2020
NXP SLAVERY AND HUMAN TRAFFICKING STATEMENT

July 2021

SECURE CONNECTIONS FOR A SMARTER WORLD

The California Transparency in Supply Chains Act of 2010, the United Kingdom Modern Slavery Act 2015, and the Australia Commonwealth Modern Slavery Act 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 2020 calendar year.

FOREWORD FROM KURT SIEVERS – PRESIDENT AND CEO

For the past eight years, NXP has focused on building the capability to identify our greatest human-rights risks when it comes to recruiting, hiring, and managing the employment of foreign migrant workers in our operations and supply chain. We recognize that, in the end, it is the voice of the worker that helps us further the goal of achieving human dignity and respect for all.

Conducting on-site audits and engaging with vulnerable workers became more of a challenge with the COVID-19 crisis. To understand how the pandemic impacted workers in our supply chain, we put new processes in place, including surveys and follow-up phone calls to confirm their responses, along with remote audits to further assess the effects.

To remain agile and responsive to the dynamic situation, we continue to monitor conditions and engage with the communities in which we operate and/or rely. We are also looking for lessons learned during these difficult times to make our processes even more resilient going forward.

Since NXP published our first Slavery and Human Trafficking Statement in 2015, we have gained greater insight into how to strengthen our Social Responsibility program to address modern-day slavery. I am pleased to report that even the uncertainty of 2020 did not slow our determination to eradicate human-rights abuses. Last year we:

- Presented our award-winning policies and practices at high-profile global conferences, including the United Nations Forum on Business and Human Rights
- Increased our human-rights scores from Know the Chain and the Corporate Human Rights Benchmark
- Achieved a 97% closure rate, our highest ever, for supplier corrective-action plans
- Instituted a remote audit process

Advancing human rights is always a complex undertaking but, in 2020, despite rapidly changing world events, we remained steadfast in our commitment to combating slavery and human trafficking.

As our work continues, we are proud to share our efforts and initiatives, and value the ongoing dialog with our partners and stakeholders.

Kurt Sievers
President and CEO, NXP Semiconductors

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2020 HIGHLIGHTS

2020 HIGHLIGHTS

Speaking Engagements

United Nations Global Compact Network Australia
Modern Slavery Community of Practice Panel Session on Good Business Practices in Times of Crisis

United Nations Asia-Pacific Forum on Business and Human Rights
Panel Session on Human Rights Implications of Covid-19 – How Businesses are Approaching the Challenges

UN Global Compact Network Australia – 2020 Australian Dialogue on Business and Human Rights
Respecting Human Rights in Times of Crisis, Panel Session on Responsible Business Supply Chains

World Business Council on Sustainable Development (WBCSD) and Global Business Initiative (GBI) Webinar on Business and Human Rights in Southeast Asia
Engaging with Suppliers to Address Risks Relating to Migrant Workers

Annual Member Peer Meeting of the Global Business Initiative (GBI) on Human Rights
Spotlight Session on Piloting a Remote Supplier Audit Program

Annual UN Forum on Business and Human Rights
Plenary Session – Knowing and Showing Respect for People During Crisis and Human-Rights Due Diligence as a Tool for Resilience for Future Crisis

Raoul Wallenberg Institute and Peking University
Business and Human Rights Winter School: Human-Rights Due Diligence in Corporate Practice

The 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

41 COVID-19 supplier surveys on human-rights due diligence

161 supplier surveys on human rights within sensitive locations

98.7% of Supplier Code of Conduct documents signed

97% closure rate on supplier audits

100% certified mineral smelters

Human Rights Benchmarks

#5 out of 44 in Corporate Human Rights Benchmark

#8 out of 49 in Know The Chain

2020 HIGHLIGHTS

NXP's Social Responsibility program was recognized in 2020 for our work on human rights within NXP operations and throughout our supply chain. We achieved global recognition and awards for the implementation of our standards, our efforts in auditing and training our supply chain, and our management of foreign migrant workers. At workshops and speaking engagements around the world, we were invited to discuss our practices in labor and human-rights initiatives with people in industries beyond semiconductors and electronics.

For the third consecutive year, NXP was a featured panelist at the Annual UN Forum on Business and Human Rights. We shared our insights and best practices with the group and, in a special session on lessons learned from the pandemic, discussed how we handled foreign migrant workers, the most vulnerable in the company's workforce across 26 countries, who were unable to return home due to travel restrictions. It was an honor to be recognized for our humanitarian efforts at the UN's annual event on business and human rights.

Corporate Human Rights Benchmark (CHRB) is a nonprofit company created to promote open and public benchmarks of corporate human-rights performance. Among 44 Information and Communications Technology (ICT) companies evaluated, NXP was ranked fifth, and we were highlighted for our work on the themes of Traceability and Risk Assessment, as well as Monitoring.

Know the Chain (KTC) is a partnership between Humanity United, the Business & Human Rights Resource Centre, Sustainalytics, and Verité. It was founded to help improve workers' lives. Among the 49 ICT companies evaluated, NXP was ranked eighth among our peers across all themes, and for our strong disclosure on forced-labor policies and practices. Also of note is that NXP was one of the two companies scoring highest on Traceability & Risk Assessment, and the highest-scoring European company in the benchmark.

RESPONDING TO COVID-19

RESPONDING TO COVID-19

NXP's priority for social responsibility is to protect human rights and keep workers healthy and safe within our company and in our supply chain. The COVID-19 pandemic forced us to rapidly reassess how we manage our operations and supply chain in order to address the severe risks of the disease to workers and communities. Our manufacturing sites were deemed essential, therefore it was critical for us to find ways to continue working while protecting worker health and safety at our sites and in the supply chain.

Keeping Our Workers Safe

Management
Early in the COVID-19 pandemic, we activated our crisis-management plan and quickly established a dedicated Crisis Management Team consisting of executives and people from various groups, including Environment, Health and Safety, Human Resources, and Communications. Through this team, in concert with NXP country and site leaders, we implemented stringent protocols for health and safety to safeguard employees.

Essential Workers
Those employees essential to keeping our manufacturing operations running continued working in our wafer fabs and assembly and test sites. Additionally, engineers working in our high-security environments, employees needing access to the lab and equipment, and those ensuring the day-to-day operations of NXP facilities, maintained access to our sites.

Our sites implemented robust safety protocols, including screening measures for anyone coming onsite and mandatory use of Personal Protective Equipment (PPE), such as masks and goggles. We also installed sanitizing stations, increased cleaning frequency, limited the capacity of conference rooms, staggered shift changeovers and breaks to prevent crowding, increased air-flow capacity, installed higher-grade HVAC filters, and increased the frequency of filter replacement.

Working From Home
With the support of our Information Technology (IT) teams, we quickly and successfully transitioned everyone with a job that could be done remotely to working from home. We provided guidance on relevant topics, such as setting up a home office and staying connected, along with access to wellness resources, such as ergonomic self-assessments. We also let employees transfer their NXP-owned chairs and computer equipment to their home offices.

NXP in Action

In May 2020, during the COVID-19 pandemic, 42 foreign migrant workers (39 Indonesians, 3 Nepalis) from our NXP facility in Kuala Lumpur, Malaysia, who completed their employment contracts and/or voluntarily resigned, were left stranded in Malaysia due to Malaysia's Movement Control Order (MCO), international border closures, and flight cancellations. NXP Malaysia provided support to the stranded workers to ensure that their well-being and health and safety were protected during the pandemic. Support to the workers included the following:

- *NXP Malaysia issued salary advances to all affected workers. In Malaysia, final salary payment can be made to workers only after-tax clearance by the Malaysian authorities. During the pandemic lockdown, the final tax clearance was delayed by the relevant authorities.*
- *NXP Malaysia coordinated with the Indonesian embassy to provide food supplies to workers throughout the duration. Supervisory staff in NXP Malaysia also contributed funds and food supplies.*
- *The NXP Malaysia Human Resources team visited affected workers regularly to provide updates on repatriation and to check on worker well-being.*

All stranded workers returned home by the middle of July 2020.

RESPONDING TO COVID-19

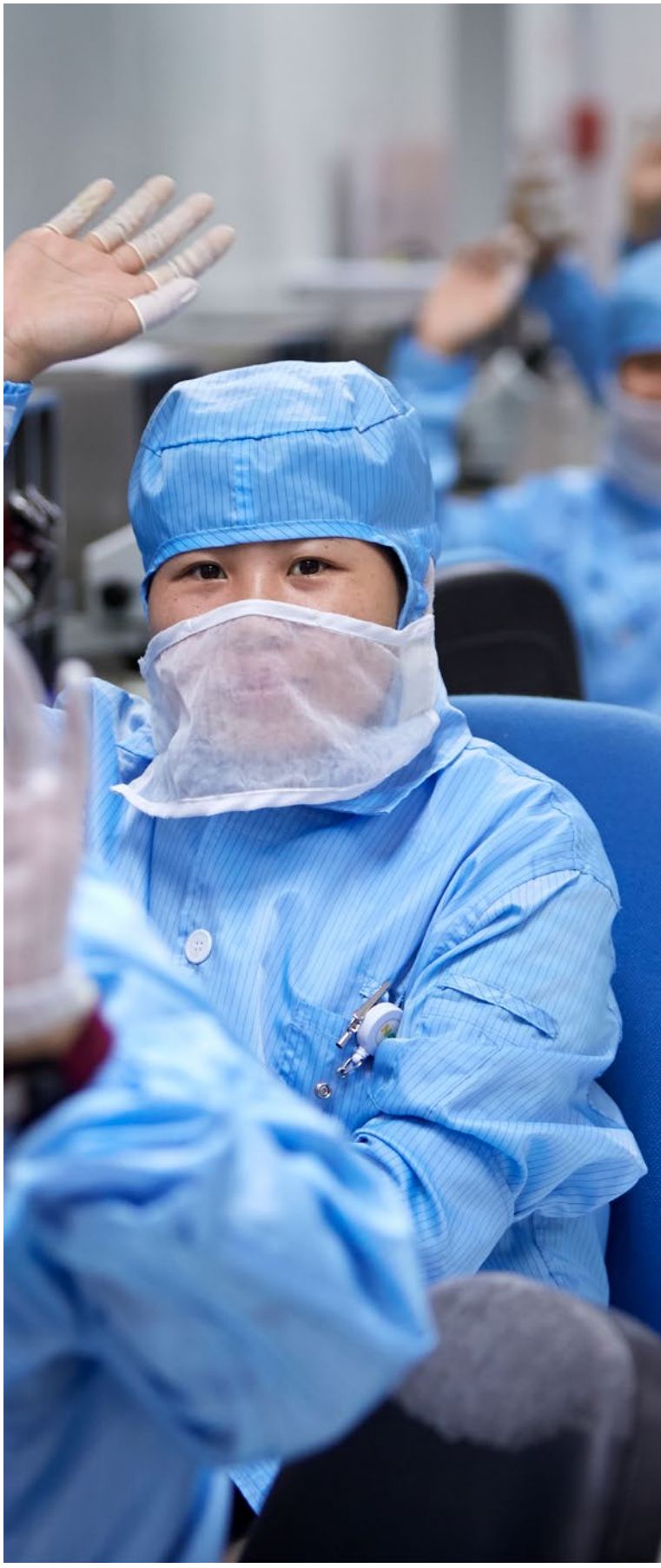
NXP's Supply Chain

NXP's Social Responsibility program has always focused on the health and safety of workers in our supply chain. The impact of the pandemic on travel and site access prevented NXP's Social Responsibility team from physically determining our suppliers' management and treatment of their workforce. However, we remained in communication with our suppliers during the year, and found safe ways to conduct due-diligence activities and engage with workers, by using pulse surveys and remote audits and assessments.

Since the outbreak of the COVID-19 virus in late 2019 and early 2020, NXP has been monitoring the situation in countries where our suppliers are located. We have paid particular attention to locations where there is potential impact on our most vulnerable employees, foreign migrant workers. NXP has also assessed how the pandemic has impacted the business, operations, and workforce of our high-priority suppliers.

With borders closed and most countries in lockdown, NXP designed a pulse survey to conduct a quick and effective due-diligence analysis of 40 of our high-priority suppliers. Since 2013, high-priority suppliers have been determined based on data from NXP's due-diligence program.

Based on the results of these pulse surveys, NXP identified suppliers who were impacted by the pandemic and needed to take steps, including workforce reductions and/or wage and benefit management, to absorb the impact. These suppliers were shortlisted for a remote audit, developed in partnership with Verité, that provided better access to their operations and helped engage directly with workers. NXP conducted three remote supplier audits in 2020 and is continuing this effort in 2021.



INTRODUCTION

INTRODUCTION
OUR BUSINESS

NXP's Social Responsibility program builds on the recognition that everything we do must reflect the highest possible standards of ethical business conduct and must respect human rights. This dedication to social responsibility is expressed in our NXP Code of Conduct (the Code), which is approved by the Board of Directors. We continuously explore ways to enhance our approach to respecting human rights, through engagements across the world and by implementing improvements identified by key stakeholders, including our employees, our supply chain, our customers, our investors, industry and government regulators, and members of Non-Governmental Organizations (NGOs), Civil Society Organizations (CSOs), and academia.

Our Business

Secure Connections for a Smarter World

NXP Semiconductors N.V. enables secure connections for a smarter world, advancing solutions that make lives easier, better, and safer. As the world leader in secure connectivity solutions for embedded applications, NXP is driving innovation in the target markets of automotive, industrial and Internet of Things (IoT), mobile, and communication infrastructure.

+60
Years of Combined Experience and Expertise

+26,000 **Customers**	**~29,000** **Employees**
+30 **Countries Worldwide**	**$8.61B USD** **2020 Revenue**

INTRODUCTION
OUR BUSINESS

Through our product offering and roadmaps, we recognize the major societal trends of everything being connected and increased automation, while addressing the need for added cybersecurity, energy efficiency, and safety.

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 building the future of safe and secure mobility, and support greener driving through enhanced efficiency and the transition to electric driving.

Industrial & 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 technologies 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.

Major Technology Vectors For Any Smart Device

Learn more at about NXP.

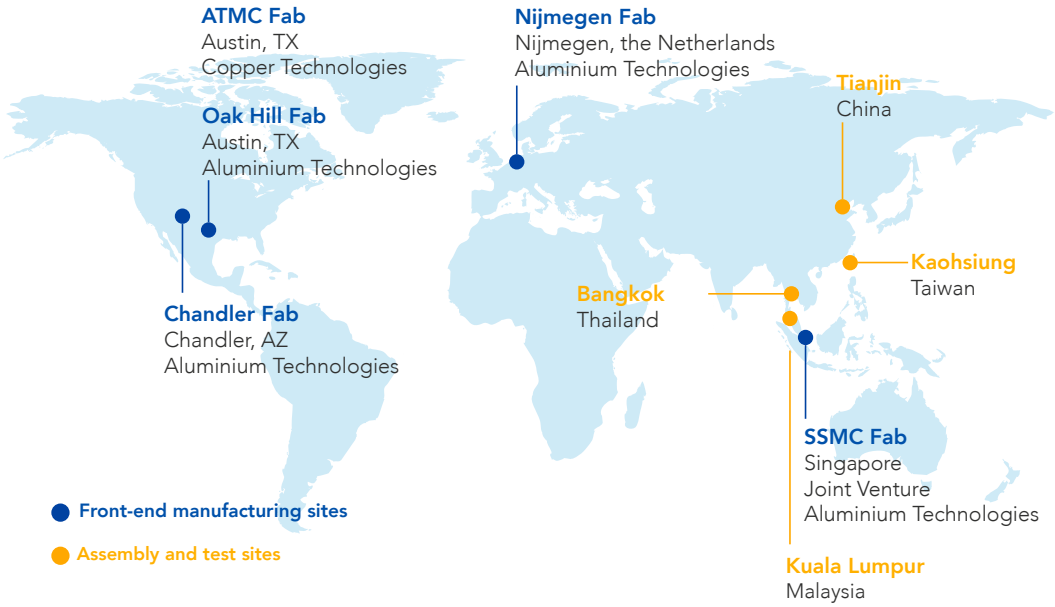
INTRODUCTION
OUR OPERATIONS

Our Operations

We believe our role as a global company is to respect human rights around the world, in our operations and our supply chain, through persistence, ongoing due diligence, engagement, and continuous improvement. Through our day-to-day work, we strive to create a positive, lasting, and sustainable impact on our people, our communities, and our planet.

People | Communities | Planet

Manufacturing Locations



Our People

~27,000	32%	36%
Employees	Workforce Dedicated to R&D	Female Representation

At NXP, our diverse and talented employees drive the innovation that sets our company apart and fuels our success in the market. With the support of our employees, we accelerate breakthroughs that help advance the world, thanks to a foundation that is built on our customer-focused passion to win, our core values, and our commitment to innovation, personal accountability, trust, transparency, and collaboration.

Our people are our most valuable asset. We are committed to protecting their human rights as well as their health and safety, no matter what position they hold in the company. Our well-established Social Responsibility program includes a comprehensive set of requirements for sustainable business, and these requirements are incorporated into our core business practices.

INTRODUCTION
OUR PEOPLE

Our Workforce

As a technology company with facilities for semiconductor wafer manufacturing, assembly, and test, we employ Direct Labor (DL), those who are directly involved in the conversion of materials into finished products, and Indirect Labor (IDL), those who are not directly involved in the conversion of materials into finished products. Our IDL population includes individual contributors, managers, and executives in various functions, including Research & Development (R&D) and General, Sales and Administration (GS&A).

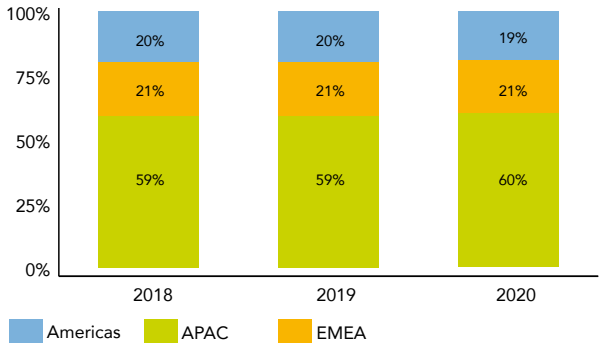
NXP also hires temporary and migrant workers. Foreign migrant workers are recruited with support from NXP-approved labor agencies that help with document processing, such as visa applications, visa renewals, and dormitory accommodations.

Employee Demographics

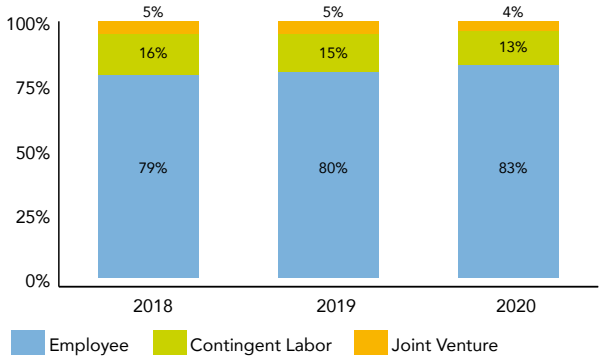
On December 31, 2020, the total NXP extended workforce was 33,480. Of those, 27,730 were NXP employees, 1,454 were employees of joint ventures, and 4,296 were contingent laborers working, across three regions and +30 countries. Our IDL employees account for approximately 40% of the population and have similar representation by region, while our DL employees are primarily in our factories in the APAC region.

NXP Workforce Footprint

Workforce by Region (HC)



Extended Workforce By Type (HC)



Extended Workforce Type by Region (HC)

	2018	2019	2020
Americas			
Employee	82%	84%	86%
Joint Venture	0%	0%	0%
Contingent Labor	18%	16%	14%
APAC			
Employee	79%	79%	82%
Joint Venture	7%	7%	7%
Contingent Labor	14%	14%	11%
EMEA			
Employee	77%	79%	83%
Joint Venture	2%	2%	0.1%
Contingent Labor	21%	19%	16%

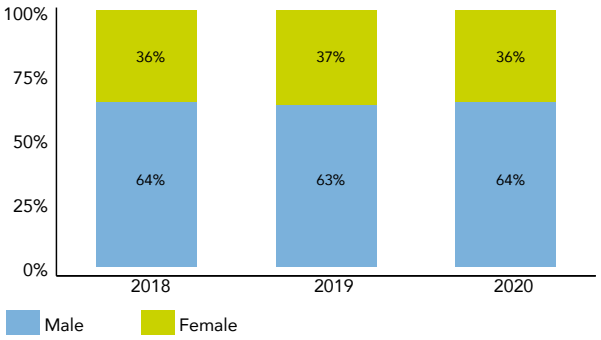
INTRODUCTION
OUR PEOPLE

Gender Representation

Female Workforce by Region (HC)

	2018	2019	2020
Americas			
Female	12%	12%	11%
APAC			
Female	79%	79%	79%
EMEA			
Female	9%	9%	9%

Workforce by Gender (HC)



Male Workforce by Region (HC)

	2018	2019	2020
Americas			
Male	25%	25%	24%
APAC			
Male	47%	48%	48%
EMEA			
Male	28%	28%	28%

We report Head Count (HC) using the gender representations of male and female, but acknowledge this does not fully encompass all gender identities.

Workforce Gender by Role (HC)

	2018	2019	2020
Executive			
Female	10%	14%	13%
Male	90%	86%	87%
People Manager			
Female	17%	16%	16%
Male	83%	84%	84%
Individual Contributor - IDL			
Female	23%	23%	24%
Male	77%	77%	76%
Individual Contributor - DL			
Female	62%	63%	58%
Male	38%	38%	42%

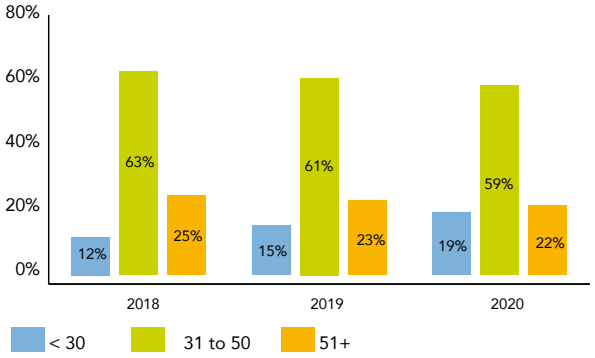
INTRODUCTION
OUR PEOPLE

Age Representation

Workforce Role by Age (HC)

	2018	2019	2020
Executive			
<30	0%	0%	0%
31 to 50	0.2%	0.2%	0.2%
51+	0.4%	0.4%	0.4%
People Manager			
<30	0.1%	0.1%	0.1%
31 to 50	7%	7%	6%
51+	4%	4%	3%
Individual Contributor			
<30	12%	15%	19%
31 to 50	56%	54%	53%
51+	20%	19%	18%

Workforce by Age (HC)



US Workforce Race and Ethnicity

Race and Ethnicity

	2018	2019	2020
Race and Ethnicity			
White (Not Hispanic or Latino)	56%	52%	52%
Asian (Not Hispanic or Latino)	20%	21%	21%
Hispanic or Latino	14%	13%	14%
Unknown	5%	8%	8%
Black or African American (Not Hispanic or Latino)	4%	4%	4%
Two or more races (Not Hispanic or Latino)	1%	1%	1%
American Indian or Alaska Native (Not Hispanic or Latino)	0%	0.4%	0.4%
Native Hawaiian or Other Pacific Islander (Not Hispanic or Latino)	0.2%	0.2%	0.2%

INTRODUCTION
OUR SUPPLY CHAIN

Our Supply Chain

We are committed to improving the working conditions of everyone who works in our supply chain. 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.

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.

Our supply chain is large, complex, and multi-tier deep, involving thousands of suppliers around the world. Regardless of region, NXP recognizes that innovative thinking, collaboration, and transparency create long-term sustainability. We proactively work with our suppliers to ensure an ethical and sustainable workplace.

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 logistics, warehousing, canteen, janitorial, and security.

One of the main challenges that we face is managing the complexity of our interlinked global supply chains beyond our Tier 1 suppliers. We have made progress in mapping the labor agent network in our supply chain by engaging with Verité Cumulus. Verité Cumulus conducted a due-diligence assessment on 21 of our suppliers who recruit and hire foreign migrant workers. Through this assessment, we have identified and mapped 32 receiving agents and 40 sending agents, covering the recruitment of 11,463 foreign migrant workers. 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.

We also include our Supplier List, which representing 98% of procurement expenditures for materials, manufacturing, and assembly of our products worldwide for calendar year 2020.

LABOR AND HUMAN-RIGHTS COMMITMENT

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 do not accept any form of discrimination based on race, national origin, color, gender, religion, age, pregnancy, sexual orientation, physical or mental disability, or political affiliation. NXP forbids charging fees to employees throughout every stage of employment and prohibits retention of personal or government-issued documents. NXP allows the freedom of association and the right to collective bargaining.

No Fees

NXP has had a no-fees policy for all workers, including temporary, migrant, intern, contract, direct employee, and all other types of worker, 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 facilities must be provided for the safekeeping of such documents.

Working Hours and Rest Days

A work week must not be more than 60 hours per week, or the maximum set by local law, whichever is stricter, except in emergency or unusual situations, such as natural disasters or national holidays in which mass workers 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.

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, including for example night-shift, overtime, or hazardous work.

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 also 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. 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.

LABOR AND HUMAN-RIGHTS COMMITMENT

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. 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. All overtime hours must be paid at the appropriate overtime rate applied to the base wage as required by applicable laws and regulations or employment contract, whichever is higher. For each pay period, employees must be provided with an understandable wage statement that includes sufficient information to verify accurate compensation for work performed 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.

Humane Treatment

Harsh or inhumane treatment of workers, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse is not tolerated. Nor is there to be the threat of any such treatment. Free and easily accessible channels for workers to anonymously report violations of policy on fair treatment must be available. In addition, there must be a non-retaliation policy for reporting incidences of unfair treatment that is clearly communicated to workers.

Non-Discrimination

Workers must be free of harassment and unlawful discrimination. Discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information, or marital status in hiring and employment practices, such as wages, promotions, rewards, and access to training, is prohibited. Workers must be provided with reasonable accommodation for religious practices. In addition, workers or potential workers may not be subjected to medical tests or physical exams that could be used in a discriminatory way.

Freedom of Association and Collective Bargaining

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

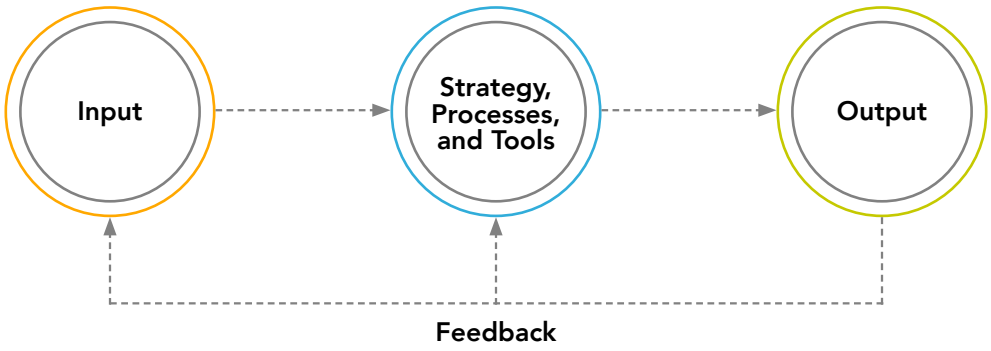
HUMAN-RIGHTS DUE DILIGENCE

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 respect the way we manage labor and human rights, and the health and safety risks associated with our operations and supply chain. Such due diligence includes risk assessments, compliance monitoring, remediation, measurement, and public reporting. NXP examines human-rights risks on a continual basis and relies on stakeholder feedback and engagement when evaluating these risks.

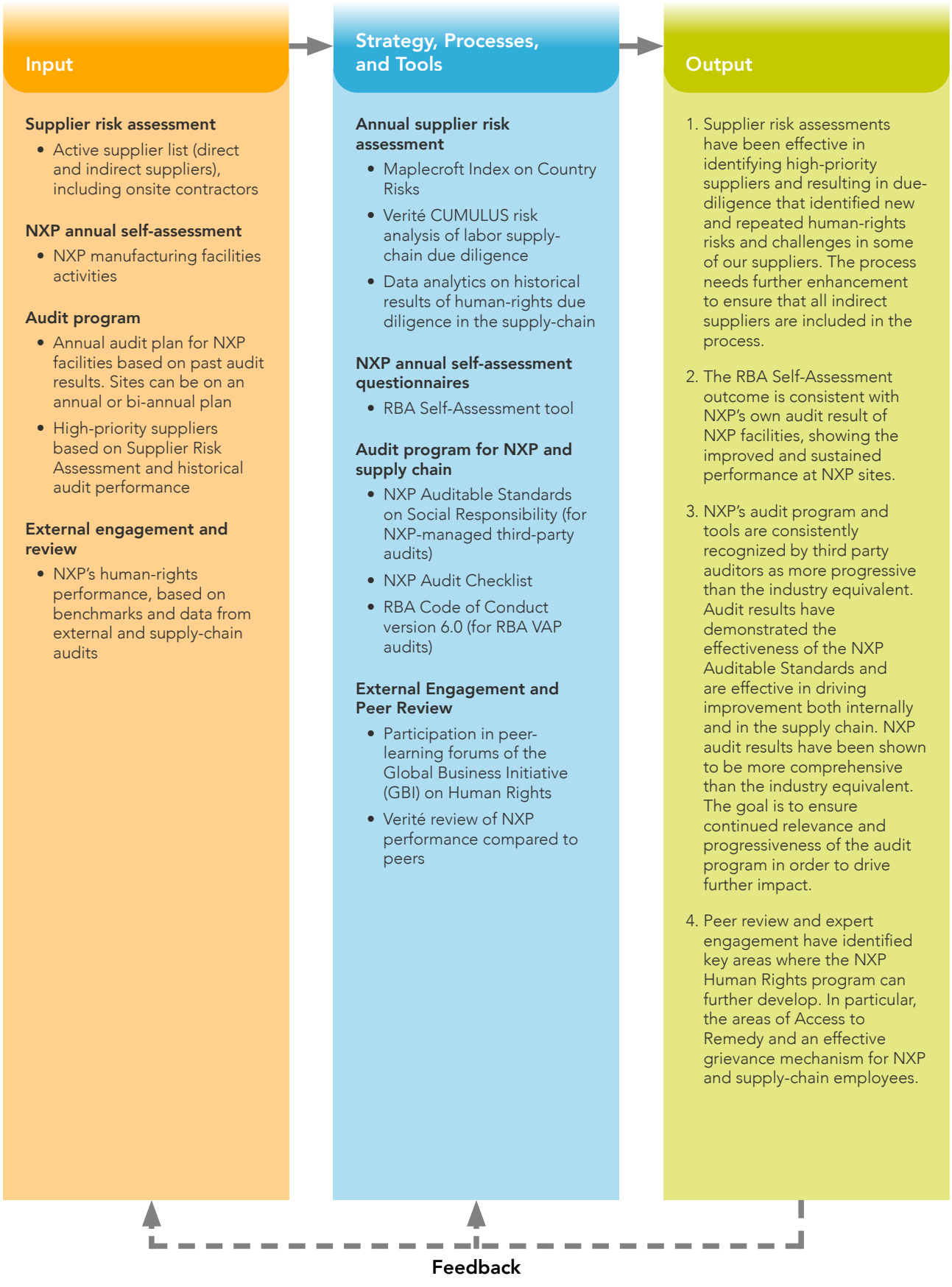
NXP's due diligence is modeled after the UN Guiding Principles on Business and Human Rights (UNGPs). Our model includes the four elements of a due-diligence process, namely assessing actual and potential human-rights impacts (Guiding Principle 18), integrating and acting upon the findings (Guiding Principle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

For each element of the due-diligence process, we take steps to gather important information from many sources and then use strategies, processes, and tools developed 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.



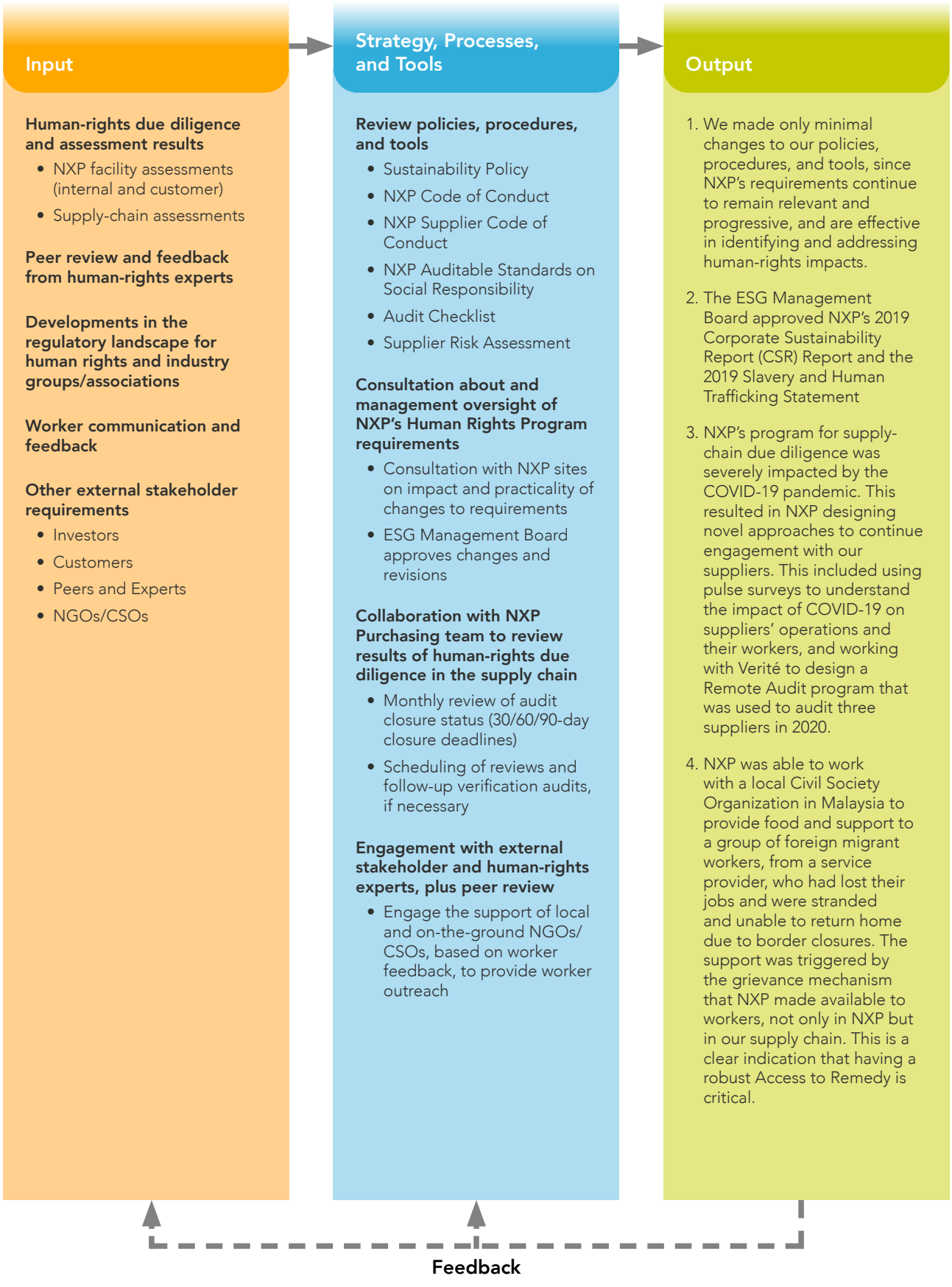
HUMAN-RIGHTS DUE DILIGENCE

Identify and Assess



HUMAN-RIGHTS DUE DILIGENCE

Integrate and Act

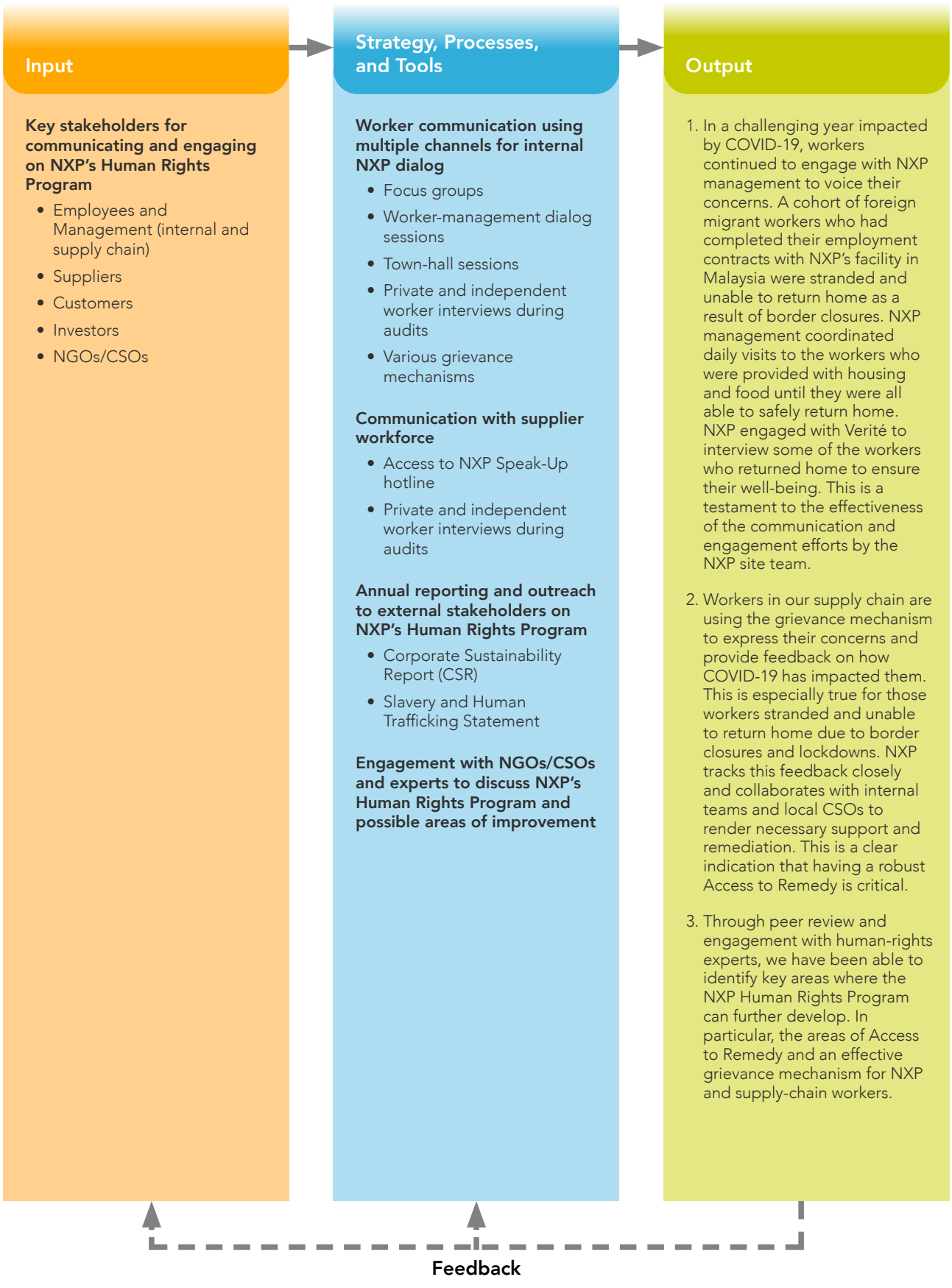


HUMAN-RIGHTS DUE DILIGENCE

Track

HUMAN-RIGHTS DUE DILIGENCE

Communicate



CATEGORIES
- Engagements
- Salient Assessment and Results

IDENTIFY AND ASSESS
ENGAGEMENTS

We assess actual and potential impacts on human rights (Guiding Principle 18) through the use of stakeholder engagements and assessments of NXP and our supply chain.

Engagements

The views of our internal and external stakeholders are important considerations when making strategic decisions for human rights. We tailor our strategies, methodologies, and communications to the unique interests of these stakeholders. The method and frequency of engagement varies by stakeholder type.

Stakeholder	Engagement	Feedback	Outcomes and Follow-Up
Customers	Due to COVID-19, we conducted only one RBA Validated Assessment Program (VAP) verification audit in 2020.	The RBA VAP verification audit identified full closure of all corrective actions.	Corrective actions from the RBA VAP strengthened the processes and procedures of our Social Responsibility Program.
Suppliers	Conducted supplier audits both onsite and remotely, including random, privately held worker interviews.	Top three nonconformances: Freely Chosen Employment, Emergency Preparedness, and Working Hours.	Supplier Corrective Action Plans are either closed or in process. Increased training in top three nonconformances.
Responsible Business Alliance (RBA)	Provided proposals for the revision of the RBA Code of Conduct (CoC) version 7.0. Attended monthly and quarterly calls as a Board member and RBA Full Member.	Ensure alignment with the RBA on salient issues regarding labor and human rights.	Maintained our full membership requirements of the RBA, which requires full members to audit 25% of high-risk suppliers. Due to COVID-19 challenges, we met the target by conducting pulse surveys as a form of due diligence covering 40 suppliers. RBA CoC and VAP standards incorporated into NXP Supplier CoC and Auditable Standards.
Responsible Labor Initiative (RLI)	Attended monthly workgroup meetings and quarterly Steering Committee meetings (as a Board delegate).	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 per the gap analysis, nominated our labor agents for RLI training, and cross-referenced the recruitment corridor with NXP labor agents.

IDENTIFY AND ASSESS
ENGAGEMENTS

Stakeholder	Engagement	Feedback	Outcomes and Follow-Up
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 about 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 mineral supply chain.	Through our participation, we supported EPRM's: • Creation of a supply-chain due diligence responsible mineral sourcing platform • Due Diligence Check tool • Assistance to mine sites in Conflict-Affected and High-Risk Areas (CAHRAs) by financing "on the ground" projects.
UN Global Compact (UNGC)	Reported our Annual Communication on Progress. Participated and shared NXP's Human Rights program with the UN Global Compact Network Australia.	Australia's Modern Slavery Act mandatory reporting of due diligence.	Understanding and reassessing our reporting methodology from a more progressive requirement.
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.	Updated NXP's Responsible Minerals Policy to broaden the scope to all minerals and all CAHRAS. Maintained excellence in health and safety performance record.

IDENTIFY AND ASSESS
ENGAGEMENTS

Stakeholder	Engagement	Feedback	Outcomes and Follow-Up
Verité Cumulus	Conducted bi-annual due-diligence exercise relating to selected suppliers' foreign migrant workers and broker supply chain.	Increased transparency to the foreign migrant-worker supply chain.	Learning more about how foreign migrant workers are hired, and the complexity of labor supply chains, in order to identify modern slavery risks.
Verité	Conducted third-party audits on social responsibility, supported by consultation. Collaborated to review NXP's Social Responsibility program for a gap analysis.	Continuous-improvement opportunities for the NXP Social Responsibility program in the next three to five years.	Strengthening supply-chain compliance and supplier training. Advancing NXP's Auditable Standards on Social Responsibility

We have begun mapping our Tier 2 supply chain, using assessments and audits. We have also partnered with Verité to identify risks of forced labor and human trafficking in our global supply chain. Verité's CUMULUS Force Labor Screen™, a secure online platform, helps us map our labor supply chain and lets us proactively screen for any forced-labor risks introduced by our supply-chain partners, their recruitment practices, or their recruitment agents.

IDENTIFY AND ASSESS
SALIENT ASSESSMENT AND RESULTS

Assessment of Salient Human-Rights

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

The Social Responsibility and Purchasing 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 supplier assessments and audits. The issues that we have determined to be most critical to labor and human rights within NXP and our supply chain are given on the following pages.

IDENTIFY AND ASSESS
SALIENT ASSESSMENT AND RESULTS

We minimize human-rights risks by making improvements to policies, strategies, collaborative capacity building, training, self-assessments, and audits within NXP and our supply chain.

No Fees

- Clear policy prohibits charging fees to workers and ensures compliance
- Charging fees for job-placement services is not allowed
- 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

Retention of Documents

- Clear policy that workers are not required to surrender personal documents
- Personal, lockable, secured storage units available in facilities, dormitories/ housing, or both
- 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

IDENTIFY AND ASSESS
SALIENT ASSESSMENT AND RESULTS

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 in place 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

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
- Workers provided with a copy of the contract
- Contracts ensure workers are free to leave their employment, upon giving reasonable notice, without penalty per applicable law and regulations
- Grievance mechanism in place to confidentially report contract related information

IDENTIFY AND ASSESS
SALIENT ASSESSMENT AND RESULTS

Fair Wages

- 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 pay 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 in place to confidentially dispute wage and benefit-related payments

Fair Treatment of Vulerable Workers During a Pandemic

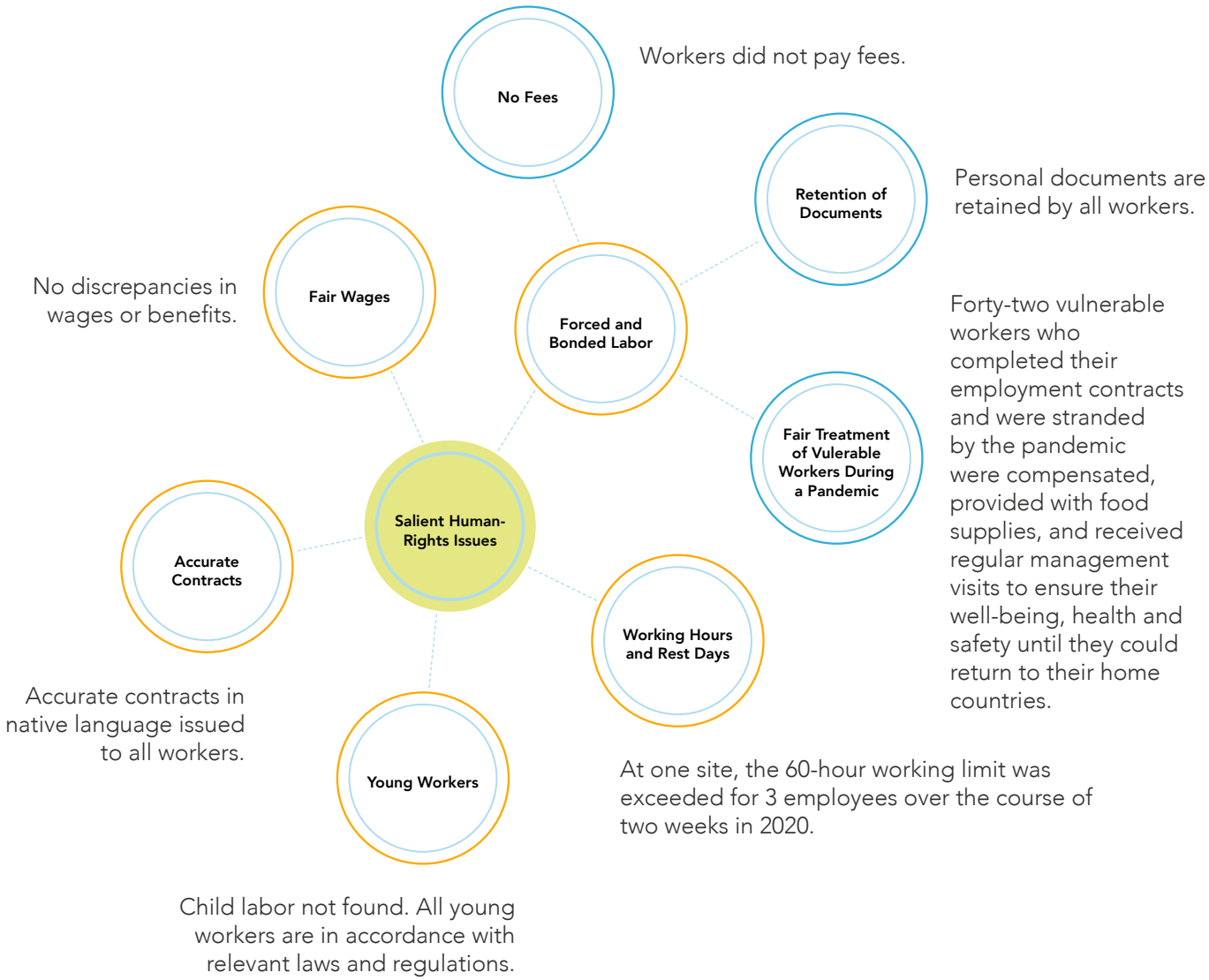
- Workers must be ensured their well-being and health and safety during a pandemic
- Workers must not be discriminated against, regardless of pandemic circumstances
- Workers must be given adequate protection from exposure to hazards, including the pandemic illness
- Grievance mechanism in place to confidentially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

IDENTIFY AND ASSESS
SALIENT ASSESSMENT AND RESULTS

The 2020 results of our salient human rights review in our operations and our supply chain are provided here:

Salient Human-Rights: 2020 Results

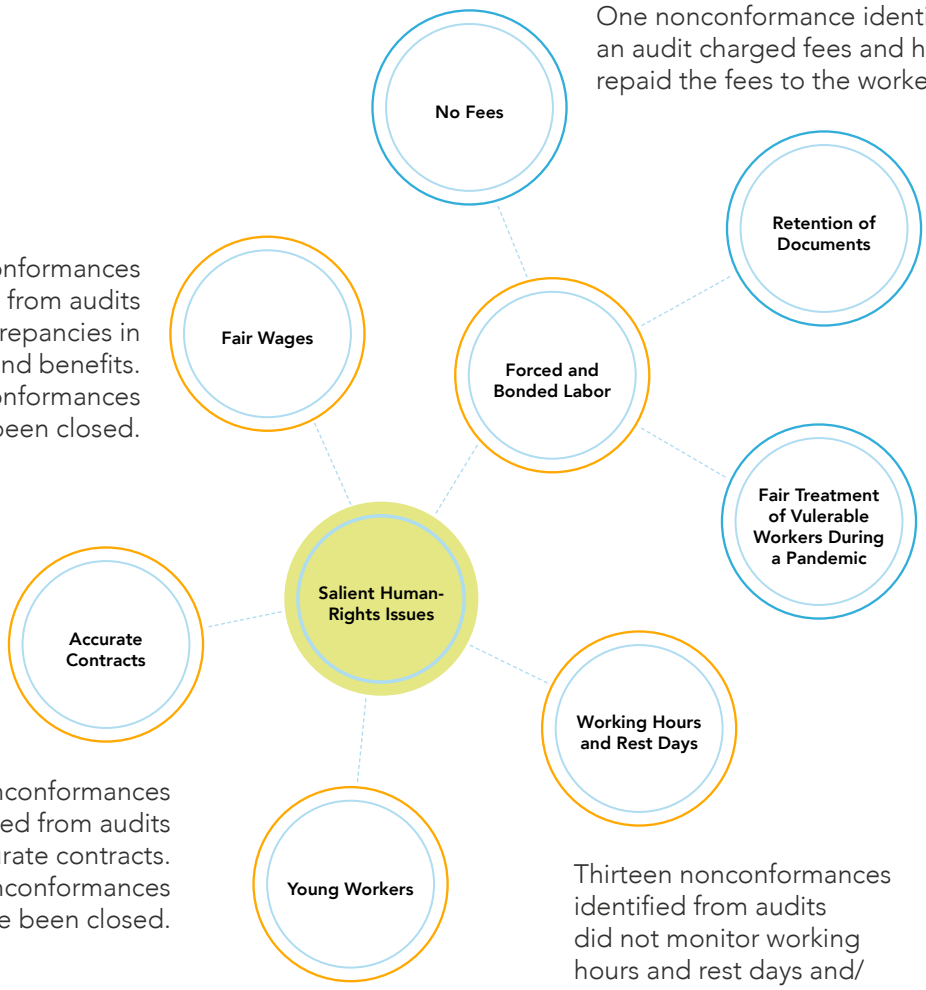
– Our Operations



IDENTIFY AND ASSESS
SALIENT ASSESSMENT AND RESULTS

Salient Human-Rights: 2020 Results

– Our Supply Chain



One nonconformance identified from an audit charged fees and has since repaid the fees to the workers.

One nonconformance identified from an audit lacked a policy for not retaining workers' personal documents and has since implemented a formal policy.

Five nonconformances identified from audits had discrepancies in wages and benefits. All non conformances have been closed.

Pulse surveys of high-priority suppliers to obtain salient data on how the pandemic may have affected their workers' rights. Remote audits was a new methodology employed to collect critical information to continue our due-diligence efforts even during a pandemic.

Three nonconformances identified from audits had inaccurate contracts. All nonconformances have been closed.

Thirteen nonconformances identified from audits did not monitor working hours and rest days and/or have processes in place. Seven of the identified nonconformances have been closed.

Child labor not found in our supply chain. All young workers are in accordance with relevant laws and regulations.

INTEGRATE AND ACT
POLICIES AND STANDARDS

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

CATEGORIES
- Policies and Standards
- Governance
- Goals
- Assessments
- Audits
- Capacity Building and Training

Policies and Standards

NXP commits to the eight fundamental International Labor 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 available in 12 languages, approved by the Board of Directors, and applies to employees, contractors, consultants, and others who work on behalf of NXP. The Code applies to every business decision in every area of the company worldwide. We support the ILO to arrive at universally accepted labor standards and therefore have adopted internal procedures and guidelines with respect to forced labor, child labor, working hours, health and safety, discrimination and harassment, and the right of organization. The Code is available on our public website and available on the NXP intranet. To incorporate the Code into our way of working, we regularly provide employee training on Code principles.

Supplier Code of Conduct
NXP places strict requirements on our operations and supply chain. This is reflected in the NXP Supplier Code of Conduct, a document that is available in seven languages, is posted on the NXP website and reviewed annually, and was last revised in 2018. 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 6.0, and other recognized standards, including ILO Standards, 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 audits conducted internally and externally.

INTEGRATE AND ACT
POLICIES AND STANDARDS

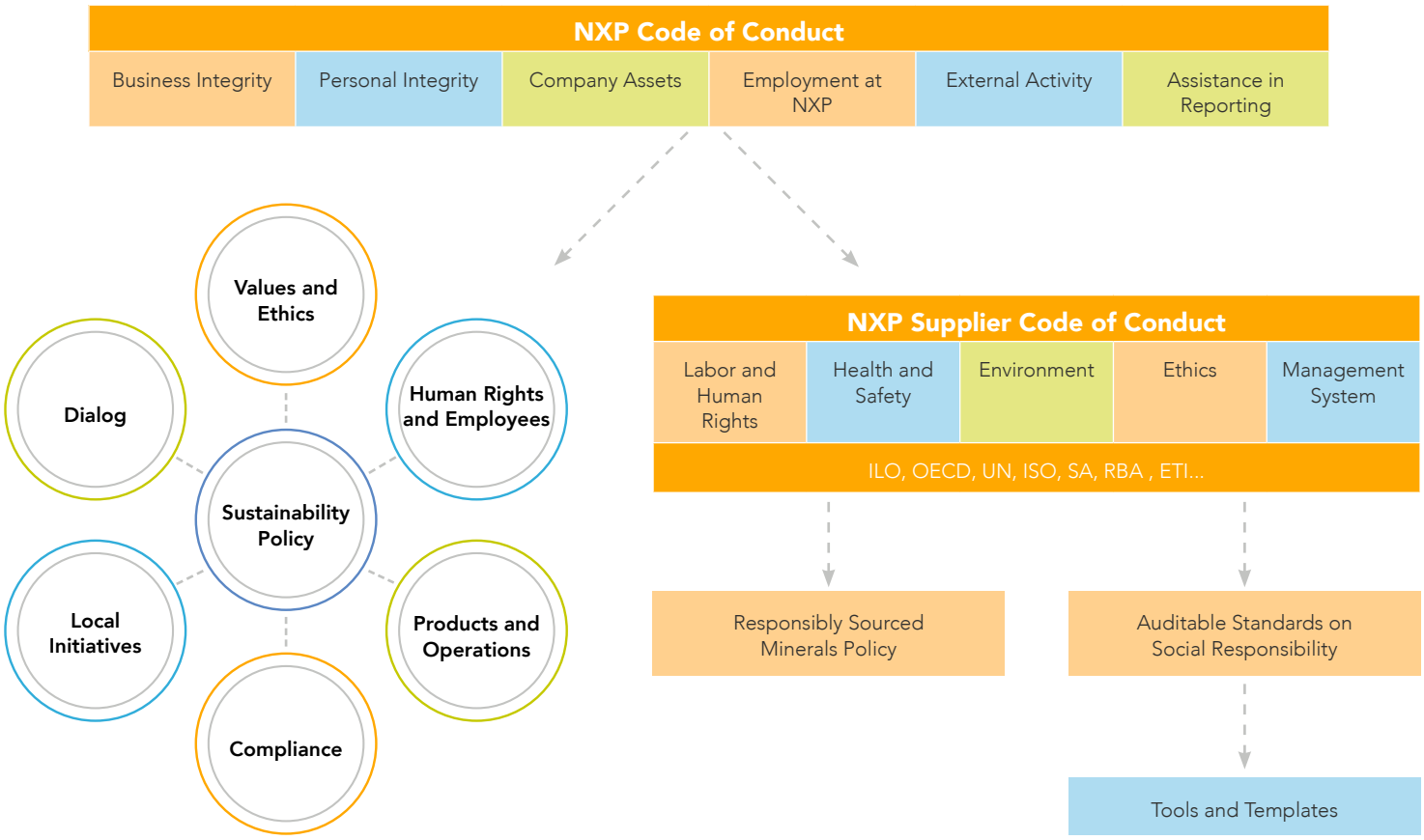
Social Responsibility Auditable Standards

NXP's Auditable Standards on Social Responsibility (the Auditable Standards) are approved by the ESG Management Board, and incorporates elements of the NXP Code of Conduct and the Supplier Code of Conduct, and specify minimum expectations for compliance. Our standards 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. The NXP Auditable Standards apply to NXP and all suppliers, contractors, onsite service providers, labor agents, and external manufacturers.

Responsibly Sourced Minerals Policy

The trade of minerals in conflict and high-risk areas is often 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

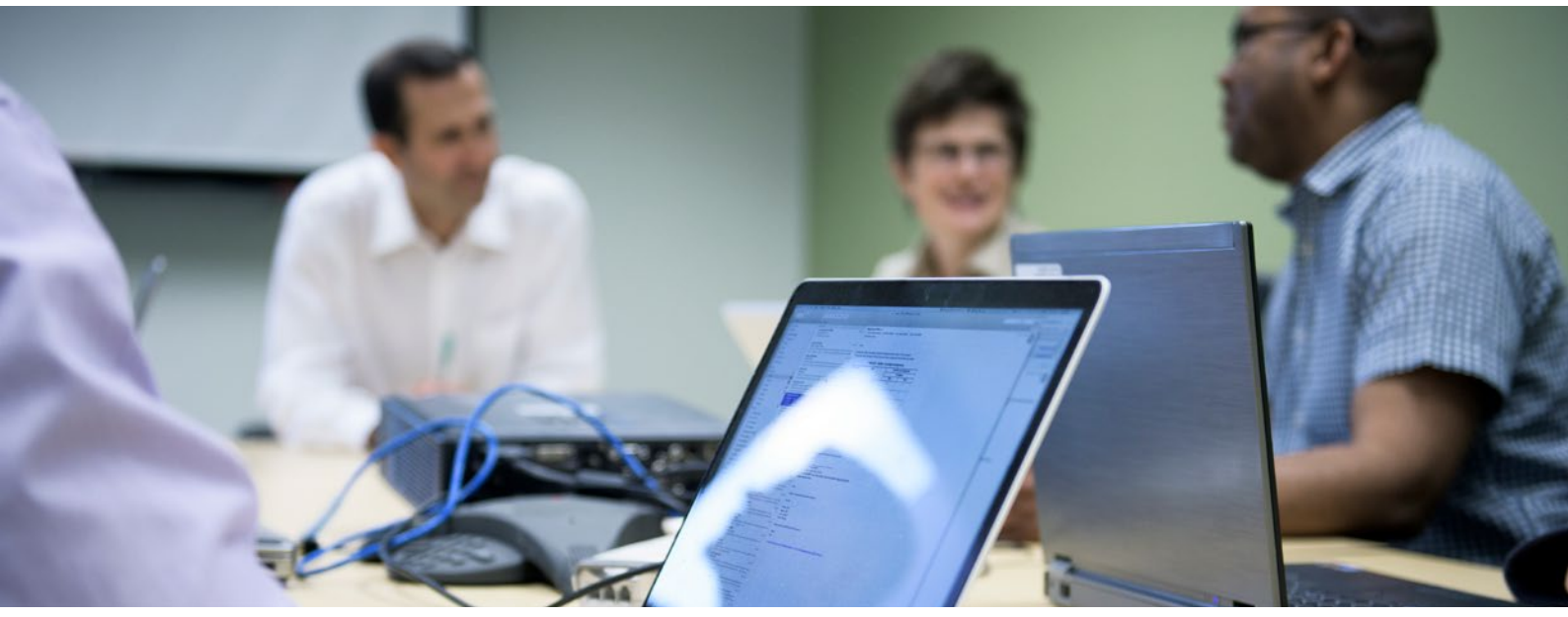


INTEGRATE AND ACT
GOVERNANCE

Governance

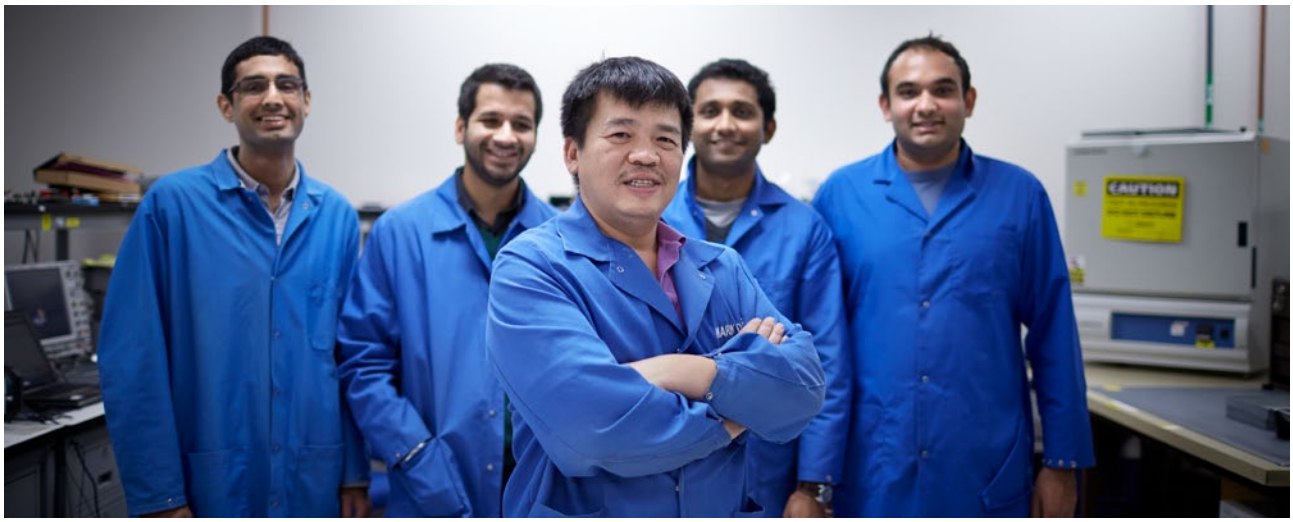
Integrating a governance structure and accountability for NXP and our supply chain keeps us accountable and focused on continuous improvement.

NXP Social Responsibility Governance Structure



INTEGRATE AND ACT
GOVERNANCE

	Responsibilities
Nominating and Governance Committee	Oversee NXP's policies and report on topics related to Environment, Social and Governance (ESG).
ESG Management Board	Approve strategy and policy and ensure proper sourcing, under the guidance of the CFO and General Counsel, who co-chair the Board, and supported by executives and senior leaders.
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 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 supplier audits, ensure timely closure of corrective-action plans, and conduct supplier training.
Site Steering Committee	Implement, measure, and validate policies, drive continuous improvement at their respective sites, 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 data for input into quarterly supplier business reviews, and include the Material Sourcing Board in meetings when supplier escalations are needed.
Legal	Review and provide legislative guidance, assist in the review of alleged violations of the Code of Conduct, and review publicly reported documents such as the Supplier Code of Conduct and the NXP Auditable Standards on Social Responsibility.

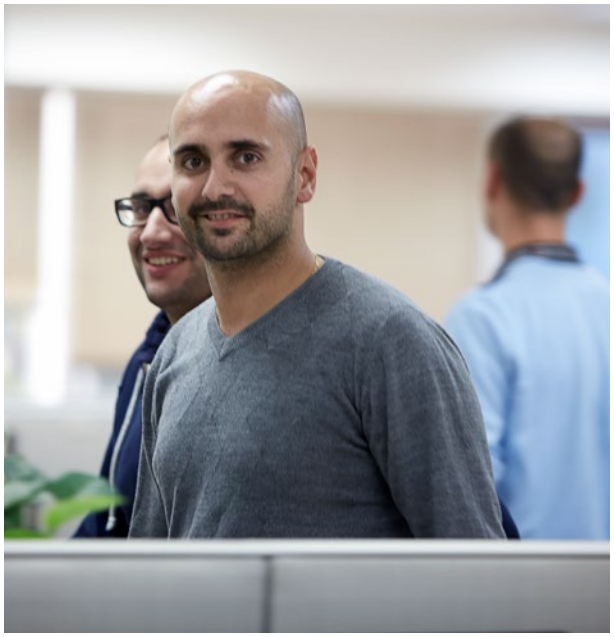


INTEGRATE AND ACT
GOVERNANCE

Accountability
The Senior Director of Sustainability and the Social Responsibility team are tasked with the delivery of the labor and human rights 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 of Conduct and Social Responsibility standards.

Supply Chain Management
NXP's purchasing policies require our suppliers to comply with NXP standards and the laws of the country or countries where they conduct business. In 2015, we included language into our supplier contracts that requires suppliers to abide by the NXP Supplier Code of Conduct. If there is no 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 staff are trained on the policies and practices of the Supplier Code of Conduct.

It is our goal to collaborate with our suppliers to make an impact within the 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, which may terminate the business relationship.



Managing 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.

To ensure suppliers follow ethical guidelines when recruiting workers, NXP has adopted an Employer Pays policy. This policy is a clear contractual agreement with partners in 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.

Additional details on NXP's efforts to investigate ethical recruitment practices are available in our ethical recruitment documentary.

INTEGRATE AND ACT
GOALS

Goals

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

NXP Social Responsibility Goals

No priority or major nonconformances from internal/ customer audits

>95%
Internal audit scores

>90%
Self-assessment score

<60 hours
work week and one rest day per six days worked

Supplier Social Responsibility Goals

100%
of key suppliers sign NXP Supplier CoC statement of conformity

Annual risk assessment and audit of identified high-priority suppliers

>80%
audit closure rate for corrective action plans

100%
certified mineral smelters

INTEGRATE AND ACT
ASSESSMENTS

Assessments

Incorporating assessments for NXP and our supply chain keeps us focused on continuous improvement.

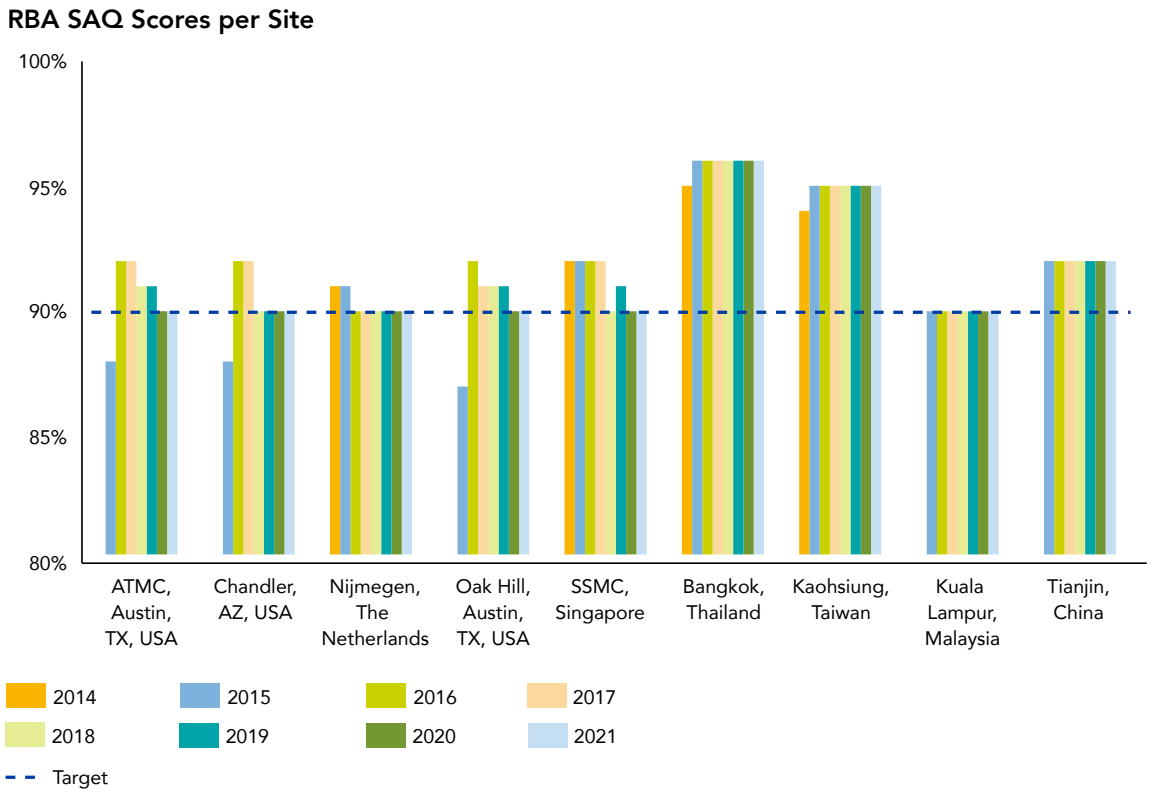
NXP Assessments
The Social Responsibility team conducts operational reviews with Human Resources to identify potential adverse human-rights impacts arising from our policies and business practices. During operational reviews, if issues are identified, we engage with the responsible departments to identify appropriate corrective actions.

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 monitoring process. The monitoring process seeks to uphold our Auditable Standards and their supporting policies and guidelines, which are built around international standards for labor and human rights.

Our Code of Conduct, our policies, and our standards serve to document the internal processes we use to protect human rights. Third-party information allows NXP to understand where to apply more in-depth assessments, such as self-assessments and third-party audits.

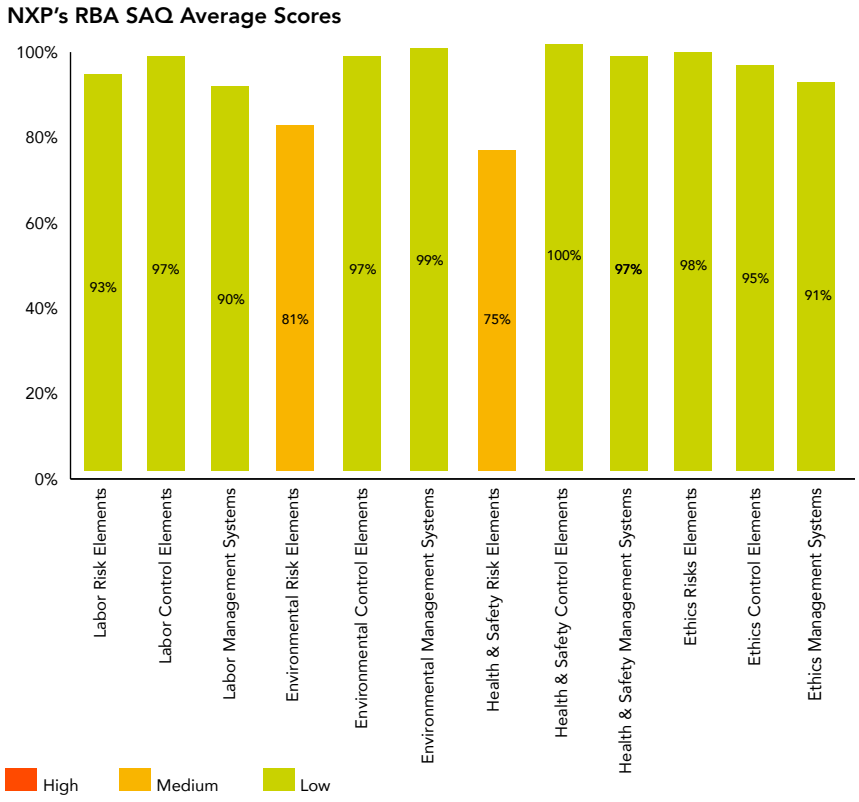
The Responsible Business Alliance (RBA) requires its member companies to complete the Self-Assessment Questionnaire (SAQ) in the RBA-Online platform on an annual basis. The SAQ is revised yearly, to reflect changes to the RBA Code of Conduct and changes in the landscape for social responsibility and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

As part of their deployment of the RBA Code of Conduct in the supply chain, RBA member companies also 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. NXP facilities achieve a score of 90% and above.



INTEGRATE AND ACT
ASSESSMENTS

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 Environmental and Health & Safety Control and Management elements. The control and management sections indicate that NXP has proper controls, protocols, and management systems in place to minimize the risks identified in the risk section.



Supply-Chain Assessments

The Social Responsibility and Purchasing teams conduct a human-rights risk-mapping assessment to identify potential adverse human-rights impacts in our supply chain. As part of the annual risk assessment, NXP engages with advisory firms to identify any potential risks of forced labor and human trafficking.

Advisory Firm Engagement

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 CUMULUS

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.

INTEGRATE AND ACT
ASSESSMENTS

Approximately 10,000 suppliers are reviewed in our annual risk assessment to identify suppliers that are at risk of having human-rights issues relating to forced/bonded labor, fair wages, humane treatment, child labor, and/or health and safety.

Three risk criteria are considered when assessing a supplier: country risk, product risk, and business criticality. Each criterion has a scale of 1 (lowest risk) to 10 (highest risk). All three criteria are scored, and the product of these scores becomes the supplier's overall risk score.

The assessments of our operations and supply chain include reviews of labor agents who represent foreign migrant workers, as these workers are more vulnerable to human-rights abuses. To account for the labor and human-rights risks associated with using labor agents, country outcome from the quantitative approach is increased by one level. Taiwan, Malaysia, Singapore, Japan, and Korea tend to employ the highest number of foreign migrant workers.

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

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 Index	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 Index	Quantification of 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 five different indicators: investor protection, ethical behavior of firms, strength of auditing and reporting standards, efficacy of corporate boards, and corruption risk index.	Business Ethics	20%

INTEGRATE AND ACT
ASSESSMENTS

Maplecroft Report	Index	Definition of the Index	Element of the Supplier Code of Conduct Covered	NXP's Assigned Weight
Legal & Regulatory Environment Risk Atlas	Legal & Regulatory Environment Index	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 Index	Evaluates the vulnerability of human populations to extreme climate-related events and changes in major climate parameters over the next 30 years.	Environment	10%

Products & Services

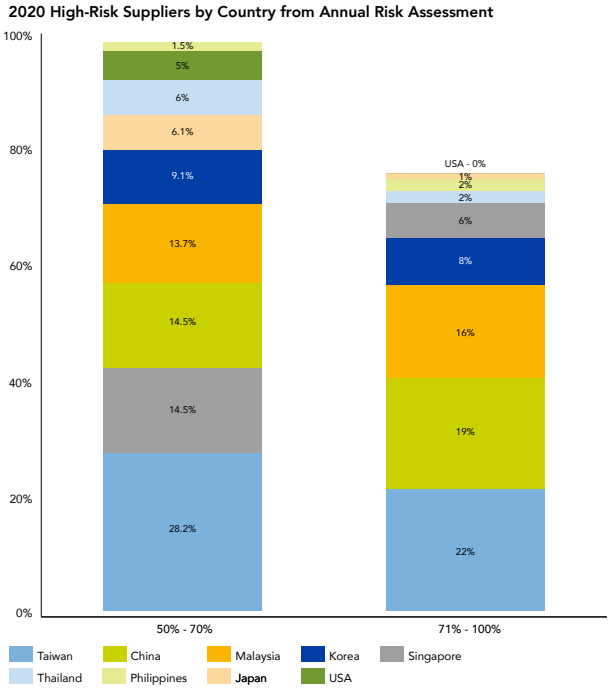
- External manufacturers pose the highest level of product risk exposure to NXP's customers.
- Direct and indirect suppliers who provide materials and services to NXP are the next highest risk.

Business Criticality

- Based on annual spend.
- Suppliers are divided into three categories (high, medium, and low), based on defined spend ranges.

INTEGRATE AND ACT
ASSESSMENTS

Once calculated, the total risk score is assigned a category: <49% (low risk), 50% to 70% (medium risk) and 71% to 100% (high risk). In the 2020 assessment, 131 suppliers scored above 49%, 76 suppliers scored above 70%, and 19 suppliers scored 100%. For those suppliers that scored greater than 70%, the top three countries were Taiwan, China, and Malaysia.



Supply-Chain Human-Rights Assessment During a Pandemic

We had our high-priority suppliers complete a pulse survey to obtain salient data on how the pandemic has affected their business and operations, and how workers' rights, health and safety, and well-being were being addressed. The information collected from the survey was related specifically to vulnerable foreign migrant workers who may have been affected by operational shutdowns. The survey also requested information on how workers' dormitories were being managed, to ensure continued health and safety and protection from the spread of the virus.

The results of the pulse survey provided NXP with a short list of suppliers to engage with using remote due-diligence assessments and audits.

Supply-Chain Human-Rights Assessment in China

Minority Uyghur forced-labor risks in the Xinjiang Uyghur Autonomous Region (XUAR).

In preparation for the pending Uyghur Forced Labor Prevention Act (H.R. 6210), which was approved in the US House of Representatives on September 22, 2020, NXP conducted a survey of 161 of our Asian-based suppliers, covering 86% of NXP's total procurement spend, to determine if any products, goods, or services supplied to NXP originate from the XUAR region. The response rate for the survey was 98%. At least five suppliers indicated they or their supply chains operate in the XUAR region. NXP is following up with all five to determine if this situation affects products that are being supplied to NXP.

INTEGRATE AND ACT
AUDITS

Audits

Monitoring compliance with the principles of corporate social responsibility through the performance of audits.

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

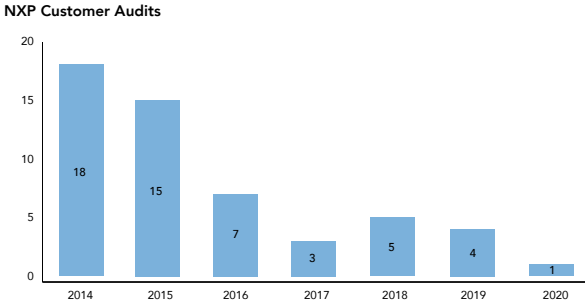
Nonconformances for internal and supplier audits are categorized into three categories.

Priority	Major	Minor
Confirmed evidence that human rights are being abused or unacceptable practices in accordance to the NXP Auditable Standards. 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. May also include a failure to implement an established process/procedure or a process/procedure that is ineffective or not suited to the operation.	A failure that, by itself, does not indicate a systemic problem with the management system for social responsibility. It is typically an isolated or random incident.

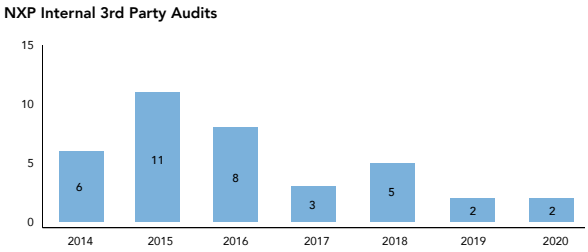
NXP Audits
Every two years, each manufacturing site undergoes either a third-party audit, conducted by Verité and auditing against the NXP Auditable Standards on Social Responsibility, or a Responsible Business Alliance (RBA) Validated Assessment Program (VAP), conducted by a designated audit firm and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

INTEGRATE AND ACT
AUDITS

When we were developing our Social Responsibility program, we engaged in a lot of customer audits. Now that the program has matured, and we have our own internal evidence and historical customer audit data to show that we are a low-risk supplier, fewer customer audits are conducted each year.



Similarly, the number of NXP internal third-party audits was higher when the Social Responsibility program began but has remained at a steady rate since 2017.



Supply Chain Audits
The COVID-19 pandemic severely impacted how we conduct our human-rights due diligence audits. Global lockdowns and border closures meant that supply-chain due-diligence audits and worker-engagement activities, such as worker interviews, had to be temporarily suspended. In 2020, throughout the pandemic, NXP implemented several alternative solutions and methodologies to continue active supplier engagement.

Remote Audit
We normally conduct onsite audits but, due to the COVID-19 pandemic, border closures, and limits on external visitors to supplier facilities, we worked with our third-party auditing firm, Verité, to develop a new procedure for remote audits.

Conducting a Remote Audit
Under normal circumstances, a typical onsite audit takes only two or three days to complete. Remote audits, however, are 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

- Validate Facility Information
- Remote Audit Process (Timeline and Expected Deliverables)
- Audit Scope
- Identification of Auditee Resource Persons
- Overview of Technical Requirements
- Overview of Document Review Process
- Confidentiality and Data Privacy Concerns

Technical Rehearsal

- Detailed Agenda
- Test Software and Hardware, Audio, Video Devices
- Align Video-Conferencing and File Sharing Platform
- Employee Roster

Audit Proper

- Opening Meeting
- Documents Review
- Management Interviews
- Worker Interviews
- Closing Meeting

INTEGRATE AND ACT
AUDITS

During the pre-assessment meeting, the audit team and the supplier hold videoconferences to validate collected information, agree on a timeline, discuss confidentiality, and address data-privacy concerns.

Technical rehearsals are used 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 any documents and data, such as employee personnel files and pay slips, that can't be shared in advance.

Follow-Ups and Corrective Action Plans
If the audit results in a nonconformance, the supplier must submit a corrective action plan that addresses both correction and prevention within a set period of time.

If there is a priority violation, the supplier is given the opportunity to improve performance, but the response to and resolution of the violation is non-negotiable. The supplier has seven days to submit a corrective action plan and 30 days to complete the plan. If there is immediate risk of life, the supplier has 24 hours to complete the corrective action. Unresolved priority violations can result in the withdrawal or termination of business.

Other nonconformances can be registered as either major or minor. The list of major and minor nonconformances is issued to the supplier within two weeks of the closing meeting. 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 the NXP team every 30 days.

Effectiveness 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. They are not suited for long-term replacement of onsite audits. Remote audits are limited in scope, focusing primarily on labor, human rights, and ethics. They leave out the assessment of environment, health and safety issues, since extensive facility inspections aren't feasible.

Certain documents cannot be shared in advance, and screen sharing makes it difficult to review data and records effectively. Interviews conducted remotely is more difficult to keep people engaged, ask follow-up questions, and observe body language and facial expressions.

Moving forward, 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.

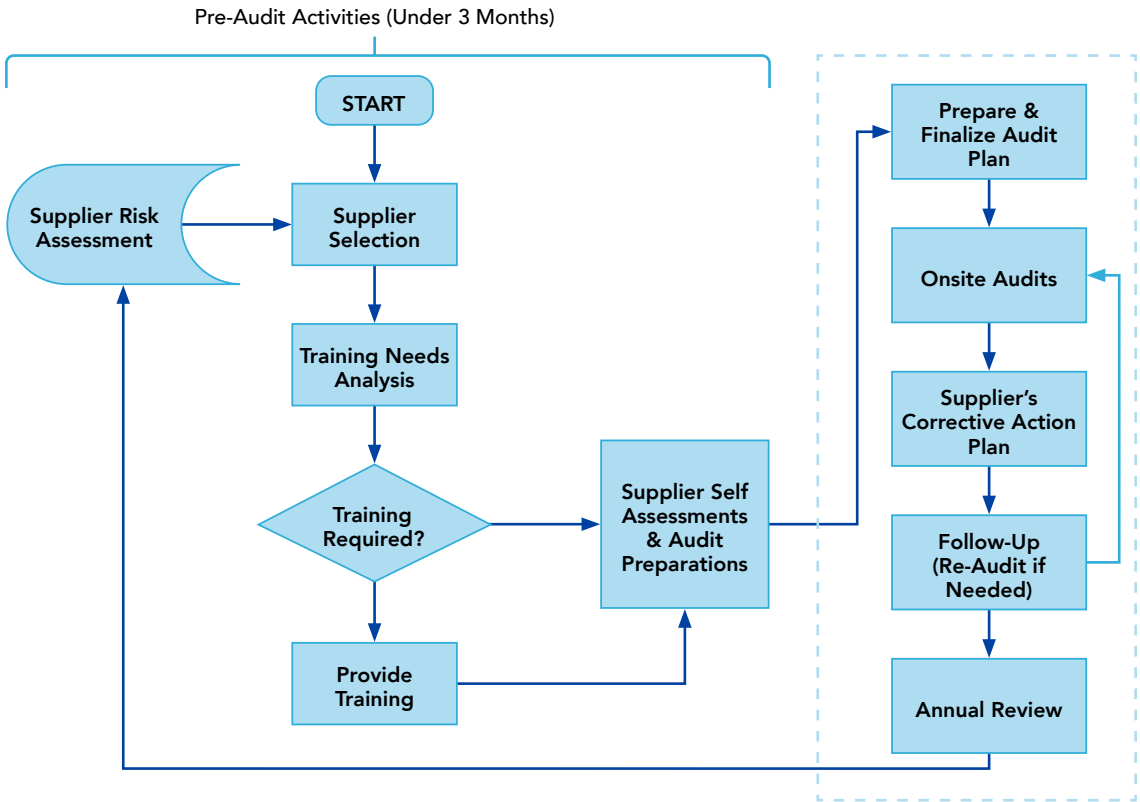
INTEGRATE AND ACT
AUDITS

Onsite Audits
NXP's Social Responsibility audit 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. The Auditable Standards apply to all NXP suppliers, contractors, onsite service providers, labor agents, and external manufacturers.

Audits of our suppliers can be announced or unannounced and are conducted by an approved third-party audit firm and accompanied, at a minimum, by an NXP-certified Responsible Business Alliance (RBA) Lead Auditor. It is NXP's principle to understand the issues that arise during an audit, verify that the audit is conducted per the NXP Auditable Standards, and provide consultation after the audit, if the supplier has challenges.

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. 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.

Onsite Social Responsibility Audit Process Flow



INTEGRATE AND ACT
AUDITS

Supplier Risk Assessment
The process starts with an annual NXP Supplier Risk Assessment to evaluate which suppliers are a high priority for NXP auditing.

Training
Once a supplier is selected for an audit, NXP consults, trains, and offers advice with selected suppliers if needed.

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

Onsite Audit
The onsite audit is led by a team of auditors from a third-party audit firm qualified by NXP and accompanied by an NXP RBA-trained auditor. Depending on the size and complexity of the supplier's operations, a typical audit requires two or three full days. 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. The audits are not intended to pass or fail a supplier, but rather to guide the supplier in a collaborative approach.

Supplier Corrective Action Plan
Onsite audits use the same classifications as remote audits for corrective action plans: priority violation, major nonconformance, and minor nonconformance.

Resolution of priority violations is non-negotiable. Major and minor nonconformances must also be approved by NXP. Corrective actions must be fully closed within 90 days unless otherwise negotiated and approved.

Follow-Up
NXP may conduct verification audits to assess whether a supplier has fully addressed all corrective and preventive actions. These audits are scheduled after corrective actions are submitted by the supplier 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 in the coming year. A re-audit is required based on the severity of audit results.

This video has more about our Social Responsibility Audit.

INTEGRATE AND ACT
CAPACITY BUILDING AND TRAINING

Capacity Building and Training

Strengthening Awareness and Our Commitment
Everyday decisions can have a negative impact on human rights, and that means every employee at NXP or in our supply chain has a role to play in ensuring we maintain a positive impact. We understand the importance of employee awareness and use capacity building and training to help identify issues early and find better ways to drive changes in practice and culture.

We 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 our expectations.

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

The purpose of our detailed capacity-building program is to make sure our factories can recognize the signs of modern slavery and intervene and respond in the early stages. We educate and train so that our employees are aware of labor and human-rights issues, with an increased focus for employees whose job functions include purchasing to be sure they comply with applicable laws and standards in the locations in which we operate, including prohibitions regarding slavery and human trafficking.

Since 2013, NXP has trained over 1,000 key employees on labor and human-rights topics. As of 2020, NXP had 120 employees certified as RBA-VAP lead auditors. The RBA-VAP (Validated Audit Process) is the RBA standard for onsite compliance verification. 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 successfully conducting 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 sites.

Training for human-rights capacity building addresses four groups.

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

The capacity-building program is updated whenever there is a revision to the Auditable Standards. The Auditable Standards are reviewed on an annual basis to determine the need for a revision based on changes in the regulatory landscape, in industry best practices, or in customer requirements and expectations. In 2018, the Auditable Standards were revised to include clarification on the provisions for nursing mothers and to align with the verbiage of the RBA Code of Conduct 6.0. No changes were made in 2020.

INTEGRATE AND ACT
CAPACITY BUILDING AND TRAINING

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

Supply Chain
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. We train our suppliers so they know what to expect when NXP conducts audits.

To address the nonconformances from our supplier audits, NXP conducts consultation sessions with our auditees and holds 30-, 60-, and 90-day follow-up meetings to discuss their 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. This work takes the form of collaboration and development.

Training focuses on our suppliers and their onsite service providers and is conducted by the NXP Social Responsibility team. The training is the full requirement of the NXP Supplier Code of Conduct, with special attention paid to Labor and Human Rights. NXP also provides guidance, consultation and best practices to suppliers on 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 supplier's corrective action plan closure timeline, or whenever a supplier requests training.

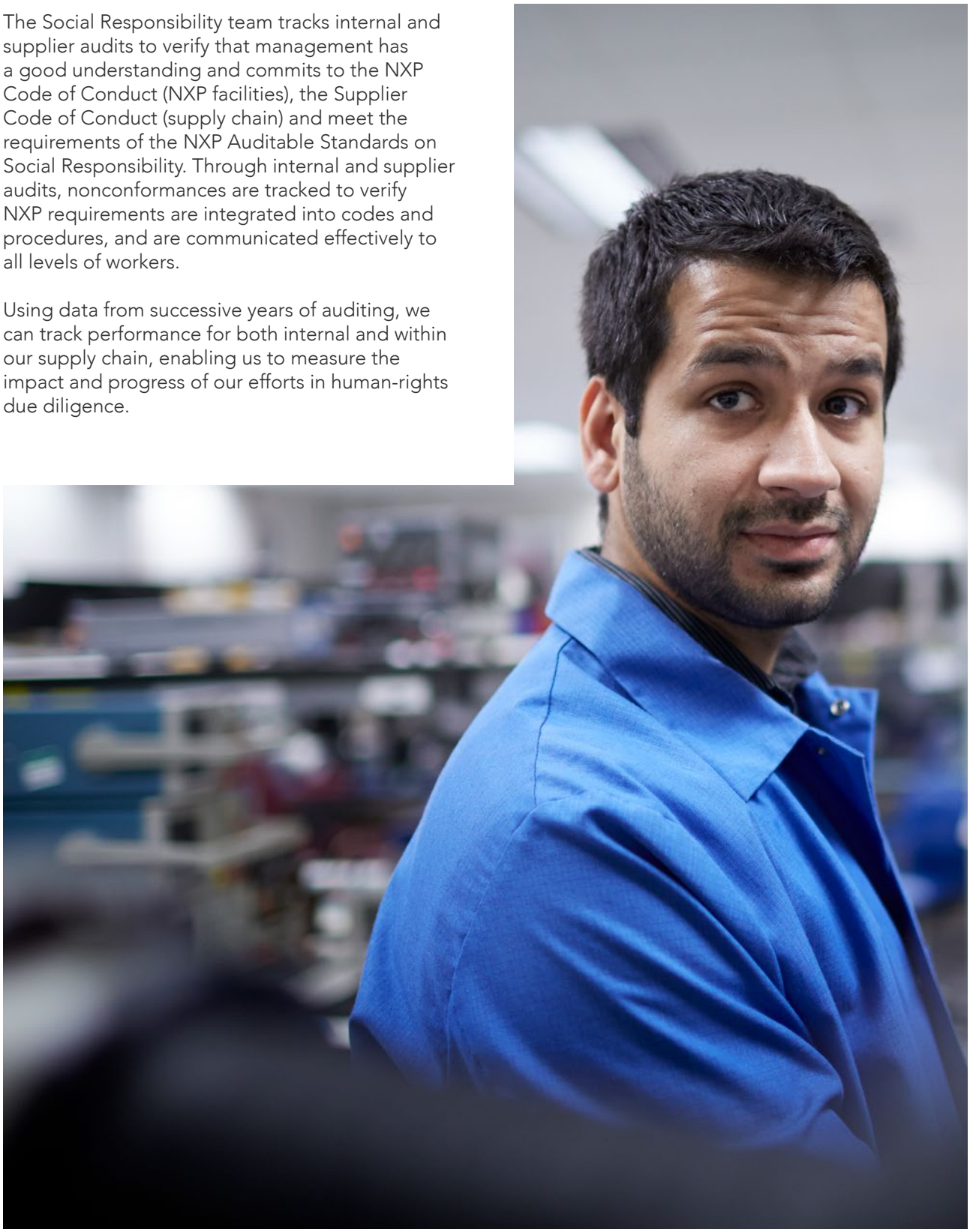
CATEGORIES
- NXP Results
- Supply-Chain Results

TRACK

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 and commits to the NXP Code of Conduct (NXP facilities), the Supplier Code of Conduct (supply chain) and meet the requirements of the NXP Auditable Standards on Social Responsibility. Through internal and supplier audits, nonconformances are tracked to verify NXP requirements are integrated into codes and procedures, and are communicated effectively to all levels of workers.

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



TRACK
NXP RESULTS

NXP

Our goals for 2020 were mostly met. Customer audits and internal audits were limited due to the COVID-19 pandemic, but the three audits conducted (one customer and two internal audits) produced no priority violations and all major and minor findings have been successfully closed. Our self-assessment scores for all sites were above 90%, meeting our goal.

The goal of working hours below 60 hours was met by three of our four assembly and test sites. Three employees at our Malaysian facility recorded more than 60 hours per week over the course of two weeks. Our Malaysia site encountered a labor shortage because the Malaysian government tightened the rules for hiring foreign migrant workers. The government set a quota for the number of foreign migrant workers that could be hired, and prohibited the hiring of outsourced foreign migrant workers.

NXP Social Responsibility Goals

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

2020 Results

The one RBA Validated Assessment Program (VAP) verification audit conducted in 2020, prior to the COVID-19 pandemic, confirmed that all nonconformances were successfully closed.	Due to the COVID-19 pandemic, we only conducted two internal audits in 2020. Both audits received a score above 95%.	All NXP sites achieved self-assessment scores above 90%.	At one site, the 60-hour working limit was exceeded for three workers over the course of two weeks.

TRACK
SUPPLY CHAIN RESULTS

Supply Chain

Our supplier goals for 2020 were mostly met.

Only 98.7% of our key suppliers signed the Supplier Code of Conduct statement of conformity, a decrease from our 2019 completion rate. Managers from the Purchasing team are actively involved and are helping the Social Responsibility team to address supplier concerns.

Supplier audits were limited due to the COVID-19 pandemic. We completed two onsite audits and two remote audits. All four audits were with suppliers who have not previously participated in a Social Responsibility audit. Their scores yielded relatively low scores with five core violations.

We achieved our highest-ever closure rate for supplier-audit corrective actions, with a 97% closure rate.

All certified smelters were once again 100% conflict free.

Supplier Social Responsibility Goals

100%
of key suppliers sign NXP Supplier CoC statement of conformity

Annual risk assessment and audit identified high-priority suppliers

>80%
audit closure rate for corrective-action plans

100%
certified mineral smelters

2020 Results

98.7%
key suppliers signed the statement of conformity

Completed annual risk assessment

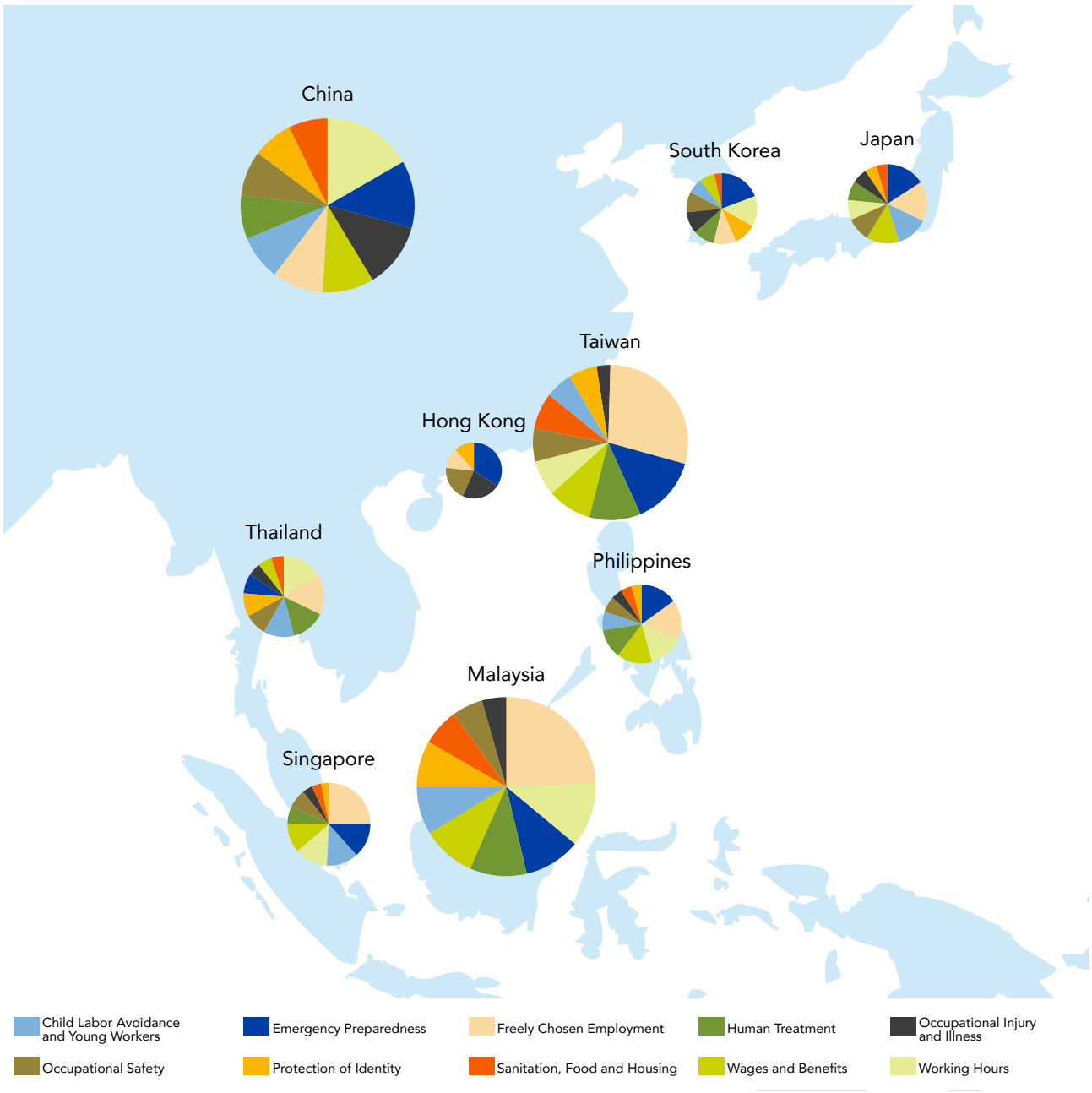
Due to the COVID-19 pandemic, we completed only two onsite and two remote audits

97%
closure rate

100%
certified mineral smelters

TRACK
SUPPLY CHAIN RESULTS

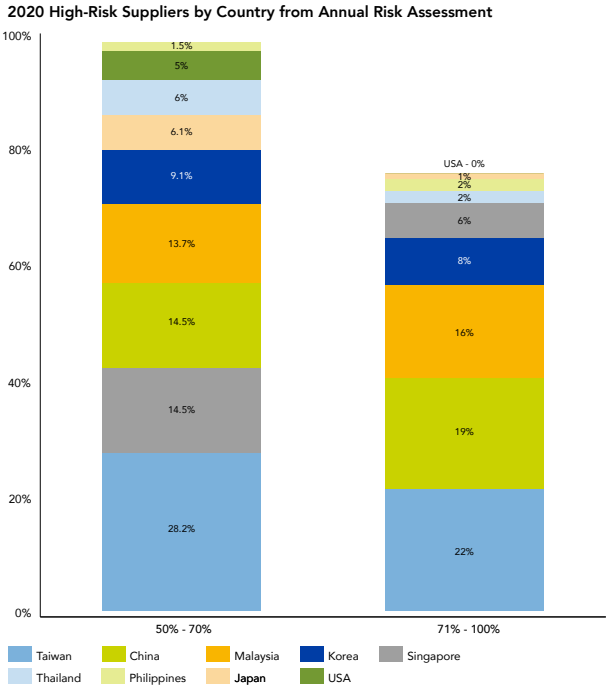
Since 2013, NXP has conducted social-responsibility audits in our supply chain since 2013. Each year's data is integrated into our assessments and helps us fine-tune our due-diligence process by highlighting salient human-rights risks per country. Each country has a Top 10 category associated with it 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.



TRACK
SUPPLY CHAIN RESULTS

Step One - Identify High-Risk Suppliers

We annually conduct a supplier risk assessment to determine our audit schedule for high-risk suppliers. Risk is assigned according to three scoring categories: <49% (low risk), 50% to 70% (medium risk) and 71% to 100% (high risk). In the 2020 assessment, 131 suppliers scored above 49%, 76 suppliers scored above 70%, and 19 suppliers scored 100%. For those suppliers that scored greater than 70%, the top three countries were Taiwan, China, and Malaysia.

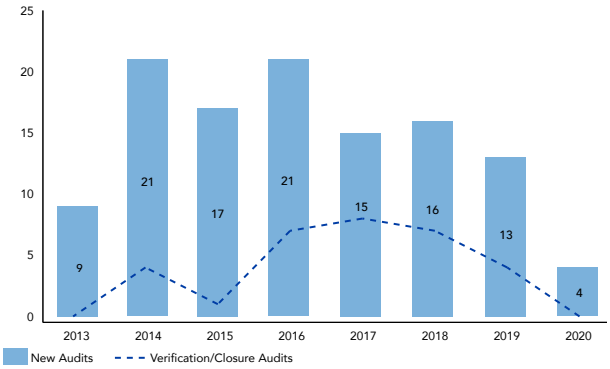


TRACK
SUPPLY CHAIN RESULTS

Step Two - Conduct a Supplier Audit

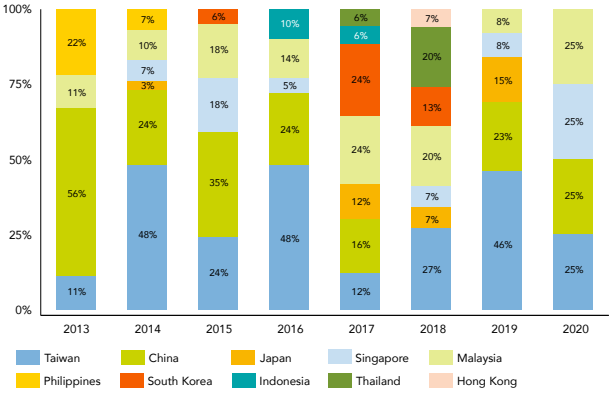
We began our Supplier Audit program in 2013 and have since audited 147 suppliers. Verification audits began in 2014. In 2020, we conducted two announced onsite audits and two remote audits for new suppliers. We conducted no verification audits in 2020.

New Supplier Audits & Verification Audits



The four audits were located in Taiwan, Malaysia, China, and Singapore.

Supplier Audits by Country



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 2020, 104 random worker interviews were conducted, covering a 25% male and 75% female population with varying lengths of service and age range.

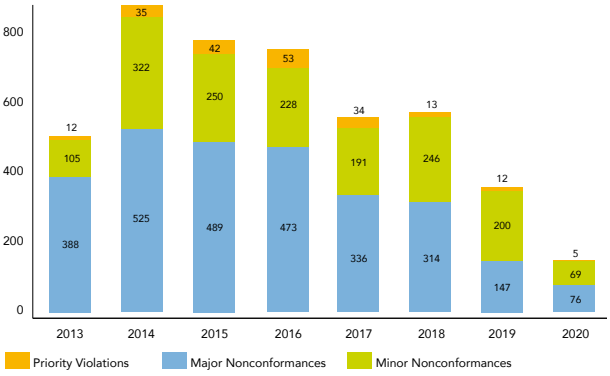
TRACK
SUPPLY CHAIN RESULTS

Step Three - Analyze Results of Supplier Audit

COVID-19 impacted our ability to conduct supplier audits, so we were limited to only four. While the number of nonconformances decreased compared to previous years, the total number of audits impacted the total number of nonconformances. In addition, two audits were conducted remotely, and this changed the scope to cover only labor and human rights, ethics and management systems. This contributed to the lower number of nonconformances.

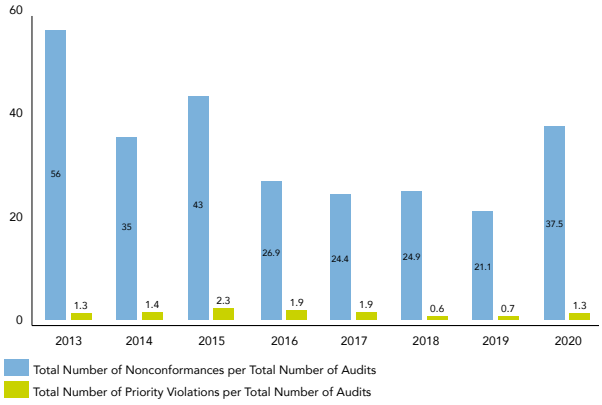
In 2020, we only audited suppliers who had not been previously audited to a social-responsibility standard. We will continue to work with our suppliers as they implement our standards into their business practices and management systems.

Number of Nonconformances by Rating



While the number of nonconformances decreased compared to previous years, the number of audits conducted impacted the average nonconformances per audit. We saw an increase in 2020 compared to 2019, for both the number of nonconformances per number of audits and the number of priority violations per number of audits.

Number of Nonconformances per Number of Audits

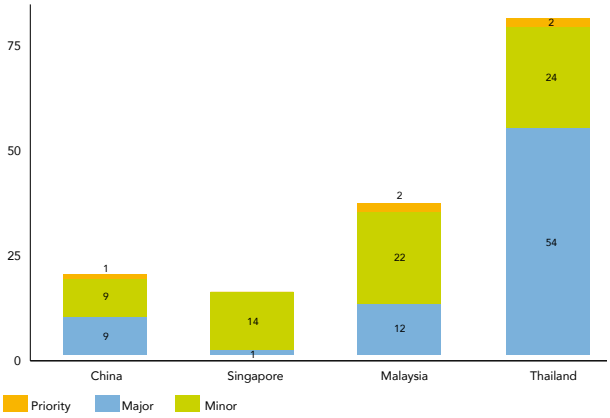


TRACK
SUPPLY CHAIN RESULTS

Identifying the total number of nonconformances per country each year helps determine country risks, makes it easier for the team to complete the annual supplier risk assessment, and helps prioritize the next year's audit planning.

One supplier, located in Thailand, underwent their first social responsibility onsite audit, which revealed many nonconformances. This supplier has closed all nonconformances. We will conduct an onsite verification audit to confirm complete closure of identified nonconformances.

2020 Nonconformances by Country

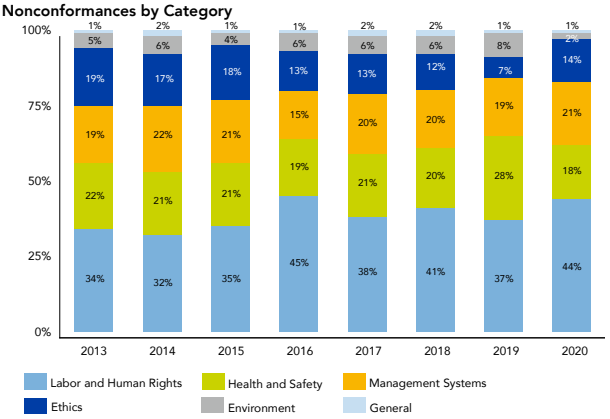


Nonconformances by Category

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

Two of the four audits conducted in 2020 were remote audits that evaluated only labor and human rights, ethics, and management systems. Even though the two remote audits did not evaluate all five categories, we were still able to identify a year-on-year trend that both labor and human rights and health and safety are a reoccurring category.

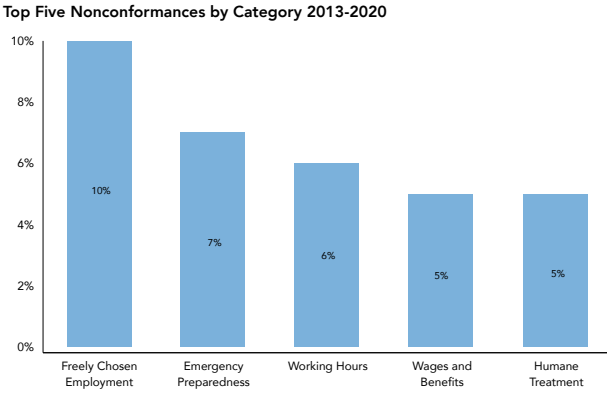
Nonconformances by Category



TRACK
SUPPLY CHAIN RESULTS

Breaking down the top five nonconformances by category, from more than 4,500 findings, allows us to target specific topics. Freely chosen employment is the most frequently reoccurring nonconformance.

While the top five nonconformances are an indicator for NXP to improve on within our supply chain, it is also valuable to know the category of each priority violation.



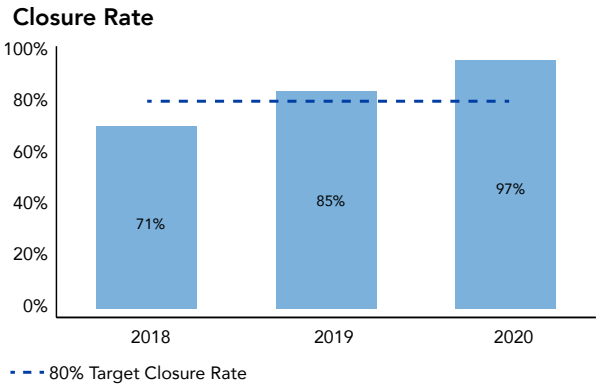
The four audits conducted in 2020 revealed five priority violations but did not show a reoccurring theme.

Priority Violations by Category	2020
Accurate Employment Contract	1
Day of Rest	1
Working Hours	1
Non-Discrimination	1
Occupational Safety	1

Audit Closure Rate

We provide suppliers with opportunities to rectify problems and implement a corrective action plan. In 2018, we set a goal to close 80% of our supplier nonconformances within a 90-day timeframe. We chose this key performance indicator as a baseline threshold since we understand that some corrective actions, such as monetary investments, typically require more than 90 days to complete.

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 2020 was 97%, compared to 71% in 2018. Because COVID-19 limited our ability to conduct audits in 2020, the team focused on helping our suppliers close their corrective action plans, resulting in a higher closure rate.



CATEGORIES
- Grievance Mechanism and Access to Remedy

COMMUNICATE

To communicate how impacts are addressed (Guiding Principle 21), we use a variety of communication 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 employee, as well as any supplier, supplier employee, 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

Our communications can take the form of 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 employees have access to global policies, local policies, codes of conduct, and standards, either on our external website, on the internal intranet site, in the employee handbook, or at annual briefings.

Both our external and internal websites have copies of the codes of conduct in multiple languages, 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 website. We also report any occurrences of forced labor discovered in our supply chain. We disclose the number of priority, major, and minor violations, and also specify the type, country, and corrective-action closure rate.

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

Supply Chain

Supplier communications take the form of trainings, consultations, collaboration, and discussion during our audits. 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 Supplier Code of Conduct, which states that our business partners 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 also require them to audit and monitor their upstream suppliers.

COMMUNICATE
GRIEVANCE MECHANISM

Grievance Mechanism and Access to Remedy

Our commitment to promote a culture of integrity means we encourage everyone to voice concerns and to 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.

NXP
We make use of communication programs to ensure that every employee 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, or email.

Open-Door Management Policies

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

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

COMMUNICATE
GRIEVANCE MECHANISM

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

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

Our policy on non-retaliation is included in our Code, our Supplier Code of Conduct and our Auditable Standards. 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 as a result of registering a complaint, we encourage immediate contact and provide the specific details of what has occurred. If there is evidence of retaliation, we will take action to remedy the situation. Retaliation can take many forms (loss of job, demotion, involuntary transfer, harassment, intimidation).

NXP in Action

In 2020, we received a call, from three foreign migrant workers who worked for our cafeteria service provider in Malaysia, stating that they had lost their jobs, were stranded in Malaysia, and were running out of food while waiting to go home. We worked with a local Malaysia Civil Society Organization to provide these workers with assistance and food. The workers have since returned to their home countries. The NXP Malaysia team conducted an internal investigation with the cafeteria service provider to verify that they comply with NXP requirements for managing foreign migrant workers and ensure worker well-being during the pandemic.

Management and Resolution of Grievance Investigations

Ethics Committee
The NXP Ethics Committee reviews grievances and oversees investigations into alleged violations of the Code of Conduct. The Ethics Committee includes senior leaders from Legal, Internal Audit, Human Resources, and Sustainability from the Americas, Europe, and Asia-Pacific regions. The Ethics Committee meets bi-weekly to discuss all reports received and to monitor the progress of ongoing investigations.

Allegations Approach
The general approach to all complaints includes an initial assessment of the grievance, the appointment of an investigation team with the right expertise and skill set to gather all relevant evidence, and an in-depth investigation to define appropriate remedial action(s) in the quickest possible timeframe. While it's difficult to set a fixed timetable for resolution, since complaints vary in scale and complexity, most can be dealt with in under two months.

Based on the findings of the investigation, a decision is made about whether the grievance is substantiated. If the grievance is substantiated, we take appropriate follow-up actions. These actions can include education, organizational changes, counseling, reprimands, suspension, and/or termination, depending on the nature and severity of the finding and the party's willingness and ability to rectify the issue.

Management
The NXP Ethics Committee reports quarterly to the General Counsel, Chief Financial Officer, Chief Human Resources Officer, and the Audit Committee of the Board of Directors about the number, types and details of key investigations that are either in progress or completed.

LOOKING FORWARD

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To be a steward of excellence in social responsibility within our industry and supply chain, we must continue to push harder for human rights. This not only protects and respects workers but demonstrates our commitment to being a truly ethical and respectful company. It is the right thing to do.

Looking forward, we will make a positive impact if we increase our engagements, introduce more interactive tools for accountability, and diligently listen to worker voices.

The actions listed below describe what we want to focus on in the next few years.

Collaboration

Experts

Work with expert organizations, NGOs, CSOs, academia.

Customers

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

Industry

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

Integration

Governance

More frequently integrate labor and human-rights risks through the Environment, Social and Governance (ESG) Management Board, which reports to the Nominating and Governance Committee of NXP's Board of Directors.

Worker Voice

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

Codes and Standards

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

Supply Chain Engagement

Supplier Data Management System

Create a supply-chain portal to enhance engagement and communication with suppliers and manage our supply-chain requirements and metrics.

Training

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

Audit

Continue to audit our suppliers with the goal to decrease the number of audit non-conformances and, more importantly, the number of priority violations.

Going Beyond an Audit

Design a model to assess mature suppliers for their human-rights programs.

New Supplier Assessments and Audits

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

CONCLUSION

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As a company in the fast-moving and evolving technology space, NXP operates in a business value chain that involves managing thousands of employees globally as well as a vast and complex supply chain. It is our continued focus on a collaborative and consultative approach to address labor and human-rights challenges across our supply chain. Our human-rights due diligence efforts in our facilities and our supply chain are aimed at driving continuous improvement, at making the workplace safe and fair, and at ensuring the workforce is treated with respect and dignity. We focus on improvement as a corporate strategy when addressing labor and human rights.

We will continue driving transparency, collaborative leadership, and innovation, as well as worker and supplier empowerment, in our efforts to drive sustainability, resilience, and diversity in our supply chain.

This 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.

If you would like more information, please email NXP's Sustainability team at csr@nxp.com.

Eric-Paul Schat

Senior Director of Sustainability and Environment, Health and Safety

NXP Semiconductors

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. We are a full member of the RBA and, as a signatory of the UN Global Compact, publicly report our Communication on Progress.