# 2018

# NXP MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

SUSTAINABILITY

ENGAGE • PROTECT • RESPECT

NXP

# FOREWORD BY RICK CLEMMER

At NXP, we care deeply about the people who build our products. So, we hold ourselves and our suppliers to strict standards regarding human rights.

We seek to understand and mitigate social and environmental risks within NXP, the communities we operate in and with our suppliers and our extended supply chain. Foremost in this process, is a focus to respect and protect human rights.

We are committed to continuously improving our own human rights strategies, maintaining the highest ethical standards, and being transparent about our performance. Our policies and practices are aligned with the UN Guiding Principles on Business and Human Rights, and our goal is to make a difference in our communities, our operations and our supply chain.

We are proud to share some of our efforts and initiatives through this report, and we look forward to continued dialogue and feedback from our partners and other stakeholders as our work on this important initiative continues.

**Rick Clemmer**
CEO NXP Semiconductors

NXP Semiconductors N.V. enables secure connections for a smarter world, advancing solutions that make lives easier, better, and safer. As the world leader in secure connectivity solutions for embedded applications, NXP is driving innovation in the automotive, industrial & IoT, mobile, and communication infrastructure markets. Built on more than 60 years of combined experience and expertise, the company has approximately 30,000 employees in more than 30 countries and posted revenue of $9.41 billion in 2018.
Find out more at www.nxp.com

## COMMITMENT

NXP is deeply committed to our employees, to the communities in which we live and work and continuous collaboration with our supply chain to advance towards the eradication of modern slavery and any form of human trafficking. We are dedicated to ensuring our products are obtained, produced and used in a socially responsible manner. We will continue to work with partners and individuals to support and strengthen responsible human rights opportunities and provide transparency of our progress and results.

## INTRODUCTION

Our Social Responsibility program is built around the recognition that everything we do must reflect the highest possible standards of ethical business conduct and respecting human rights as expressed in our NXP Code of Conduct, approved by the board of directors.

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

NXP publishes an auditable standards document, approved by the social responsibility board, that incorporates key elements of the NXP Code of Conduct and the Supplier Code of Conduct which provides specific details on how to comply with the Codes of Conduct requirements.

This report first describes how NXP addresses labor and human rights in our own factories and second in our supply chain.

## OUR APPROACH

In this modern slavery and human trafficking statement we address NXP's:

# 1.0 HUMAN RIGHTS POLICY

In 2016, the International Labor Organization reports that an estimated 40.3 million people are victims of some form of [modern slavery](). Our commitment to eradicate modern slavery and human trafficking is reflected in our policy.

NXP prohibits the use of forced labor, including bonded, indentured labor or involuntary prison labor, human trafficking and child labor. Both the NXP Code of Conduct and the NXP Supplier Code of Conduct contain specific requirements covering modern slavery as well as worker health and safety, the environment, business ethics, and the management of internal systems and controls to ensure effective compliance.

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

As a responsible corporate citizen, we seek to ensure that ethical standards are maintained throughout our supply chain. NXP suppliers must respect human rights, including maintaining policies and procedures to prevent modern slavery and human trafficking.

NXP's Labor and Human Rights policy is developed and reviewed with external stakeholders and reflects our senior management team of their commitment.

To ensure compliance with the NXP Code of Conduct and NXP Supplier Code of Conduct, NXP has adopted the following requirements that must be adhered to internally and within our supply chain:

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

## NO WITHHOLDING OF GOVERNMENT ISSUED DOCUMENTS

NXP, suppliers or labor agents acting on behalf of NXP must not withhold government issued documents, travel/residency permits or personal documents unless required by law. If housing is provided, then personal, lockable storage facilities are provided for the safekeeping of such documents.

## CONTRACTS

Contracts must be written in a language understood by the worker and be provided prior to departure or hiring and must clearly outline the working conditions, including nature of work, wages, benefits, and duration of the contract. No substitutions or changes are allowed in the employment agreement upon arrival in the country of employment 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 outside working hours. Workers are guaranteed unrestricted access to toilets and drinking water.

## CHILD LABOR

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

## WORKING HOURS AND REST DAYS

A work week must not be more than 60 hours per week, or the maximum set by local law, whichever is stricter, except in emergency or unusual situations. All overtime is voluntary. Workers must be allowed at least one day off after six consecutive days of work. Workers are allowed legally mandated breaks, holidays, and vacation days to which they are legally entitled.

## COMPENSATION

Compensation practices must comply with all applicable wage laws, including those relating to minimum wages, overtime hours, and legally mandated benefits. Workers must be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure are not permitted. Workers must be offered vacation time, leave periods, and holidays consistent with applicable laws and regulations. Wages must be paid in a timely manner in which there is no delay in accordance to local legal requirements and contractual agreement.

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

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

## HUMANE TREATMENT

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

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

## NON-DISCRIMINATION

Workers must be free of harassment and unlawful discrimination. Employers must not engage in 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.

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 and other worker organizations.

## 2.0 GOVERNANCE

Sustainability is the responsibility of the CEO and the NXP management team. Labor and human rights initiatives and policies reside in the sustainability organization. NXP has a social responsibility board, chaired by the Chief Human Resource Officer and has executive members representing legal, operations, sales, marketing and business groups. The social responsibility board establishes strategy and sets targets, while the social responsibility team, under the direction of Senior Director of Sustainability and EHS, performs operational functions. The social responsibility board meets twice a year to discuss and review the social responsibility program and provide resources to maintain and progress, the continued relevance of NXP's social responsibility standards, supplier code of conduct as well as NXP and our suppliers' performance related to labor and human rights. Each month key performance indicators are reported to the Sustainability office. Any issues of non-conformance are handled by the social responsibility team and, if needed, issues are escalated to the social responsibility board.

The social responsibility team is tasked to:
- Establish and maintain policies and standards that are fully aligned or more stringent than regulatory, industry groups or customer requirements.

- Ensure compliance of all NXP manufacturing facilities to the policies and standards by conducting regular training, self-assessments and audits.

- Ensure compliance of NXP policies and procedures within the supply chain to drive performance against targets.

- Conduct supply chain risk assessment in collaboration with the NXP purchasing group to determine high priority suppliers that may be required to undergo NXP audits.

- Conduct supplier audits and provide training and consultation to align with NXP requirements.

- Manage and track corrective action plans of suppliers to ensure that gaps found in supplier audits are fully addressed and closed successfully.

- Work and collaborate with external stakeholders, i.e., industry associations, customers, NGOs, government agencies, etc., to work on progressing important social responsibility issues such as modern slavery and human trafficking.

Below are the objectives divided into NXP operations and our supply chain.

| NXP Operations | Supply Chain |
|---|---|
| Set internal targets | Set supplier targets |
| Annual self-assessment | Supplier commitment to the Supplier CoC |
| 3rd party certified audits | Annual supplier risk assessment |
| Timely closure of Corrective Action Plans | Supplier self-assessment |
| Internal Training | 3rd party high priority supplier audits |
| Monitor and control working hours and rest days | Timely closure of corrective action plans |
| Monitor and control labor agents | Supplier training |

Each facility has a site steering committee that oversees the labor and human rights program and is tasked to implement, measure, and validate the policies and drive for continuous improvement. The steering committee reports progress to the site management and the social responsibility teams.

## 3.0 HUMAN RIGHTS SALIENT ASSESSMENT

Identifying salient human rights issues are critical as we seek to understand how harm to people might be associated with our business and business relationships. We involve all relevant functions and businesses across NXP and engage with external stakeholders to identify practices that may lead to a greater risk of non-compliance with our labor and human rights policies.

The issues that we have determined to be most critical, specifically related to labor and human rights within NXP and in our supply chain, are: the no fees policy, retention of personal documentation, contracts, child labor, working hours/rest days and compensation.

## 4.0 STAKEHOLDER ENGAGEMENT, COLLABORATIONS AND MEMBERSHIPS

Consistent and open communication with a diverse range of stakeholders leads to continuous improvement as we work to bring respect for human rights across our operations and supply chain. Our policies and programs are only as strong as the engagement with the people and communities where we operate. Our approach to stakeholder engagement is a continuous dialogue that enables us to identify and address potential issues proactively and collaboratively. Through the various platforms that NXP is involved in, stakeholder input may trigger changes to our standards and procedures as well as focus areas within our assessments and audits. This helps NXP to review and, where needed, enhance our policy commitments and practices to reflect evolving expectations and remain accountable to our stakeholders.

We collectively engage with stakeholders that have the necessary insight to accomplish our strategy, objectives and goals. Some of NXP's goals are in alignment with other stakeholders, however we do capture and report additional goals that are unique to the NXP social responsibility team. We select our stakeholders based on positive impact that they can have in addressing labor and human rights issues. For example, by aligning with the Responsible Business Alliance Code of Conduct, NXP submits evidence that our goals align with the code and reports on our progress bi-annually.

In 2018, NXP was elected to the RBA board of directors and took leadership positions in the Responsible Minerals Initiative and the Responsible Labor Initiative. Our engagements and collaborations go beyond the electronics industry. In 2018, NXP was an observer of the Global Business Initiative (GBI) and became a member in January of 2019.

In 2018, NXP representatives actively participated as speakers in modern slavery and human rights conferences and forums. NXP representatives presented at the United Nations Forum on Business and Human Rights on the topic of Human Rights Due Diligence across Value Chains, the OEC/EPRM in Paris, the Modern Slavery Convention in London, the Consumer Good Forum on Ethical Recruitment in Singapore and the RBA Outreach Meeting in Seoul.

In 2017, NXP became a signatory to the United Nations Global Compact. The UN Global Compact is an initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labor, the environment and anti-corruption. NXP is now part of a global network from which we can learn and to whom we can offer ideas and scalable solutions to society's challenges. NXP's Communication on Progress is updated annually.

NXP became a member of the Responsible Business Alliance (RBA) in 2014. In 2017, NXP became a full member and in 2018 was elected to the RBA Board of Directors. We believe that the collaborative efforts and shared tools and practices that membership in the RBA provides is an efficient way for NXP to make progress towards social responsibility.

NXP is a member of the Responsible Labor Initiative (RLI) and was on the Steering Committee of the RLI. NXP is actively engaged in all work groups and work diligently to align our due diligence practices across multiple industries to better address the root causes of labor and human rights. NXP works with other member companies to develop and implement responsible recruitment requirements and tools for multi-sectorial supply chain.

NXP is a member of the Responsible Mineral Initiative (RMI) and in 2018 was on the Member Steering Committee. NXP regularly collaborates with other complementary programs and initiatives in the conflict mineral area. The RMI provides tools and resources to make sourcing decisions that improve our due diligence for responsible sourcing. NXP helped develop policies and tools to cover new EU legislation, cobalt due diligence and engage with smelters to remain or become certified.

NXP is a member of the Global Business Initiative (GBI) to work with a committed group of multinational corporations with operations in diverse industries and regions. GBI provides peer learning with other business, governments and civil society to strengthen our business practices for human rights that is aligned to the UN Guiding Principles. NXP has been working collectively to make a positive impact through standards, policy and practices to address governance gaps and greater insight into emerging trends and issues.

In 2016, NXP joined the European Partnership for Responsible Minerals (EPRM) as a strategic partner. The EPRM is a multi-stakeholder partnership in which governments, NGOs, and private sector work together, aiming to increase the demand for responsibly sourced minerals from conflict-affected and high-risk areas. The EPRM serves as a knowledge platform where organizations can share knowledge on due diligence and support activities to improve human rights and the working conditions in the mining areas. NXP provides knowledge on supply chain due diligence on responsible mineral sourcing and actively participates in EPRM projects to support artisanal and small-scale mines on their journey to become responsible supply chain actors with access to global markets.

NXP is a member of the Global Business Coalition against Human Trafficking (GBCAT). GBCAT is a global coalition of corporations committed to eradicating trafficking in supply chains, including forced labor and all sex trafficking, notably child prostitution. GBCAT is a thought leaders' forum for developing and sharing best practices in addressing the vulnerability of businesses to human trafficking in their operations. GBCAT companies work together across different sectors and regions, each playing their own part, suited to their sector and comparative competencies.

Verité is an international NGO that conducts assessments, training, consulting, and research to ensure safe, fair, and legal working conditions in over 70 countries. Verité takes aim at serious problems: child labor, slavery, systemic discrimination against women, dangerous working conditions, and unpaid work. Verité is recognized as a leader in the field of corporate social responsibility, and NXP engages with Verité to ensure our program is best-in-class and to establish a benchmark within the electronics industry.

WPOConnect is a platform where two-way communication between workers and management directly through their mobile phones. Communication through this platform is conducted anonymously. NXP engaged with WPOConnect at our Kuala Lumpur location to gain information about our workforce and improve worker voice opportunities.

# 5.0 NXP'S ADVANCEMENT TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The 17 UN Sustainable Development Goals (SDGs) promote sustained and inclusive economic growth, social development and environmental protection in the interest of creating a world that is just, equitable and inclusive. NXP supports the UN SDG's with our existing programs and technology that contribute to the SDG goals with our products, operations and engagement. Our social responsibility program focuses on ensuring healthy lives, achieving dignity, prosperity and justice for all people. NXP's social responsibility efforts internally and with our supply chain support 2 of the SDG goals in relation to modern slavery.

Goal 3 *Good Health and Well-Being*, is done through our self-assessments and audits to ensure that the working conditions are safe and the well-being of the workers are managed according to our standards. NXP contributes to Goal 8 *Decent Work and Economic Growth* as we aggressively protect labor rights for all workers within our operations and supply chain, including migrant workers.

# 6.0 GOALS

## 6.1 NXP Operational Goals

Our goal is to have no priority or major findings from our own internal third-party or customer audits. NXP's RBA (Responsible Business Alliance) self-assessment scores are to be above 90% for all manufacturing sites. Audit scores for our manufacturing sites are to achieve >95%. Working hours must be below the maximum 60 hours per week requirement and one rest day is granted for each six days worked.

Looking forward, the goal is to maintain the highest standards as they develop over time. This means as standards become more stringent and difficult, NXP must still achieve high self-assessment and audit scores. NXP must anticipate changing societal expectations and set actionable targets all while being transparent to add value for our stakeholders. We strive to add to a responsible and sustainable society by active collaboration in global social responsibility initiatives.

## 6.2 Supplier Goals

Our goal is to have 100% of our key suppliers sign our statement of conformity to the NXP Supplier Code of Conduct, to conduct annual risk assessments across the supply chain annually and audit our key suppliers that are identified as high priority using a third-party audit firm. All corrective actions identified in the supplier audit must be closed at a minimum 80% closure rate within the agreed upon time frame. It is also our objective to collaborate and provide guidance on best in class opportunities for our suppliers. Responsible sourcing of minerals must have 100% certified smelters.

Looking forward, our goal is to continue to decrease the number of audit findings, and more importantly, priority findings. These results help determine the effectiveness of our standards within the supply chain.

# 7.0 DUE DILIGENCE

### 7.0.1 NXP's Due Diligence

It is our first step in the human rights due diligence process to get NXP out in front of risks and addresses them proactively. Across NXP standards and various frameworks, we conduct due diligence to identify, prevent, address and or mitigate adverse impacts on NXP and provide remedies. NXP has imbedded responsible business conduct into our business code of conduct with specific policies, standards and management systems to address NXP's labor and human rights on identified salient topics. We then identify and assess actual and potential adverse impacts associated with our operations and products. Our Codes of Conduct and standards identifies conditions that contribute to modern slavery. To prevent and mitigate adverse impacts we use tools from internal and external resources to prevent issues from occurring in NXP operations. External resources allow NXP to overlay our knowledge with third-party information to understand where to apply more in-depth assessments such as self-assessments and third-party audits. In addition, NXP spends time and focus on improving workers' awareness of their labor rights by providing communication, trainings and helplines. NXP tracks our internal self-assessment and audit scores and verifies completion of the corrective action plan with a verification audit. We continuously engage with stakeholders and experts on issues that may require remediation to understand expectations and appropriate actions. Finally, we communicate our efforts and results on our website as well as the annual Modern Slavery and Human Trafficking Statement.

### 7.0.2 Supplier Due Diligence

The NXP Supplier Code of Conduct establishes standards to ensure that working conditions in our supply chain are safe, workers are treated with respect and dignity, business operations are conducted ethically and management systems are in place to mitigate risks. Our standards identify risks, prevent, address and mitigate actual and potential adverse impacts in our supply chains, and where appropriate, provide some form of remedy.

NXP's supply chain is complex. One of the main challenges that we face is mapping and reporting on complex and interlinked global supply chains beyond our immediate suppliers. As a first step, NXP carries out a broad scoping assessment to identify where risks are in the supply chain and which are the most significant. We prioritize suppliers and conduct audits to stop activities that may contribute to adverse impacts and collaborate with the suppliers to develop and implement a plan to prevent future adverse impacts. Collaboration with the supplier is crucial as we make steps to implement programs and processes within their corrective action plan. NXP uses trainings and communicating lessons learned to improve our suppliers' conformity. Our standards and tools are developed with input from external stakeholders and updated on a regular basis to reflect the latest recommendations and regulations on responsible business conduct. We communicate our Supplier Code of Conduct externally and directly to our supply chain. In addition, we report the findings of our supplier audits on our external website as well as this statement.

## 7.1 Training

### 7.1.1 NXP Internal Training

Business decisions can have significant implications for the human rights of workers, local communities, suppliers and consumers. The purpose of our detailed training program is to make sure our factories, can recognize the signs of modern slavery and intervene and respond in the early stages. We train so that our employees are aware of their labor and human rights. We train so that everyone receives respect, dignity, safety, and fundamental rights.

NXP routinely conducts employee training on the NXP Code of Conduct and the NXP auditable standards to ensure our employees have guidance for conducting business with integrity and compliance. Each year, a communication plan is established to educate employees through videos, newsletters, and blogs. Additionally, we train employees whose job functions include purchasing to comply with all laws in all locations, which includes prohibiting slavery and human trafficking. Since 2013, NXP has trained over 1,000 key employees on topics of slavery and human trafficking. As of 2018, NXP has over 100 employees trained as RBA-VAP lead auditors. The RBA-VAP (Validated Audit Process) is the RBA standard for onsite compliance verification. The RBA-VAP lead auditor course conducted by Verité is a five-day workshop that covers social systems auditing, investigative skills and management systems to successfully conduct Labor and Ethics components. At the end of the training course, each student takes a 2-hour written exam, scored by Verité and is sent for final verification to IRCA (International Register of Certificated Auditors). Successful completion of this course fulfills the training requirement of IRCA for labor and ethics auditors to the RBA auditing program. Each lead auditor plays an important role in the deployment and implementation of the social responsibility program at their respective sites.

NXP internal training is targeted at the following audience:

- Executive Management Team–this is a high-level training that covers the NXP social responsibility requirements and the expectations of the management team.
- Manufacturing Facility Management Team–this is a 2-hour training called the White-belt training. This training is focused on the high-level requirements of the NXP standards on social responsibility and what role the facility management team plays in facilitating the success of implementing the standards.
- Manufacturing Facility Social Responsibility Steering and Working Committee–this is a 2-day training, or Green-belt training, providing in-depth analysis into the specifics of interpreting the NXP Social Responsibility standards and the requirements to successfully implement the program at the facility.
- Manufacturing Facility Social Responsibility subject matter experts–this is an intensive 5-day Responsible Business Alliance (RBA) Labor and Ethics Lead Auditor training, or Black-belt training. The main goal is to train a selected group of subject matter experts at the sites who will be responsible for program implementation, conduct training for the facility's general population, and support the facility in both internal, external and supplier social responsibility audits.

The training program content is updated and revised whenever there is a change or revision to the auditable standards. The auditable standards are reviewed on an annual basis to determine the need for a revision based on changing regulatory landscape, industry best practices or customer requirements and expectations. In 2018, the auditable standards were revised to include clarification on the provisions to nursing mothers and alignment with the verbiage of the RBA Code of Conduct 6.0.

When a foreign migrant worker becomes an NXP employee or contractor, we interview the worker prior to leaving their home country to ensure that they are being recruited fairly, the recruitment process meets NXP's stringent requirements, workers are informed of grievance mechanisms and NXPs zero tolerance policy against retaliation. Upon arrival at the NXP facility, all workers (foreign migrant workers and employees) go through an on-boarding process that includes training on company labor and human rights policies and programs on topics such as workers' rights and responsibilities, contract terms, how to report illegal practices and abuse, the no-fee policy, appropriate working conditions, how to read a pay stub, working hours, control of government issued documents, housing conditions, and protections for workers who lodge grievances or report violations. Throughout an employee's career, the facility management team holds regular roundtable or coffee talk discussions with workers to obtain feedback on working and living conditions.

### 7.1.2 Supplier Training

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

To address the findings from our supplier audits, NXP conducts training sessions with our auditees and hold 30, 60 and 90-day follow-up meetings to discuss their corrective action plan and provide additional training to our standards. In 2018, we held 22 supplier meetings. We are committed to remedy any adverse impacts on workers and to work with our supply chain through collaboration and development.

NXP is in the process of developing eLearning tools that will enable continuous learning on social responsibility topics. This module will be an innovative game-based program with specific focus on human trafficking and forced labor.

Suppliers must also provide training to its employees and their suppliers per the Supplier Code of Conduct as an element of their management system on communications.

## 7.2 Worker Voice and Access to Remedy

### 7.2.1 NXP's Worker Voice and Access to Remedy

At NXP we make use of communication programs to ensure that every employee is informed on their worker voice opportunities. Information about the whistleblower and complaint channels are easily accessible and visible (grievance box, whistleblower lines, ways to report anonymously, posters, etc.) Employees are trained upon hire in local language on the whistleblower and open-door policies.

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

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

### In Action

In Action: In 2018, our Malaysia site launched a grievance app that was downloaded on the workers mobile phone. This app allows workers to report anonymously to management on human rights issues as well as working conditions. We have seen a steady amount of reports coming through this additional grievance mechanism each month and have been addressing them accordingly. NXP is researching the feasibility of extending the service to additional NXP locations.

### In Action

In Action: In 2018, NXP launched a safety survey to all wafer fab employees addressing topics that are "feeling based" from a worker's point of view to get an inside look of the workers well-being. Such questions addressed if they felt safe while working at NXP, do they have adequate training, are concerns addressed and fixed in a timely manner. We received a lot of feedback that we are working at the corporate level and at the site level to address the workers requests and suggestions. In 2019, our assembly and test sites will also complete the survey.

NXP continues to explore new innovative opportunities to enhance the employee-management engagement process to ensure that worker's voices are effectively addressed.

### 7.2.2 Supplier Worker Voice and Access to Remedy

Suppliers are required to have workplace grievance mechanisms in place that ensure the confidentiality, anonymity and the protection of whistleblowers. The grievance mechanism must be available in the workers languages. Suppliers must train their workers on the grievance mechanism and communicate the process to their workers so they can raise any concerns without fear of retaliation. Suppliers must state in a policy that it shall not tolerate any retaliation by management or any other person or group, directly or indirectly, against anyone who, in good faith, makes an allegation of misconduct or wrongdoing, or helps management or any other person or group investigate an allegation. Suppliers grievance mechanism must also be made available to their suppliers.

During a supplier audit, the auditor tests the grievance mechanism thoroughly. During a private worker interview, questions regarding the knowledge of ways to report a grievance is discussed. After the interview, the auditor provides the worker with the NXP 3rd party grievance card in which they can use at any time for any reason, and can report in local language anonymously. NXP acknowledges that we are putting the worker in a vulnerable situation where potential negative impacts could occur, such as retaliation or discrimination. NXP addresses this by providing the NXP grievance mechanism and an agreement with the supplier that retaliation or discrimination will not occur.

### In Action

In 2017, during a supplier audit, workers whom were interviewed were provided with NXP business cards that contained the NXP's grievance mechanism. A representative for the foreign workers contacted our email address and reported issues in which NXP escalated to the supplier's management team. Throughout 2018, NXP continued to work with the supplier to make positive steps to resolve the workers grievance.

### In Action

Engaging with the foreign migrant workers prior to departure and after arrival is another opportunity for NXP to listen to the workers voice as well to verify that our standards are being followed. NXP conducts interviews with the workers prior and after arrival to NXP to gain more knowledge of the recruitment process, if fees were paid, if they were trained, understand their contract and know who to contact for any concerns.

## 7.3 Assessments

### 7.3.1 NXP's Self-Assessments
All 9 fully owned manufacturing sites are included in our annual RBA self-assessment questionnaire (SAQ). There is a strong focus on Labor and Human rights and provides a range of measures to drive continuous improvement in our operations. The self-assessment is designed to help NXP identify their greatest social, environmental and ethical risks in operations and put in place systems to assess their own risk management systems and identify gaps. As a full RBA member, we are required to complete the RBA SAQ at the corporate level and at each manufacturing facility.

In addition to the RBA SAQ, prior to an internal 3rd party audit, the site also completes the NXP self-assessment. We require that self-assessments, policies, processes, and procedures are sent before the audit is conducted so that the auditors can look deeper into possible gaps in implementation.

### 7.3.2 Supplier Risk Assessments
All suppliers, approximately 10,000, are included in our annual risk assessment analysis. The risk assessment identifies suppliers that are at risk of having human rights issues such as forced/bonded labor, migrant worker index, decent wages, humane treatment, child labor risks and health and safety.
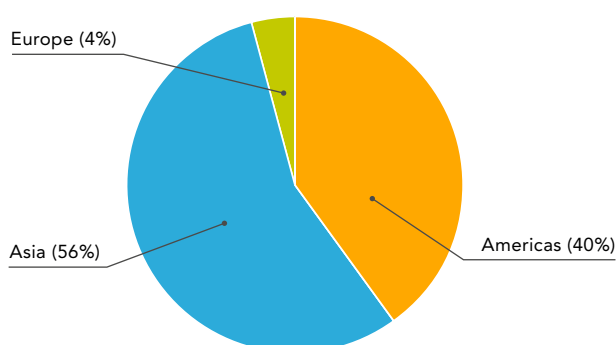
As part of our annual risk assessment, NXP engages with Versik Maplecroft and Verité Cumulus to identify forced labor and human trafficking risks in our supply chains. Versik Maplecroft provides NXP with a screen of our supply chain for inherent risk and predictive models in areas such as forced labor, child labor and working conditions. Verité Cumulus provides NXP online technology to identify forced labor and human trafficking risks with our labor agents. Cumulus maps and assesses our labor agents in both the receiving and sending countries and their recruitment practices.

Three risk criteria are considered when assessing a supplier: geographical risk, product risk and business criticality. Each criterion has a scale of maturity of 1 (lowest risk) to 10 (highest risk). All criteria are scored and a product of the three is the overall risk score of a supplier.
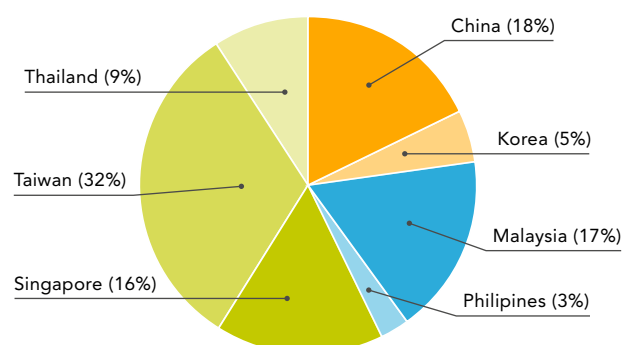
- Geographical risk is a key factor in determining risk levels, as suppliers in countries where there are weak regulations, inadequate enforcements of labor rights, ineffective business ethics and environment laws tend to have a high-risk exposure. Specific indices from 3rd party Maplecroft, which are representative of elements in NXP's Supplier Code of Conduct are used in the assessment of a country risk core. Each country gets a score from each index; labor rights and protection, corporate governance, legal and regulatory environment and climate change vulnerability. The set of weights were determined based on best practice benchmarks from the industry, non-governmental organizations and through sensitivity analysis.
- Use of foreign migrant workers is a critical risk element when it comes to labor and human rights. To account for this risk, country outcome from the quantitative approach is increased by one level. Taiwan, China, Malaysia, Singapore and Korea tend to employ the highest number of migrant workers.
- Product risk is a criterion that measures the risk of a supplier and the materials used in our products and therefore the closest in the value chain to NXP's end products and customers. External manufactures have the highest level of product risk exposure to NXP's customers, while material suppliers that provide directly to NXP end products are the second highest product risk.
- Business criticality has a guidance to segment the supply base to high, medium and low risk based on annual spend.
- The assessment is refreshed yearly upon updates from Maplecroft's indices.

Analysis of our supply chain shows that our high priority suppliers are mostly in Asia where the top three high risks countries are Taiwan, China and Malaysia.

**2018 Supply Chain by Region**



Europe (4%)
Asia (56%)
Americas (40%)

**2018 High Priority Suppliers by Country**



China (18%)
Korea (5%)
Malaysia (17%)
Philipines (3%)
Singapore (16%)
Taiwan (32%)
Thailand (9%)

## 7.4 Audits

### 7.4.1 NXP Internal Audits

The NXP internal 3rd party audits follow the NXP auditable standards which are a supplement to the NXP Code of Conduct and the NXP Supplier Code of Conduct. The auditable standards provide clarity regarding requirements on labor and human rights and additional social responsibility topics. The NXP auditable standards are how we implement safe working conditions within our facilities, ensure workers are treated with respect and dignity and that our sites are operating ethically.

NXP's audits analyze three main aspects: 1) documentation reviews, 2) management and private worker interviews, 3) physical inspection of facility and dormitories (if applicable). Management interviews are tailored to address the topics that is their area of expertise. Auditors randomly select workers for private interviews, and the worker receives a business card that has the grievance phone number and the email address if the worker has additional information or concerns or if they endure retaliation for speaking with the auditor. The grievance line is available in the local language with the capability of reporting anonymously.

Independent third-party audit firm Verité conducts onsite audits of all NXP facilities. Verité has been thoroughly trained on the NXP auditable standards and conduct the audits using an internally developed NXP audit tool. This audit tool surpasses industry standards and customer requirements and will identify non-conformances to NXP auditable standards, including priority, major and minor violations. NXP defines a priority violation as a situation that is unacceptable and non-negotiable. Some examples of priority violations include: workers paying recruitment fees, workers not keeping their personal or government identity documents, contract changes made without the worker's knowledge, and workers being physically barred from leaving the factory.

If a facility scores above 95%, then the audit is valid for two years. NXP factories have verification audits if the audit score is below 95%. In addition to our own 3rd party audits, customer conducts audits on our social responsibility program. Issues that were identified in the audits generally relate to policies or procedures that were not prescriptive enough to completely fulfill the requirements. We have taken corrective actions to strengthen our policies and procedures to address the findings and have added procedures on how NXP would handle situations if non-compliance is detected in the future.
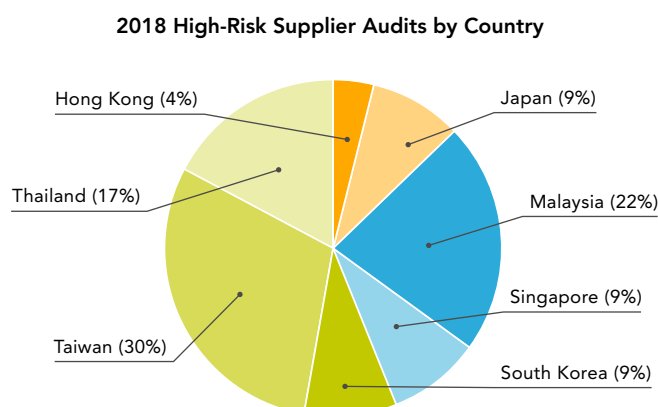
### 7.4.2 Supplier Audits

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 and the requirements of the auditable standards. The NXP auditable standards apply to all NXP suppliers, contractors, labor agents and external manufacturers.

Audits of our suppliers can be announced or unannounced and are conducted by an approved 3rd party audit firm and accompanied by, at a minimum, a NXP certified 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 analyzes three main aspects: 1) documentation reviews, 2) management and private worker interviews and 3) physical inspection of facility and dormitories (if applicable). Audits also include interviews with labor agents and onsite service providers for that supplier facility such as janitorial, canteen, security and others.

Each year, some high priority suppliers are selected for an audit, which in 2018, the top 3 countries were Taiwan, Malaysia and Thailand.

**2018 High-Risk Supplier Audits by Country**



- Japan (9%)
- Malaysia (22%)
- Singapore (9%)
- South Korea (9%)
- Taiwan (30%)
- Thailand (17%)
- Hong Kong (4%)

NXP has a strict policy for the presence of forced labor. If forced labor is identified during an audit, we provide the supplier an opportunity to rectify the problem and implement a corrective action plan (CAP). A CAP is a document that captures any issues discovered during an audit and the outcomes of the root cause analyses. The CAP acts as a tool for communication to NXP on how issues will be remediated. Suppliers must close out their CAP within 90 days. NXP is committed to collaborating with suppliers to design an effective management system that address the root cause. NXP manages the CAP and reviews the root cause analysis, updated policies and procedures and any applicable pictures. This may involve verification audits to close out the CAP. It is our policy to re-audit suppliers that receive a score below 95% and or have a priority violation. Supplier re-audits have shown year over year improvement. We monitor the progress of the supplier until the issues are satisfactorily resolved. Supplier progress is monitored through our supplier scorecard and is reviewed monthly with the purchasing team. Should a supplier fail to meet our standards, NXP will limit new business or seek to eliminate the supplier from our supply chain.

## 7.5 Responsible Procurement and Recruitment Practices

NXP has master purchasing agreements or purchase order terms and conditions in place with our suppliers which require them to certify their compliance with our policies, international standards, and applicable laws governing labor and human rights. Our purchasing practices incentivizes suppliers with longer-term contracts, renew and or expand business relations. These actions aim to decrease the risk of modern slavery, such as not making demands of suppliers through insufficient payments, late orders or tight deadlines. NXP's lead time from the requesting of the material to the time it is delivered is approximately 6-8 weeks and up to 12 weeks depending on the commodity. NXP stocks our factories through consignment programs where we continuously keep inventory in our factories so we can forecast within a 12-week timeframe. NXP also includes a requirement in the purchasing scorecards to incentivize suppliers to improve their social responsibility performance, which is then tied to purchasing decisions.

The social responsibility team meets with the purchasing organization monthly and sometimes weekly, to discuss supplier audit results, their findings, the approved corrective action plan and their progress towards closing out their findings.

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

# 8.0 RESULTS

## 8.1 NXP's Results

Working hours and rest days throughout 2018 only resulted in one site requesting a waiver for unusual circumstances. Due to the worker shortage in Malaysia, in 2018 we saw that 0.6% of the employees located in Malaysia worked over 60 hours. The working hours situation has been escalated to management and is under review and corrective actions are in discussions.

The RBA SAQ results were once again all above the NXP 90% threshold. Labor and human rights score was above 90% with a range from 91%-98.7%.

In 2018, NXP conducted five audits on NXP sites resulting in no priority violations, all scoring above 93% with three of the five sites scoring above 95%. Three of the five sites had their first internal audit (former Freescale sites) in which they are working on full compliance to the NXP auditable standards.

In 2018, we successfully completed 6 customer audits at our sites with no priority violations.

## 8.2 Supplier Results

99% of key suppliers have committed to the NXP Supplier Code of Conduct. The remaining suppliers are in negotiations with an expected completion in 2019. We once again conducted the annual supplier risk assessment to determine our audit schedule for high priority suppliers.

In 2013, NXP began auditing suppliers and has since audited 141 suppliers, with 23 announced audits occurring in 2018, 7 of the 23 audits were verification audits. During an audit, worker interviews are conducted in private and at random in which we take the square root of the worker population to determine the number of worker interviews to be conducted. During our 2018 audits, 559 random worker interviews were conducted with 32.5% male and 67.5% female population with varying length of service and age range.

Freely chosen employment represents the most findings in the 2018 Top Ten chart. However, there has been a decrease in number of finding over the years and 65% of the suppliers audited in 2018 are recruiting workers ethically.

## 2018 Top 10 Supplier Findings



Legend: 2018 · 2017 · 2016 · 2015 · 2014 · 2013
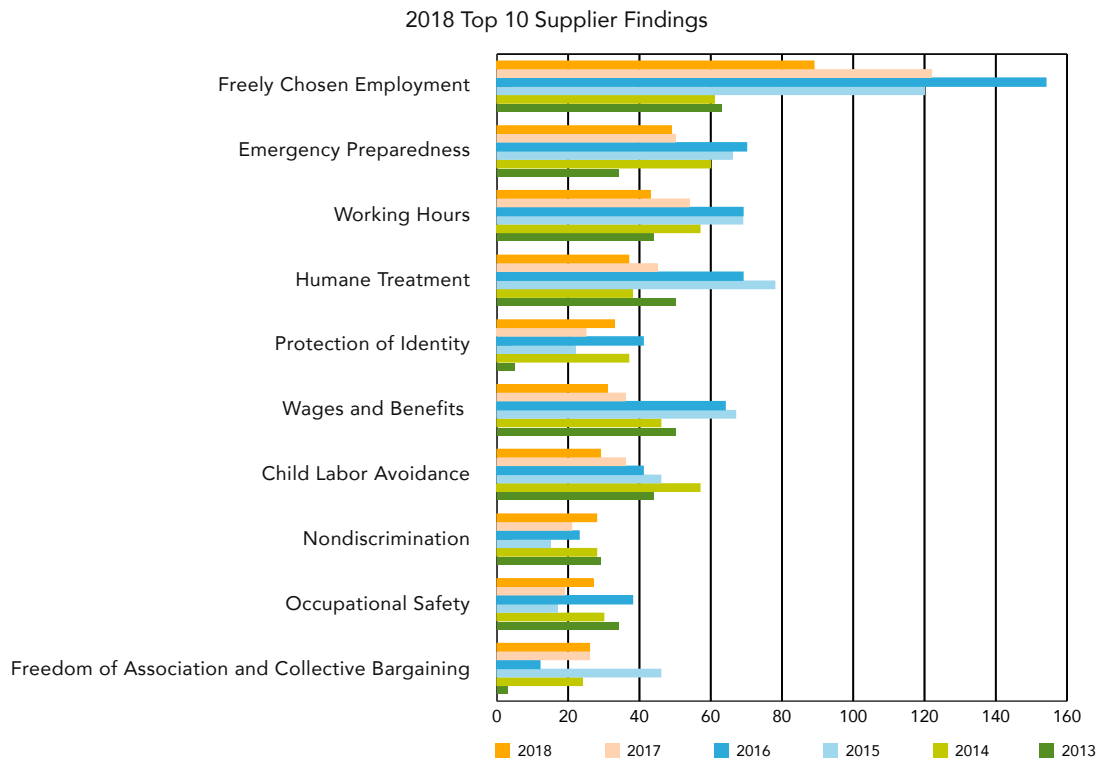
Looking a bit deeper, we wanted to understand what impact we were having on the supply chain so we analyzed a few specific topics (No Fees Policy, Working Hours , Restriction of Withholding personal documentation) within the Freely Chosen Employment clause to determine if there has been progress made since 2017. Each year, different suppliers are audited. Our number of overall priority violations decreased as well as the specific topics listed below. This demonstrates that our standards are making a difference as suppliers are implementing them into their business practices. This year over year decrease is encouraging as we are seeing the impact of our efforts.

| Total Number of Human Rights Violations (Minor, Major and Priority) | | Total Number of Human Rights Priority Violations | |
|---|---|---|---|
| 2017 | 2018 | 2017 | 2018 |
| 310 | 298 | 50 | 25 |

| No Fees Priority Violations | | Working Hours Priority Violations | | Retention of Passports Priority Violations | |
|---|---|---|---|---|---|
| 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| 43% | 30% | 52% | 35% | 26% | 9% |

During an audit, if recruitment fees are identified, the finding becomes a priority violation. This is put in a CAP in which fees must be repaid within 30 days to the workers. All suppliers that were identified of having a No Fees priority violations have since implemented a no fees policy. Four of our suppliers have repaid the fees to the workers and have successfully closed out this finding. The remaining three suppliers have implemented the no fees policy and are in the process of repaying the fees to the workers.

Withholding of personal or governmental identification documents is a priority violation. In 2018, our results show a significant decrease in the percent of suppliers withholding personal documentation. All identified suppliers have implemented policies and have returned the personal documents.

Working hours continues to be a challenge for NXP suppliers as it is difficult to change the business model to achieve a 60-hour limit. All suppliers are working on limiting the working hours but only a few of the suppliers have successfully closed out these findings. While working hours is a priority finding, and must be closed within 90 days, there may be some instances where the closure timeline is extended. Some examples include capital expenditure, changing and adjusting manpower and operational/manufacturing resources. Any extended priority finding for working hours is reviewed and approved by NXP and is regularly followed up until finding is approved and closed.

Since the beginning of our audit program, NXP has not uncovered child labor. However, if an underage worker were to be found, NXP would immediately implement a remediation program which would include protecting the young worker from reprisal and providing access and solution to the completion of the young worker's compulsory education. Audit findings related to child labor in our supply chain indicate a lack of policies and procedures on how to manage the situation if child labor is discovered. These findings are placed in a CAP and are monitored closely until closure is approved.

In 2018, we set a new goal to close out 80% of our supplier findings within the 90-day timeframe. We chose this key performance indicator as a baseline threshold for 2018 as we are aware that some corrective actions take longer than the 90-day requirement due to those findings that require monetary investments to comply with the NXP standards. Since the beginning of the supplier audit process, our closure rate was approximately 40%. With continuous collaboration with our suppliers, our closure rate for 2018 has improved to 71%. Our goal is to increase collaboration and provide additional resources to our suppliers to achieve a minimum 80% closure rate goal.

**2018 Supplier Closure Rate**
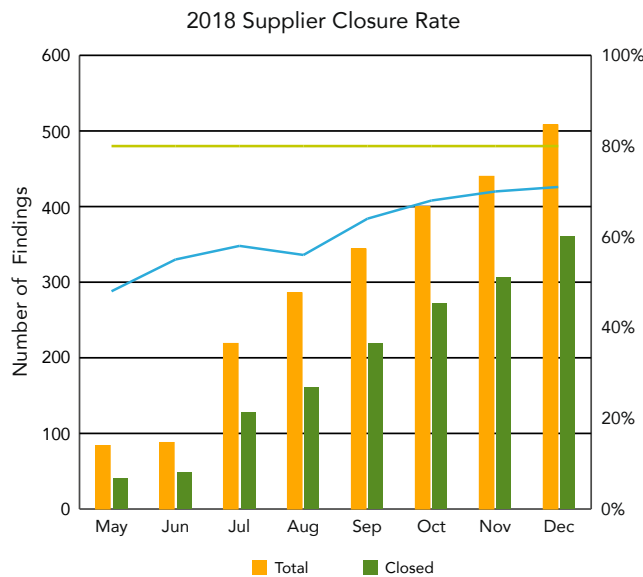


NXP takes responsible mineral sourcing seriously and we have taken the steps to trace the relevant raw materials used in products back to the smelter level. We promote responsible sourcing and address risks associated with mining operations in high-risk and conflict-affected areas.

Responsible sourcing also requires due diligence to ensure the materials we use meet our standards. NXP does not generally use minerals in their raw form or purchase them directly from mining companies or smelters so we engage with our suppliers to prevent human rights abuses and other negative impacts associated with the mining of minerals.

The suppliers that we audited had 100% compliance to the provisions of our auditable standards. These standards require suppliers to have policies to assure minerals do not contribute to human rights abuses in high-risk and conflict-affected areas.

In addition to our standards, NXP follows the Organization for Economic Developments (OECD) Due Diligence Guidance and participates in multi-stakeholder initiatives such as the Responsible Minerals Initiative and the European Partnership for Responsible Minerals (EPRM), which provides tools we use to map the minerals and verify that smelters and refiners source minerals ethically.

NXP discloses our smelters names and country origin in our CMRT as well as actions taken and due diligence in the Form SD. In addition to our SEC filings, our commitment and policy can be found on our website as well as various industry associations we are actively participating in to address the human rights associated with the mining of these minerals. Based upon the information obtained, NXP does not knowingly use minerals derived from conflict regions that directly or indirectly benefit armed groups that are perpetrators of serious human rights abuses.

Going above and beyond our legal requirements of 3T&G, NXP is also assessing the use of mica and cobalt in our products. As of 2018, NXP products do not use mica and only small amounts of cobalt. We are in the process of mapping our supply chain to determine if any human rights issues are present.

## 9.0 INVESTIGATION & REMEDIATION

NXP has clear and widely communicated reporting channels in place for reporting concerns over labor and human rights within our operations. We conduct training and post the 3rd party grievance information at our sites, on the internet and our internal intranet. If our employees feel they need to raise a concern, employees can contact their manager, local ethics liaison, human resource representative, or contact the NXP Ethics Committee, a committee of executive leaders who are responsible for governing and interpreting the NXP Code of Conduct, by either phone, email or via a third-party grievance line, in which they can report anonymously if they choose. All reports made in good faith, regardless if substantiated, can be done without fear of retaliation.

All employees within NXP and outside stakeholders, a supplier, a supplier's employee or NGO for example, can report incidents to NXP. Even workers in the supply chain are provided NXP's grievance email and local phone number.

The NXP Ethics Committee reviews complaints and grievances and oversees the investigation. There is dedicated staff that coordinates and investigates claims. The Ethics Committee monitors the investigations as they appoint a team that has the correct experience to investigate the allegation and considers the approach that would produce the safest outcome for the potential victim. If there is an imminent danger or the worker feels threatened, the ethics committee will connect the worker with providers in the area for assistance. Processes for informing senior management (General Counsel, CFO, SVHR and the audit committee) about allegations include periodic internal reports and details about key investigations that are in progress or completed.

NXP seeks to address grievances early and address the root cause. NXP provides various resources when necessary to investigate complaints. Such resources can come from the various departments within NXP, such as Human Resources, Finance, Internal Audit, Security, Sustainability, EHS and Legal. These resources are brought in to investigate properly and to protect the complainant.

Based on the findings of the investigation, a decision is made about whether the complaint is substantiated. If the complaint is substantiated, a range of consequences, including education, organizational changes, counseling, reprimands, suspension and or termination pending the nature and severity of the finding and the party's willingness to rectify the issue.

In 2018, 51% of the allegations were substantiated, and disciplinary measures were taken according to the severity of the breach: an official warning, suspension or dismissal. Investigations and reporting includes grievances from NXP workers, NXP suppliers or our suppliers' workers. The reports received did not relate to modern slavery or human trafficking in 2018.

## 10.0 REPORTING

NXP publishes an interactive web based corporate responsibility report that follows the Global Reporting Initiative Standards. Within the report, there are three website pages dedicated to labor and human rights, supplier engagement, and social responsibility which describe in detail our commitment to freely chosen employment. These pages discuss the high standards that we require within our own operations as well as NXP suppliers, contractors, labor agents and external manufacturers.

# 11.0 NXP'S ACHIEVEMENTS, LESSONS LEARNED AND IMPROVEMENTS

Human rights will continue to be a key priority for NXP. We are evolving our human rights journey forward as we continuously improve our total strategy internally and within our supply chain.

In 2018, NXP was ranked 5th amongst 40 ICT companies in the Know the Chain benchmark. The benchmark identified best practices of a company's actions to address forced labor in the supply chains. The average score was a 32, in which NXP scored 63, right behind 4 major ICT companies, in which Know the Chain identified NXP as having a strong performance despite a significantly smaller market capitalization than the top ten scoring companies. Know the Chain recognized NXP in our strong performance in commitment, governance, recruitment and remedy processes.

We have achieved global recognition and awards for our implementation of our policy, our efforts in auditing and training in the 2nd tiers of our supply chain as well as invited to global workshops and speaking engagements regarding NXP's best practices in the labor and human rights initiatives. Our efforts are reaching industries other than just the electronics industry.

NXP has learned from our audits that some corrective actions require changes to business models and way of working are difficult for our suppliers to close out. To address these challenges, the social responsibility team has increased our engagement with these suppliers and are collaborating and sharing best practices to implement corrective actions as quickly as possible.

The team partnered with Verité and went to Indonesia to train and audit our recruiter's sub-agents in which we created a documentary of our journey. In addition, NXP went to schools to educate potential NXP workers of their human rights and NXP's labor practices to improve the knowledge and advance ethical recruitment of foreign migrant workers.

## 12.0 CONCLUSION

One company cannot do it alone. It takes governments, the private sector, civil society and the supply chain to eradicate modern slavery and human trafficking. NXP cannot fight modern slavery without going into the supply chain and educating stakeholders of our standards. Once we started implementing our standards into our supply chain, requiring signature of our Supplier Code of Conduct, hosting training sessions, auditing and understanding their challenges and weaknesses, NXP is able to help facilitate a collaborative path forward to make a difference.

In 2018, NXP took steps to address modern slavery including financial contributions to important initiatives, engagement with industry associations, training and auditing deep in our supply chain.

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

As we move into 2019, we will continue focusing on driving transparency, collaborative leadership, innovation and empowering workers and suppliers in our efforts to drive sustainability, resiliency and diversity in our supply chain.

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

If you would like more information, email us at csr@nxp.com.

**Eric-Paul Schat**
Senior Director of Sustainability and Environment, Health and Safety
NXP Semiconductors

Pursuant to Section 3 of the California Transparency in Supply Chains Act of 2010 and the United Kingdom (UK) Modern Slavery Act 2015, Chapter 30, Part 6, Provision 54, NXP states that we have taken steps during 2018 to ensure that modern slavery and human trafficking is not taking place in our business or supply chains.