nationality, religion, political conviction, age and gender applies. Specifically in respect of gender, Topsil aims to retain and, if possible, increase the number of women on the Board of Directors over the coming three years. To be able to meet this goal, Topsil will ensure that during potential recruitment processes, employees and external partners involved will be fully informed of the Company's diversity policy.

In regard to women in managerial positions, Topsil currently is under-represented in the Management Board, as well as management and mid-management. It is Topsil's aim to increase the number of women in managerial positions by ensuring a number of qualified female candidates for future management positions. Hence, in hiring processes, Topsil will instruct its recruitment agencies to act accordingly.

STATUS OF GENDER BALANCE, MANAGERIAL POSITIONS*, 2014

The current gender balance of Topsil's managerial positions is outlined below.

The Board of Directors did not replace any of its members in 2014.

Regarding other management, the total number of management employees was reduced by two in 2014. The number of female managers went up by one from six to seven.

STATUS OF GENDER BALANCE, MANAGERIAL POSITIONS

	Males 2013	Males 2014	Females 2013	Females 2014
Board of Directors	4	4	0	0
Other managerial positions (DK, PL)	23	20	6	7
Total	27	24	6	7

MOST RECENT ACTIVITIES

No new initiatives were taken in 2014.

PLANNED ACTIVITIES 2015

No specific activities are planned for the coming year.

ONGOING ACTIVITIES

According to the Danish Companies Act, Topsil's employees have a statutory right to elect a number of Board of Directors representatives, corresponding to half the number of externally elected members. Hence, two Topsil employees are full members of the Board.

According to EU legislation, Topsil calls for works council meetings on a regular basis, in which representatives from management and appointed employees have the possibility to discuss the overall situation and working climate of Topsil. The minutes of these meetings are communicated to local staff.

Topsil conducts a biannual employee survey to monitor employee satisfaction and establish a platform upon which possible action be taken. The next survey is scheduled for end of 2015.

Topsil's aggregated distribution of gender, age and ethnical composition is publicly available here: <http://www.topsil.com/en/career/personnel-figures.aspx>

Environment

POWER MANAGEMENT REDUCES RESOURCE CONSUMPTION AT PRODUCTION PLANT

At Topsil's new plant, savings can be achieved on resources by taking a critical look at production machinery and setting timers on ventilation and cooling systems and on pumps. The improvements are made in an ongoing process, and our project manager, Nicolai Hanssing of Control Engineering estimates that even more savings can be achieved.

"Our new facilities are more intelligent than earlier generations. The greater use of electronic controls makes it easier to collect and analyse data, and thus to recognise and optimise based on operating patterns," said Nicolai Hanssing, and continued: "There is a good deal of work involved in this, but it's also exciting to see how we can make the machinery run in the most efficient manner; and if we don't do that, our costs will be higher."

At our old plant, people were generally worried about changing equipment settings. This is now easier as the processes have become more stable. Better and more up-to-date design of our machinery and systems has also enabled us to monitor our use of resources electronically.

"The new equipment lets us adjust our power and water consumption more easily than at the old plant. We can now to a greater extent close down systems when they're not in use. We have had a fairly long running-in period because we have been operating at two sites. We are now in stable operation at a single location, which makes it both easier and more relevant to optimise operations."

A MODERN VENTILATION SYSTEM WITH POTENTIAL FOR COST SAVINGS

At the new plant, a number of large energy-consuming ventilation systems have been installed. An obvious approach was therefore to look at potential cost savings. Nicolai Hanssing comments on the results:

"In addition to the fact that our systems now only operate during the periods when manufacturing takes place, we ran in the equipment with a view to identifying the optimal operating settings energy-wise. For ventilation alone, we have successfully reduced the power consumption by one third. Our large clean-room facilities mainly run without heating, with reduced consumption of expensive clean-room filters and with reduced power consumption all the way down to an outside temperature of minus 5°C.



Nicolai Hanssing, M.Sc. at Topsil's floating zone process cooling system.

Achieving the savings has taken a lot of work. "Initially we monitored and adjusted the equipment on a day-to-day basis. Later on, the system was fully automated," he added.

MORE POTENTIAL YET

One thing is that we can close down ventilation during the Christmas holidays and on weekends, when our offices are mostly closed. The next step will be to look more closely at energy optimisation, i.e. how each system can be fine tuned to operate without wasting energy on the one hand while still being able to keep the production process running.

"Topsil has very few periods when all systems are closed down completely, but these periods give us an insight into the theoretically achievable cost savings if we fine tune completely to production. That way we will know what we can achieve theoretically, and we will know which systems are the greatest energy consumers."

"We believe that there is a good deal of savings still available on the pumps we have installed round about the plant. However, we need to do some more programming to reach that stage. We see potential on two fronts: On the one hand, we can save resources such as power and water with the right settings. On the other hand, this will result in less daily wear and tear on the individual components.

For the water cooling system, Nicolai Hanssing has calculated potential annual cost savings to be up to DKK 150,000-200,000. The system is now running 24/7, although that is not necessary for our production. We are currently installing equipment to achieve these savings, and the payback time will be less than a year.

"We have started with the lowest hanging fruit, but our calculations show that we can potentially achieve even greater cost savings. It would be great for us to make a regular annual green review of our operations, preferably with the technical staff who work with the systems every day," he adds.

LABOUR RIGHTS PRINCIPLES

TOPSIL SUPPORTS THE FOLLOWING LABOUR RIGHTS PRINCIPLES

- **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 labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

POLICY ON SAFETY

Safety must be a priority for all Topsil employees.

Topsil believes that all injuries are preventable, all health risks are controllable and management is accountable. Topsil also believes that a strong safety culture is an important tool for protecting our products and customers.

Literally speaking, we want our staff to go home from work as healthy as they were when they arrived at their work place. In order to obtain this goal, it is a continuing objective to prevent injuries and work related health risks through structured effective management, administration, education and training.

MOST RECENT ACTIVITIES

In 2014 Topsil continued its focus on improving the safety culture. LEAN tools as fish bone analysis were used to analyse accidents and near-miss accidents to avoid recurrence. The new facility in this respect represents a huge step forward, especially regarding chemicals handling. Safety drills were also used to familiarise the organisation with our new facility. The corporate figures of our performance were presented to management on a regular basis.

PLANNED ACTIVITIES 2015

In our Polish plant, investments are planned for Q1-2015 to reduce employee exposure to ultrasonic noise. For all sites, our overall goal for safety remains unchanged: We aim at zero accidents.

ONGOING ACTIVITIES

Following national legislation in Denmark and Poland respectively, a health and safety body is set on each company location. The safety organisation consists of management and staff representatives and is overall responsible for Topsil's health and safety performance. The body oversees compliance with applicable legislation and plans activities to minimise safety risks. It is also responsible for conducting workplace evaluations and implementing improvements. The production manager is head of the health and safety organisation.

ENVIRONMENT PRINCIPLES

TOPSIL SUPPORTS THE FOLLOWING ENVIRONMENT PRINCIPLES

- 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

POLICY ON THE ENVIRONMENT

Topsil continuously strives to reduce the environmental impact of our operations by integrating environmental consideration into any activity with an environmental impact.

We give priority to areas where we believe the effect will be greatest, and commit to working methodically with reducing our energy consumption and waste, year on year.

MOST RECENT ACTIVITIES

Topsil in 2014 met its goals concerning consumption of energy, water and chemicals as well as waste handling. The corporate figures of the environmental performance were presented to management on a regular management evaluation meeting. Topsil Poland in particular focused on raising employee awareness regarding resource consumption.

PLANNED ACTIVITIES 2015

For 2015, new targets for further improvements have been set, now dealing with one united location in Denmark and the Polish production site. In Poland, the ongoing activities on resource usage awareness will be sustained.

ONGOING ACTIVITIES

The managerial framework for driving and monitoring Topsil's environmental performance is the ISO14001 system to which all production sites are certified.

ANTICORRUPTION PRINCIPLE

TOPSIL SUPPORTS THE FOLLOWING ANTI-CORRUPTION PRINCIPLE

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

GUIDELINES ON ANTI-CORRUPTION

It is Topsil's fundamental principle that any business activity and relation with customers, business partners and authorities must be honest, fair and transparent and in compliance with applicable laws. We do explicitly not accept bribery or facilitation payment in any form and we do not permit gratitude activities between private individuals.

Topsil has adopted an internally communicated set of guidelines concerning business related gratitude, i.e. how we handle gifts, entertainment and hospitality provided by Topsil and its business partners.

MOST RECENT ACTIVITIES

In autumn 2014, Topsil took its first steps to introduce a corporate whistle blower scheme in cooperation with an external partner.

PLANNED ACTIVITIES 2015

Topsil expects to finalise and implement its whistle blower scheme. The scheme will subsequently be communicated to all staff.

ONGOING ACTIVITIES

The anti-corruption guidelines are reviewed by management on a regular basis.

ADDITIONAL INFORMATION

DISSEMINATION OF OUR COP REPORTING

- Topsil's COP for 2014 is published on Topsil's website www.topsil.com
- Topsil's COP for 2014 is published on the UN Global Compact website www.unglobalcompact.org
- Topsil's COP for 2014 is published on Topsil's intranet.
- Topsil's COP for 2014 will be communicated to our suppliers

REPORTING PERIOD:

This report focuses on the results of activities for Topsil's fiscal year 2014 (from 1 January 2014 through 31 December 2014).

PUBLICATION:

Topsil signed the UN Global Compact 8 March 2011.

Current issue: March 2015

Next issue: Scheduled for March 2016, covering FY 2015

FURTHER INFORMATION:

Further information on Topsil A/S to be found on www.topsil.com

In case of inquiries, please contact Secretary to Management Ms. Susanne Hesselkjær, phone +45 2926 6752 or e-mail: sh@topsil.com

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