

# 2019

## NXP MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT



## FOREWORD FROM KURT SIEVERS

At NXP, our core objective is to advance solutions that make lives easier, better and safer. As we work to achieve this objective, NXP is fully committed to advancing human rights within our sphere of influence. As part of this commitment, NXP and our suppliers must adhere to strict standards regarding human rights to protect every individual who contributes to the production of our products.



Advancing this cause is complex, so I insist that NXP works toward continuous improvement of our own human rights strategies, that we maintain the highest ethical standards, and remain transparent about our performance. We are guided by international norms expressed in the United Nations (UN) Universal Declaration of Human Rights, and by the International Labour Organization, and UN Guiding Principles on Business and Human Rights. NXP is a full member of the Responsible Business Association (RBA) and publicly report our Communication on Progress on these matters as a signatory to the UN Global Compact.

Since publishing our first Slavery and Human Trafficking Statement in 2015, we have gained greater insight enabling us to strengthen our social responsibility program to address modern-day slavery. Over the course of 2019 we have:

- Presented our award-winning policies and practices at high-profile global conferences including the UN Forum on Business and Human Rights
- Continued to see a decrease in the worst forms of human rights violations over the years when auditing our suppliers
- Achieved our highest ever supplier corrective action plan closure rate at 85 percent
- Published a [list of suppliers](#) for increased transparency of our complex supply chain
- Engaged with multiple human rights experts to enhance our social responsibility program

We will continue to refine our strategy to eradicate modern-day slavery within NXP and our supply chain to ensure our approach addresses the ever-changing landscape.

As our human rights work continues, we are proud to share our efforts and initiatives, and value the ongoing dialogue and feedback from our partners and other stakeholders.

Kurt Sievers  
President and CEO, NXP Semiconductors



# **NXP'S 2019 SLAVERY AND HUMAN TRAFFICKING STATEMENT**

**June 2020**

The California Transparency in Supply Chains Act of 2010 requires certain companies to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains for tangible goods offered for sale. The U.K. Modern Slavery Act 2015 requires certain commercial organizations to prepare and publish a slavery and human trafficking statement describing the steps the organization has taken during the financial year to ensure that slavery and human trafficking is not taking place in its own business and its supply chain.

This 2019 Slavery and Human Trafficking statement reflects NXP's progress during 2019 and ongoing efforts, working collectively, to combat and prevent human trafficking, slavery, forced, compulsory, or involuntary labor, and child labor in our operations and supply chain.

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# 1.0 INTRODUCTION



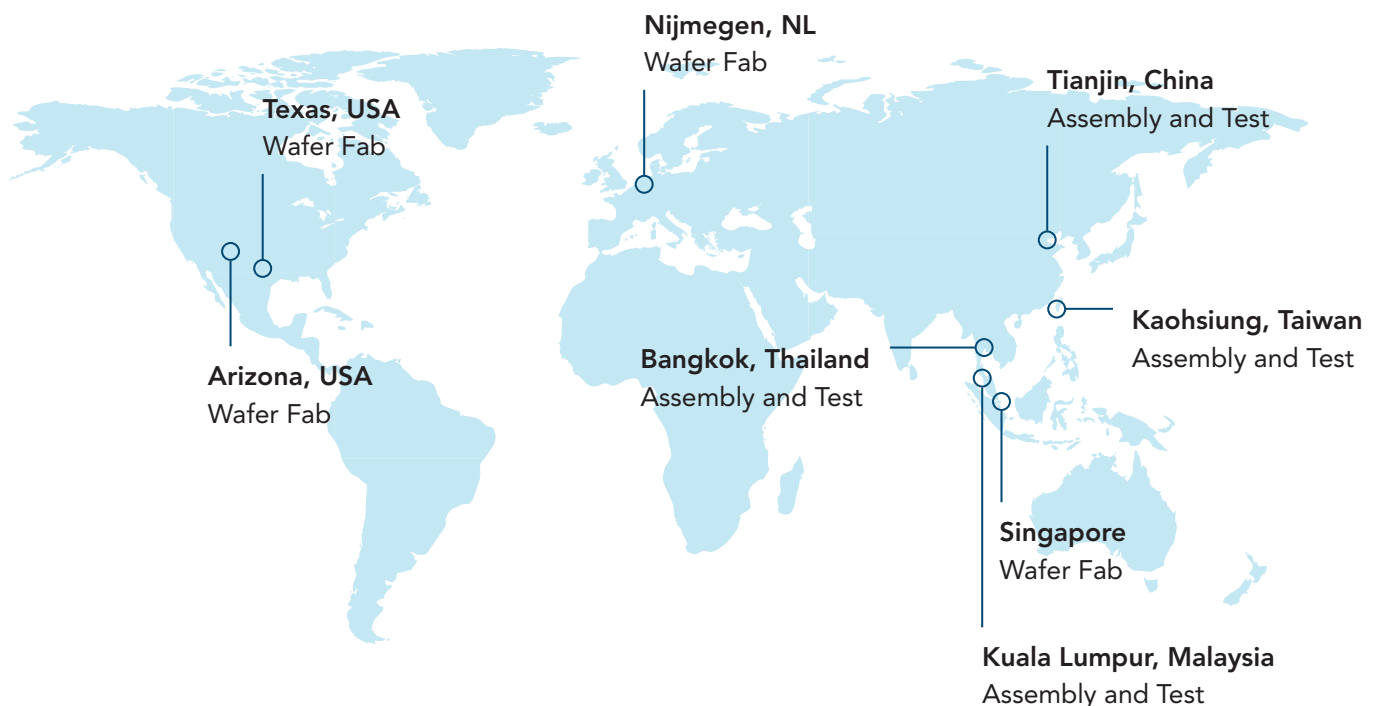
NXP's social responsibility program is built around the recognition that everything we do must reflect the highest possible standards of ethical business conduct and respecting human rights as expressed in our NXP Code of Conduct (the Code), approved by the board of directors. We explore ways to enhance our approach to respecting human rights through engagements across the world by implementing improvements from our employees, regulators, civil society, academia, investors, customers and our supply chain.

## 1.1 OUR BUSINESS AND EMPLOYEE PROFILE

### Business

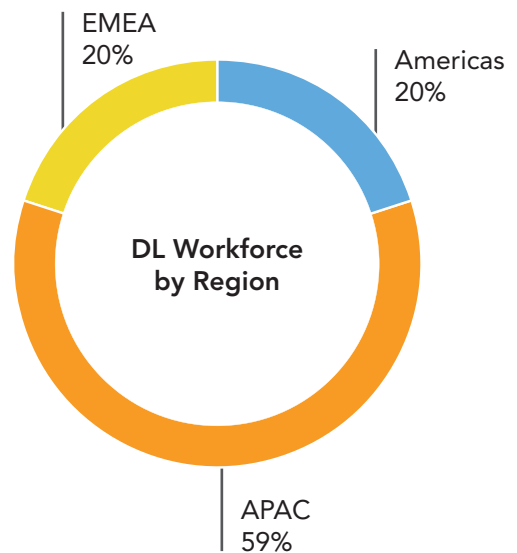
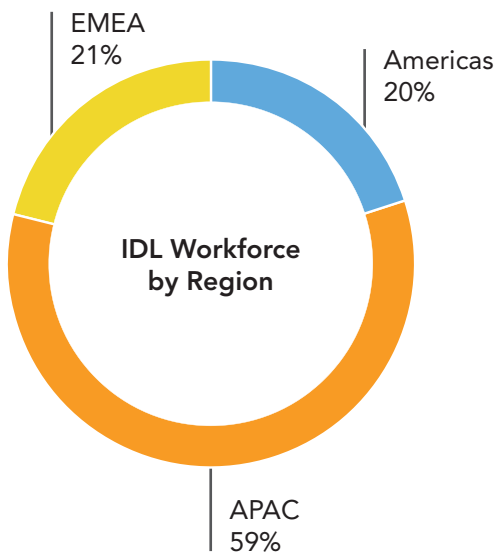
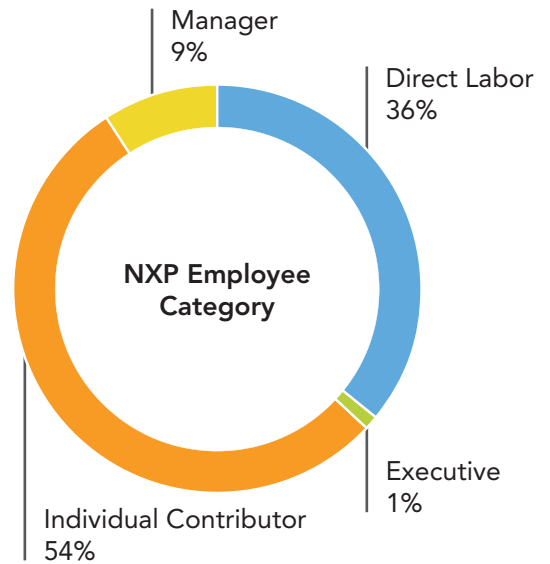
NXP Semiconductors N.V. enables secure connections for a smarter world, advancing solutions that make lives easier, better, and safer. As the world leader in secure connectivity solutions for embedded applications, NXP is driving innovation in the automotive, industrial, IoT, mobile and communication infrastructure markets. Built on more than 60 years of combined experience and expertise, the company has approximately 29,000 employees in more than 30 countries and posted revenue of \$8.88 billion revenues in 2019. Find out more at [About NXP](#).

### Manufacturing Locations



### Employee Profile

The nature of our labor force in our operations include direct labor (DL) and indirect labor (IDL). DL are those employees that physically touch the product and are involved in the production of goods. IDL consists of individual contributors, management, and executive level employees. We also have within our workforce temporary workers and directly hire foreign migrant workers recruited with the support from NXP approved labor agencies that provide support in document processing, such as visa applications and renewals, and dormitory accommodations.



## 1.2 LABOR AND HUMAN RIGHTS COMMITMENT

NXP and our business partners shall not be involved in any form of modern slavery or human trafficking. This includes the transportation, harboring, recruitment, transfer, or receipt of persons by means of threat, force, coercion, abduction, fraud, or payments to any person having control over another person for exploitation. We are committed to the abolition of child labor, and we do not accept any form of discrimination based on race, national origin, color, gender, religion, age, pregnancy, sexual orientation, physical or mental disability or political affiliation. NXP forbids charging fees to employees throughout every stage of employment and prohibits retention of personal or government issued documents. NXP allows the freedom of association and the right to collective bargaining.

### **No Fees**

Since 2013, NXP had a no-fees policy for all workers including temporary, migrant, intern, contract, direct employee or any other type of worker for internal operations and since 2016 for our suppliers. This policy ensures workers are not required to pay fees, deposits, or debt repayments for their recruitment or employment. Examples of fees include the application, recruiting, hiring, placement, and processing fees of any kind at any stage. Additional fees such as pre-departure fees for tests and medical exams, documentation and government issued documents and all transportation (which includes transportation when a worker returns to their sending country at the end of employment). If NXP discovers fees have been paid by workers whether in our company or in our supply chain, fees must be reimbursed to the worker.

### **No Retention of Documents**

NXP, suppliers or labor agents must not withhold personal documents, travel/residency permits, or government issued documents unless required by law. Personal, lockable storage facilities must be provided for the safekeeping of such documents.

### **Contracts**

Contracts must be written in a language understood by the worker and be provided prior to departure or hiring and must clearly outline the working conditions, including nature of work, details of working hours/work shifts and rest days, wages, benefits and duration of the contract. No substitutions or changes are allowed in the employment agreement unless the changes are made to meet local law and provide similar or better terms. All workers must be provided a copy of the employment contract and any amendments. If housing accommodations are part of the contract, they must meet country housing and safety standards and the housing standards found in the NXP Auditable Standards. Workers are free to leave work or terminate their employment at any time without penalty, upon providing reasonable notice. Any legal limitations on the movement of foreign workers are indicated in the employment contract, however, no undue restrictions on a worker's freedom of movement are permitted during or outside working hours. Workers are guaranteed unrestricted access to toilets and drinking water.



### **Child Labor**

Child labor is prohibited. The term “child” refers to any person under the age of 15, under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is stricter. The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported. Workers under the age of 18 must not perform work that is likely to jeopardize the health or safety of juvenile workers, including nightshift, overtime, or hazardous work.

### **Working Hours and Rest Days**

A work week must not be more than 60 hours per week, or the maximum set by local law, whichever is stricter, except in emergency or unusual situations, such as natural disasters or national holidays in which mass workers migrate to their home towns. These situations must be approved by executive management. All overtime is voluntary. Workers must be allowed at least one day off after six consecutive days of work. Workers are allowed legally mandated breaks, holidays, and vacation days to which they are legally entitled such as maternity leave.

### **Compensation**

Compensation practices must comply with all applicable wage laws, including those relating to minimum wages, overtime hours, and legally mandated benefits. Workers must be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure are prohibited. Workers must be offered vacation time, leave periods, and holidays consistent with applicable laws and regulations. Wages must be paid in a timely manner in which there is no delay in accordance to local legal requirements and contractual agreement.

No worker is paid less than the legal minimum wage with equal pay for equal work. If the country does not have a legally set minimum wage, the industry prevailing wage will apply as the standard. All overtime hours must be paid at the appropriate overtime rate applied to the base wage as required by applicable laws and regulations or employment contract, whichever is higher.

For each pay period, employees must be provided with an understandable wage statement that includes sufficient information to verify accurate compensation for work performed in which deductions for room and board have consent of the worker. Workers must not be forced or required to participate in a forced savings or loan scheme where repayment terms are indicative of debt bondage or forced labor. Deductions required by applicable law and regulations (e.g. taxes, social insurance), must be understood by the worker.



### **Humane Treatment**

Harsh or inhumane treatment of workers, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse is not tolerated. Nor is there to be the threat of any such treatment.

Free and easily accessible channels for workers to anonymously report violations of policy on fair treatment must be available. In addition, there must be a non-retaliation policy for reporting incidences of unfair treatment that is clearly communicated to workers.

### **Non-Discrimination**

Workers must be free of harassment and unlawful discrimination. Discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information, or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training is prohibited.

Workers must be provided with reasonable accommodation for religious practices. In addition, workers or potential workers may not be subjected to medical tests or physical exams that could be used in a discriminatory way.

### **Freedom of Association and Collective Bargaining**

The rights of workers to associate freely, join or not join labor unions, seek representation, or join workers' councils in accordance with local laws must be respected. Workers or their representatives must be able to openly communicate and share grievances with management regarding working conditions and management practices without fear of reprisal, discrimination, intimidation, or harassment. Within the framework of applicable laws, regulations, and prevailing labor relations and employment practices, workers have the right to be represented by labor unions, other worker organizations or engage in collective bargaining.

# 2.0 HUMAN RIGHTS DUE DILIGENCE



To prevent and mitigate adverse human rights impacts, we use input from internal and external resources to prevent human rights abuses from occurring. Due diligence is an integral part of our business decision making and risk management systems. Our due diligence processes in place respects the way we manage labor and human rights, health and safety and environmental risks associated with our operations and supply chain. Such due diligence includes risk assessments, compliance monitoring, remediation, measurement and public reporting. NXP is examining human rights risks on a continuous basis and relying on feedback and engagement with our stakeholders as we continue to evaluate human rights risks.



### Identify & Assess

- Supplier risk assessment
- Self-Assessment Questionnaire
- Audit
- Collaboration and engagement with stakeholders & human rights experts



### Integrate & Act

- Policies, standards and tools
- Social Responsibility Board
- Capacity Building
- Collaboration with Purchasing
- Monthly follow-up calls after audit
- Collaboration and Engagement with stakeholders & human rights experts



### Track

- 30-60-90 day post audit follow-up calls
- Verification audits
- Monthly KPIs
- Survey
- Private worker interviews



### Communicate

- Speak Up Hotline
- Worker-Management Dialogs/Focus Group Discussions
- Internal & supplier grievance mechanisms
- Annual reporting

## 2.1 IDENTIFY AND ASSESS

### 2.1.1 ENGAGEMENTS

Stakeholder engagements are conducted at many levels, including NXP employees, our supply chain, workers of our suppliers, and with independent external human rights experts. In order to systematically identify these stakeholders, we use a network of contacts spanning across many industries to pinpoint areas for engagement. We prioritize stakeholders based on criteria such as relevance, willingness and capacity to engage.

Stakeholder	Frequency of Engagement	Feedback	Outcomes and Follow-Up
Employees	Employee Safety Survey conducted for wafer fab and assembly and test sites.	Increase communication and management support were the top two requests.	Each site deployed a response plan to raise awareness and bring management to the center of the conversation.
Suppliers	Supplier audits, including private worker interviews.	Occupational Safety, Emergency Preparedness & Freely Chosen Employment top 3 non-conformances.	Supplier Corrective Action Plans closed or in process. Increase training in these top 3 non-conformances.
Responsible Business Alliance	Board member and full member. Attend monthly calls and board meetings four times a year.	Ensure alignment with the industry with salient issues regarding labor and human rights.	RBA requires companies audit 5% of high risk suppliers. RBA CoC and VAP standards incorporated into NXP Supplier CoC and Auditable Standards.
Responsible Labor Initiative	Advisory board delegate to steering committee. Attend steering committee meetings four times a year. Attend monthly workgroup meetings.	Guidance on definition of fees, gap analysis on various guidance standards, labor agent training, mapping the labor agent recruiting corridor.	Updated our Auditable standards per the gap analysis, nominated our labor agents for RLI training, cross reference the recruitment corridor with NXP labor agents.
Responsible Mineral Initiative	Annual meeting as a member, ad-hoc meetings and attended conference calls organized by the RMI per invitation.	Tools and resources to make sustainable sourcing decisions.	Developed tools to cover new EU legislation and cobalt due diligence.
Global Business Initiative	Two in person meetings, ad-hoc meetings and attended conference calls organized by the GBI per invitation.	Multi-industry best practices on Business and Human Rights.	Enhancing and strengthening Human Rights Due Diligence across NXP value chain.
European Partnership for Responsible Minerals	Annual meeting as a member, ad-hoc meetings and attended conference calls.	Knowledge platform on supply chain due diligence on responsible mineral sourcing.	Actively engaged to support the artisanal and small scale mines.
UN Global Compact	Annual Communication on Progress.	Increase due diligence of environmental risks within the supply chain.	Continue to increase our efforts in engaging with the supply chain to implement a sustainable environmental program.
Cumulus	Bi-annual due diligence exercise of selected suppliers' foreign migrant workers labor broker supply chain.	Increased transparency to the foreign migrant worker supply chain.	Enhancing knowledge of how foreign migrant workers are being recruited and how complex the labor supply chains are connected in order to identify modern slavery risks related to forced/bonded labor and human trafficking.
Verité	Monthly independent audits of suppliers, ad-hoc consultation and collaboration to review NXP's Social Responsibility program.	Continual improvement in the supply chain compliance to the NXP Social Responsibility program and requirements.	Strengthening supply chain compliance program, capacity building, and advancing NXP's Social Responsibility auditable standards.

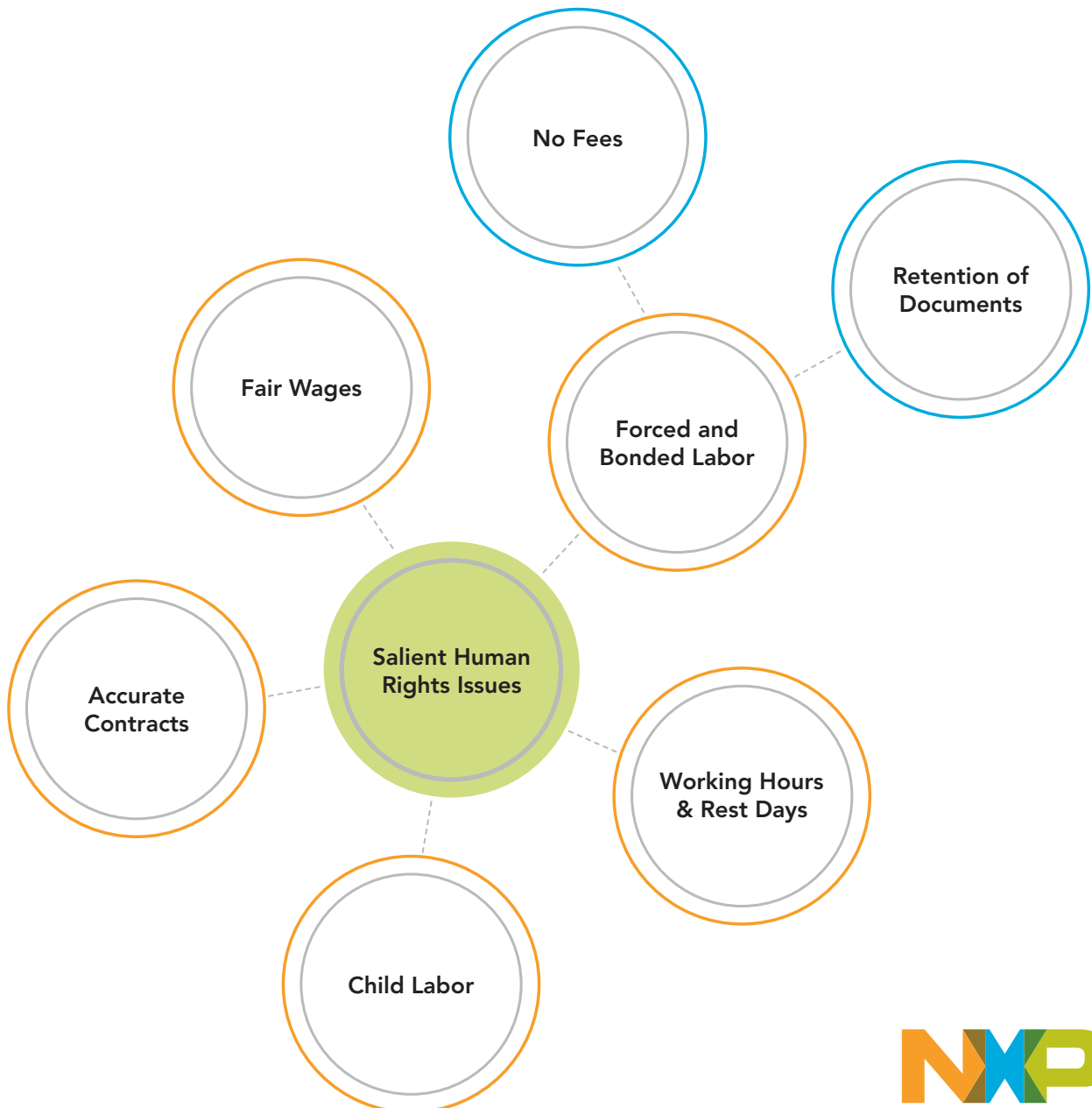


2.1.2 HUMAN RIGHTS SALIENT ASSESSMENTS AND RESULTS

**Human Rights Salient Assessment**

The nature of the labor force in our operations and supply chain uses indirect labor, direct labor, temporary and agency workers as well as migrant workers recruited through labor agencies. We involve all relevant functions and businesses across NXP and engage with external stakeholders to identify practices that may lead to a greater risk of non-compliance with our policies and standards.

The NXP social responsibility and purchasing teams identify salient human rights risks through our own risk analysis and through the collaboration between key stakeholders such as industry associations, expert groups, NGOs and results from the supplier assessments and audits. The issues that we have determined to be most critical, specifically related to labor and human rights within NXP and in our supply chain, are:

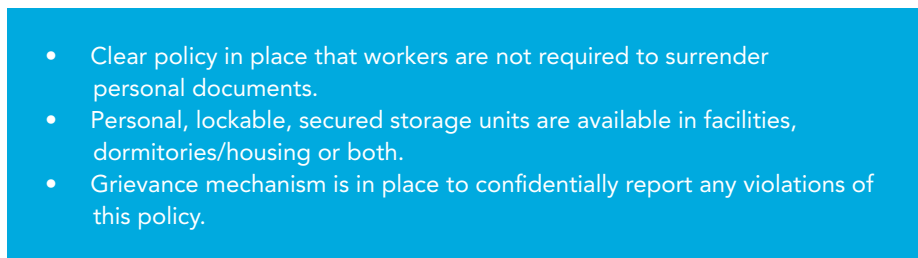


## 2.1 IDENTIFY AND ASSESS

We mitigate these risks through improvements to our policies, strategies, collaborative capacity building, self-assessments and audits within NXP and our supply chain.



- Clear policy against charging fees to workers and ensures compliance.
- May not charge fees for job placement services.
- In case workers are found to have paid fees to gain employment, reimbursement to workers is required to be complete within 30 days of discovery. Grievance mechanism is in place to confidentially report any violations of this policy.
- Grievance mechanism is in place to confidentially report any violations of this policy.



- Policy in place to manage and limit worker hours to no more than 60 hours per week or the legal limit whichever is stricter and all overtime work is voluntary.
- Record systems and mechanisms in place to identify and administer the policy.
- Regular workweek cannot exceed 48 hours in which the daily scheduled work cannot exceed 12 hours a day.
- Workers receive at least one day off per every seven days worked with not more than six consecutive days of work.
- Workers allowed at least a 20 minute rest break every four hours worked as well as a defined meal break., holidays and vacation days to which they are legally entitled.
- Workers are provided with legally mandated holidays and vacation days.
- Grievance mechanism is in place to confidentially report any violations of this policy.

## 2.1 IDENTIFY AND ASSESS

- The term “child” refers to any person under the age of 15, or under the minimum age for employment in the country, whichever is greater.
- Comprehensive policy for child labor that clearly states the minimum age for workers.
- Comprehensive policy in place for workers under the age of 18 prohibited the performance of work that may jeopardize their health or safety, including nightshift and overtime.
- Age verification process with inspection of validity of at least two identity documents which will be returned to worker.
- Personal record systems in place as a means of identification and verification.
- If workers are discovered below the legal age limit, workers will be protected and provided the opportunity for completion of education.
- Grievance mechanism in place for anonymous reporting of non-compliance.



### Child Labor



### Accurate Contracts

- Contract may not violate relevant laws or place a worker at risk.
- Provide the worker prior to departure or hiring with accurate written employment contract with details of working conditions including: nature of work, wages, benefits and duration of contract.
- Contract written in a language that they understand prior to employment. If amendments are made prior to employment, contract must provide equal or better terms of employment.
- Workers are provided with a copy of the contract.
- Contracts ensure workers are free to leave their employment upon giving reasonable notice without penalty per applicable law and regulations.
- Grievance mechanism is in place to confidentially report any violations of this policy.

- Workers cannot receive less than the legal minimum wage for all regular hours worked. If legally minimum wage is not set, then the industry prevailing wage will be the standard.
- Overtime rates are to be applied to the base wage as required by law or employment contract, whichever is higher. (Where the law is silent, the premium must be at least an additional 50% per hour of the base wage for piece rate and hourly work, or an additional 50% per hour of the average earnings).
- Workers have pay slips in a language they understand with clear details regarding regular and overtime hours worked and rates.
- Wages are paid at a minimum of 14 days after the end of the working period.
- Deductions as a disciplinary measure are prohibited.
- Grievance mechanism to dispute wage and benefit related payments are available.



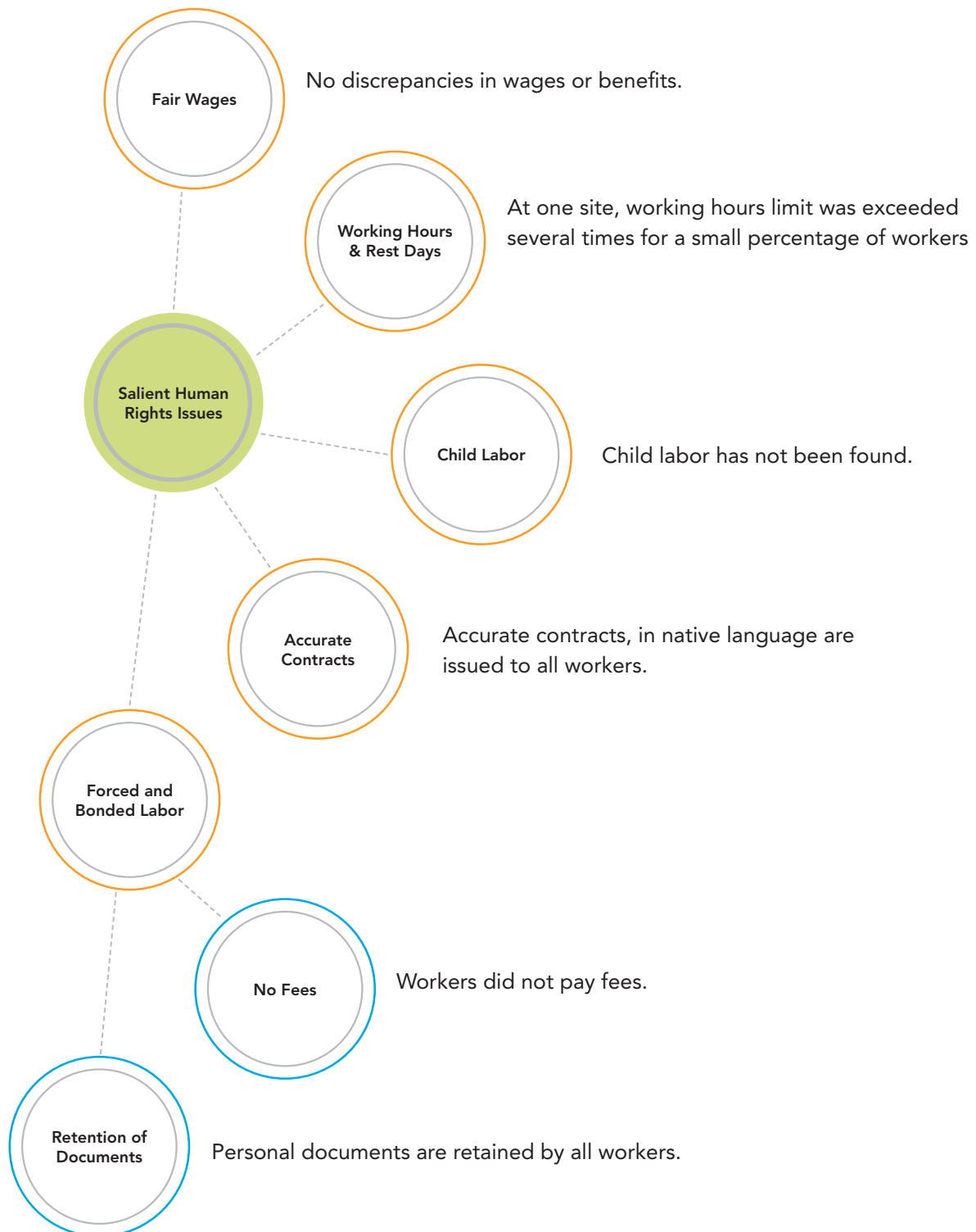
### Fair Wages

## 2.1 IDENTIFY AND ASSESS

### Human Rights Salient Issues 2019 Results

The 2019 results of our salient human rights in our operations and our supply chain are as follows:

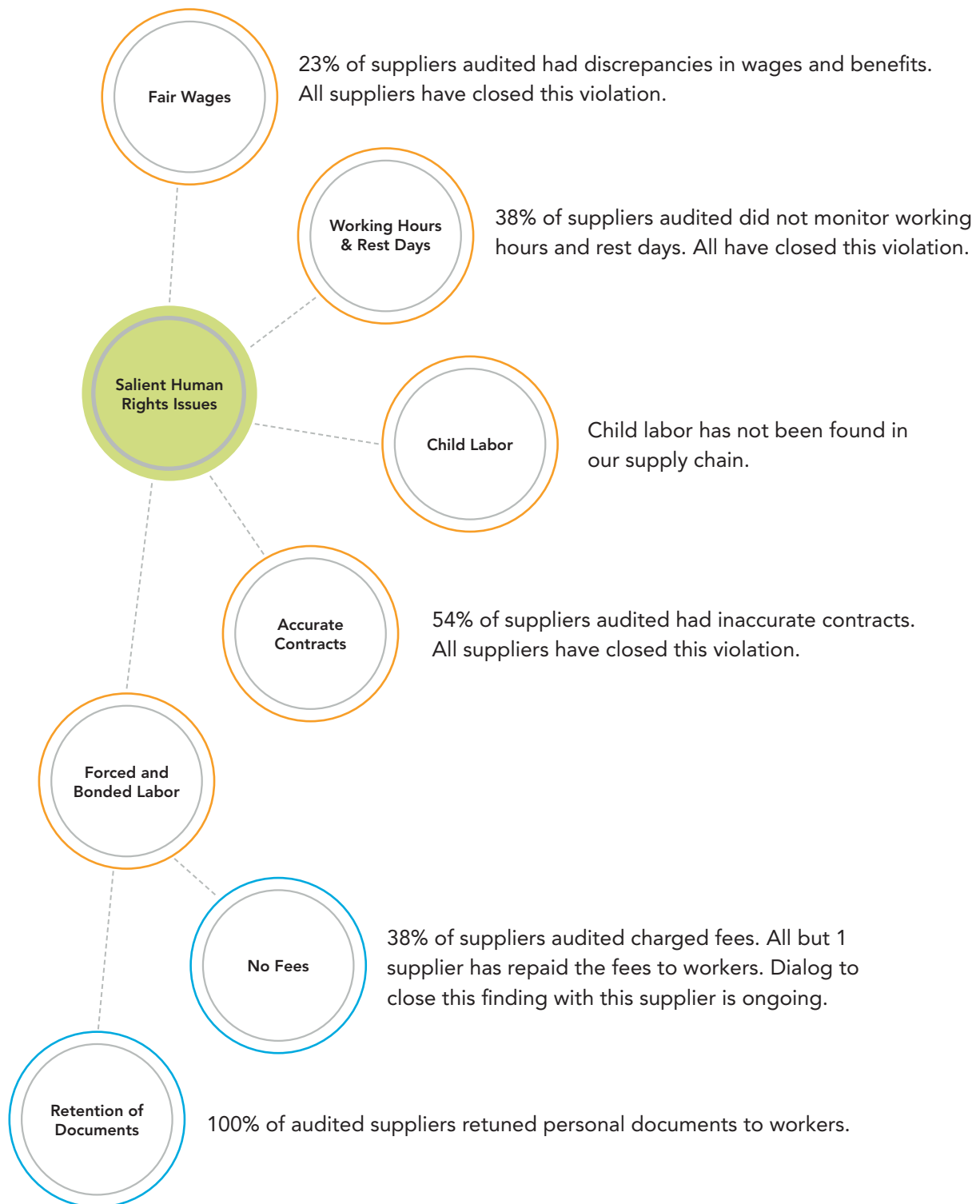
#### 2019 Salient Human Rights Issues and Results – Our Operations





## 2.1 IDENTIFY AND ASSESS

### 2019 Salient Human Rights Issues and Results – Our Supply Chain



## 2.1 IDENTIFY AND ASSESS

### 2.1.3 SUPPLY CHAIN

NXP is committed to improving the working conditions of all workers who are a part of our supply chain. Our supply chain is large, complex, and multi-tier deep, involving thousands of suppliers around the world.

The work performed in our supply chain is varied, including mining and smelting operations, material suppliers, manufacturing sites that build components and outsourced manufacturing partners performing final assembly of our products. Our supply chain also includes recruitment agencies and service providers, for example logistics, warehousing, canteen, janitorial and security.

Through our assessments, audits and CUMULUS, we have begun to map our Tier 2 supply chain. CUMULUS Forced Labor Screen™ technology-driven approach, operated by Verité, identifies forced labor and human trafficking risks in global supply chains. Through a secure online platform, member companies can map their labor supply chains and proactively screen for forced labor risks introduced by supply chain partners', recruitment practices and recruitment agents.

One of the main challenges that we face is the complex and interlinked global supply chains beyond our Tier 1 suppliers. Future reports will include our activities to map Tier 2 suppliers by engaging with Tier 1 suppliers and key stakeholders to incorporate necessary feedback into mapping our Tier 2 supply chain.



## 2.2 INTEGRATE AND ACT

### 2.2.1 POLICIES AND STANDARDS

#### Code of Conduct

NXP's Code of Conduct ([the Code](#)), last updated in 2015, available in 11 languages and approved by the board of directors applies to employees, contractors, consultants and others who work on behalf of NXP. The Code applies to every business decision in every area of the company worldwide. We support the International Labor Organization (ILO) to arrive at universally accepted labor standards and therefore adopted internal procedures and guidelines with respect to forced labor, child labor, working hours, health and safety, discrimination and harassment and the right of organization. The Code is available on our website and available on the NXP Intranet. To incorporate the Code into our way of working, we regularly provide employee training on the principles in the Code.

#### Supplier Code of Conduct

NXP places strict requirements on our operations and supply chain which is reflected in the [NXP Supplier Code of Conduct](#), available in seven languages, located on the NXP website reviewed annually and last revised in 2018. The Supplier Code of Conduct is valid for both NXP's own operations and our supply chain and is approved by NXP's social responsibility board. The Supplier Code of Conduct draws on internationally recognized standards to advance social and environmental responsibility. The NXP Supplier Code of Conduct uses the structure and contains language from the Responsible Business Alliance (RBA) Code of Conduct, version 6.0 and other recognized standards\*, including the International Labor Organization (ILO) Standards, United Nations Guiding Principles, Social Accountability International (SAI), UN Universal Declaration of Human Rights, OECD Guidelines for Multinational Enterprises, and the Ethical Trading Initiative (ETI). The NXP Supplier Code of Conduct also includes elements, modifications and clarifications from audits conducted internally and externally.

In 2015, NXP inserted language into our supplier contracts that require suppliers to abide by the NXP Supplier Code of Conduct. Suppliers submit a signed conformance letter stating that they abide by the NXP Supplier Code of Conduct prior to conducting business with NXP. If no contract is in place, or the contract does not contain the Supplier Code of Conduct language, because the contract was executed prior to 2015, NXP requires a separate signed document that requires the supplier to abide by the NXP Supplier Code of Conduct. NXP legal and purchasing staff are educated in the policies and practices of the Supplier Code of Conduct.

\* Among others, NXP commits to the eight fundamental ILO Conventions: Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol), Abolition of Forced Labour Convention, 1957 (No. 105), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1999 (No. 182), Equal Remuneration Convention, 1951 (No. 100) and Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

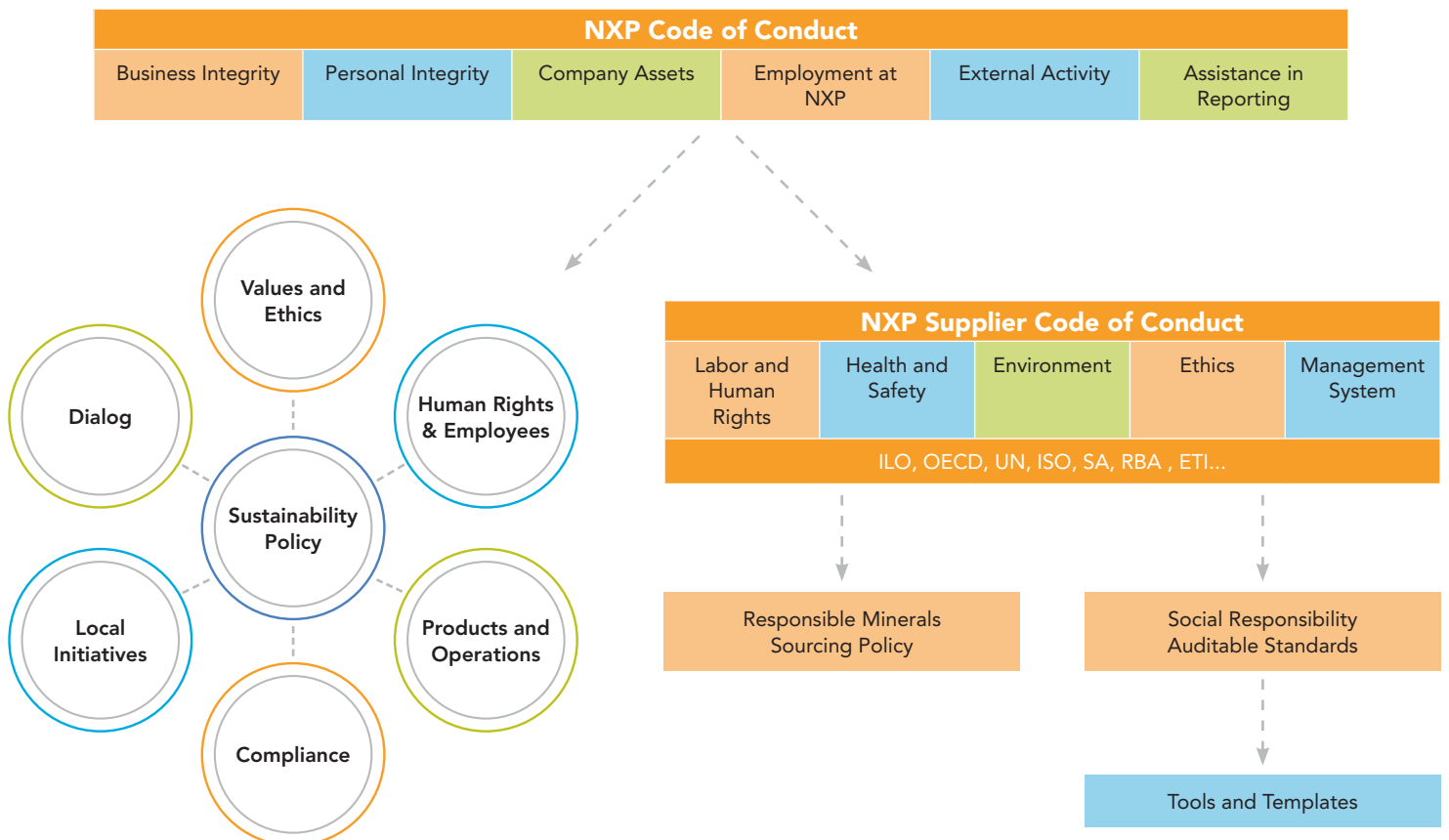
## 2.2 INTEGRATE AND ACT

### Social Responsibility Auditable Standards

NXP publishes a Social Responsibility Auditable Standards ([the Auditable Standards](#)), approved by the social responsibility board, that incorporates elements of the NXP Code of Conduct and the Supplier Code of Conduct providing specific details of minimum expectations on how to comply with the Codes of Conduct requirements. Our standards and tools are developed with input from external stakeholders and updated on a regular basis to reflect the latest recommendations and regulations on responsible business conduct. The NXP Auditable Standards apply to NXP and all suppliers, contractors, onsite service providers, labor agents and external manufacturers.

### Responsibly Sourced Minerals Policy

The trade of minerals in conflict and high-risk areas is often connected to increased violence and human rights abuses. We are dedicated to ensuring that the minerals contained in our products are obtained, produced and used in a socially responsible manner. It is [our policy](#) to ethically source minerals from responsible suppliers to ensure that NXP's supply chain does not contribute to human rights abuses. Our responsibly sourced mineral program is designed in accordance with the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and our suppliers must exercise due diligence according to the OECD Guidance or of similar caliber.



## 2.2 INTEGRATE AND ACT

### 2.2.2 GOVERNANCE STRUCTURE

Social Responsibility is overseen by the CEO and the NXP management team. Representatives of the NXP management team and certain other nonexecutive members form the NXP social responsibility board. The social responsibility board is represented by the Chief Human Resources Officer (chair), and representatives from the following functions: Legal, Operations, Finance, Sales, Quality, Purchasing, Business Groups and the Sustainability Office. The NXP social responsibility board establishes strategy and sets targets, while the social responsibility team, under the direction of Senior Director of Sustainability and EHS, performs operational functions. The social responsibility board meets annually to discuss and review the social responsibility program and provide resources to maintain and advance the NXP's social responsibility standards, supplier code of conduct as well as NXP and our suppliers' performance related to labor and human rights.

Internal and supplier audits, or any issue found or reported are communicated quarterly to the Ethics Committee. Each month, key performance indicators are reported to the Sustainability Office from the Social Responsibility team, who receives additional input from the site steering committee and purchasing managers. Any issues of non-conformance are handled by the social responsibility team and, if needed, issues are escalated to the social responsibility board. Supply Chain compliance and suppliers' performance matters are also reported to the NXP Procurement team, on a monthly basis for the supplier's performance in the supplier quarterly business reviews.

NXP has established a social responsibility steering committee at each major site that oversees the labor and human rights program and is tasked to implement, measure, and validate the policies and drive for continuous improvement. These steering committees identify, review, assess and respond to actions related to human rights risks at their site. The steering committee reports progress to site management and the social responsibility team.

The social responsibility team is tasked to:



#### NXP Operations

- Set targets
- Annual self-assessment
- 3rd party audits
- Timely closure of corrective action plans
- Monitor & control working hours/rest days
- Monitor/control labor agents
- Internal training



#### Supply Chain

- Set targets
- Supplier commitment to Supplier CoC
- Annual supplier risk assessment
- Supplier self-assessment
- 3rd party audits
- Timely closure of corrective action plans
- Supplier training

## 2.2 INTEGRATE AND ACT

The social responsibility team also establish and maintain policies and standards that are fully aligned or more stringent than regulatory, industry groups or customer requirements. This includes collaboration with external stakeholders, i.e., industry associations, customers, NGOs, government agencies, to work on progressing important social responsibility issues such as labor and human rights.

The Senior Director of Sustainability and the Social Responsibility team are tasked with the delivery of labor and human rights programs across the business and in the global supply chain. Both have clear targets in their goals and the performance appraisal system which links pay with performance and the execution of the labor and human rights strategic commitments laid down in our Code of Conducts and Social Responsibility standards.

### 2.2.3 INVESTIGATION GOVERNANCE

The NXP Ethics Committee reviews complaints and grievances and oversees investigations into alleged violations of the Code. The membership of the NXP Ethics Committee includes the Corporate Compliance Officer, Chief Internal Audit Officer, Senior Director of Sustainability and EHS and other senior staff from legal and human resources departments.

The Ethics Committee monitors the investigations as they appoint a team that has the correct experience to investigate the allegation and considers the approach that would produce the safest outcome for the potential victim. Processes for informing senior management (General Counsel, CFO, CHRO and the audit committee) about allegations include periodic internal reports and details about key investigations that are in progress or completed.

Our general approach to all complaints is based on an initial assessment of the evidence, followed by an in-depth investigation and the development of appropriate remedial action(s) in the quickest possible timeframe. While it's difficult to set a predetermined fixed timetable as complaints vary in scale, complexity and geographical origin, most can be dealt within weeks rather than months. Based on the findings of the investigation, a decision is made about whether the complaint is substantiated. If the complaint is substantiated, a range of consequences, including education, organizational changes, counseling, reprimands, suspension and or termination pending the nature and severity of the finding and the party's willingness to rectify the issue.



## 2.2 INTEGRATE AND ACT

### 2.2.4 GOALS

NXP 2019 Goals and KPIs	
No priority or major findings from internal/customer audits	4 Customer audits = 0 priority violations 2 Internal audits = 0 priority violations
Internal audit scores >95%	2 Internal audits: 1 >95% 1 >90%
Self-assessment score >90%	2 sites >95% 7 sites >90%
<60 hours work week & 1 rest day per 6 days worked	At one site, working hours limit was exceeded several times for a small percentage of workers

Supplier 2019 Goals and KPIs	
100% Key Suppliers sign NXP Supplier CoC statement of conformity	99.5% Key suppliers signed the statement of conformity in 2019
Annual risk assessment and audit high priority suppliers	Annual risk assessment complete Audited 17 high priority suppliers
Audit corrective action plans are closed >80% closure rate	Achieved 85% closure rate
100% certified mineral smelters	100% certified mineral smelters

### 2.2.5 ASSESSMENTS

The Social Responsibility team conducts operational reviews with human resources and purchasing as they conduct a human rights risk mapping to identify potential adverse human rights impacts arising from companywide policies and business practices as well as the broader supply chain impacts. These operational reviews, if issues are identified, this requires a deeper engagement with the responsible departments and outreach to external stakeholders to identify appropriate corrective actions.

Country risk assessments are completed annually where it includes a review of salient human rights issues at a country level and incorporate local stakeholder feedback and published information from government and non-government sources. These salient topics are deeply embedded into the monitoring process which seeks to uphold our Auditable Standards and the supporting policies and guidelines which have been built around human rights and international labor standards.



## 2.2 INTEGRATE AND ACT

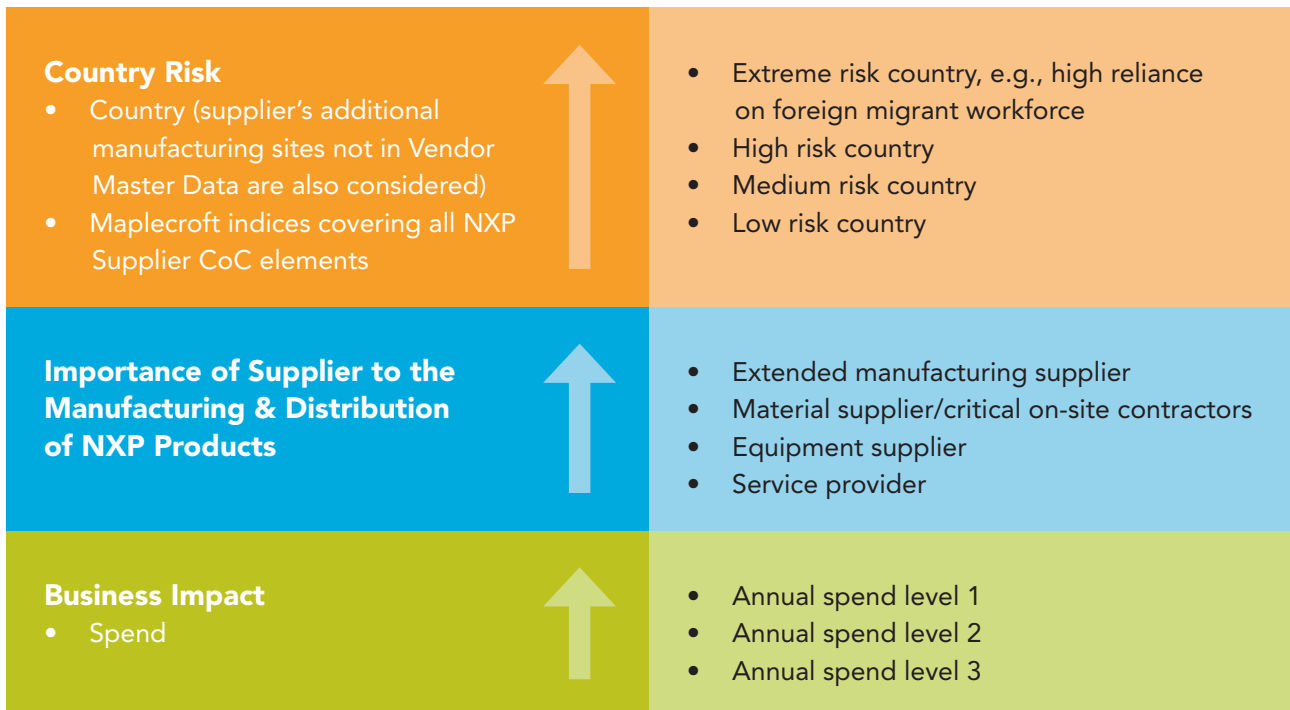
### Internal

Our code of conduct, policies and standards document internal processes are in place to protect employee rights. External resources allow NXP to overlay our knowledge with third-party information to understand where to apply more in-depth assessments such as self-assessments and third-party audits. In addition, NXP spends time and focus on improving workers' awareness of their labor rights by providing communication, trainings, grievance mechanisms and 3rd party helplines (anonymous reporting is available). Each manufacturing site annually completes the RBA self-assessment in which we track and monitor compliance to the RBA Code of Conduct. Every two years, each site has a third party, independent audit, conducted by personnel specially trained in social and environmental auditing, using the NXP Auditable Standards. This entails on-site inspections (including dormitories if applicable), document reviews and private worker (randomly selected) and management interviews. NXP tracks our audit scores and verifies completion of the corrective action plan with a verification audit. We continuously engage with stakeholders and experts on issues that may require remediation to understand expectations and appropriate actions.

### Suppliers

Our social responsibility program identifies risks, addresses and mitigates actual and potential adverse impacts in our supply chains, and where appropriate, provides remedies to the workers in the supply chain. As a first step, we communicate our Supplier Code of Conduct externally and directly to our supply chain. Next, NXP carries out a broad scoping risk assessment, on over 10,000+ suppliers, including on-site service providers and contractors to identify where risks are in the supply chain and which risks are the most significant. We identify high risk suppliers according to the following factors:

The segmentation factor overview is broken down as follows:





## 2.2 INTEGRATE AND ACT

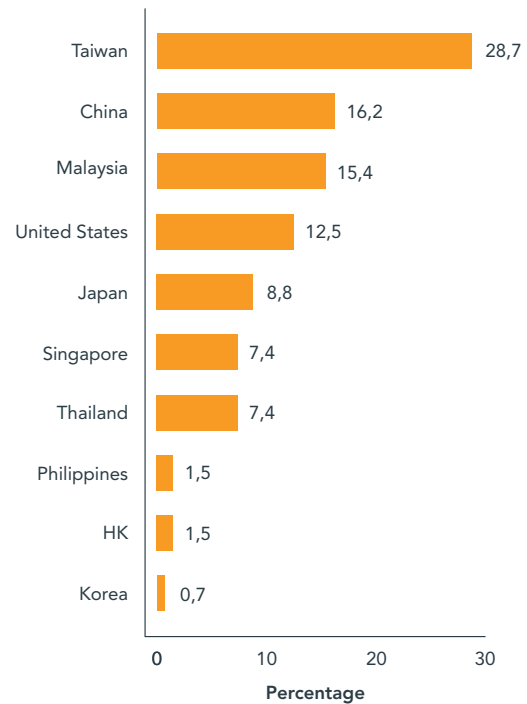
In 2019, we identified 136 suppliers that scored above a 49% per our risk assessment methodology. This risk-based approach identified the following high-priority suppliers by country:

Based on this analysis, we conduct announced, on-site independent 3rd party audits focused on mitigating activities and practices that may contribute to adverse human and labor rights impacts and collaborate with the suppliers to develop and implement a plan to prevent future adverse impacts. Non-conformances found in the audits require an action plan by the supplier to be implemented and a follow-up audit to confirm and verify that the non-conformances have been effectively remediated. Collaboration and engagement with the supplier are crucial as we follow up and provide guidance to implement programs and processes within their corrective action plan.

### Labor Agents

NXP recognizes that use of labor agents at NXP, in our supply chain or for onsite service providers are considered more vulnerable to forced and bonded labor risks. This can be especially true in countries that rely on foreign migrant workforce. Therefore, our assessments and audits also focus on labor agents both in our own operations and our extended supply chain. Our labor and human rights principles is a way to encourage a business model of ethical recruitment and hiring of foreign migrant workers and stop abusive practices by labor agents.

2019 High Priority Suppliers by Country



## 2.2 INTEGRATE AND ACT

### 2.2.6 CAPACITY BUILDING

#### Internal

All NXP employees and interns are required to complete mandatory, Code of Conduct training that includes education on the ILO Core Labour Standards. In 2019, mandatory Code of Conduct training was administered to all employees. We also provide guidance documents which describe escalation processes by which employees and other third parties may report violations including anonymous reporting via a third-party hotline.

The purpose of our detailed training program is to make sure our factories can recognize the signs of modern slavery and intervene and respond in the early stages. We train so that our employees are aware of their labor and human rights. Additionally, we train employees whose job functions include purchasing to comply with applicable laws and standards in the locations in which we operate, including prohibitions regarding slavery and human trafficking. Since 2013, NXP has trained over 1,000 key employees on labor and human rights topics. As of 2019, NXP has over 100 employees trained as RBA-VAP lead auditors. The RBA-VAP (Validated Audit Process) is the RBA standard for onsite compliance verification. The RBA-VAP lead auditor course conducted by Verité is a five-day workshop that covers social systems auditing, investigative skills and management systems to successfully conduct Labor and Ethics components. At the end of the training course, each student takes a 2-hour written exam, scored by Verité and is sent for final verification to IRCA (International Register of Certificated Auditors). Successful completion of this course fulfills the training requirement of IRCA for labor and ethics auditors to the RBA auditing program. Each lead auditor plays an important role in the deployment and implementation of the social responsibility program at their respective sites.

NXP human rights training is targeted to the following teams:

Human Rights Training	
Executive Management Team	Requirements and expectations
Manufacturing Management Team	Requirements of facilitating the implementation of the standards
Site Social Responsibility Team	In-depth specifics to implement the program at the facility
Manufacturing Subject Matter Experts	Intensive labor and ethics RBA lead auditor training

The training program content is updated whenever there is a revision to the Auditable Standards. The Auditable Standards are reviewed on an annual basis to determine the need for a revision based on changing regulatory landscape, industry best practices or customer requirements and expectations. In 2018, the Auditable Standards were revised to include clarification on the provisions to nursing mothers and alignment with the verbiage of the RBA Code of Conduct 6.0 and no further changes were made in 2019.



## 2.2 INTEGRATE AND ACT

We randomly interview foreign migrant workers prior to leaving their home country to ensure that they are being recruited ethically. The recruitment process must meet NXP's stringent requirements where workers are informed of grievance mechanisms and must reflect NXP's zero tolerance policy against retaliation. Upon arrival at the NXP facility, all workers (foreign migrant workers and employees) go through an on-boarding process that includes training on company labor and human rights policies and programs on topics such as workers' rights and responsibilities, contract terms, how to report illegal practices and abuse, the no-fee policy, appropriate working conditions, how to read and understand details of a pay slip, working hours, control of government issued documents, housing conditions, and protections for workers who lodge grievances or report violations.

### Supplier

NXP provides tools and resources to support our suppliers in building and or improving their social responsibility programs to explicitly commit to the ILO Core Labour Standards. Training is focused on our suppliers, labor agents in both sending and receiving countries and onsite service providers. We train our suppliers, so they know what to expect when NXP conducts onsite audits. The mode of training is either a classroom or webinar session, conducted by the NXP social responsibility team with support from the site subject matter experts. The training is the full requirement of the NXP Supplier Code of Conduct, with special attention to Labor and Human Rights. Training is also conducted upon supplier request or prior to their onsite audit. Our NXP sites also provide guidance and consultation to suppliers on their experience and knowledge in implementing the standards and share best practices. We also provide the RBA's eLearning academy resources as a part of our supplier trainings.

To address the findings from our supplier audits, NXP conducts consultation sessions with our auditees and hold 30, 60 and 90-day follow-up meetings to discuss their corrective action plan and provide additional training to our standards. We are committed to remedy any adverse impacts on workers and to work with our supply chain through collaboration and development.

Suppliers must also provide awareness and training to its employees and their suppliers per the requirements of the NXP Supplier Code of Conduct.



## 2.3 TRACK

### 2.3.1 RESULTS

#### Internal

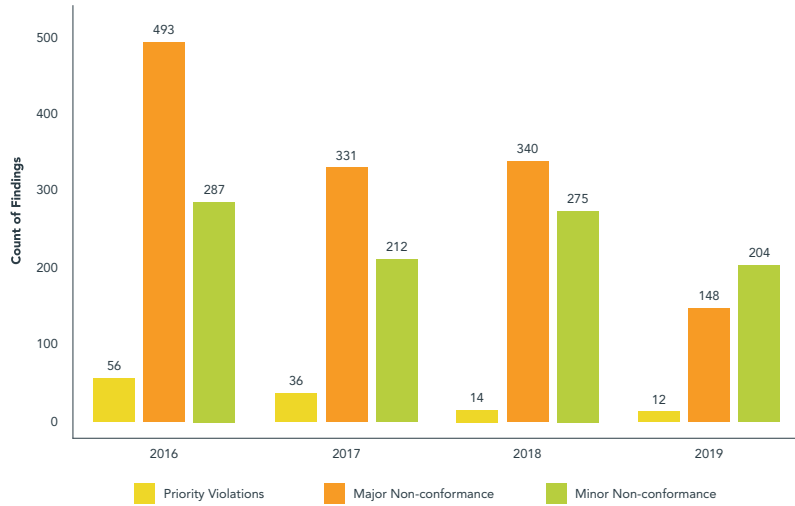
Our goals for 2019 were mostly met. Customer audits and internal audits did not result in any priority violations. Internal 3rd party audits conducted at two sites in 2019 met our internal audit score goals. The goal for working hours below 60 hours was met by 3 of our 4 assembly and test sites. We did not meet our goal for all sites working hours to be below the 60-hour work week because our Malaysia site encountered a labor shortage. The government tightened the rules for hiring foreign migrant workers by setting a quota of maximum number of foreign migrant workers that can be hired as well as the prohibition of hiring outsourced foreign migrant workers.

#### Supplier

The social responsibility team completed our annual supplier risk assessment and audited 13 high priority suppliers with 4 verification audits. Each of the 13 audits resulted in corrective action plans for each supplier. Of the salient human rights issues identified, suppliers have closed out all findings for wages, accurate contracts, working hours and rest days and retention of passports. The remaining open corrective action item for the salient human rights issues are for one supplier who has not repaid the fees to their workers. We are in dialog with this supplier to close out this finding and repay affected workers. Because of the consistent collaboration with the audited suppliers, the team achieved an 85% corrective action closure rate. Through our due diligence processes, we identified 100% of the smelters within the deep and complex supply chain all of which were certified smelters. 99.5% of key suppliers signed the NXP statement of conformity in 2019. The one remaining supplier proposed a language change to the Supplier Code of Conduct which is being reviewed.

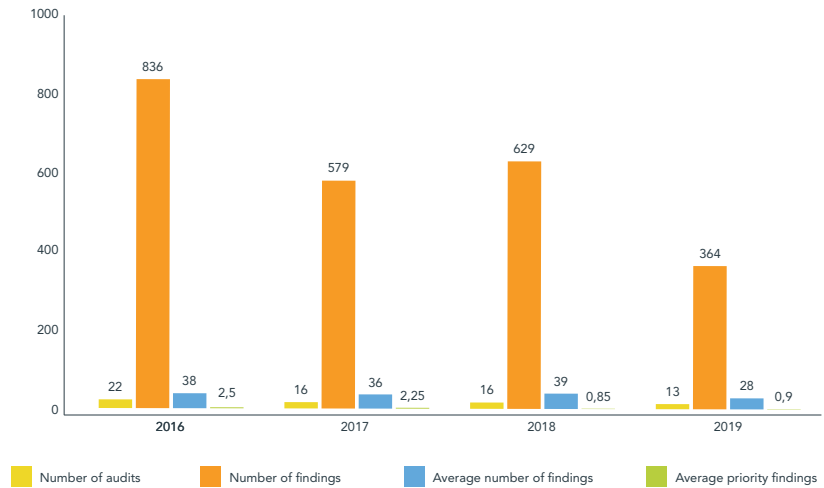
In 2019, NXP published a list of our high spend suppliers on our [website](#). In addition, we report occurrences of forced labor found in our supply chain, specifically focusing on the type of violations, the number of priority, major and minor violations, priority type violations, country of priority violations, priority violation reduction over the past 4 years and corrective action closure rate.

## Supplier Audit Non-Conformances

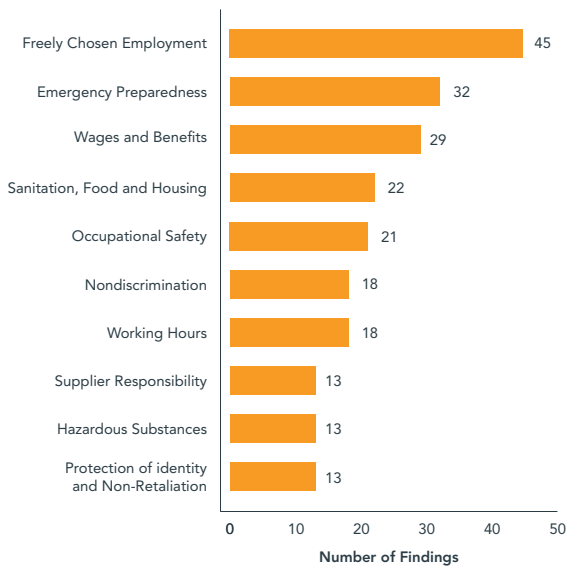


The trend of our supplier audits shows a consistent decrease in priority violations and major non-conformances.

## Average Number of Findings vs. Average Priority Findings



## 2019 Top 10 Supplier Non-Conformance



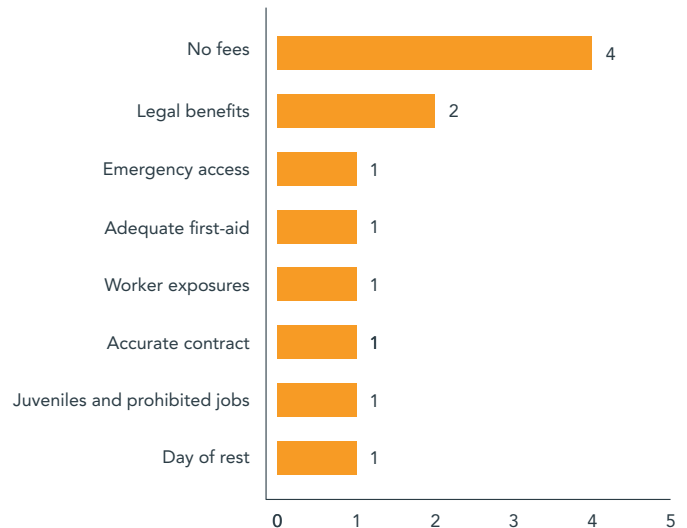
Freely Chosen Employment, Emergency Preparedness and Sanitation, Wages and Benefits represents the highest non-conformances in the 2019 Top Supplier Non-Conformances chart.



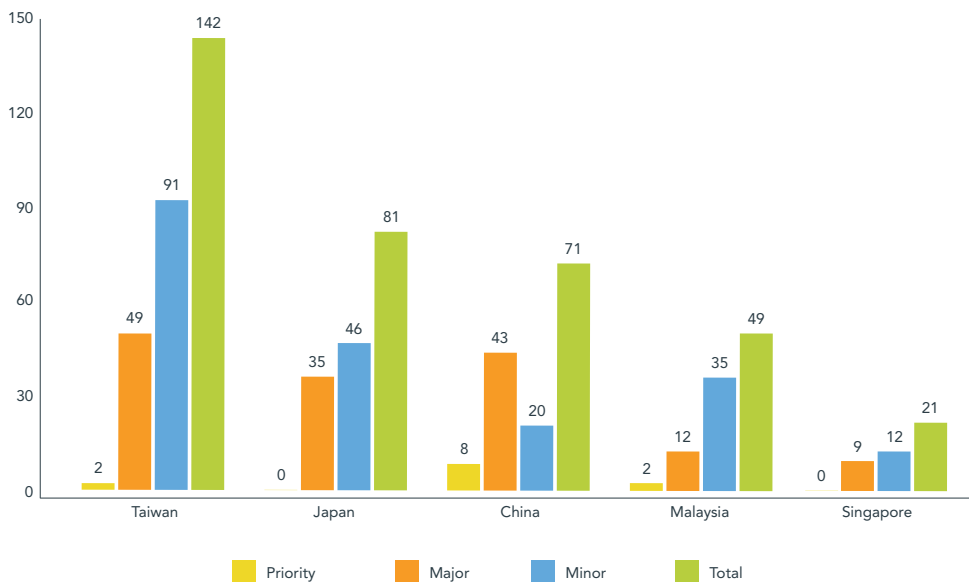
## 2.3 TRACK

While the top non-conformances are an indicator for NXP to improve on within our supply chain, it is also valuable to understand which category the priority violations are falling within. As a result, the highest number of priority violations found in 2019 was No Fees in which 80% of the audited suppliers have repaid the fees to workers.

### 2019 Priority Findings



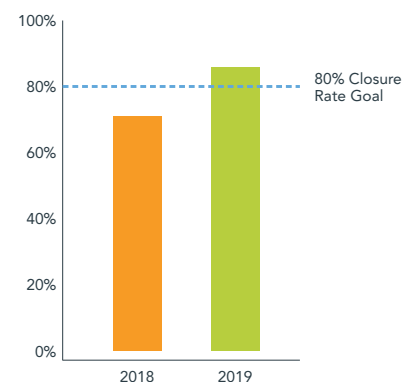
### Non-conformances per Country Audited



Most priority violations were found in China while overall China ranked third in the total number of non-conformances.

In 2018, we set a goal to close out 80% of our supplier non-conformances within the 90-day timeframe. We chose this key performance indicator as a baseline threshold for 2018 as we are aware that some corrective actions take longer than the 90-day requirement due to those non-conformances that require monetary investments to comply with the NXP standards. Since the beginning of the supplier audit process, our closure rate was approximately 40%. With continuous collaboration with our suppliers, our closure rate for 2019 increased to 85% compared to 71% in 2018. For 2019, 6 of our 13 suppliers audited have 100% of their corrective actions closed.

### Closure Rate



## 2.4 COMMUNICATE

NXP uses a variety of communication channels to share information about our policies, strategies, standards and procedures with respect to labor and human rights with stakeholders. Our commitments for labor and human rights are shared in multiple ways, across different audiences. All employees within NXP and outside stakeholders, a supplier, a supplier's employee or NGO for example, can report incidents to NXP. Even workers in the supply chain are provided NXP's grievance email and local phone number.

### Internal

Our communication can take the form of training (refer to the training section above) in local language if required, coffee chats with management team and internal articles, newsletters, emails and blogs (Yammer). All employees have access to global policies, local policies, codes of conduct and standards either on our intranet site, within the employee handbook or at annual briefings. The external website provides the codes of conduct in multiple languages as well as an annual Corporate Sustainability Report. We also distribute information to our employees via workshops, dialogues, and one on one meetings.

### Supply Chain

Supplier communications are through trainings, consultations, collaboration and during our onsite audits. We also communicate our Supplier Code of Conduct and our Auditable Standards down our supply chain. Our suppliers are bound, contractually or through their conformance signature to the Supplier Code of Conduct and commit to our standards which details our expectations for our business partners to uphold labor and human rights standards. We also require our suppliers to communicate our policy, standards and expectations down the chain to their subordinate relationships, including external service providers. We also expect that they audit and monitor their subordinate suppliers.



## 2.4 COMMUNICATE

### 2.4.1 GRIEVANCE MECHANISM AND ACCESS TO REMEDY

At NXP we make use of communication programs to ensure that every employee is informed on their worker voice rights. Employees can report to their manager through the open-door policy, the country ethics compliance liaison, ethics committee and or the 3rd party Grievance line (anonymous reporting is available). Information about the whistleblower and complaint channels are easily accessible and visible (external website, intranet, grievance box, 3rd party grievance lines, posters, etc.).

The open-door policies with their manager are as follows:



Employee-management engagement is openly practiced at all sites, such as quarterly coffee talks, dialog sessions or programs where workers can raise concerns directly to the site general manager. We are committed to engage and have open dialogues with potential or actual affected employees and migrant workers. This allows us to monitor and develop our human rights approach.

In addition, when private worker interviews are conducted during an NXP or during a supplier audit, the worker receives a business card that has the local grievance phone number and the email address if the worker has additional information, concerns or needs to report retaliation.

Suppliers must have equivalent grievance systems and mechanisms in place for resolving employee grievances and ensure effective communication with employees or their representatives per requirements of our Supplier Code of Conduct and the Auditable Standards.





Suppliers must publicize and enforce a non-retaliation policy that permits factory employees to express their concerns about workplace conditions directly to management or to NXP without fear of retaliation.

Our policy on non-retaliation is included in our Code, Supplier Code of Conduct and Auditable Standards. Our central concern will always be to safeguard the rights and well-being of any person who has lodged a grievance in good faith. If anyone believes that they have been subject of retaliation as a result of registering a complaint, we encourage immediate contact and provide the specific details of what has occurred. If there is evidence of retaliation against them, we will take action to remedy the situation. Retaliation can take many forms (loss of job, demotion, involuntary transfer, harassment, intimidations, etc.) and we will deal with each incidence on a case-by-case basis and look for solutions.

### NXP in Action

NXP enlisted a two-way communication 3rd party platform between workers and management directly through their mobile phones at the Kuala Lumpur manufacturing site. Communication is conducted anonymously in which 68 messages came in with 47 of them requiring additional investigations. Cases have ranged from the general facility, employment and the canteen to name a few.

### NXP in Action

In 2019 we received two notifications from our grievance mechanism of labor and human rights abuses from a supplier and 2nd tier supplier. In both cases, we launched an investigation, followed by an on-site audit revealing various forms of forced labor. All affected workers were remediated, such as reimbursement from recruitment fees and the return of their personal documents.

## 2.4 COMMUNICATE

### 2.4.2 NXP'S 2019 ACHIEVEMENTS

We have achieved global recognition and awards for implementation of our standards, our efforts in auditing and training our supply chain and the management of foreign migrant workers. We were invited to workshops and speaking engagements around the world to share our practices in our labor and human rights initiatives. Our efforts are reaching industries other than just the electronics industry.

The Social Responsibility team collaborated with Verité to create a [documentary](#) of the life of a Malaysian foreign migrant worker at NXP. This documentary is to understand the effectiveness of the labor and human rights program of our own foreign migrant workers from Indonesia. The documentary revealed the social responsibility program's success and the difference it makes for our workers.



# 3.0 LOOKING FORWARD



## LOOKING FORWARD

From 2020 thru 2022, we will continue to work with expert organizations, NGOs, CSOs and Academia to advance our program and standards. We will increase our efforts at an industry level to identify and remediate actual and potential cases of labor and human rights abuses. We will integrate labor and human rights risks through the Environment, Social and Governance (ESG) board which will report to the Nominating and Governance Committee of NXP's Board of Directors. We will deploy a worker voice app for labor and human rights across our manufacturing facilities and create a labor and human rights remediation committee to effectively and efficiently respond to any worker grievance. We will deploy a labor and human rights survey and identify strengths and weaknesses of our program from the workers voice by engaging with external stakeholders like Verité to review our social responsibility program.

We will update the Supplier Code of Conduct and create a supply chain portal to enhance engagement and communication with supplier and to manage our supply chain requirements and metrics. In the supply chain, our goal is to continue raising awareness through webinars and targeted training to help our suppliers develop a best in class program. We will continue to audit our suppliers with the goal to decrease the number of audit non-conformances, and more importantly, priority violations. These results help determine the effectiveness of our trainings and standards within the supply chain. Future initiatives are to conduct self-assessments and if necessary, a 3rd party audit of suppliers prior to onboarding.



# 4.0 CONCLUSION




## CONCLUSION

As a technology provider working with hundreds of suppliers and thousands of employees globally, we focus on a collaborative and consultative approach to address labor and human rights abuses. Our involvement with our factories and our supply chain is not a pass or fail initiative. Instead, we focus on cooperative improvement as a corporate strategy when addressing labor and human rights.

We will continue driving transparency, collaborative leadership, innovation and empowering workers and suppliers in our efforts to drive sustainability, resiliency and diversity in our supply chain.

This statement was prepared by the NXP Sustainability Office, under the supervision of the Social Responsibility Board and is approved by the Board of Directors.

If you would like more information, email us at [csr@nxp.com](mailto:csr@nxp.com).



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