



2021 SLAVERY AND HUMAN TRAFFICKING STATEMENT

June 2022





A MESSAGE FROM KURT SIEVERS, PRESIDENT AND CEO

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KURT SIEVERS
President and CEO,
NXP Semiconductors

Whenever I’m asked about NXP’s approach to labor and human rights, I begin with the thousands of lives we touch every day. Specifically, NXP employs more than 31,000 people worldwide, and we partner with more than 10,000 suppliers globally. It’s our responsibility to engage respectfully with all these various stakeholders.

Everything we do is guided by our core values – which build on a foundation of trust and respect – and the belief that everyone is entitled to fairness, dignity, and the basic freedoms set forth by the United Nations Universal Declaration of Human Rights.

That’s why this annual report on Slavery and Human Trafficking is so important. It clearly states our expectations for how people should be treated, defines our goals for ongoing improvement in our supply chain and external engagement, and measures our progress toward these goals.

Since we began publishing this report in 2015, we have gained greater insight into modern-day slavery. We’ve leveraged our due diligence to strengthen our Social Responsibility Program, and proactively built a collaborative and consultative relationship with our suppliers, so we can address potential deficiencies and guide their corrective actions for better alignment with our standards and expectations.

In 2021, despite the ongoing challenges of the COVID-19 pandemic, we continued our progress. For the fourth consecutive year, we were a featured panelist at the UN’s Annual Forum on Business and Human Rights. In a special session, dedicated to lessons learned from the pandemic, we described our direct engagement with our global, multi-tiered supply chain, and our efforts to help foreign migrant workers, who are some of the most vulnerable to human-rights abuses, particularly during a crisis like the pandemic. We also shared our thoughts on how businesses can collaborate with governments and civil-society organizations to address human rights.

Similarly, the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime invited us to attend its annual Government and Business Forum where we discussed insights on forced labor in the electronics sector with senior business leaders, government ministers, and representatives from UN organizations.

At our site in Malaysia, we demonstrated our commitment to fair treatment by assisting a group of foreign migrant workers recruited from Nepal. When we discovered they had paid recruitment-related fees to their original employers, whose factory was closed due to the pandemic, we sought repayment of the fees. When our attempts to contact the responsible former employer were unsuccessful, we reimbursed the workers directly.

Other notable achievements of 2021, described in more detail in this report, include:

99% of our suppliers signed the NXP Supplier Code of Conduct Conformity Statement	Despite COVID-19 challenges, we continued our supply-chain due-diligence audits and were able to conduct twice the number of audits in 2021 compared to 2020	We achieved an 89% closure rate for supplier corrective action plans and continued to work on the closure of nonconformances from previous years
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Looking ahead, as we continue our work to combat slavery and human trafficking, it’s important to acknowledge the contributions of our team members, our partners, and our stakeholders. Our ongoing collaboration strengthens our resolve, helps us identify best practices, and makes NXP a company I am proud to lead.



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ENGAGE • PROTECT • RESPECT



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It's always an honor to be recognized for our efforts to address labor and human-rights issues, and 2021 was no exception. We were proud to be included in several events that let us discuss best practices and share our practical experiences.

For the fourth consecutive year, the Annual UN Forum on Business and Human Rights invited NXP to be a featured panelist in a session about lessons learned from the COVID-19 pandemic. We described our work in the supply chain and our efforts to help foreign migrant workers, who are some of the most vulnerable to human-rights abuses, return home while facing travel restrictions.

We were also invited to a number of other international speaking engagements and workshops, where we discussed our labor and human-rights initiatives with practitioners working outside the semiconductor and electronics industry.

Being included in these kinds of international events lets us share our thoughts on how to address human-rights challenges in our industry and within a multi-tiered supply chain. It's a source of pride to know that our approach — our Social Responsibility Program, our commitment to meeting world-class standards within a multi-tiered supply chain, and our efforts to protect and respect all workers — is something that people beyond our organization want to know more about.



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HUMAN-RIGHTS PERFORMANCE

<p>Supplier Audits Despite COVID-19 challenges, we continued our supply-chain due-diligence audits and conducted twice the number of audits in 2021 compared to 2020</p>
<p>External Engagement Sharing practical approaches to labor and human-rights challenges</p>
<p>Due-Diligence Results Working-hour challenges and recruitment-related fees paid by workers in our supply chain</p>

SPEAKING ENGAGEMENTS

ENGAGEMENT	SESSION TOPIC
The Bali Process, in collaboration with the Responsible Business Alliance (RBA)	State of Play of Forced Labor in the Electronics Sector
UN Asia-Pacific Forum on Business and Human Rights	Panel Session on What Mandatory Human-Rights Due Diligence Means for your Company and Business
Annual Member Peer Meeting of the Global Business Initiative (GBI) on Human Rights	Spotlight Session on Tracking Progress and Effectiveness of Human-Rights Due Diligence
Annual UN Forum on Business and Human Rights	Plenary Session — COVID-19 Lessons Learned and Moving Forward in the Context of The Next Decade of Business and Human Rights
The Association of Southeast Asian Nations (ASEAN) Intergovernmental Commission on Human Rights (AICHR)	The Essentials of Human-Rights Due Diligence in Business, Panel Session on The Practice of Human-Rights Due Diligence

SUPPLIER ENGAGEMENT

<p>99% of Supplier Code of Conduct conformance statements signed</p>
<p>89% nonconformance closure rate in supplier audits</p>
<p>99% certified mineral smelters</p>
<p>Conducted follow-up survey on forced labor in global supply chain of poly-silicon materials to ascertain risk of materials originating from sensitive locations</p>
<p>Partnered with a key customer to conduct joint training session on mitigating forced labor in multi-tiered supply chains</p>



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Our Corporate Social Responsibility Program is built on a foundation that protects and respects human rights and reflects the highest possible standards of ethical business conduct. This dedication to social responsibility is expressed in our NXP Code of Conduct (the Code), which is approved by our Board of Directors. Continuous improvement is central to our approach to labor and human rights, and we regularly engage with and seek feedback from key stakeholders — including our team members, our supply chain, customers, shareholders, industry and government regulators, and members of Non-Governmental Organizations (NGOs), Civil Society Organizations (CSOs), and academia — to identify ways we can advance our efforts.

The California Transparency in Supply Chains Act of 2010, the United Kingdom Modern Slavery Act of 2015, and the Australia Commonwealth Modern Slavery Act of 2018 require businesses to disclose their efforts to address the risks of modern slavery (including forced labor and human trafficking) in their operations and supply chains. The following statement of NXP responds to these requirements and outlines our efforts during the 2021 calendar year.

NXP is guided by the international norms expressed in the UN’s Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights, as well as those stated by the International Labour Organization (ILO). We are a full member of the Responsible Business Association (RBA) and, as a signatory of the UN Global Compact, we publicly report our Communication on Progress.

This 2021 NXP Slavery and Human Trafficking Statement was prepared by the NXP Sustainability Office, under the supervision of the Environment, Social and Governance (ESG) Management Board, and is approved by the Board of Directors.





OUR BUSINESS

NXP Semiconductors N.V. (NASDAQ: NXPI), headquartered in Eindhoven, the Netherlands, is a leader in secure connectivity solutions for embedded applications in Automotive, Industrial & Internet of Things (IoT), Mobile, and Communication Infrastructure.

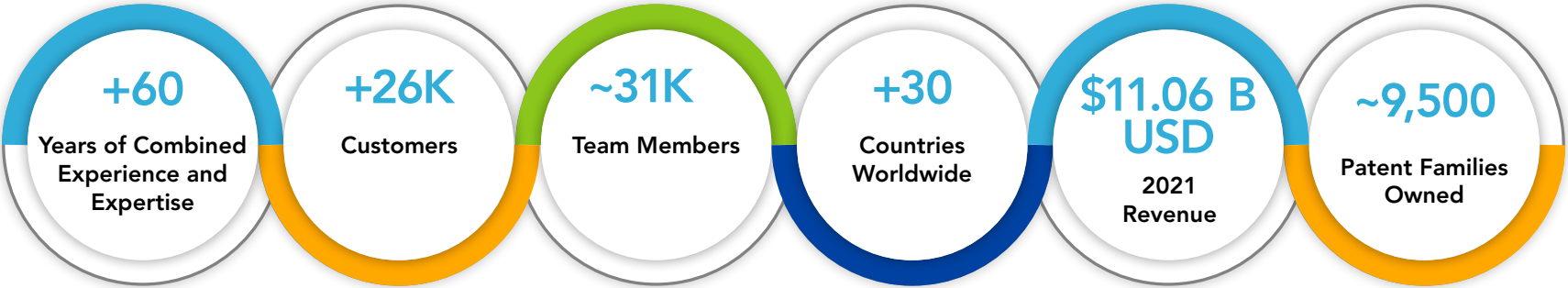
We believe that technology can help us get things done faster — in ways that are easier, more reliable, safer, and use less energy — and can create opportunities for more people to participate in business, culture, and community.

Whether we're reducing the amount of energy consumed by smart devices, extending EV battery ranges, or making 5G more efficient, our collective efforts contribute to a more sustainable future.

This winning strategy enables us to capture growth opportunities in all the end markets we focus on.

Bringing Together Bright Minds To Create Breakthrough Technologies That Make The Connected World Better, Safer, And More Secure.

NXP is pushing boundaries, building solutions that enhance the capabilities of people, organizations, and the world at large. We are committed to keeping our customers ahead of the competition and to helping them prepare for change. We design purpose-built, rigorously tested technologies that enable devices to sense, think, connect, and act intelligently to improve people’s daily lives.



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AUTOMOTIVE

We provide the foundation for vehicles that can sense, think, connect, and act with confidence, so drivers enjoy more convenience, safety, and comfort while on the road. Our technologies are enabling the future of safe and secure mobility and support greener driving through enhanced efficiency and the transition to electric driving.



INDUSTRIAL AND IoT

We power optimal performance across industries by automating intelligence and increasing security at the edge of the network. Connected devices and advanced manufacturing demand flexible, scalable, and sustainable solutions. Our broad range of secure, connected solutions simplify edge processing and protect interactions with the cloud. We also enable machine learning, so devices can be equipped to sense, think, and act.



MOBILE

We support today’s on-the-go lifestyle with innovative solutions, such as the mobile wallet, so consumers can securely connect their devices to the world around them. With solutions like secure elements, end-to-end services, and Ultra-Wideband (UWB), we enhance mobility while ensuring privacy.



COMMUNICATION INFRASTRUCTURE

We deliver real-time responsiveness at the speed of 5G, whenever and wherever data happens. Our solutions power the 5G-connected, edge-computing infrastructure that supports adaptive network communication across the world, leveraging differentiated processing and Radio Frequency (RF) power technologies.

NXP’S UNRIVALED TECHNOLOGY PORTFOLIO FOR THE SECURE EDGE



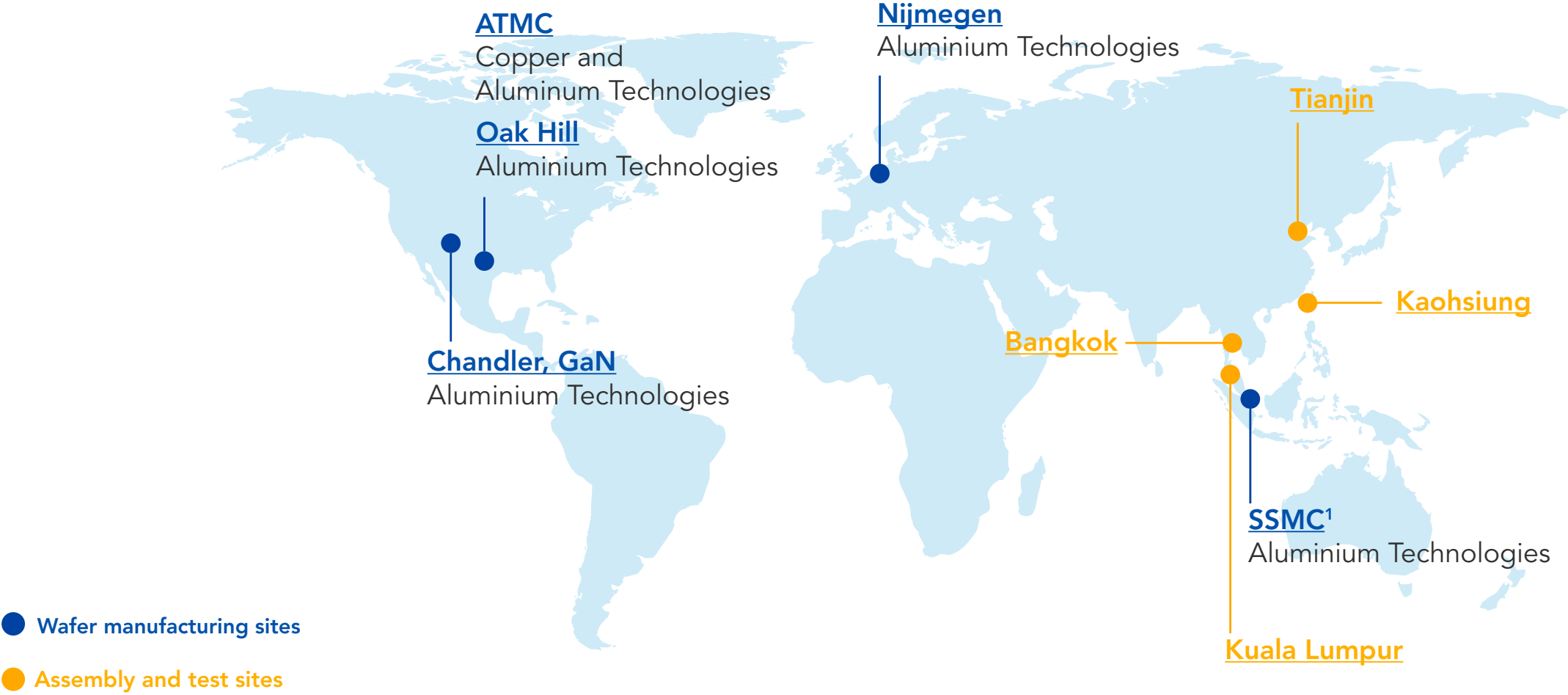
While this describes NXP today, we are also focused on the future. As part of our daily operations, we explore the challenges ahead and evaluate opportunities to help advance our world by making it better, safer, more secure, and more sustainable.

Learn more at [About NXP](#).

As a global company and significant player in the semiconductor industry, NXP has a responsibility to protect and respect human and labor rights around the world, both in our operations and in our supply chain, through ongoing engagement, due diligence, and continuous improvement.

We endeavor to provide a safe and healthy working environment, to use resources effectively and efficiently, and to be accountable and transparent regarding the impacts of our activities. We also strive to exceed existing standards and stakeholder expectations, and actively contribute to industry best practices.

MANUFACTURING SITE LOCATIONS



¹SSMC is a Joint Venture



OUR PEOPLE

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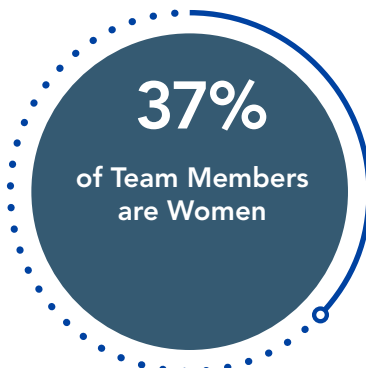
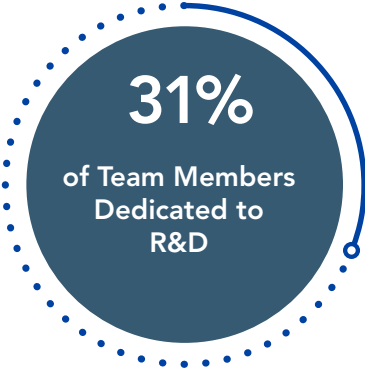
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At NXP, our team members are a diverse and talented group of people who drive the innovation that differentiates our company and fuels our success in the market.

OUR PURPOSE

Bringing together bright minds to create breakthrough technologies that make the connected world better, safer, and more secure.

OUR VALUES

Our values are our fundamental beliefs and guiding principles. They speak to how we operate, how we engage, and how we develop our team members. High performance requires cultivating a culture of innovation and growth — with team members who possess deep core competencies, who work together and hold themselves accountable — all built on a foundation of trust and respect. To embed our values into our way of working, we make our values a part of how we enable performance at NXP, how we recognize, reward, and grow talent, and how we select new team members.



² As of December 31, 2021 we had approximately 31,000 team members, which includes approximately 1,500 team members in our joint venture.



OUR PEOPLE

OUR POLICIES AND PROGRAMS

Across the globe, we have policies and programs to find and retain the best talent possible, focused on areas that include the following:

- Driving team-member engagement
- Building thought leadership
- Embracing diversity, equality, and inclusion
- Enabling talent development and growth opportunities
- Giving back to our communities

We are committed to protecting the human rights and safety of our team members. To that end, our well-established Corporate Social Responsibility Program includes a comprehensive set of requirements for sustainable business, and these requirements are incorporated into our core business practices.

OUR TEAM MEMBERS

As a technology company with eight locations for semiconductor wafer manufacturing, assembly and test, NXP’s team members work in direct labor (DL) and indirect labor (IDL) roles. DL team members are in roles directly involved in manufacturing our products and typically work in our factories, while IDL team members are typically individual contributors, managers, and executives in other functions, such as Research & Development (R&D) and Selling, General & Administrative (SG&A).

As of December 31, 2021, NXP employs 31,000 team members, including approximately 1,500 employees in our joint venture. Our NXP global team spans three regions encompassing more than 30 countries and includes approximately 9,300 team members dedicated to R&D. We employ temporary and foreign migrant workers. Foreign migrant workers are recruited with support from NXP-approved labor agencies that help with document processing, such as visa applications, visa renewals, and arrange dormitory accommodations.

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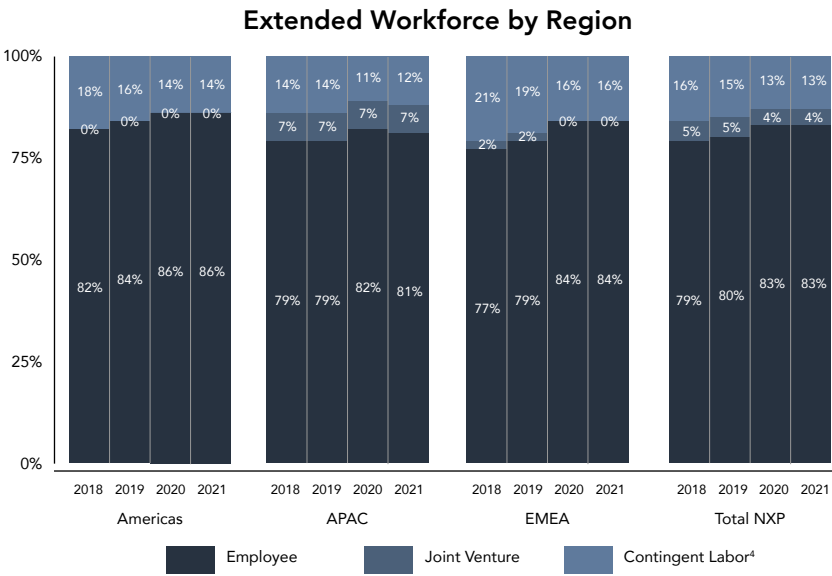
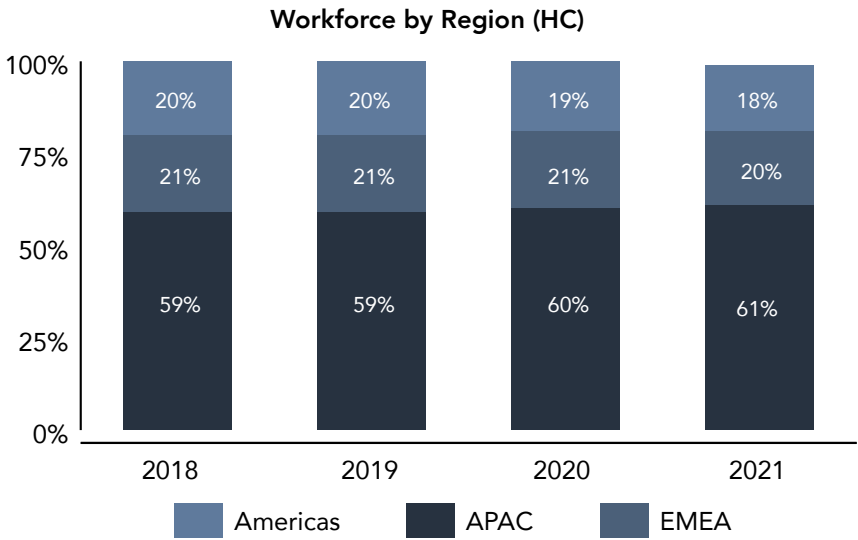
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OUR PEOPLE

NXP TEAM-MEMBER DEMOGRAPHICS³

TEAM-MEMBER FOOTPRINT



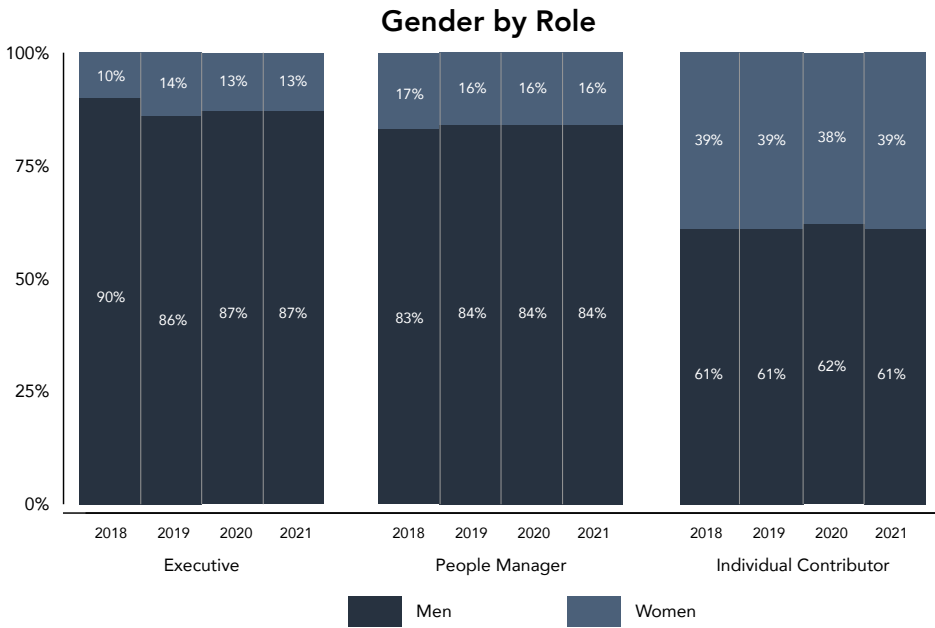
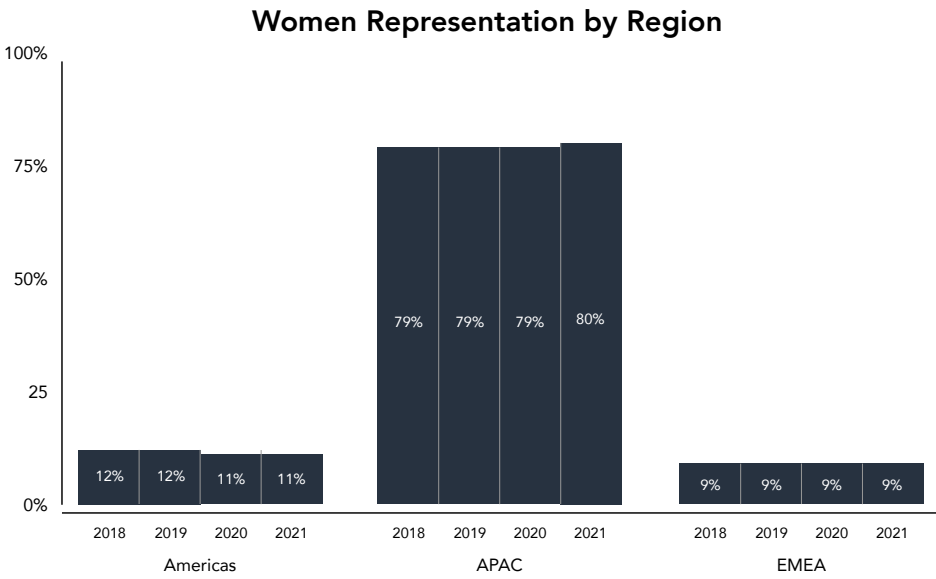
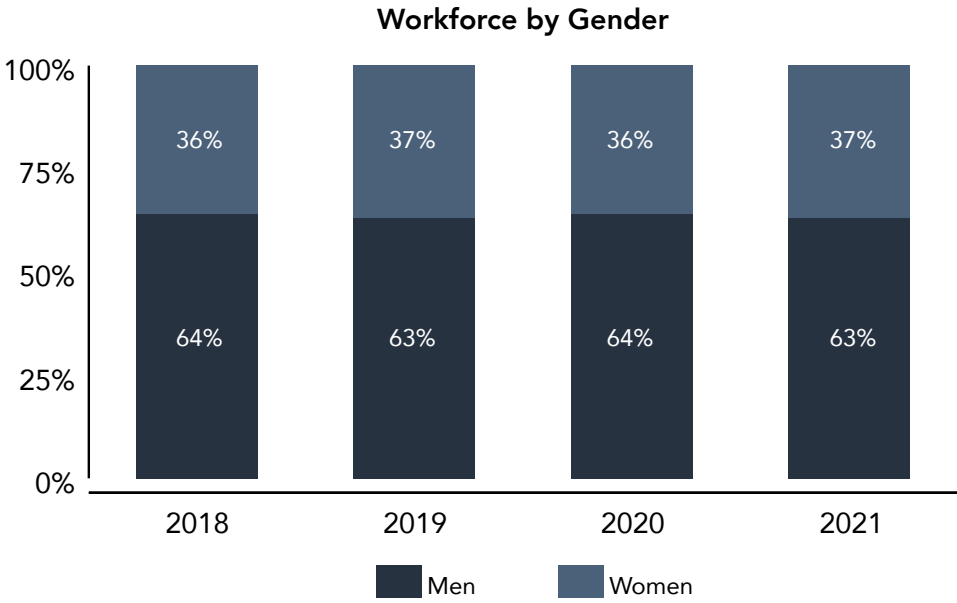
³ Reported as headcount (HC) which is the number of team members working at NXP.

⁴ Contingent labor includes team members not on NXP payroll, such as staff augmentation (temps), contractors, and consultants.



OUR PEOPLE

GENDER REPRESENTATION⁵



⁵We report Head Count (HC) using the gender representations of men and women but acknowledge this does not fully encompass all gender identities.

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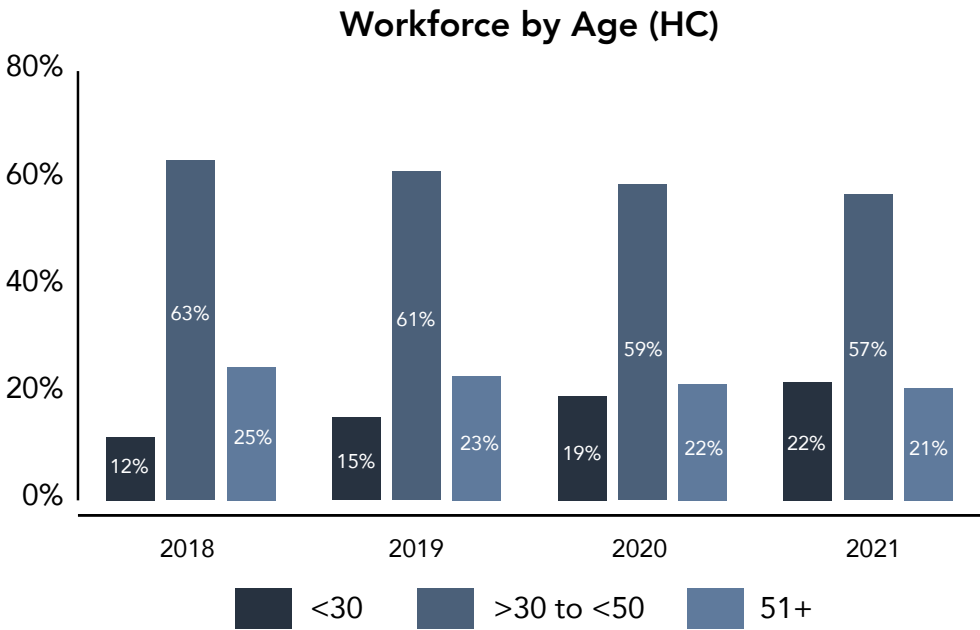
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AGE REPRESENTATION



US WORKFORCE RACE AND ETHNICITY

United States Race and Ethnicity (HC)				
	2018	2019	2020	2021
White (Not Hispanic or Latino)	56%	52%	52%	51%
Asian (Not Hispanic or Latino)	20%	21%	21%	20%
Hispanic or Latino	14%	13%	14%	15%
Black or African American (Not Hispanic or Latino)	4%	4%	4%	5%
Native American or Alaska Native (Not Hispanic or Latino)	0.5%	0.4%	0.5%	0.6%
Native Hawaiian or Other Pacific Islander (Not Hispanic or Latino)	0.2%	0.2%	0.2%	0.2%
Two or More Races (Not Hispanic or Latino)	0.6%	0.5%	0.6%	0.9%
Undeclared	5%	8%	8%	7%





OUR SUPPLY CHAIN

NXP is committed to ensuring that working conditions in our supply chain are safe and that workers are treated with respect and dignity. We pursue mutually beneficial relationships with our suppliers and contractors and take a collaborative and consultative approach when supporting their continuous commitment to key workplace issues.

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We hold our suppliers accountable for responsible conduct and performance by requiring them to comply with applicable laws and regulations as well as the NXP Supplier Code of Conduct.

NXP has business relationships with more than 10,000 suppliers globally. Our supply chain is large, complex, and multi-tier deep. Regardless of region, NXP recognizes that innovative thinking, collaboration, and transparency contribute to long-term sustainability. We proactively work with our suppliers to ensure an ethical and sustainable workplace.





OUR SUPPLY CHAIN

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Our suppliers include external manufacturing partners, direct materials suppliers, labor agents, mining and smelting operations, tool and machine manufacturers, packaging services, logistics, and onsite service providers, such as warehousing, canteen, janitorial, and security.

Managing the complexity of our interlinked global supply chains beyond our Tier 1 suppliers is a significant challenge, but in recent years we have gained a deeper understanding of the labor-agent network in our supply chain by engaging with the independent, non-profit, Civil Society Organization (CSO) Verité.

In 2020, Verité conducted a due-diligence assessment on 21 of our suppliers who recruit and hire foreign migrant workers. Through this assessment, we identified and mapped 32 receiving agents and 40 sending agents, covering the recruitment of 11,463 foreign migrant workers. In 2021, we continued to use Verité's CUMULUS Forced Labor Screen™ platform to assess and analyze risks of forced labor in our supply chain and contributed critical data on labor agents received from supplier audits we performed. Adding to the Verité CUMULUS database helps NXP and others screen recruiting entities for forced-labor risk.

Future reports will include additional activities to map Tier 2 suppliers and will cover our efforts to screen and prioritize supply-chain partners and labor agents.

Our 2021 [Supplier List](#) represents 98% of our global procurement expenditures for materials, product manufacturing, and assembly.





OUR GOALS

As part of our commitment to preventing human-rights abuses, we make human rights and team-member health and safety key pillars in our Sustainability Policy and prominent elements of our strategy and goal setting.

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SOCIAL RESPONSIBILITY GOALS

NXP GOALS

 <p>No priority or major findings from internal or customer audits</p>	 <p>>95% Internal audit scores</p>
 <p>>90% Self-assessment score</p>	 <p>Work week of <60 hours and one rest day per six days worked</p>

SUPPLIER GOALS

 <p>100% of key suppliers sign supplier code of conduct conformity statement</p>	 <p>Supply-chain due diligence and collaboration</p>
 <p>>85% audit closure rate for corrective action plans</p>	 <p>100% certified mineral smelters</p>





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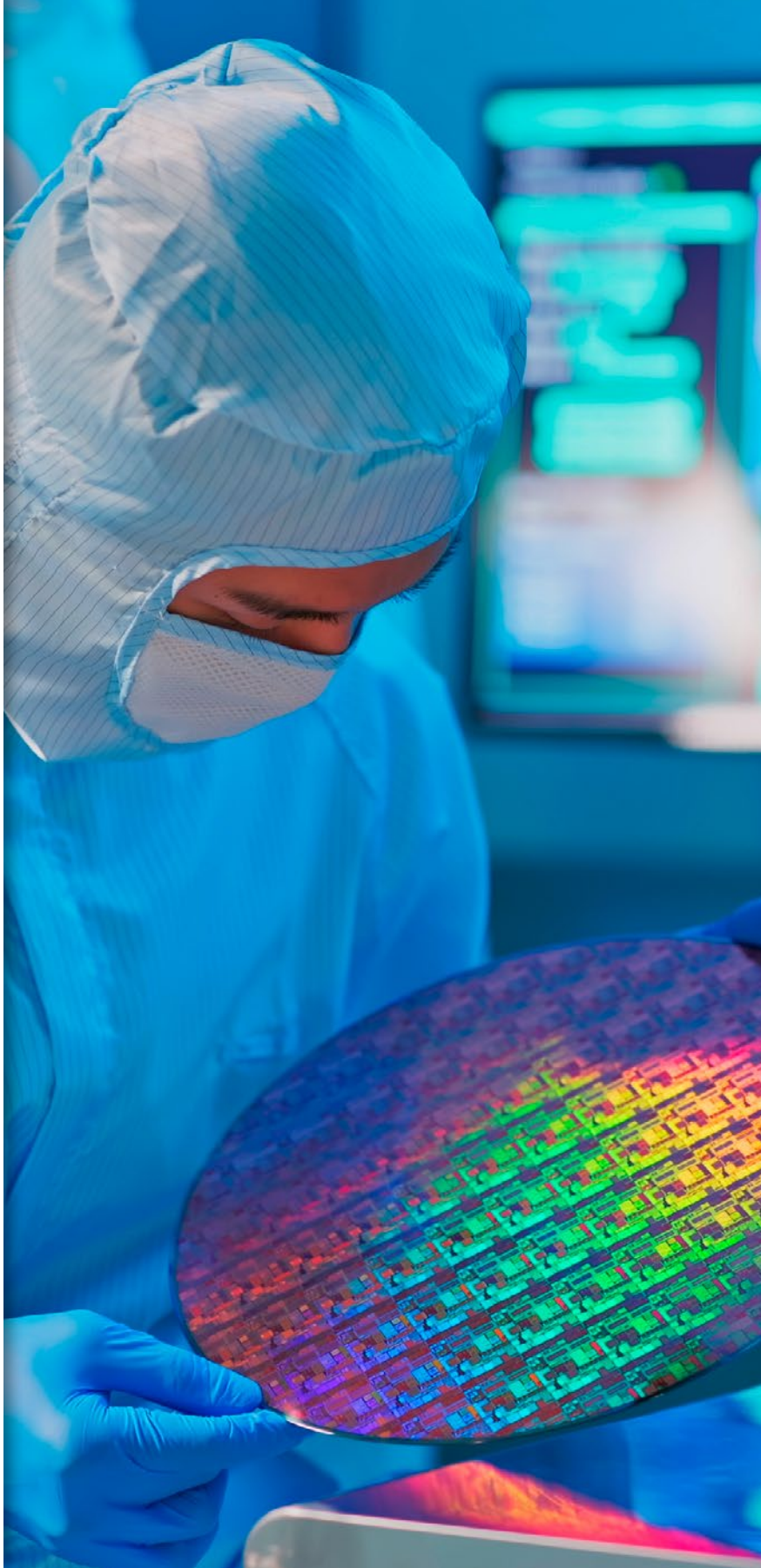
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LABOR AND HUMAN-RIGHTS COMMITMENT

NXP and our business partners must not be involved in any form of human-rights abuses. 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 prohibit discrimination based on race, national origin, color, gender, religion, age, pregnancy, sexual orientation, physical or mental disability, or political affiliation. NXP also prohibits the practice of charging fees to workers at any stage of employment and the retention of personal or government-issued documents. NXP respects workers' rights, including the freedom of association and the right to collective bargaining.

NO FEES

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

NO RETENTION OF DOCUMENTS

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

WORKING HOURS AND REST DAYS

A work week must not exceed 48 hours of regular time or 60 hours of regular work plus overtime, 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 travel to their hometowns. These situations must be approved by executive management. Workers are allowed legally mandated time off, including breaks, holidays, vacation days, and other types of time off, such as maternity leave. Workers shall have at least one scheduled day off every seven days and not work more than six consecutive days. All overtime must be voluntary.

CHILD LABOR AND YOUNG WORKERS

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. Subject to compliance with local laws and regulations, the use of legitimate workplace apprenticeship or internship programs which employ young workers between the ages of 16 and 18, and comply with all laws and regulations, is supported. However, young workers must not perform work that may be likely to jeopardize their health or safety, such as night-shift, overtime, or hazardous work.



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EMPLOYMENT CONTRACTS

Employment contracts must be written in a language understood by the worker and must be provided prior to departure or hiring. Contracts must clearly outline the working conditions, including the 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 on Social Responsibility. 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.

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.

COMPENSATION AND BENEFITS

Compensation and benefit 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 as required by applicable laws and regulations or employment contract, whichever is higher. 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 with 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 must apply as the standard. For each pay period, employees must be provided with an understandable wage statement that includes sufficient information to verify accurate compensation for work performed and 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, such as taxes and social insurance, must be understood by the worker.

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

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 or other worker organizations, and to engage in collective bargaining.



HUMAN-RIGHTS DUE DILIGENCE



HUMAN-RIGHTS DUE DILIGENCE

To prevent and mitigate adverse human-rights impacts, we use input from internal and external sources to prevent human-rights abuses from occurring. Due diligence is an integral part of our business decision-making and risk-management systems. Our in-place due-diligence processes manage labor and human rights, as well as the health and safety risks associated with our operations and supply chain. Such due diligence includes risk assessments, compliance monitoring, remediation, measurement, and external reporting. NXP examines human-rights risks on a continual basis and relies on stakeholder engagement and feedback when evaluating these risks.

NXP's due diligence is based on the UN Guiding Principles on Business and Human Rights (UNGPs). Our model includes the four elements of the due-diligence process, namely assessing actual and potential human-rights impacts (Guiding Principle 18), integrating, and acting upon the findings (Guiding Principle 19), tracking responses (Guiding Principle 20), and communicating how impacts are addressed (Guiding Principle 21).



UNITED NATIONS GUIDING PRINCIPLES

NXP'S APPROACH AND ACTIONS

IDENTIFY & ASSESS



- Supplier risk assessment
- Self-assessment questionnaire
- Audit
- Collaborate and engage with stakeholders and human-rights experts
- Review and assess previous due-diligence results

INTEGRATE & ACT



- Policies, standards, and tools
- Social Responsibility Board
- Capacity building
- Collaboration with the Purchasing team
- Monthly post-audit follow-up calls
- Collaborate and engage with stakeholders and human-rights experts

TRACK



- 30/60/90-day post-audit follow-up calls
- Verification audits
- Monthly Key Performance Indicators (KPIs)
- Survey
- Private worker interviews

COMMUNICATE



- SpeakUp hotline
- Worker/management dialogues, focus-group discussions, and team-member surveys
- Internal and supplier grievance mechanisms
- Collaborate and engage with stakeholders and human-rights experts
- Annual reporting

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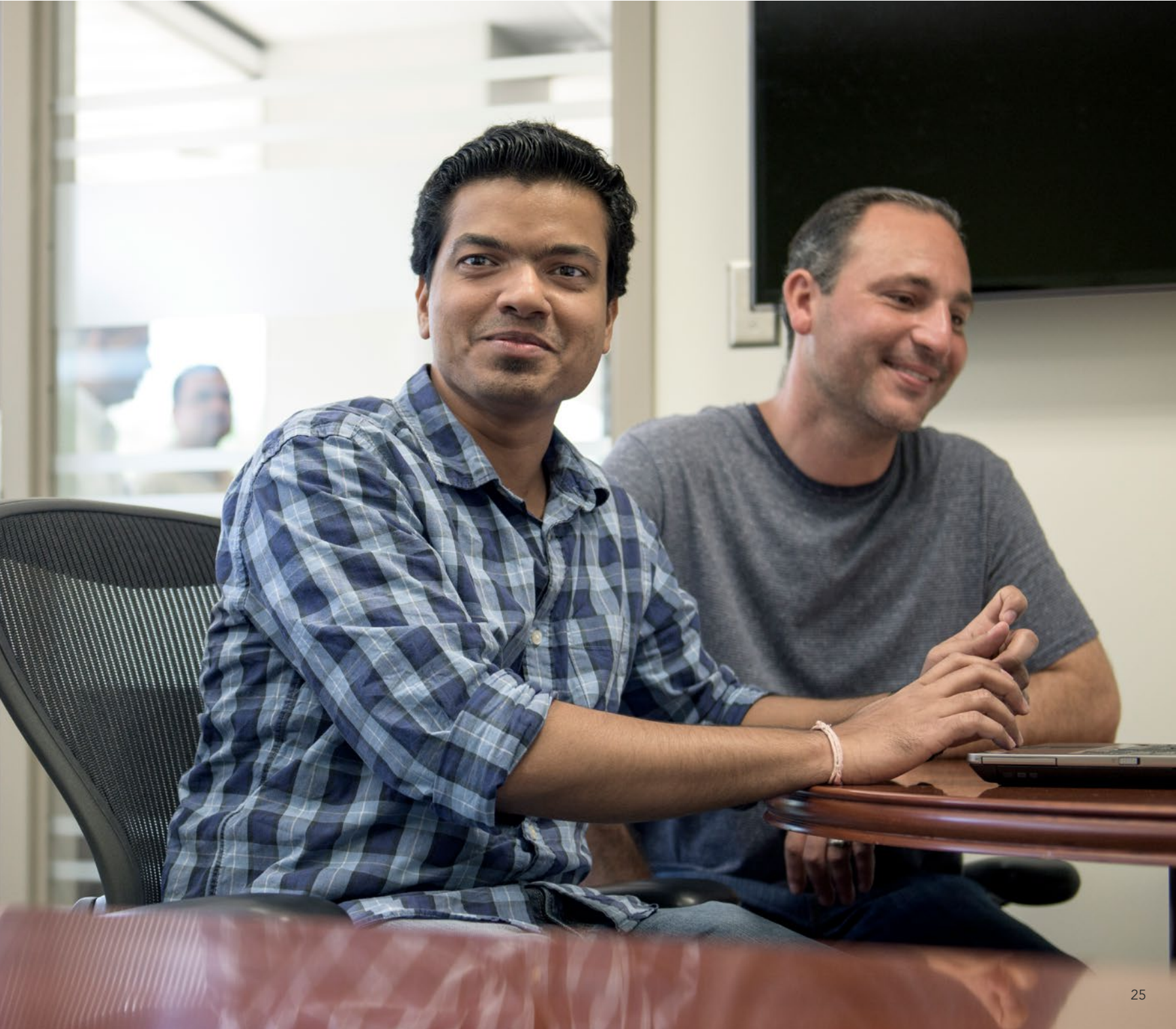
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For each element of the due-diligence process, we take steps to gather important information from many sources and then use strategies, processes, and develop tools to address and analyze the input. We use our output as part of a feedback loop that creates an ongoing due-diligence effort with built-in mechanisms for continuous improvement.



IDENTIFY AND ASSESS

We assess actual and potential human-rights impacts (Guiding Principle 18)



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FEEDBACK

INTEGRATE AND ACT

We integrate and act on the findings generated by assessments (Guiding Principle 19)



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We monitor progress by tracking our actions and responses (Guiding Principle 20)



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We share how we are addressing our impacts (Guiding Principle 21)



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IDENTIFY AND ASSESS

We assess actual and potential impacts on human rights (Guiding Principle 18) using stakeholder engagements and evaluations of NXP and our supply chain.

ENGAGEMENTS

Stakeholder feedback is an important part of our Labor and Human Rights strategy. It helps us evolve our own processes and culture, while also helping us guide our supply chain in practicing continuous improvement.

Throughout the year, we engage formally and informally with our stakeholders regarding the labor and human-rights issues, trends, and developments that are relevant to our industry. This approach reflects our commitment to transparency and accountability, and ultimately contributes to long-term value.

The following table gives examples of how we engaged with internal and external stakeholders in 2021. Frequency and type of engagement varied by stakeholder groups and was tailored to stakeholder requirements.



Stakeholder	Engagement	Feedback	Outcomes and Follow-Up
Team Members	In Malaysia, NXP hired 16 Nepali migrant workers after their original employer ceased operations due to the COVID-19 pandemic.	The workers had paid recruitment-related fees to the original employer, but NXP prohibits workers paying such fees.	After our attempts to contact the former employer to repay the fees failed, we reimbursed the workers directly, in keeping with our aim of fair treatment of vulnerable workings during a pandemic.
Customers	One RBA Validated Assessment Program (VAP) audit was initiated by a customer in 2021.	The audit identified only two items related to Environmental, Health and Safety practices at the NXP manufacturing site.	All corrective actions from the RBA VAP audit have been verified as closed. Such audits continue to strengthen the processes and procedures of our Social Responsibility Program.
Suppliers	Conducted supplier audits both onsite and remotely, including random, privately held worker interviews. The number of audits increased from four in 2020 to nine in 2021, despite ongoing COVID-19 challenges.	The top three nonconformances identified were Freely Chosen Employment, Emergency Preparedness, and Working Hours.	In 2021, 89% of the Supplier Corrective Action Plans were closed. Work continues to close the remaining open nonconformances, with the aim of reaching a 100% closure rate.



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Stakeholder	Engagement	Feedback	Outcomes and Follow-Up
Responsible Business Alliance (RBA)	<p>Provided proposals for the revision of the RBA Code of Conduct (CoC) version 7.0.</p> <p>Attended monthly and quarterly calls as a Board Member and an RBA Full Member.</p>	Ensure alignment with the RBA's salient issues for labor and human rights.	<p>Maintained our full membership requirements of the RBA, which requires full members to audit 25% of high-risk suppliers. Due to COVID-19, we met the target by conducting pulse surveys as a form of due diligence covering 40 suppliers.</p> <p>The revised RBA CoC and VAP standards were incorporated into the NXP Supplier Code of Conduct and Auditable Standards on Social Responsibility.</p>
Responsible Labor Initiative (RLI)	As a Board delegate, attended quarterly steering committee meetings and attended monthly workgroup meetings.	Guidance on definition of fees, gap analysis on various guidance standards, labor-agent training, and mapping the labor-agent recruiting corridor.	Updated our Auditable Standards on Social Responsibility in accordance with the gap analysis, nominated our labor agents for RLI training, and cross-referenced the recruitment corridor with NXP's labor agents.
Responsible Mineral Initiative (RMI)	Attended annual member meeting, ad hoc meetings, and various conference calls organized by the RMI.	Tools and resources to make sustainable decisions regarding responsible mineral sourcing.	Implemented RMI's tools for cobalt and the EU's new legislation.
Global Business Initiative (GBI)	Attended two member meetings, various ad hoc meetings, and conference calls organized by the GBI.	Multi-industry best practices on business and human rights.	Enhancing and strengthening human-rights due diligence across NXP's supply chain.
European Partnership for Responsible Minerals (EPRM)	Attended annual member meeting, various conferences, and ad hoc meetings.	Sharing of best due-diligence practices and greater understanding of actual conditions in mines and the mineral supply chain.	Through our participation, we supported EPRM's supply-chain due-diligence platform for responsible mineral sourcing, due-diligence check tool, and assistance to mine sites in Conflict-Affected and High-Risk Areas (CAHRAs) by financing "on the ground" projects.



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Stakeholder	Engagement	Feedback	Outcomes and Follow-Up
UN Global Compact (UNGC)	Reported our Annual Communication on Progress. Shared NXP's Human Rights program as a participant in the UN Global Compact Network Australia.	Australia's Modern Slavery Act mandatory reporting of due diligence.	Understanding and reassessing our reporting methodology.
European Semiconductor Industry Association (ESIA)	Chaired ESIA Responsible Sourcing workgroup and actively participated in several Environment, Safety & Health (ESH) workgroups.	Status of various EU initiatives, including the EU Conflict Minerals regulation, and health & safety.	Will require NXP to update our Responsible Minerals Policy to broaden the minerals in scope and all CAHRAS. Maintained excellence in our Health and Safety performance record.
Verité	Conducted third-party supplier social responsibility audits, initiated and supported by NXP. Collaborated to identify gaps and improvements for NXP's Social Responsibility Program. Conducted bi-annual due-diligence exercise for selected suppliers' foreign migrant workers and broker supply chain using the Verité CUMULUS Forced Labor Screen	Continuous-improvement opportunities for the NXP Social Responsibility Program in the next three to five years. Increased transparency to the foreign migrant-worker supply chain.	Advancing NXP's Auditable Standards on Social Responsibility. Strengthening supply-chain compliance and supplier training. Deeper understanding of modern slavery risks when foreign migrant workers are hired, and the complexity of the labor supply chains.
World Semiconductor Council (WSC)	Chaired the Responsible Sourcing of Minerals and the Health and Safety workgroups. Attended three WSC meetings, several workgroup meetings, and various expert-led webinars.	Best practices for responsible sourcing of minerals and health & safety practices.	Applying best practices to advance our Health and Safety programs. Annual collection of Health and Safety data from member companies. Completed the biennial WSC member survey on responsible minerals sourcing and published results in the WSC joint statement.



IDENTIFY AND ASSESS

ASSESSMENT OF SALIENT HUMAN-RIGHTS ISSUES

In our operations and our supply chain, we use indirect labor, direct labor, temporary workers, and agency workers (including foreign migrant workers). We engage with all relevant functions and businesses across NXP and our supply chain to identify practices that may lead to non-compliance with our policies and standards.

The Social Responsibility and Procurement teams identify salient human-rights risks using our own risk analysis, our collaboration with key stakeholders — including industry associations, expert groups, and NGOs — and the results from assessments and audits. This section covers the issues within NXP and our supply chain that we determined to be most critical to labor and human rights.

We minimize human-rights risks by making continuous improvements to our policies, strategies, collaborative capacity building, self-assessments, and audits within NXP and our supply chain in response to our own experiences, shared industry best practices, and emerging issues, trends, and developments.



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NO FEES



- Clear policy prohibits charging fees to workers and ensures compliance
- If workers are found to have paid fees to gain employment, reimbursement to workers must be completed within 30 days of discovery
- Grievance mechanism in place to confidentially report policy violations

WORKING HOURS AND REST DAYS



- Clear policy 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 work week cannot exceed 48 hours and the daily scheduled work cannot exceed 12 hours a day
- Workers receive at least one day off per every six days worked
- Workers allowed at least a 20-minute rest break every four hours worked as well as a defined meal break
- Workers provided with legally mandated holidays and vacation days
- Grievance mechanism in place to confidentially report policy violations

CHILD LABOR AND YOUNG WORKERS



- 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 to prohibit young workers under the age of 18 from performing work that may jeopardize their health or safety, including night-shift and overtime work
- Age-verification process with inspection of validity of at least two identity documents, to be returned to worker
- Personal-record systems in place as a means of identification and verification
- If workers are discovered to be below the legal age limit, workers will be protected and provided the opportunity for completion of education
- Grievance mechanism in place to confidentially report policy violations

RETENTION OF DOCUMENTS



- Clear policy that workers are not required to surrender personal documents
- Personal, lockable, secured storage units available in facilities and/or dormitories/housing
- Grievance mechanism in place to confidentially report policy violations

ACCURATE CONTRACTS



- Contract may not violate relevant laws or place a worker at risk
- Prior to departure or hiring, workers are provided with an 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 worker understands prior to employment. If amendments are made prior to employment, contract must provide equal or better terms of employment
- Contracts ensure workers are free to leave their employment, upon giving reasonable notice, without penalty per applicable law and regulations
- Grievance mechanism in place to confidentially report contract-related information

FAIR WAGES AND BENEFITS



- Workers cannot receive less than the legal minimum wage for all regular hours worked. If legally minimum wage is not set, then 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 wage slips in a language they understand, with clear details regarding regular and overtime hours worked and rates
- Wages are paid within 14 days after the end of the working period
- Deductions as a disciplinary measure are prohibited
- Grievance mechanism to confidentially dispute wage and benefit-related payments

FAIR TREATMENT OF VULNERABLE WORKERS DURING A PANDEMIC



- Workers must be ensured their well-being and health and safety during a pandemic
- Workers must not be discriminated against, regardless of pandemic circumstances
- Workers must be given adequate protection from exposure to hazards, including the pandemic illness
- Grievance mechanism in place to confidentially report unfair treatment of workers



IDENTIFY AND ASSESS

2021 RESULTS FROM ASSESSMENT OF SALIENT HUMAN-RIGHTS ISSUES

	Our Operations	Our Supply Chain
No Fees	Workers did not pay fees.	Of nine suppliers audited in 2021, two were found to have charged hiring fees. All but one supplier refunded these fees. Dialogue to close the one remaining nonconformance is ongoing.
Retention of Documents	Our team members retain their personal documents.	One supplier has yet to return personal documents to workers and dialogue is ongoing to have this resolved.
Fair Treatment of Vulnerable Workers During a Pandemic	NXP hired 16 migrant workers from Nepal at our site in Malaysia. These workers were recruited from an employer whose factory was closed due to the pandemic. The workers paid recruitment-related fees to the original employer. After our attempts to contact the former employer to repay the fees failed, NXP reimbursed the workers directly.	The resumption of in-person supplier audits enabled NXP to interview workers to understand their well-being during the pandemic. While no serious issues were reported, workers have been provided with the NXP anonymous phone line to report any concerns or impacts to their rights.
Working Hours and Rest Days	At one manufacturing site, the 60-hour working limit was exceeded for approximately 180 workers (6% of the site's direct-labor workforce) for 14 weeks. This was due to the labor shortage, challenges in hiring foreign-migrant workers, and border closures. All overtime was voluntary, and workers had a rest day after six consecutive days worked.	Of nine suppliers audited in 2021, six did not monitor working hours and rest days. One supplier has not closed this nonconformance, and dialogue is ongoing with this supplier to successfully close the nonconformance.
Young Workers	We found no instances of child-labor nonconformance. All young workers were in accordance with relevant laws and regulations.	We found no instances of child-labor nonconformance. All young workers were in accordance with relevant laws and regulations.
Accurate Contracts	Accurate contracts in native language issued to all workers.	Four suppliers audited had inaccurate contracts. All suppliers have closed this nonconformance.
Fair Wages	No discrepancies in wages or benefits.	Six suppliers audited had discrepancies in wages and benefits. All suppliers have closed this nonconformance.

NXP in Action

FAIR WAGES

NXP has policies and procedures in place to promote pay equity, with due-diligence reviews performed twice a year alongside the rewards process. Wherever a team member works, the pay for that role must be equivalent to another team member conducting the same job. We believe pay equity cannot be achieved without such evaluations. During and evaluation in 2021, we discovered that one of our manufacturing sites had instances of wage differences between local and foreign migrant workers. These differences were corrected immediately.

NXP in Action

FAIR TREATMENT OF VULNERABLE WORKERS DURING A PANDEMIC

Vaccinations are a crucial weapon in the fight against COVID-19. NXP-specific vaccination drives in Asia and Europe succeeded in inoculating several thousand team members and their families. In all our locations, NXP continues to encourage vaccination through local government and health resources.

NXP also donated to the United Nations Children’s Fund (UNICEF) in support of the COVID-19 Vaccines Global Access (COVAX) initiative, to help ensure equitable access to COVID-19 vaccines worldwide.

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We integrate and act upon findings (Guiding Principle 19) by implementing policies and standards, by using governance, assessments, capacity building, and training, and by setting goals for both our company and our supply chain.

POLICIES AND STANDARDS

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

NXP policies and standards are either fully aligned with or more stringent than regulatory, industry-group, and customer requirements. We collaborate with external stakeholders, including industry associations, customers, NGOs, and government agencies, to support important social-responsibility issues such as labor and human rights.

CODE OF CONDUCT

NXP’s Code of Conduct ([the Code](#)) is approved by the Board of Directors and applies to team members, contractors, consultants, and others who work on behalf of NXP. Available in 12 languages, it applies to every business decision in every area of the company worldwide. The Code is available on our public website and/or on the NXP intranet. To incorporate the Code into our way of working, we train team members annually on Code principles.

SUPPLIER CODE OF CONDUCT

NXP places strict requirements on our supply chain. This is reflected in the [NXP Supplier Code of Conduct](#), which is posted on the NXP website and available in seven languages. It is reviewed annually and was last revised in 2021. The Supplier Code of Conduct is valid for NXP’s own operations and our supply chain and is approved by NXP’s ESG Management 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 of and contains language from the Responsible Business Alliance (RBA) Code of Conduct, version 7.0, and other recognized standards, including the ILO, the UN Guiding Principles, Social Accountability International (SAI), the UN Universal Declaration of Human Rights, the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the Ethical Trading Initiative (ETI). The NXP Supplier Code of Conduct also includes elements, modifications, and clarifications from internal and external audits we have conducted.

AUDITABLE STANDARDS ON SOCIAL RESPONSIBILITY

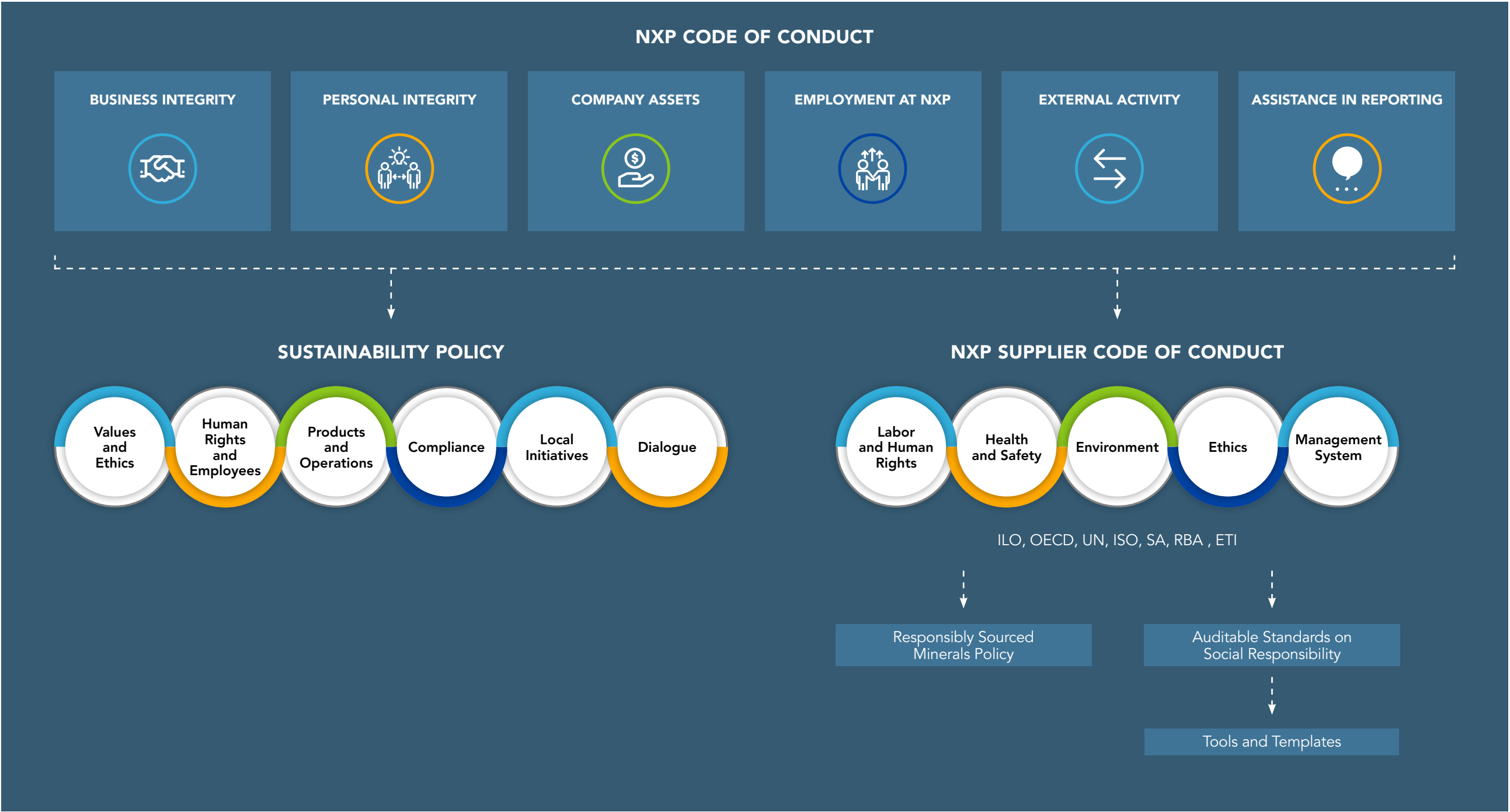
NXP’s [Auditable Standards on Social Responsibility](#) are approved by the ESG Management Board and specify minimum expectations for compliance with the Code and the Supplier Code of Conduct. The NXP Auditable Standards on Social Responsibility apply to NXP and all suppliers, contractors, onsite service providers, labor agents, and external manufacturers. Our Auditable Standards on Social Responsibility and tools are developed with input from external stakeholders and are updated on a regular basis to reflect the latest recommendations and regulations on responsible business conduct.

RESPONSIBLY SOURCED MINERALS POLICY

The trade of minerals in conflict and high-risk areas is often associated with 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 program for responsibly sourcing minerals is designed in accordance with the 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 OECD Guidance or a standard of similar caliber.



POLICIES AND STANDARDS INTERRELATIONSHIP



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GOVERNANCE

Integrating a governance structure and accountability for NXP and our supply chain keeps us accountable and focused on continuous improvement.

NXP SOCIAL-RESPONSIBILITY GOVERNANCE STRUCTURE



Responsibilities		
Nominating, Governance and Sustainability Committee	Oversee NXP’s policies and report on topics related to Environment, Social and Governance (ESG). The committee receives quarterly updates from representatives of the ESG Management Board and, in turn, reports on these efforts in plenary meetings of NXP’s Board of Directors.	
ESG Management Board	Lead the implementation of ESG strategy and policy and ensure appropriate resourcing. The ESG Management Board, comprised of Management Team members and other senior leaders, meets monthly to review our ESG performance against our strategy and goals.	
Sustainability Leadership Team	Set strategies, develop policies and goals while monitoring metrics, and, if needed, escalate issues to the ESG Management Board.	
Social Responsibility Team	Oversee strategies, policies, and goals, and report on various metrics, including input from the Manufacturing Site Steering Committee and purchasing managers, and report monthly to the Sustainability Leadership Team.	
	NXP Operations Set targets, conduct annual self-assessments and third-party audits, ensure timely closure of corrective action plans, monitor and control working hours and rest days, and conduct internal capacity building.	Supply Chain Set targets, ensure supplier commitment to the Supplier Code of Conduct, conduct annual supplier risk assessments, supplier self-assessments, and audits, ensure timely closure of corrective action plans, and conduct supplier training.
Manufacturing Site Steering Committee	Implement, measure, and validate policies, drive continuous onsite improvement, and report progress to site management and the Social Responsibility Team.	
Purchasing	Oversee the annual supplier risk assessment for social responsibility, meet monthly with the Social Responsibility Team to receive supplier performance data for input into quarterly supplier business reviews, and include the Material Sourcing Board when supplier escalations are needed.	
Legal	Review and provide legislative guidance, assist in the review of alleged violations of the Code, and review publicly reported documents such as the Supplier Code of Conduct, the NXP Auditable Standards on Social Responsibility, and the Slavery and Human Trafficking Statement.	



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VALIDATION

Each year we report publicly on our supplier’s top audit nonconformances and report Key Performance Indicators (KPIs) monthly to the Sustainability Leadership Team on topics such as violations and nonconformances from our supplier audits, signed conformance letters, closure rate for corrective action plans, and quarter-on-quarter risk indicators within our supply chain. NXP monitors improvement by measuring the number of priority violations, repeat audits, frequency of nonconformances, and the nonconformance closure rate.

Reports are reviewed frequently throughout the year by the Environment, Social and Governance (ESG) Management Board, which discusses the progress that has been made, areas for improvement, and new targets. Quarterly reviews are conducted with the Ethics Committee, and monthly reviews are conducted with the Quality leadership team. Monthly and sometimes weekly meetings are held with procurement managers to discuss the results of a supplier audit, the corrective action plan, and the supplier’s progress toward closing their nonconformances.

ACCOUNTABILITY

The Senior Director of Sustainability and the Social Responsibility team are tasked with the delivery of the Social Responsibility Program across the business and in the global supply chain. This work is defined by clear targets and is part of a performance-appraisal system that links pay to performance and execution of the labor and human-rights commitments specified in our Code and Social Responsibility standards.

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SUPPLY-CHAIN COMPLIANCE

NXP’s suppliers are required to comply with NXP standards and the laws of the country or countries where they conduct business. In 2015, we included language in our supplier contracts that requires suppliers to abide by the NXP Supplier Code of Conduct. If there is not a contract in place, or because the contract was executed before 2015, NXP requires a signed conformance statement, abiding to the NXP Supplier Code of Conduct. NXP’s legal and purchasing teams are trained on the policies and practices of the Supplier Code of Conduct.

Our goal is to collaborate with our suppliers and to make a positive impact on our supply chain. In the rare instance that a supplier is unable or unwilling to meet our requirements and work on a corrective action plan, we escalate the issue according to management processes to determine the status of our relationship with the supplier and may terminate the business relationship.

RESPONSIBLE PROCUREMENT

Our master purchase agreements, as well as the terms and conditions of our purchase orders, require suppliers to certify their compliance with our policies. To decrease the risk of modern-day slavery, our purchasing practices include incentives, such as longer-term contracts, renewals, and expanded business relations, so suppliers are more likely to avoid the issues that can arise from insufficient payments, late orders, and tight deadlines. Our typical lead time, from the date we request material to when it is delivered, is approximately six to eight weeks, and up to 12 weeks for certain commodities, so we stock our manufacturing sites such that we can forecast within a 12-week timeframe. As an added incentive, our purchasing scorecards include measurements for social responsibility, and tie performance on this issue to purchasing decisions.

RESPONSIBLE RECRUITMENT PRACTICES

NXP suppliers must have adequate and effective written recruitment and employment policies and procedures to ensure compliance with laws in sending and receiving countries. Suppliers must ensure workers are not required to pay fees, deposits, or have debt repayments for their recruitment or employment. Suppliers must not require workers to participate in any form of forced savings or loan program where repayment terms are indicative of debt bondage or forced labor. Suppliers must provide workers, prior to their departure or hiring, with accurate written details, in the workers’ native language, about working conditions in the host country, including nature of work, wages, benefits, and duration of contract. Suppliers must not require workers to surrender personal documents. Suppliers must also ensure the same requirements are in place with their employment agencies. Suppliers must ensure that workers are free to leave their employment upon giving reasonable notice, without penalty. Suppliers must not place unreasonable restrictions on movement of workers and their access to basic liberties. Suppliers must clearly communicate to their employees the NXP Supplier Code of Conduct or comparable requirements pertaining to the recruitment of workers. If applicable, suppliers must regularly evaluate the employment agencies on their performance and conformance against these requirements.

Of the thousands of people who work at NXP, a small percentage are foreign migrant workers. NXP is aware that using recruitment and labor agencies to hire foreign migrant workers increases the risk of forced labor, and therefore we prefer direct hiring where possible. All labor agents acting on behalf of NXP must have a clear policy that adheres to the NXP Supplier Code of Conduct and must inform employees and their recruitment agencies about NXP’s policy, at the point of recruitment and in their native language. To ensure compliance with NXP’s Supplier Code of Conduct, labor agents acting on behalf of NXP must conduct due diligence with employment agencies, recruitment agencies, and sub-agents in their relevant countries of operation.

To ensure suppliers follow ethical guidelines when recruiting workers, NXP has adopted an Employer Pays policy. This policy is a clear contractual agreement with our supply chain. It requires that the supplier is responsible for payment of all recruitment fees and expenses. Such fees and expenses include, but are not limited to, expenses associated with recruitment, processing, or placement of workers.

The fight against modern slavery is also focused on impacting the lives of foreign migrant workers through our policies, standards, and recruiting practices. The positive impact of our Social Responsibility Program for NXP’s foreign migrant workers in Malaysia is highlighted in our [documentary](#). Additional details on NXP’s efforts to investigate ethical recruitment practices are available in our ethical recruitment [documentary](#).





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We use assessments to stay focused on continuous improvement, both internally and within our supply chain.

NXP ASSESSMENTS

The Social Responsibility team conducts operational reviews with Human Resources to identify potential adverse human-rights impacts arising from our policies and business practices. At manufacturing sites, any issues identified by assessments are addressed in our operational-review process. The manufacturing site identifies the corrective action plan and engages with the responsible departments to address the corrective actions.

When we established our Social Responsibility Program in 2013, we identified areas relating to human rights that offered opportunities for improvement. These included improving the recruitment, hiring, and management of foreign migrant workers at some of our manufacturing sites, improving the living conditions of worker dormitories by setting up clear dormitory standards, and enhancing worker-management dialogue and engagements.

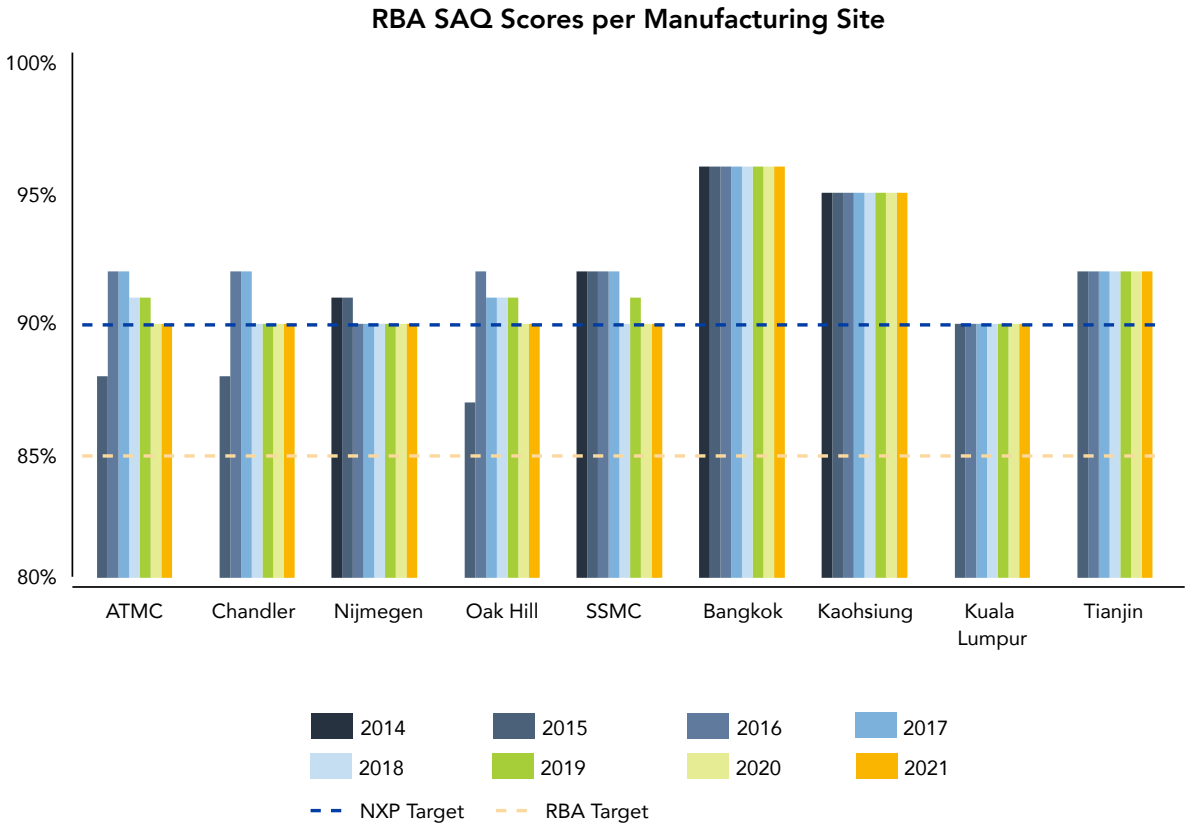
Since then, as our program has matured, we have evolved our processes and practices and made progress in these areas. Our work is ongoing, however, and we continue to assess our manufacturing sites, using team-member engagement and management feedback to track our work and identify new issues, such as the COVID-19 pandemic, as they arise.

Annual country risk assessments include a review of salient human-rights issues at a country level and incorporate local stakeholder feedback as well as published information from government and non-government sources. These salient topics are incorporated into the due-diligence process. The monitoring process seeks to uphold our policies, guidelines, and Auditable Standards on Social Responsibility, which are built around international standards for labor and human rights.

Our Code(s) of Conduct, policies, and standards serve to document the internal processes we use to protect labor and human rights. Consultation and engagement with external stakeholders allow NXP to understand various third-party information and expectations on where to apply more in-depth assessments, such as self-assessments and third-party audits.

The Responsible Business Alliance (RBA) requires its member companies to complete the Self-Assessment Questionnaire (SAQ) in the RBA-Online platform on an annual basis. The RBA revises the SAQ annually, to reflect either changes to the RBA Code of Conduct and/or changes in the landscape for social responsibility and human rights.

As part of their deployment of the RBA Code of Conduct in the supply chain, RBA member companies can require their suppliers to complete the SAQ. The SAQ is used as a risk-assessment tool that helps member companies plan their supply-chain due diligence. The SAQ has a total score of 100% and the RBA classifies any facility that scores above 85% as low risk. All NXP manufacturing sites achieved a score of 90% and above.





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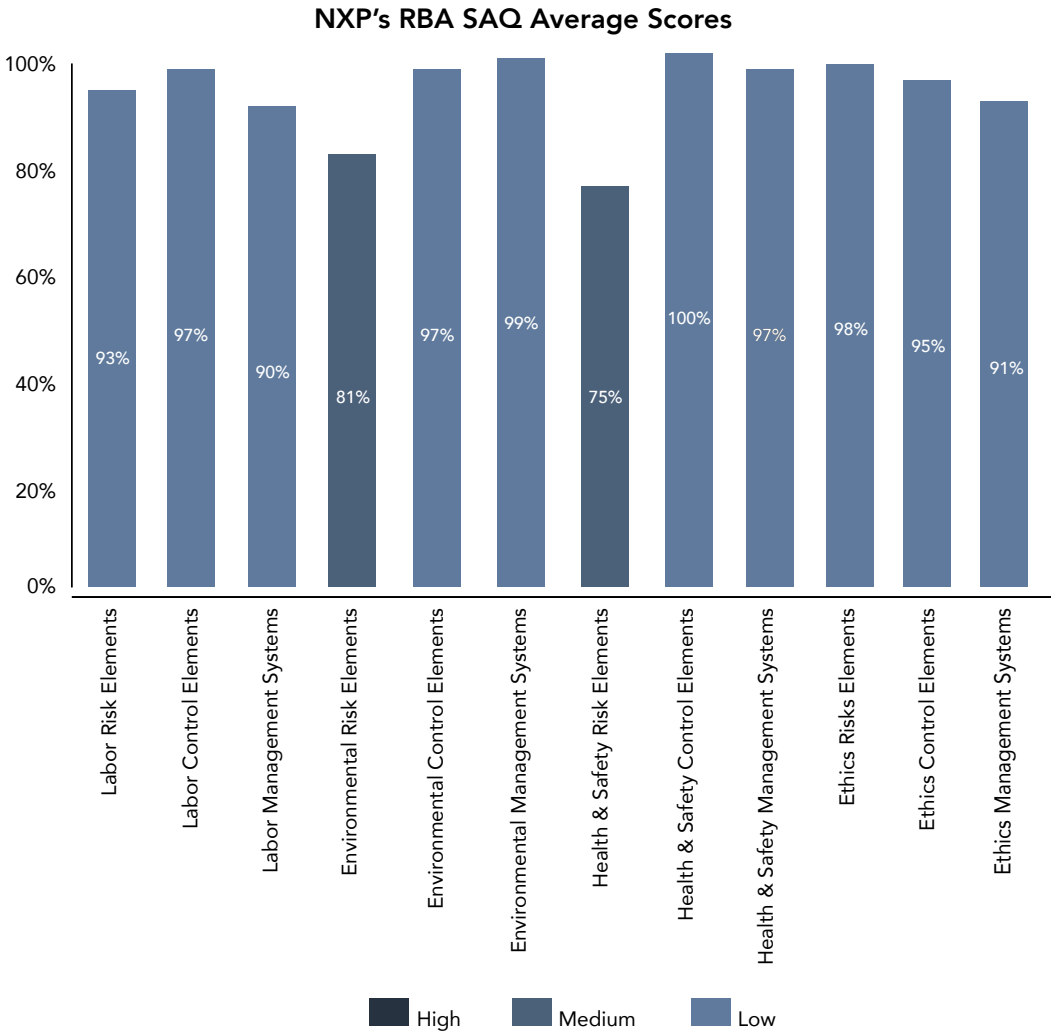
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There are two areas where NXP has an RBA SAQ score classified as moderate risk: Environmental Risk and Health & Safety Risk. As a semiconductor manufacturer, we use certain equipment and controlled substances which affect the Environmental and Health & Safety Risk elements. However, NXP scores high across the Control and Management elements of the Environmental and the Health & Safety Risk, indicating that NXP has proper controls, protocols, and management systems in place to minimize the risks identified in the risk section.



SUPPLY-CHAIN ASSESSMENTS

NXP is committed to ensuring that working conditions in our supply chain are safe, that workers are treated with respect and dignity, and that our products and processes are environmentally responsible.

NXP has business relationships with more than 10,000 suppliers globally. Our suppliers include external manufacturing partners, direct materials suppliers, labor agents, tool and machine manufacturers, logistics providers, packaging services, and onsite service providers for both NXP manufacturing sites and at the suppliers' facilities. As part of our annual risk-assessment analysis, we endeavor to assess all 10,000 of our suppliers. Yearly risk assessments enable NXP to identify and monitor trends and developments relating to human rights, forced/bonded labor, the migrant worker index, fair wages, humane treatment, child labor, and/or health and safety, and highlight topics that may require a new or different approach.

NXP's Social Responsibility and Purchasing teams conduct annual human-rights risk-mapping assessments to identify potential adverse human-rights impacts in our supply chain. As part of our risk-mapping efforts, and given the scale of this annual effort, NXP deploys two advisory firms, Verisk Maplecroft and Verité, to identify potential issues relevant to our supply chains and reflect the evolving environment, labor, and human rights landscape.

CONSULTANTS

VERISK MAPLECROFT

Screens our supply chain for inherent risk and uses predictive models to evaluate areas such as forced labor, child labor, and working conditions.

VERITÉ

Provides online technology to identify forced-labor and human-trafficking risks of labor agents in the labor supply chain. This technology assesses and maps the known network of labor agents, in both the receiving and sending countries, and the recruitment practices of labor agents.



ASSESSMENTS

Our supplier risk assessment considers three risk criteria: country, product, and spend. Each criterion has a scale of 1 (lowest risk) to 10 (highest risk). The overall supplier risk score is the product of the three individual scores, expressed as a percentage. A higher percentage implies a higher risk exposure. Once calculated, the total risk score is categorized using three categories: >50% (medium risk), 50% to 70% (high risk) and 71% to 100% (priority risk). In the 2021 risk assessment, of the 225 suppliers assessed, 132 were medium risk, 77 were high risk, and 16 were priority risk.

Risk Score =
$$\frac{[(\text{Country}) \times (\text{Product or Service}) \times (\text{Spend})] \times 100}{1000}$$



COUNTRY RISK

Maplecroft Report	Index	Definition of the Index	Element of the Supplier Code of Conduct Covered	NXP's Assigned Weight
Human Rights Risk Atlas	Labor Rights & Protection	Measures the risk of association with, and involvement in, violations of labor rights within a given country. It is composed of six different indicators: child labor, forced labor, trafficking, freedom of association and collective bargaining, discrimination in the workplace, and working conditions.	Labor Health & Safety	60%
Legal & Regulatory Environment Risk Atlas	Corporate Governance	Quantifies the quality of corporate governance, based on the quality of existing legal structures and the extent to which the law is enforced. It is composed of four indicators: shareholder protection, ethical behavior of firms, strength of auditing and reporting standards, efficacy of corporate boards, and corruption-risk index.	Business Ethics	20%
Legal & Regulatory Environment Risk Atlas	Legal & Regulatory Environment	Monitors and identifies the strategic and operational risks presented by an uneven playing field in terms of regulation and government policy, the costs associated with corruption, and lack of respect for the rule of law.	Governance	10%
Climate Change & Environmental Risk Atlas	Climate Change Vulnerability	Evaluates the vulnerability of human populations to extreme climate-related events and changes in major climate parameters over the next 30 years.	Environment	10%

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PRODUCT/SERVICE RISK

NXP groups suppliers based on their risk score, which we compile internally, using data from years of auditing, third-party guidance, and benchmarking. The risk level for indirect-spend suppliers, which includes sourcing of all goods and services for NXP business and operations, such as equipment suppliers and indirect service providers, depends on the type of product or service provided.

How close a supplier's materials or services are to our products influences the risk they represent to our value chain. External manufacturers are an extension of NXP's manufacturing, and we view them as essential business partners. We assess them as strictly as we assess our own operations and assign them the highest level of product risk. Material suppliers and manufacturing-service subcontractors pose the second-highest product risk.

Category	Risk Score
External Manufacturing Suppliers (Foundry and Subcontractor)	10
Category 1	7
Direct Material Suppliers	
Warehousing	
Logistics	
HR-Related Services (Recruitment Agencies)	
Construction and Renovation Services	
Category 2	3
Capital Goods (Plant and Machinery)	
Maintenance Repair and Operations	
Category 3	1
Professional Services (Consultancy, Advisers)	
IT-Related Services	
Office Services (Telecommunications, Office Products)	
Utilities (Gas, Electricity, Water)	
Travel-Management Services	



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ON-SITE CONTRACTOR ASSESSMENT

Service providers and contractors who work on the premises are assigned a risk rating according to the type of service, as shown in the table.

Type of Service	Risk Score
Canteen, Cleaning, Employee Transportation, Security, Temporary Hire (Operators), Warehouse Services, Waste Management, Facility Management (structural)	10
Other: Hardware Maintenance, IT, On-Site Service, Time Hire, Facility Management (incidental)	1

SPEND RISK

To assess business-criticality risk, we group suppliers into three categories based on annual spend (USD): high risk (above \$500,000), medium risk (\$100,000 to \$500,000), and low risk (under \$100,000).

NXP in Action

In 2020, NXP conducted a survey of 161 of our Asian-based suppliers, covering 86% of NXP's total procurement spend, to assess our risk of forced labor in high-risk regions. After reviewing the results and conducting additional follow-up meetings with selected suppliers for answer verification, our due diligence revealed no additional potential risks of forced labor concerns in certain groups of ethnic minorities in high-risk regions.

NXP in Action

When information surfaced regarding poly-silicon materials originating from high-risk regions, we expanded our due-diligence survey to include our globally based suppliers of poly-silicon materials. The survey revealed that our sourced poly-silicon materials are not affected. NXP worked collaboratively with the Responsible Business Alliance (RBA) on this and shared our methodology and due-diligence results with them.



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We use audits to monitor compliance with our Corporate Social Responsibility requirements.

Overall, management must demonstrate a good understanding and commitment to the NXP Code of Conduct (NXP manufacturing sites), the Supplier Code of Conduct (NXP manufacturing sites and our supply chain) and must meet the requirements of the NXP Auditable Standards on Social Responsibility. NXP requirements for ourselves and our supply chain must be integrated into policies, procedures, and must be communicated effectively to all team members and workers.

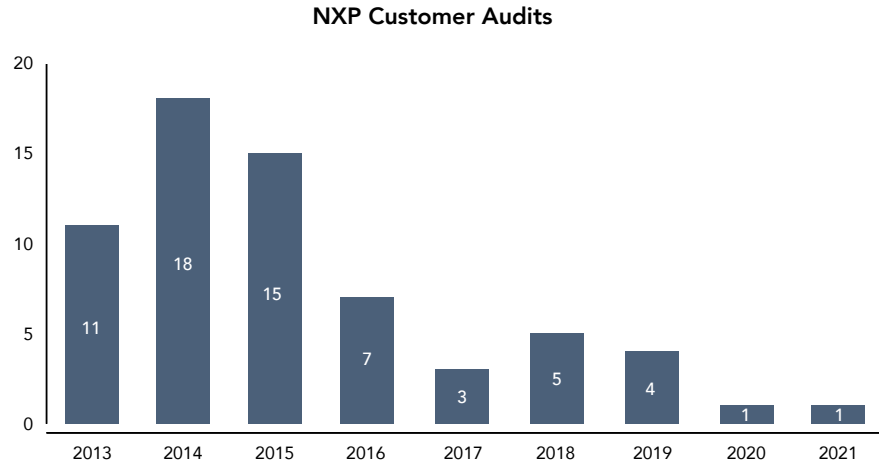
Nonconformances for internal and supplier audits are divided into three categories.

Priority Violation	Major Nonconformance	Minor Nonconformance
Confirmed evidence of human-rights abuses or unacceptable practices as defined by the NXP Auditable Standards on Social Responsibility. Such examples are the presence of forced/ bonded labor, child labor, serious instances of worker harassment, immediate risk to the life of workers and/or negative impact to the environment.	A significant failure in the management system for social responsibility which affects the ability to produce the desired results. It may also be caused by failure to implement an established process/procedure, or by the fact that the process/ procedure is ineffective or not suited for the nature of the operation.	A failure that, by itself, does not indicate a systemic failure with the management system for social responsibility. It is typically an isolated or random incident.

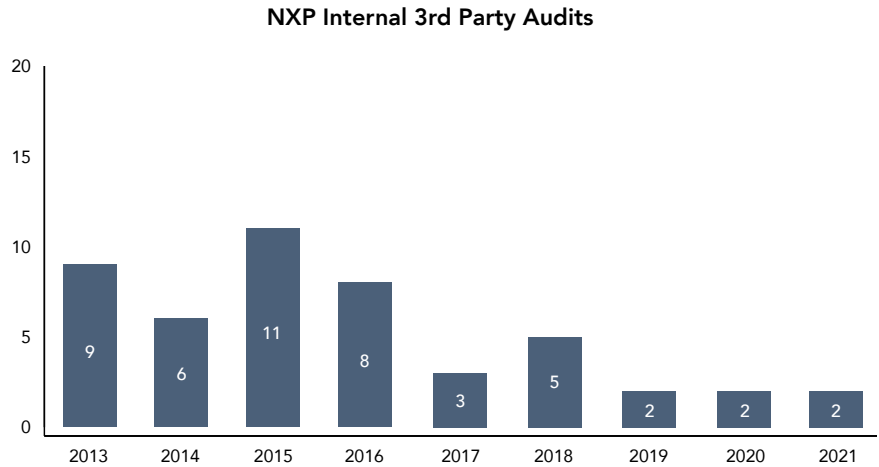
NXP MANUFACTURING-SITE AUDITS

Every two years, each manufacturing site undergoes a third-party audit. The audit is either conducted by Verite, using the NXP Auditable Standards on Social Responsibility, or by a designated audit firm that uses the Responsible Business Alliance (RBA) Validated Assessment Program (VAP), which is based on the RBA Code of Conduct. Each audit firm is specially trained in labor and human rights and performs on-site inspections (including any dormitories), reviews documents, and conducts private interviews with management and randomly selected team members. A formal report is issued, and any corrective actions are tracked until successfully closed.

When we developed our Social Responsibility Program, we engaged in many customer audits. Now that our program has matured, and we have our own internal evidence and historical data from customer audits, we can demonstrate that we are a low-risk supplier and, as a result, have reduced the number of annual customer audits we conduct.



Similarly, we initiated more third-party audits in the early years of our Social Responsibility Program, but the number has remained relatively steady since 2017, with the exception of 2018, when we merged with Freescale and applied our standards to their manufacturing sites.



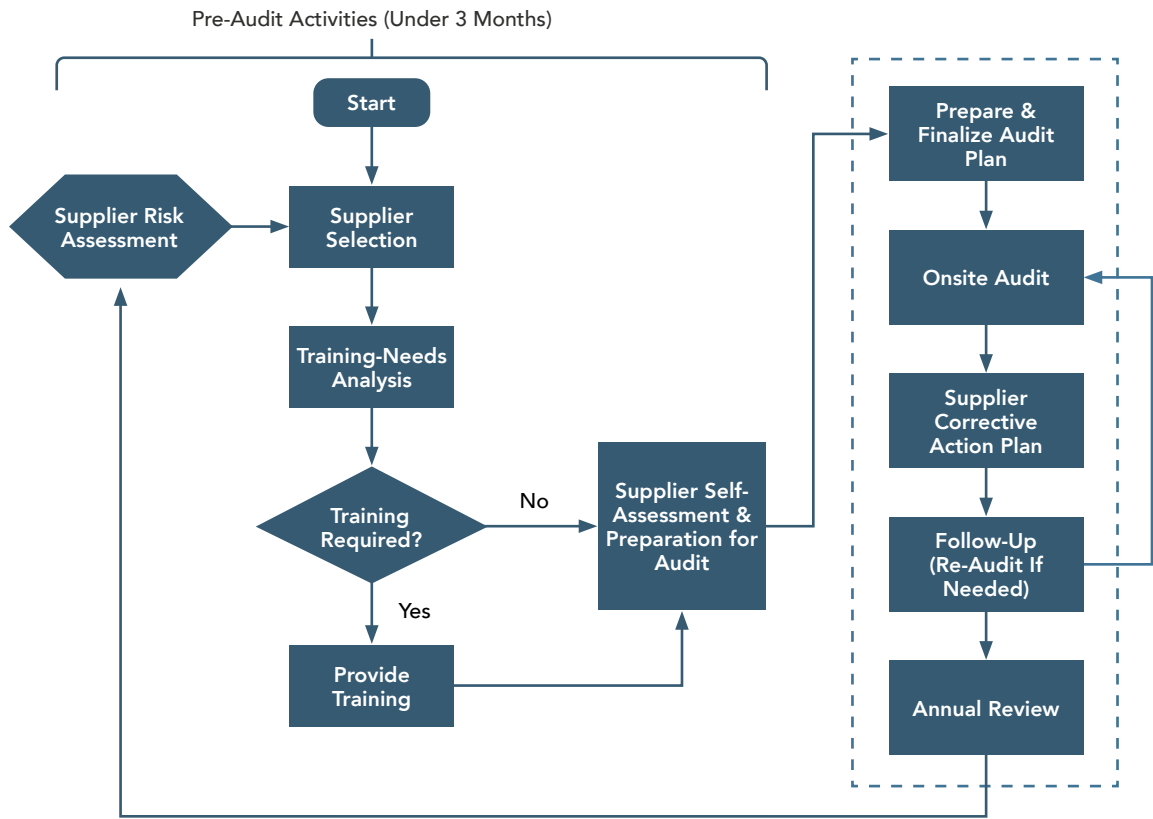


AUDITS

SUPPLY-CHAIN AUDITS

NXP’s Social Responsibility Audit Program is a collaborative and consultative process aimed at guiding suppliers and ensuring they meet the NXP Supplier Code of Conduct as well as the requirements of the NXP Auditable Standards on Social Responsibility, which applies to all NXP suppliers, contractors, onsite service providers, labor agents, and external manufacturers. These audits are conducted so suppliers can improve their processes and procedures and are not intended to pass or fail a supplier, but rather to guide the supplier in a collaborative approach. The scope of the audit covers labor and human rights, environment, health and safety, business ethics, management systems, and compliance with the NXP Supplier Code of Conduct.

NXP supplier audits analyze three main aspects of social responsibility: documentation reviews, management and private worker interviews, and physical inspection of all facilities, including any dormitories (onsite audit only). Audits also include interviews with labor agents and onsite service providers, such as janitorial, canteen, security, and other services. The NXP Social Responsibility Audit Program is conducted in accordance with a defined process flow:



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RISK ASSESSMENT

The annual NXP Supplier Risk Assessment identifies high-priority suppliers to audit.

TRAINING

Once a supplier is selected for an audit, NXP consults with the supplier to determine if additional training is needed.

SELF-ASSESSMENT

The supplier then completes the NXP Supplier Self-Assessment and sends it back to NXP, with any applicable policies and documentation.

ONSITE/REMOTE AUDIT

The audit is led by a team of auditors from a third-party audit firm qualified by NXP and accompanied by an RBA-trained NXP auditor. Depending on the size and complexity of the supplier's operations, a typical audit requires two or three full days (onsite audit), and about 18 days (remote audit).

CORRECTIVE ACTION PLAN

If the audit yields a nonconformance, the supplier must submit a corrective action plan within two weeks after the final audit report is issued. An effective corrective action plan includes remediation plans that correct the nonconformance, and a management system to prevent the issue from reoccurring. Audits use three classifications for corrective action plans: priority violation, major nonconformance, and minor nonconformance.

- **Priority violation** — The supplier is given the opportunity to improve performance, but the response and resolution of the violation are non-negotiable. If there is immediate risk of life, the supplier has 24 hours to complete the corrective action. Otherwise, the supplier has seven days to submit a corrective action plan and 30 days to complete the plan. Unresolved priority violations may result in the withdrawal or termination of business.
- **Major and/or minor nonconformances** — All corrective actions must be approved by NXP and, unless otherwise negotiated or approved, must be fully closed within 90 days. Within that 90-day period, the supplier must update NXP every 30 days.

FOLLOW-UP

NXP may conduct verification audits to assess whether a supplier has fully addressed all corrective and preventive plans. Verification audits are scheduled after corrective actions are submitted and approved by NXP.

ANNUAL REVIEW

Upon completion of the annual audit cycle, NXP conducts a review to determine if any suppliers that were audited in the preceding year will be re-audited, based on the severity of the previous audit results.

This [video](#) has more information about our Social Responsibility Audit.

TRAINING

Training focuses on our suppliers and their onsite service providers. The mode of training may be a one-to-one consultation training, a two-hour classroom training, or a webinar session conducted by the NXP Social Responsibility team with support from subject-matter experts. Training covers the full NXP Supplier Code of Conduct. Supplier training is done before a supplier's upcoming NXP Social Responsibility audit, during the closure timeline of the supplier's corrective action plan, or whenever the supplier requests it.

Supplier training also includes coaching on best practices and access to the RBA's e-learning academy.





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REMOTE AUDITS

Before COVID-19, we typically conducted an average of 20 onsite audits per year. We are pleased that in 2021 we managed to conduct nine audits using a combination of onsite, RBA VAP and/or remote audit formats. We worked with our third-party auditing firm, Verité, to develop a new protocol for remote audits, so we could continue our due-diligence work with suppliers.

Under normal circumstances, a typical onsite audit takes only two or three days to complete. Remote audits, however, are significantly more complex, and are usually spread over an 18-day period that includes pre-assessment meetings, technical rehearsals, and the audit proper. Most of that time is spent on pre-audit preparations and desktop document reviews.

Pre-Assessment Meeting	Technical Rehearsal	Audit Proper
Validate Facility Information	Detailed Agenda	Open Meeting
Remote Audit Process, Timeline, and Expected Deliverables	Test Software, Hardware, and Audio	Review Documents
Audit Scope	Video Devices	Management Interviews
Identification of Auditee Resource Persons	Align Videoconferencing and File-Sharing Platform	Random and Private Worker Interviews
Overview of Technical Requirements	Employee Roster	Close Meeting
Overview of Document Review Process		
Confidentiality and Data Privacy Concerns		

During the pre-assessment period, the audit team and the supplier hold videoconference calls to validate collected information, agree on a timeline, discuss confidentiality, and address data-privacy concerns. Technical rehearsals serve to confirm that the supplier has access to the videoconferencing platform selected for the audit, and that interview sessions, held with randomly selected workers, will take place in a location with adequate privacy. During the audit proper, the audit team conducts the actual interviews with supplier management and workers, and reviews documents and data, such as employee personnel files and pay slips, that can't be shared in advance.

LIMITATIONS OF REMOTE AUDITS

Remote audits have given us a way to perform due diligence during the COVID-19 pandemic, but they are only a temporary solution, not suited for long-term replacement of onsite audits, for several reasons. To begin with, remote audits are limited in scope, focusing primarily on labor, human rights, and ethics. Remote audits do not evaluate environment, and health and safety since extensive facility inspections aren't feasible with a remote process. Also, certain documents cannot be shared in advance, and screen sharing makes it difficult to review data and records effectively. What's more, it's easier, during an in-person interview, to keep people engaged, ask follow-up questions, and observe body language and facial expressions.

We see remote audits as a useful tool for follow-up or verification audits with suppliers who performed well in their initial audit, and as a good alternative for suppliers who already have a mature and strong social-responsibility program in place.

ONSITE AUDITS

Onsite audits of our suppliers are announced or unannounced, conducted by an approved third-party audit firm, and accompanied, at a minimum, by an NXP-certified RBA Lead Auditor. It is NXP's principle to include an NXP-certified RBA Lead Auditor to understand the issues that arise during an audit, verify that the audit is conducted in accordance with the NXP Auditable Standards on Social Responsibility, and provide consultation if the supplier has challenges.

RESPONSIBLE BUSINESS ALLIANCE (RBA) VALIDATED ASSESSMENT PROGRAM (VAP) AUDITS

As a member of the Responsible Business Alliance (RBA), NXP has at its disposal tools and programs initiated by the RBA, including the Validated Assessment Program (VAP). The VAP is similar to NXP's onsite audit protocol, but with the RBA Code of Conduct as the audit criteria. VAP audits evaluate social, ethical, health and safety, and environmental performance of RBA members and their supply chain.

VAP audits are initiated by an RBA member. To reduce audit fatigue, audit results are available to any other RBA member with an established trading relationship with the supplier. It is the responsibility of the member company initiating the VAP audit to review, approve, and verify corrective actions from the audit.

In 2021, we extended our audit program by incorporating two RBA VAP audits at two of our suppliers who have demonstrated maturity in their social-responsibility performance. NXP will look to employ more RBA VAP audits at our mature suppliers. More details of the RBA VAP protocols can be found [here](#).



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CAPACITY BUILDING AND TRAINING

INCREASING AWARENESS, STRENGTHENING OUR COMMITMENT

Everyday decisions can have a negative impact on human rights, and that means every team member at NXP or in our supply chain has a role to play in ensuring we maintain a positive impact.

We understand the importance of team-member awareness and use capacity building and training to help identify issues early and find better ways to drive changes in practice and culture. We also use capacity building to strengthen our internal organization and increase internal knowledge, to ensure smooth implementation and maintenance of our Social Responsibility Program.

We use training in our supply chain to increase awareness of our Social Responsibility Program and help suppliers understand and comply with our expectations.

NXP CAPACITY BUILDING

The purpose of our detailed capacity-building program is to make sure our manufacturing sites can recognize the signs of modern-day slavery for early intervention and a quick response. We educate our team members, so they are aware of labor and human-rights issues, with a particular focus on team members whose job functions include purchasing, to understand compliance with applicable laws and standards.

Since 2013, NXP has trained over 1,000 key team members on labor and human-rights topics and 120 team members have been certified as RBA-VAP lead auditors. The RBA-VAP course for lead auditors, conducted by Verité, is a five-day workshop that covers auditing of social systems, investigative skills, and management systems for Labor and Ethics components. At the end of the course, each student takes a two-hour written exam, scored by Verité and sent for final verification to International Register of Certificated Auditors (IRCA). Successful completion of this course fulfills the requirement of IRCA for labor and ethics auditors for the RBA auditing program. Each lead auditor plays an important role in the deployment and implementation of the Social Responsibility program at their respective manufacturing site.



CAPACITY BUILDING AND TRAINING

Our internal program for human-rights capacity building addresses the following four groups:

Human-Rights Capacity Building	
Executive Management Team	Requirements and expectations
Manufacturing Management Team	Requirements of facilitating implementation of the standards
Manufacturing Site Social Responsibility Team	In-depth specifics for implementing the program and standards at their manufacturing site
Manufacturing Subject Matter Experts	RBA lead auditor training and certification, emphasizing labor and ethics

The capacity-building program is updated whenever there is a revision to the Auditable Standards on Social Responsibility. The Auditable Standards on Social Responsibility are reviewed on an annual basis to identify any need for revisions based on changes in the regulatory landscape, industry best practices, or customer requirements and expectations. In 2021, the Auditable Standards on Social Responsibility went through a thorough review and revision to align with the requirements of the revised RBA Code of Conduct version 7.0.

TRAINING ON GRIEVANCE MECHANISMS

All NXP team members and interns are required to complete NXP’s Code training, which provides guidance documents and processes that team members and other third parties can use to report potential violations of our Code, including anonymous reporting via a third-party hotline.

TRAINING FOREIGN MIGRANT WORKERS

We randomly interview foreign migrant workers before they leave their home country to ensure they were recruited ethically. The recruitment process must meet NXP’s stringent requirements, meaning workers must be informed of grievance mechanisms and the grievance process must reflect NXP’s zero-tolerance policy against retaliation. Upon arrival at NXP, all workers (foreign migrant workers and team members) go through an on-boarding process that includes training on NXP’s policies and programs for labor and human rights, with topics such as workers’ rights and responsibilities, contract terms, the no-fee policy, control of personal identification documents, appropriate working conditions, how to read and understand details of a pay slip, working hours, housing conditions (if applicable), how to report illegal practices and abuse, and protections for workers who report potential violations.

SUPPLY CHAIN TRAINING

We train our suppliers so they know what to expect when NXP conducts audits and is conducted by the NXP Social Responsibility team. 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 Labor Standards. Training addresses our suppliers and labor agents in sending and receiving countries, as well as onsite service providers.

Training covers the entire NXP Supplier Code of Conduct, with special attention paid to labor and human rights. NXP provides guidance, consultation, and best practices to suppliers implementing the standards. Training is conducted either in a classroom or using a webinar session, and we provide access to the RBA's e-learning academy. Supplier training can be done before a supplier’s upcoming NXP Social Responsibility Audit, during the closure timeline of a supplier’s corrective action plan, or whenever a supplier requests it.

To address nonconformances from our supplier audits, NXP conducts consultation sessions with our auditees and holds 30-, 60-, and 90-day follow-up meetings to discuss corrective action plans and provide additional training on our standards. We are committed to remedying any adverse impacts on workers and to working with our supply chain to successfully address nonconformances.



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To track responses (Guiding Principle 20), we monitor and report on the work of integration and actions taken at NXP and our supply chain.

The Social Responsibility team tracks internal and supplier audits to verify that management has a good understanding of and commits to the NXP Code of Conduct (NXP manufacturing sites), the Supplier Code of Conduct (supply chain), and meets the requirements of the NXP Auditable Standards on Social Responsibility. We use internal and supplier audits to track nonconformances and verify that NXP requirements are both integrated into codes and procedures and communicated effectively to all levels of workers.

Priority Violation	Major Nonconformance	Minor Nonconformance
Confirmed evidence of human-rights abuses or unacceptable practices as defined by the NXP Auditable Standards on Social Responsibility. Such examples are the presence of forced/ bonded labor, child labor, serious instances of worker harassment, immediate risk to the life of workers and/or negative impact to the environment.	A significant failure in the management system for social responsibility which affects the ability to produce the desired results. It may also be caused by failure to implement an established process/procedure, or by the fact that the process/ procedure is ineffective or not suited for the nature of the operation.	A failure that, by itself, does not indicate a systemic failure with the management system for social responsibility. It is typically an isolated or random incident.

Using data from successive years of auditing, we can track performance for internal operations and within our supply chain, and thereby measure the progress of our efforts in human-rights due diligence.



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NXP

NXP Social-Responsibility	
Goals	2021 Results
No priority or major nonconformances from internal/customer audits	We completed two RBA Validated Assessment Program (VAP) audits at our Tianjin and Kaohsiung manufacturing sites. Neither location received any priority violations or major nonconformances.
Internal NXP audit scores >95%	We conducted RBA VAP audits for two of our manufacturing sites. Our >95% goal is based on NXP's audit scoring criteria. Since the RBA VAP audit scoring methodology is different than NXP's methodology, we are currently mapping the two for a thorough representation of the results.
Self-assessment scores >90%	All NXP sites achieved self-assessment scores above 90%.
Work week of <60 hours and one rest day per six days worked	At one site, the 60-hour working limit was exceeded for approximately 180 workers, representing 6% of the site's direct-labor workforce, for a period of 14 weeks. This was due to the regional labor shortage, challenges in hiring foreign migrant workers, and border closures. Workers continued to receive one rest day per six days worked.

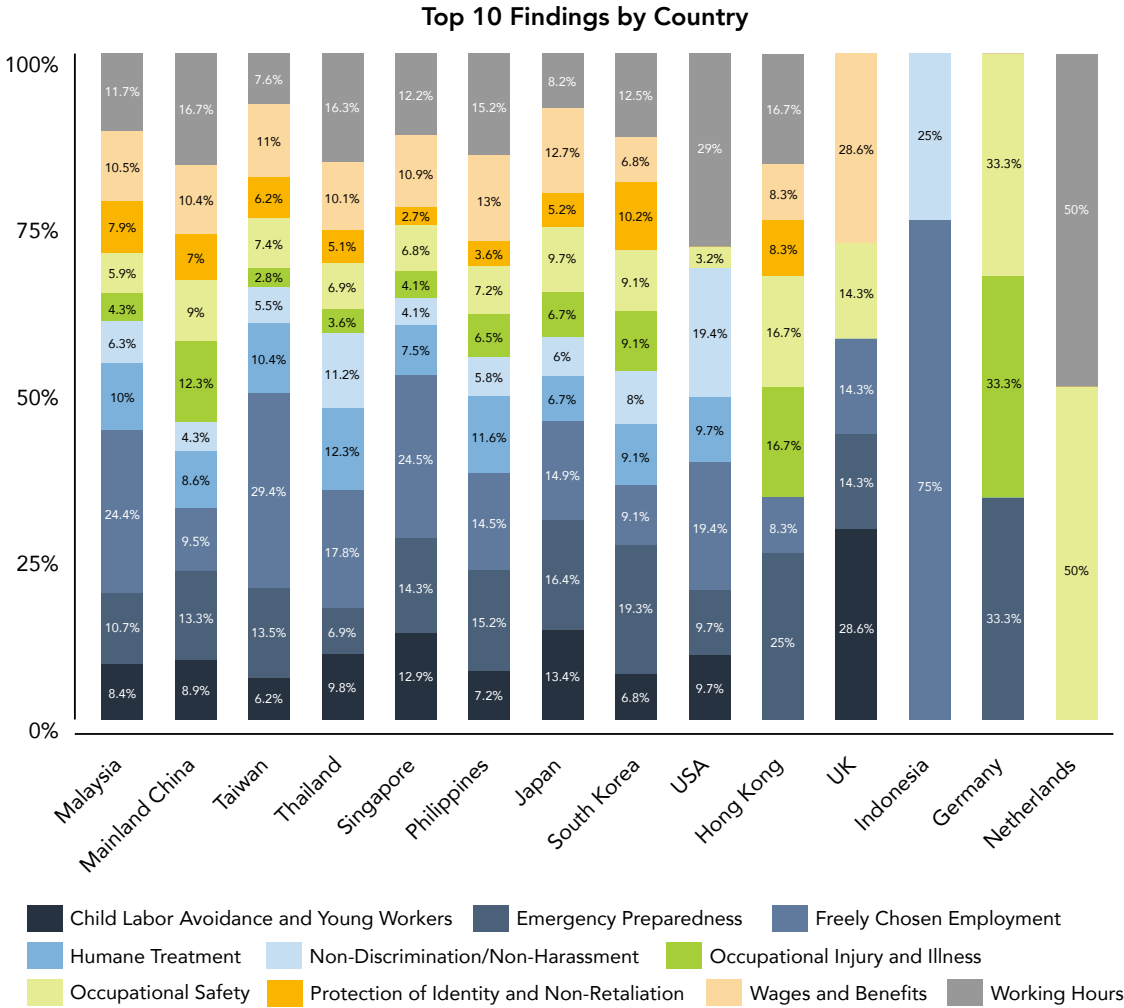
SUPPLY CHAIN

Supplier Social-Responsibility	
Goals	2021 Results
100% of key suppliers sign the NXP Supplier Code of Conduct statement of conformity	99% of key suppliers signed our statement of conformity. The exception is one supplier who provides local warehouse support and is currently reviewing the statement with their legal team.
Annual risk assessment and audit of high-priority suppliers	Completed annual supplier risk assessment. Despite the ongoing COVID-19 pandemic, we managed to increase the number of due-diligence audits compared to 2020, and completed three onsite audits and six remote audits.
>85% audit closure rate for corrective action plans	89% closure rate.
100% certified mineral smelters	99% certified mineral smelters.





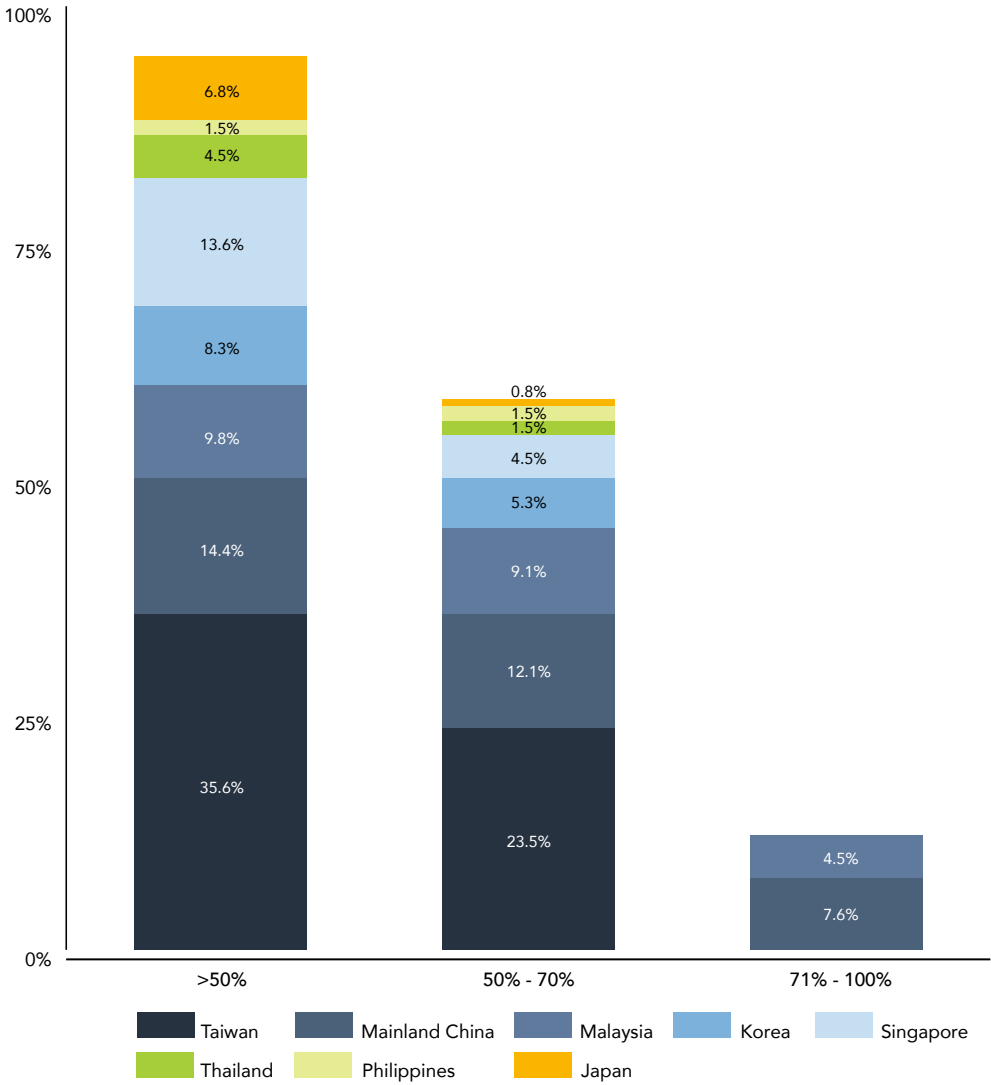
Since 2013, NXP has conducted social-responsibility audits in our supply chain. Each year’s data is integrated into our assessments and helps us fine-tune our due-diligence process by highlighting salient human-rights risks per country. Each country has a Top 10 category associated with it so we can determine where to focus our human-rights due-diligence efforts in the coming year. The data also supplements each country’s human-rights risk criteria in our supply-chain risk assessment.



STEP 1 - IDENTIFY HIGH-RISK SUPPLIERS

Our annual supplier risk assessment determines our audit schedule for priority-risk suppliers. Assessment results are categorized using three categories: >50% (medium risk), 50% to 70% (high risk) and 71% to 100% (priority risk). In the 2021 risk assessment, of the 225 suppliers assessed, 132 were medium risk, 77 were high risk, and 16 were priority risk.

2021 Medium-, High-, and Priority-Risk Suppliers by Country and Region from Annual Risk Assessment





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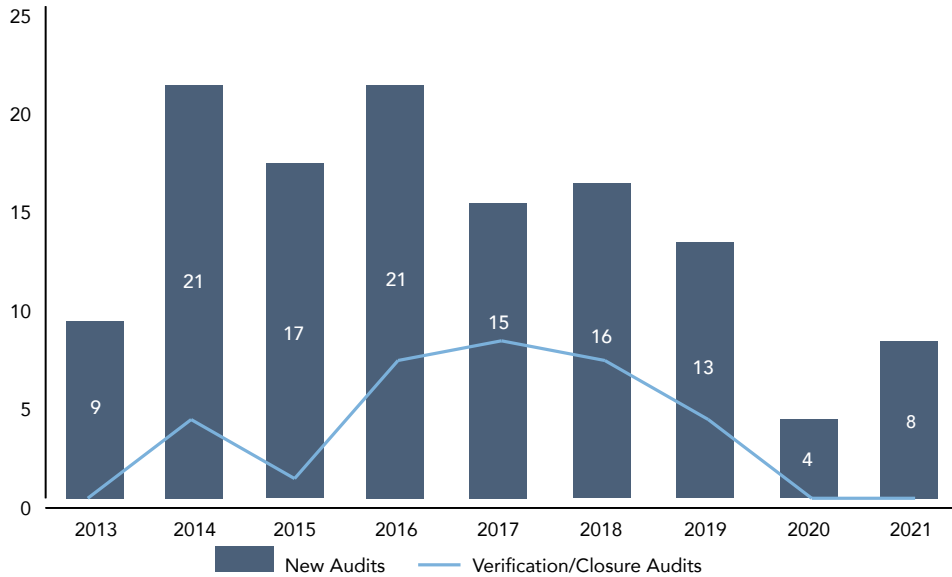
STEP 2 - CONDUCT A SUPPLIER AUDIT

We began our supplier audit program in 2013 and have since audited 156 suppliers. Verification audits began in 2014.

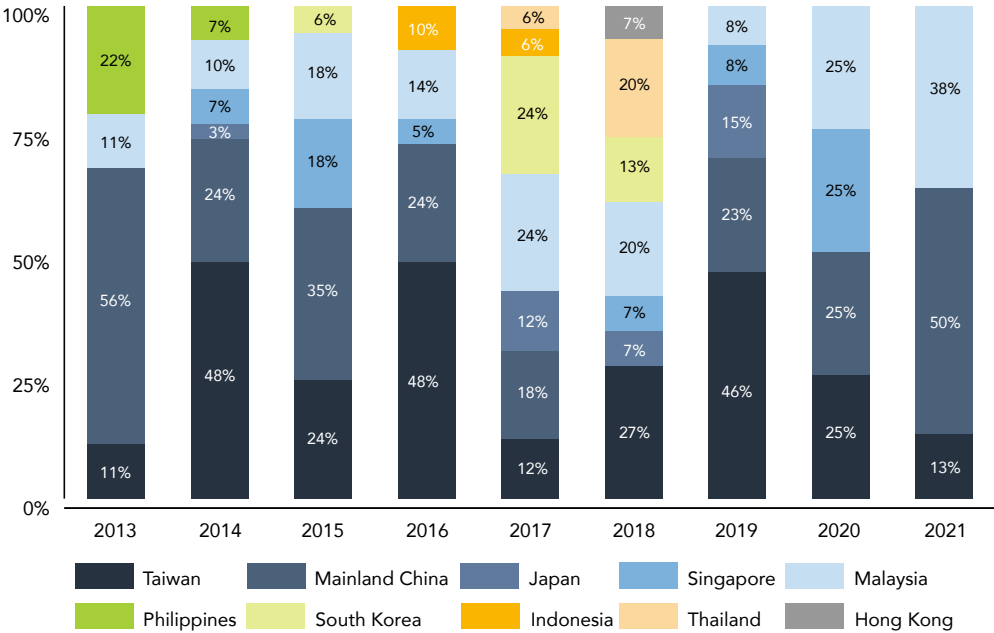
In 2021, we conducted three announced onsite audits and six remote audits for suppliers, located in Malaysia, Mainland China, and Taiwan. Two of the three onsite audits were conducted using the Responsible Business Alliance (RBA) Validated Audit Program (VAP), directly initiated by NXP. We conducted no verification audits in 2021.

During an audit, worker interviews are conducted in private and at random. To determine the number of worker interviews to be conducted, we take the square root of the worker population. In 2021, 285 random worker interviews were conducted. Of these, 57% were men and 43% were women, with varying lengths of employment and age range.

New Supplier Audits & Verification Audits



Supplier Audits by Country and Region





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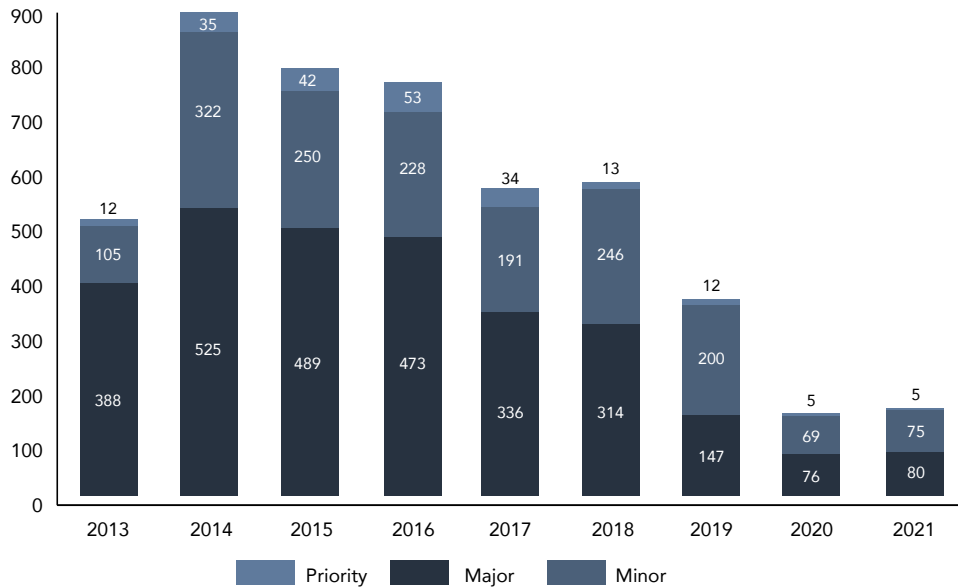
STEP 3 - ANALYZE RESULTS OF SUPPLIER AUDIT

COVID-19 continued to impact our ability to conduct supplier audits, so we were limited to nine supplier audits.

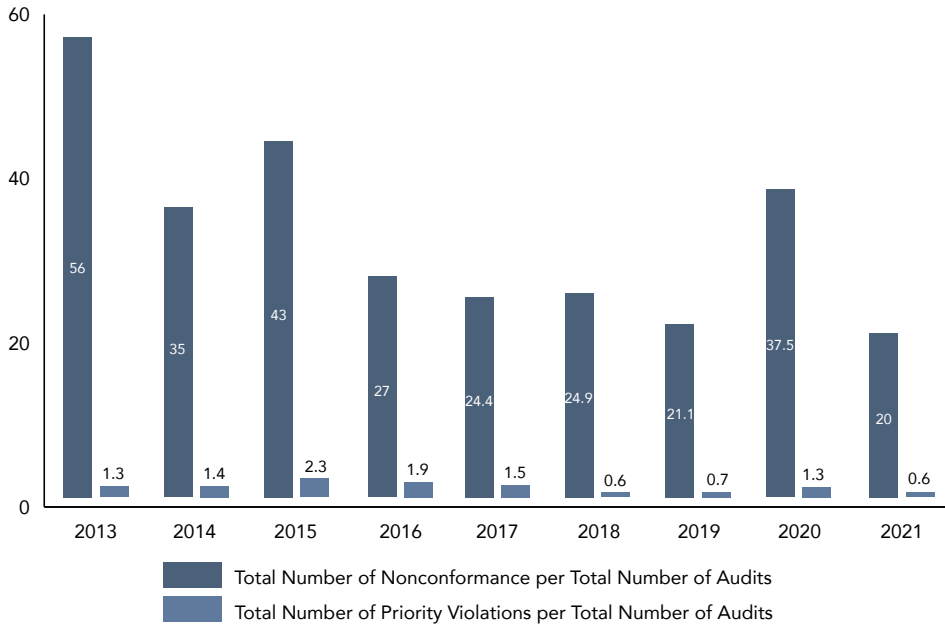
Audits conducted in 2021 addressed suppliers who have previously been audited to a social responsibility standard. We are seeing a maturity in social responsibility practices at suppliers we had previously audited, and they have been able to improve on their previous performance. We will continue to work with our suppliers as they implement our standards into their business practices and management systems.

Increasing the number of audits naturally increases the overall total number of nonconformances. To gauge progress, we look at the number of nonconformances per number of audits and review the number of priority violations per number of audits. While the total number of nonconformances increased compared to 2020, we saw both ratios decrease in 2021 compared to 2020.

Number of Nonconformances by Rating



Number of Nonconformances per Number of Audits





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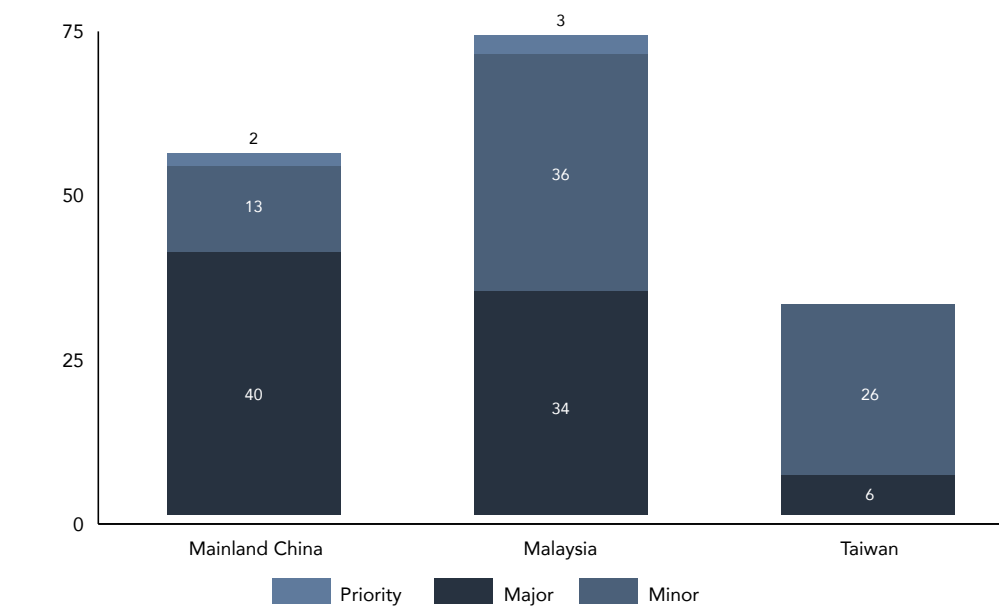
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Identifying the total number of nonconformances per country helps us determine country risks, which we use to complete the annual supplier risk assessment and prioritize future audit planning.

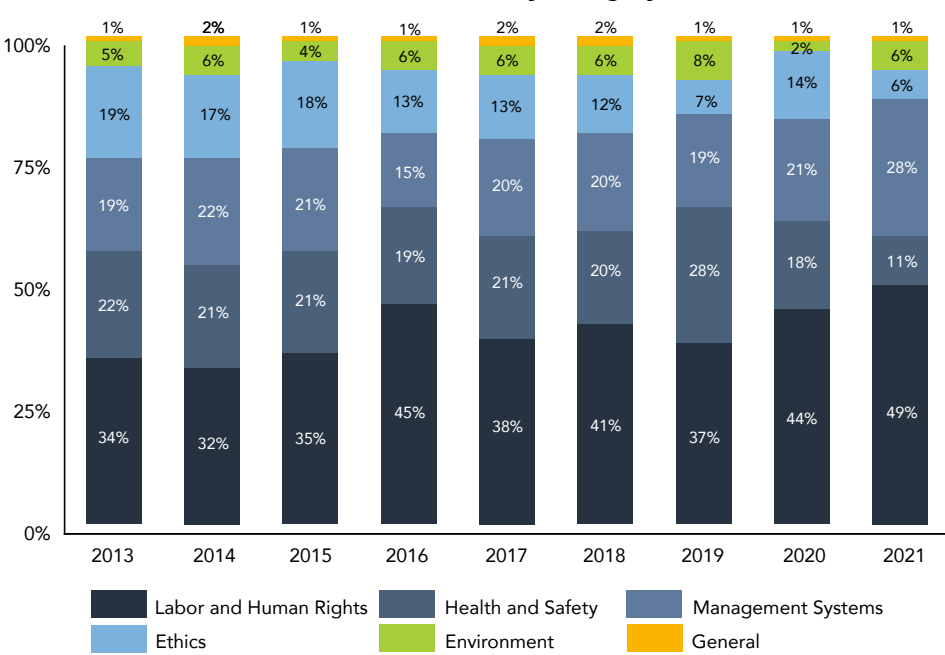
Calculating nonconformances using our five categories of standards helps us identify trends, provide a strategic focus, and adjust our engagement plan to continue improving our supply chain.

In 2021, although we continued to rely on remote audits during the ongoing COVID-19 pandemic, we were able to identify a trend that two categories, Labor and Human Rights and Health and Safety, are reoccurring issues of nonconformance.

2021 Nonconformances by Country and Region



Nonconformances by Category





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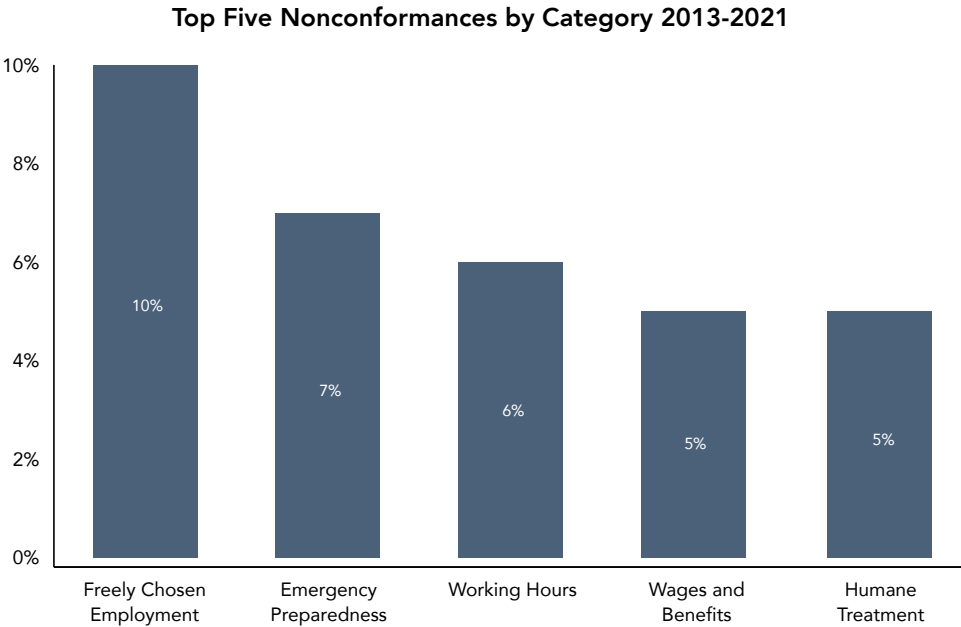
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The top five nonconformance categories, based on eight years of supply-chain audits and more than 4,500 nonconformances, are illustrated below. Although 2021 included remote audits and did not evaluate all five categories, Freely Chosen Employment is still the most frequently reoccurring nonconformance.



The nine audits conducted in 2021 uncovered five priority violations. One supplier in Malaysia registered three priority violations where workers paid recruitment fees, had wages deducted to pay foreign worker levies, and had their passports withheld. The other two priority violations were at a supplier in Mainland China, where workers paid medical fees upon recruitment and worked excessive hours.

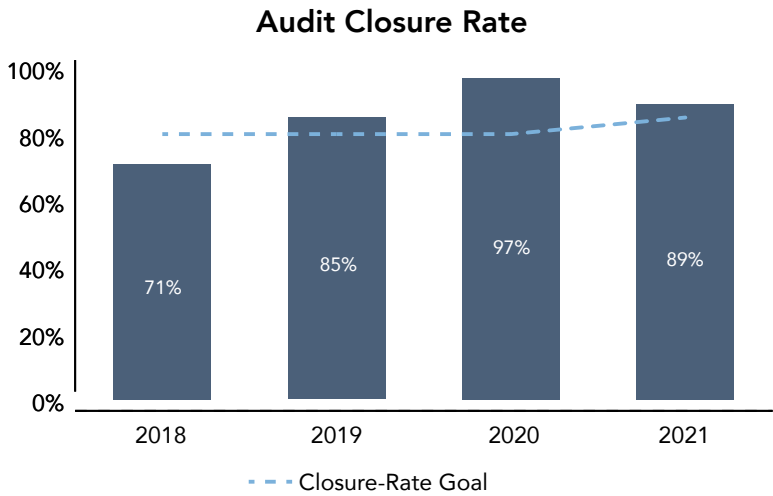
Priority Violations by Category	2021
No Fees	3
Working Hours	1
Retention of Worker Documents	1

AUDIT CLOSURE RATE

In 2018, we set a goal of closing 80% of our supplier nonconformances within the 90-day timeframe. In 2021, we set a new goal of closing 85% within the same timeframe. We chose this 5% increase after reviewing improvements in closure-rate performance from audits performed in 2019 and 2020. We continue to provide a 15% threshold since we understand that some corrective actions, such as monetary investments and pandemic-related labor shortages that impact working hours, typically require more than 90 days to close.

In 2013, when we began auditing suppliers, our closure rate was around 40%. Through continuous collaboration with our suppliers, our closure rate has continued to increase year over year.

The closure rate for 2021 was 89%, compared to 97% in 2020. The 8% drop was primarily due to almost double the number of audits completed in 2021 compared to 2020. The lower closure rate is also attributed to the demand on the supply chain during the ongoing pandemic and production ramp-up to overcome the semiconductor shortage. These two trends created challenges in working hours and labor supply at our suppliers in 2021.



While it is our goal to achieve the targeted closure rate, we ultimately aim for a 100% closure rate for all audit nonconformances within the calendar year. We continue to work with audited suppliers to fully close the remaining open nonconformances in the subsequent year.

In 2021, not only did we close 89% of 2021's audit nonconformances, but we also closed the remaining 3% of 2020's open nonconformances. At the end of 2021, we have one nonconformance that has remained open since 2019. We continue to address the nonconformity with the supplier.



COMMUNICATE

INVESTIGATIONS

To communicate how impacts are addressed (Guiding Principle 21), NXP uses a variety of channels to share information with internal and external stakeholders.

With respect to labor and human rights, we communicate our policies, standards, strategies, targets, procedures, and progress. Our commitments for labor and human rights are shared in multiple ways, across different audiences. Any NXP team member, as well as any supplier, supplier worker, NGO, or other external stakeholder, can report an incident to NXP. Even workers in the supply chain are provided with NXP’s grievance email and a local phone number.

NXP

We communicate with our team members through capacity building and training (in local language if required), coffee chats with management teams, workshops, one-on-one meetings, and internal articles, newsletters, emails, and blogs. All team members have access to global and local policies, codes of conduct, and standards, using our external website, the internal intranet site, the team member handbook, or briefings.

To assess and improve team-member engagement, NXP regularly conducts our global Winning Culture Survey. We invite NXP team members to share their level of agreement on a variety of factors, including engagement, strategy, culture, leadership, continuous improvement, collaboration, execution, accountability, work environment, and support. Surveys are administered by a third party to ensure confidentiality.

The results of our 2020 year-end survey tell us that our team members are engaged, feel pride in the company, and believe that NXP is a great place to work.

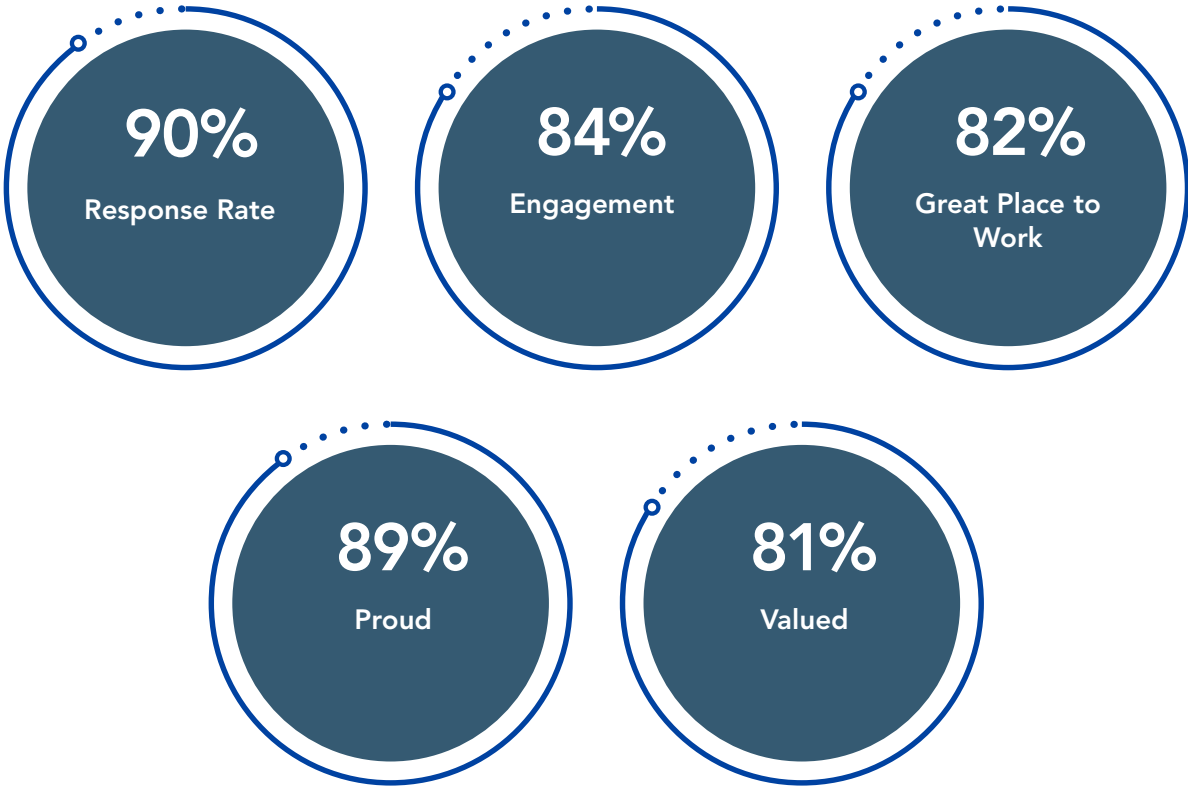
The insights gained from team-member surveys help us improve the team-member experience and update our policies and processes. Based on team-member feedback, we have modified company-wide and country-specific programs and revised our tools and resources. These changes focused mainly on team-member well-being and the introduction of flexible work arrangements worldwide.

Our external and internal websites have copies of the codes of conduct in multiple languages, along with our annual Corporate Sustainability Report, our annual Slavery and Human Trafficking statement, and our grievance mechanism.

In 2020, we started listing our high-spend suppliers on our external [website](#). We also report any occurrences of forced labor discovered in our supply chain. We disclose the number of priority violations and major and minor nonconformances, and specify the type, country or region, and the closure rate of nonconformance corrective actions.

We have a long history of using international speaking engagements to highlight issues relating to labor and human rights, discuss due-diligence procedures, and share lessons learned.

WINNING CULTURE SURVEY



SUPPLY CHAIN

Communications with our supply chain take the form of trainings, consultations, collaboration, and discussions held before, during, and after our audits. In 2021, we partnered with a key customer to conduct joint training sessions on mitigating forced labor in multi-tiered supply chains.

We also communicate our Supplier Code of Conduct and our Auditable Standards on Social Responsibility to our supply chain. Our suppliers are bound, either contractually or through their conformance signature, to the NXP Supplier Code of Conduct, which states that they will uphold standards for labor and human rights. We require our suppliers to communicate our policy, standards, and expectations to their own suppliers, including external service providers, and require them to audit and monitor their upstream suppliers.

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GRIEVANCE MECHANISM AND ACCESS TO REMEDY

Our commitment to promote a culture of integrity means we encourage everyone to voice concerns and report potential violations of our Code of Conduct by using any of our reporting channels. We have a strict non-retaliation policy to protect those who report potential violations.

Grievances can be confidentially lodged using various reporting channels, such as the phone or web option of the [SpeakUp line](#), which is a service, hosted by an independent third party, that facilitates anonymous reporting in various languages. Other reporting channels include speaking to management, an ethics liaison, or the NXP Ethics Committee.

Our policy on non-retaliation is included in our Code, our Supplier Code of Conduct, and our Auditable Standards on Social Responsibility. Our central concern is always 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 the subject of retaliation because of registering a complaint, we encourage them to report the situation immediately and provide the specific details of what has occurred. If there is evidence of retaliation, we will take action to remedy the situation. Retaliation can take many forms (loss of job, demotion, involuntary transfer, harassment, intimidation).



MANAGEMENT AND RESOLUTION OF GRIEVANCE INVESTIGATIONS

Allegations, Approach and Management

All reports are assessed and discussed by the NXP Ethics Committee. After the initial assessment of a report, an investigation team is appointed with the right expertise and skill set to conduct an in-depth investigation. Based on the findings of the investigation, a decision is made about whether the report can be substantiated. If so, we take appropriate follow-up actions. These actions can include education, organizational changes, counseling, reprimand, suspension, and/or termination, depending on the nature and severity of the finding and the party's willingness and ability to rectify the issue. While it is difficult to set a fixed timetable for resolution, since complaints vary in scale and complexity, most can be dealt with in under two months.

Ethics Committee

The NXP Ethics Committee reviews reports and grievances and oversees investigations into alleged violations of the Code. The Ethics Committee consists of six senior leaders from Legal, Internal Audit, Human Resources, and Sustainability. Members are based in the Americas, Europe, and the Asia-Pacific region. The Ethics Committee meets bi-weekly to discuss all reports received and to monitor the progress of ongoing investigations. The Ethics Committee reports quarterly to the General Counsel, Chief Financial Officer, Chief Human Resources Officer, and the Audit Committee of the Board of Directors regarding allegations and investigations that are in progress or completed.

In recent years, we have increased our communication about the importance of speaking up, and the available reporting channels. We have seen an increase in reports, indicating that our reporting channels are effective.

Number of Reports Received by the Ethics Committee



NXP

We make use of communication programs to ensure that every team member is informed and can report grievances by talking to their manager, through our open-door policy, or by speaking to the local ethics liaison, the ethics committee, and/or the third-party [SpeakUp line](#). Information about the reporting channels is easily accessible and visible, via the external [website](#), our intranet, grievance boxes, posters, blogs, and email.

Open-door Management Policies



Team-member engagement with management is openly practiced at all sites, with such events as quarterly coffee talks, dialogue sessions, and programs that let workers raise concerns directly to the site general manager. We are committed to having open dialogues with potentially and affected team members and foreign migrant workers. This allows us to monitor and develop our approach to human rights.

During an audit, when private interviews are conducted with our team members, they receive a business card that has the local grievance phone number and the email address to be used if they have additional information, concerns, or need to report retaliation.



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SUPPLY CHAIN

Suppliers must have equivalent grievance systems and mechanisms in place for resolving grievances listed in the Auditable Standards on Social Responsibility and must ensure effective communication with employees or their representatives.

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



NXP in Action

We expect all our suppliers, not just those in the top tier, to adhere to our ethical standards. In 2019, when we received notification, through our grievance mechanism for labor and human-rights abuses, that a sub-tier supplier had labor issues with migrant workers, we teamed with other affected member companies in the Responsible Business Alliance (RBA) to conduct an on-site audit. The audit revealed various forms of forced labor. To remedy the situation for the affected workers, we collaborated with the supplier, industry associations, other technology companies, and human-rights activists, to address issues of fee repayment, back wages, passport withholding, and ensuring that their rights were protected.

Even after remediation, we continued to be involved. We maintained contact with the affected workers and explored legally hiring them at our manufacturing facility in Malaysia. We extended offers, but restrictions from the Malaysian government prevented us from employing any of the affected workers at NXP. We are still addressing this issue with the broader Malaysian supply chain and the Malaysian authorities. We have also continued working with the sub-tier supplier, through consultation, and identified, through a verification audit, that all nonconformances have been properly closed.

Quick action and close cooperation helped us improve working conditions and also generated the kind of positive result that we, and others, strive to achieve.



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NXP is committed to the elimination of modern-day slavery and abuses of labor and human rights. Moving forward, we will continue to conduct an annual review of our programs and processes, adopt emerging best practices, and enhance our approach based on real-world experience. Evaluating our performance on a yearly basis helps us to better protect the people we work with and demonstrates our commitment to being an ethical, responsible, and transparent company.

In the near term, we already have plans to introduce more interactive tools for accountability, and more ways to engage with workers and incorporate their feedback. Below are additional focus areas for the coming years:

COLLABORATION



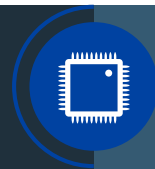
Experts

Continue our work with expert organizations, NGOs, CSOs, and academia, to stay current on relevant issues and monitor best practices as they evolve.



Industry

Increase our engagement and collaboration at the industry level to identify and remediate actual and potential cases of labor and human-rights abuses.



Customers

Continue to work with customers to address human-rights issues and challenges throughout the supply chain, and drive implementation to our lower-tier suppliers.





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Governance
Integrate additional labor and human-rights risks through the Environment, Social and Governance (ESG) Management Board, which reports to the Nominating, Governance and Sustainability Committee of NXP’s Board of Directors.



Codes and Standards
Update the Supplier Code of Conduct and the Auditable Standards on Social Responsibility.



Dedicated Labor and Human-Rights Policy
Reinforce the evolving importance of human rights and ensure a consistent approach, with support for all international norms and expectations, by extending our core NXP Social Responsibility efforts with a dedicated policy on labor and human rights.



NXP Human-Rights Due-Diligence Management System
Strengthen NXP's efforts to conduct due diligence across our value chain, to capture all salient human-rights risks, and to take appropriate measures to mitigate risk.



Worker Voice
Deploy a worker voice app for labor and human rights across our manufacturing sites and create a labor and human-rights remediation committee to respond to worker grievances effectively and efficiently.

SUPPLY-CHAIN ENGAGEMENT



New-Supplier Assessments and Audits
Conduct self-assessments and, if necessary, a third-party audit of suppliers prior to onboarding.



Audit
Continue to audit our suppliers, with the goal of decreasing the number of audit nonconformances and, more importantly, the number of priority violations.



Going Beyond an Audit
Design a model to assess mature suppliers on their human-rights program.



Training
Continue raising awareness, through webinars and targeted training, to help our suppliers develop a best-in-class program.



Vendor Portal and Supplier Data-Management System
Continue developing an online supply-chain portal which enables us to effectively communicate with our global supply chain. This is another step in strengthening our collaborative and consultative engagement, and in building capacity of our requirements and metrics within our supply chain.

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CONCLUSION

NXP is a technology company that focuses on innovation. People are central to our mission, because we work to find new ways to solve everyday problems and are known for our ability to accelerate breakthroughs that improve daily life.

We bring that same dedication to innovation – and focus on everyday experiences – to how we structure our business. Since our founding, in 2006, we have been committed to providing a safe and healthy working environment that treats people with respect and dignity, even while employing many thousands of people worldwide and working with a complex supply chain that spans the globe.

When it comes to human rights, we strive to surpass existing standards and exceed stakeholder expectations, and actively contribute to industry best practices. Our efforts to mitigate human-rights abuses extend beyond our owned manufacturing sites to our supply chain and emphasize the need for continuous improvement.

In the eight years since we began our formal Social Responsibility Program, we have gained valuable knowledge and practical experience, and have regularly shared that expertise with our peers and supply-chain partners. Our ongoing focus on due-diligence keeps us current and makes it easier to address issues as they arise.

We consider the respect of human rights to be a vital part of our sustainability journey. For this reason, we will continue to embrace collaboration and transparency, and will maintain our commitment to worker and supplier empowerment.

If you would like more information on this topic, please email NXP’s Sustainability team at csr@nxp.com.

Eric-Paul Schat
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NXP Semiconductors



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