

2017

NXP SLAVERY AND HUMAN TRAFFICKING STATEMENT





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 2017 to ensure that slavery and human trafficking is not taking place in our business or supply chains.

INTRODUCTION

NXP is a leader in the design and manufacture of semiconductor devices that provide the embedded processing solutions that power innovations in automobiles, communication networks, and smart accessories. NXP technology makes the things you use every day smarter, from e-readers and tablets, to medical equipment and cars, to home appliances, computer networks and beyond.

The importance NXP places on maintaining high ethical and corporate social responsibility is reflected in our commitment to our employees and to the communities in which we live and work. Our sustainability program is built around the recognition that everything we do must reflect the highest possible standards of ethical business conduct. NXP is committed to respecting human rights and upholding the high standards of ethics as expressed in our [NXP Code of Conduct](#) which is approved by the board of directors.

NXP also places strict requirements on our supply chain which is reflected in the NXP [Supplier Code of Conduct](#), available in six languages and approved by the social responsibility board. The Supplier Code of Conduct draws on internationally recognized standards to advance social and environmental responsibility. The Supplier Code of Conduct uses the structure and contains language from the Responsible Business Alliance (RBA) Code of Conduct, version 6.0. Recognized standards, such as the Universal Declaration of Human Rights (UDHR), standards issued by organizations such as the International Labor Organization (ILO), Social Accountability International (SAI), and the Ethical Trading Initiative (ETI), have been used as references in preparing the NXP Supplier Code of Conduct. Using the listed references, the NXP Supplier Code of Conduct also includes elements, modifications and clarifications from our audits conducted internally and externally according to best practices found.

This NXP slavery and human trafficking statement will address our:

- Human Rights Policy
- Management and Accountability
- Stakeholder engagement, collaborations and memberships
- Sustainable Development Goals (SDG's)
- Training
- Internal Verification
- Supplier Engagement
- Worker Voice
- Investigation & Remediation
- Reporting and Results
- Achievements, lessons and improvements

HUMAN RIGHTS POLICY

In 2016, the International Labour Organization reports that an estimated [24.9 million](#) people are victims of forced labor. Our commitment to eradicate slavery and human trafficking is reflected in our policy which addresses labor and human rights topics such as: forced labor, slavery, child labor, and human trafficking.

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 slavery and human trafficking and encompass a broader vision more than simply the elimination of human trafficking. These codes include compliance with global labor standards and applicable laws, 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 suppliers shall not traffic in persons or use any form of slave, forced, bonded, indentured, or prison labor. 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 the purpose of 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 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-day slavery. Specific requirements are in the [NXP Supplier Code of Conduct](#).

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

NXP and our suppliers must adhere to the NXP no-fees policy for all workers including temporary, migrant, student, contract, direct employee, and any other type of worker. 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, all transportation (which includes transportation when a worker returns at the end of employment), and lodging costs cannot be incurred by the worker. If the event that NXP discovers fees have been paid by workers whether in our company or in our supply chain, fees must be reimbursed to the worker.

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 substantially 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, then they must meet country housing and safety standards and the housing standards found in the NXP [auditable standards](#) for social responsibility. Employees 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.

NO WITHHOLDING OF GOVERNMENT ISSUED DOCUMENTS

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

CHILD LABOR

Child labor is not allowed in any stage of manufacturing. 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

A work week must not be more than 60 hours per week, or the maximum set by local law, whichever is stricter. This includes overtime, except in emergency or unusual situations in which 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. Employees 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 employee is paid less than the legal minimum wage. In case 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. Deductions for room and board, or deductions required by applicable law and regulations (e.g. taxes, social insurance), must have consent by 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.

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.

MANAGEMENT AND ACCOUNTABILITY

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, support, and business groups. The social responsibility board establishes strategy and sets targets, while the social responsibility organization, 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 NXP's and the suppliers' performance related to issues such as slavery and human trafficking. Any issues of non-conformance are handled in the sustainability office and, if needed, issues are escalated to the social responsibility board.

The sustainability office is tasked to:

- Establish and maintain policies and standards that are fully aligned or more stringent than regulatory, industry groups and customer requirements.
- Ensure compliance of all NXP manufacturing facilities to the policies and standards by conducting regular training, site assessments, and audits.
- Conduct supply chain risk assessment in collaboration with the NXP purchasing group to determine high priority suppliers that may be required to undergo NXP auditing.
- Conduct supplier audits and provide consultation to align to 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 forced/bonded labor, human trafficking, and slavery.

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 team.

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 NXP and our 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.

In 2017, NXP actively participated as speakers and panelists in modern day slavery and human rights conferences and forums. Our engagements and collaborations go beyond the electronics industry with some of the highlights being:

- RBA Outreach meeting (Brussels)
- Innovation Forum “How business can tackle modern slavery and forced labor” (London)
- IHRB & Humanity United “Annual leadership forum for responsible recruitment” (Berlin)
- RBA Forced Labor even (Washington D.C.)
- Front Group “Modern slavery & supply chain summit” (London)
- Seafood Task Force (Bangkok)
- RBA “Launch of the Responsible Labor Initiative” (Washington D.C.)



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.



Responsible Business Alliance

Formerly the Electronic Industry Citizenship Coalition

Advancing Sustainability Globally

NXP became a member of the Electronic Industry Citizenship Coalition (EICC) in 2014, now named the Responsible Business Alliance (RBA). In 2017,

NXP became a full member and 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 will be the most efficient way for NXP to make progress towards social responsibility within the electronics industry.



Promoting the Rights of Workers
Vulnerable to Forced Labor Globally

NXP is a member of the Responsible Labor Initiative (RLI) in which NXP is on the steering committee and actively engaged in all work groups. NXP will work diligently across the steering committee and the work groups to align our due diligence practices across multiple industries to better address the root causes of forced labor.



Formerly the
Conflict-Free Sourcing Initiative

NXP is a member of the Responsible Mineral Initiative ([RMI](#)) where we regularly collaborate 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 is also a member of the RBA's Responsible Raw Materials Initiative (RRMI). Our efforts with RRMI help promote the common goal of understanding and mitigating the impacts of extraction and processing of raw materials in the supply chain.



European
Partnership
for Responsible
Minerals

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 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.



[ELEVATE](#) is a global services firm specializing in supply chain social, environmental and business performance. ELEVATE is conducting the Workplace of Choice program, sponsored by the RBA, on foreign migrant worker protection. The Workplace of Choice is a pilot program focused in Malaysia. NXP is participating in this program which helps assess our Malaysian facility, conduct independent worker surveys, increase communication, provide education and additional helpline resources to our workers. Working with ELEVATE helps NXP understand workers' needs, wishes, and perceptions, and allows us to address and improve internal management systems and processes.

SUSTAINABLE DEVELOPMENT GOALS (SDG'S)



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 advance 13 of the 17 SDG goals. 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 4 of the SDG goals in relation to modern-day slavery.

Goal 2 *Zero Hunger*, Goal 3 *Good Health and Well-Being*, Goal 4 *Quality Education* are capable with a living wage that provides workers food, basic health care and allows a person to support their children to attend school. NXP verifies through our audit process that wages meet our standards. Goal 8 *Promote inclusive and sustainable economic growth, employment and decent work for all* addresses all aspects of modern-day slavery. NXP contributes significantly to this goal as we are aggressive in protecting labor rights and promote safe and secure working environments for all workers, including migrant workers. We take immediate action to eradicate child or forced labor.

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, our employees, and our suppliers do not assume that human trafficking and slave labor is not happening in our industry. They must not assume that it is not their problem. We train so that everyone receives respect, dignity, safety, and fundamental rights. This is everyone's business.

We train so that intelligent and informed purchasing decisions are made. We train so that our employees and our supplier's employees are not required to surrender any government issued identification, pay excessive fees, work excessive hours, or live in an unsafe dormitory. Also, we train to ensure that work is voluntary and workers are free to leave work or terminate their employment with reasonable notice. We train so that working conditions are safe and healthy. We train so that our employees know what to expect when one of our customers wants to audit our manufacturing facility. We train our suppliers so they know what to expect when NXP audits them. Our training program focuses on our Labor and Human Rights policy.

Internal Training

NXP routinely conducts employee training on the NXP Code of Conduct to ensure our employees have a clear set of standards and guidance for conducting business with integrity and compliance with the law. NXP continuously educates our employees about labor and human rights. 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 1000 key employees on topics of slavery and human trafficking. In 2017, 36 NXP employees were trained to be RBA-VAP lead auditors bringing the total to over 90 across our manufacturing sites. The RBA-VAP (Validated Audit Process) is the RBA standard for onsite compliance verification. The RBA lead auditor course conducted by Verité in which participants are enrolled in a five-day workshop that covers social systems auditing, investigative skills and management systems to successfully conduct Labor and Ethics components or a social responsibility program. 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 in the implementation of 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 in the NXP Standards on Social Responsibility. The NXP standards are reviewed on an annual basis to determine the need for a revision based on changing regulatory landscape, industry best practices or in customer requirements and expectations. In 2017, the auditable standards were revised to include information regarding clarification of fees and expenses, employment contract substitution, the total percentage of apprentices, wages for foreign workers, and the worker grievance system. The changes will be communicated to all NXP sites and to our supply chain through a series of webinars.

NXP also conducts foreign worker training to increase awareness of their rights, including 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.

When a foreign migrant worker becomes an NXP employee, we train the worker by conducting pre-departure training and interviews before they leave their home country to ensure that they are being recruited fairly and the recruitment process meets NXP’s stringent requirements. 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. Throughout an employee’s career, the facility management team holds regular roundtable or coffee talk discussions with all workers to obtain feedback on working and living conditions.

Supplier Training

Training is focused on our suppliers, labor agents and onsite service providers. The mode of training is either a classroom or webinar session, conducted by the NXP Social Responsibility organization 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. Coaching the supplier of best practices and providing RBA's eLearning academy resources are also a part of our supplier trainings.

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/Bonded Labor.

INTERNAL VERIFICATION

The NXP auditable standards on social responsibility 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 apply to all NXP facilities and to all NXP suppliers, contractors and external manufacturers. The NXP auditable standards are how we implement safe working conditions within our facilities, ensure workers are treated with respect and dignity and that operations are conducted ethically. The NXP auditable standards incorporate detailed requirements on labor and human rights, including freely chosen employment, child labor, working hours, wages and benefits, humane treatment, non-discrimination, freedom of association/collective bargaining, and diversity. In addition, management systems must be in place to effectively control, monitor, and report on progress.

NXP's audits analyze four main aspects: 1) documentation, 2) management interviews, and 3) worker interviews and 4) physical inspection of facility and dormitories. We require that self-assessments, policies, processes, and procedures are sent before the audit is conducted so that the auditors can look deeper into weaknesses. Management interviews are tailored to the background of the managers to be interviewed. Auditors randomly select workers to interview, and the worker receives a business card that has the grievance local phone number and the email address if the worker has additional information or concerns or if they endure retaliation for speaking with the auditor.

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

In 2017, NXP conducted three audits on NXP sites resulting in no core violations and all scoring above 96%. If a facility scores above 95%, then the audit is valid for two years. NXP factories are audited twice a year if the audit score is below 95%. In addition to our own 3rd party audits, NXP had three customer audits on its social responsibility program in 2017 with no core violations. Issues that were noted in the audits generally related 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.

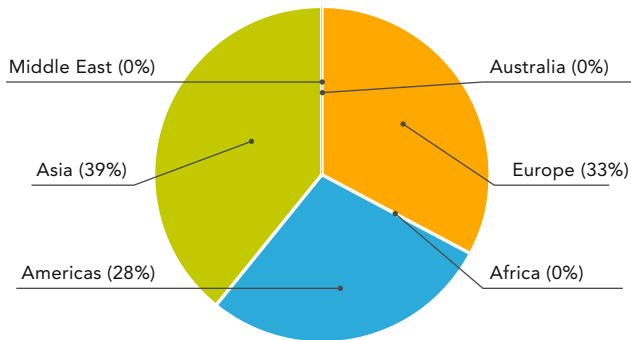
SUPPLIER ENGAGEMENT

NXP strongly opposes slavery and human trafficking and would never knowingly conduct business with suppliers engaged in such practices. To combat human trafficking in our supply chain NXP has a Supplier Code of Conduct which prohibits forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There must be no unreasonable restrictions on workers' freedom of movement in the facility or entering or exiting company-provided facilities. As part of the hiring process, workers must be provided with a written employment agreement prior to the worker departing from his or her country of origin in a language understood by the worker that contains a description of terms and conditions of employment. All work must be voluntary and workers must be free to leave work or terminate their employment at any time. Suppliers and agents may not hold or otherwise destroy, conceal, confiscate or deny access to employees' identity or immigration documents, such as government-issued identification, passports, or work permits unless the holding of work permits is required by law. Suppliers must be responsible for payment of all fees and expenses including, but not limited to, expenses associated with recruitment, processing, or placement of both direct and contract workers.

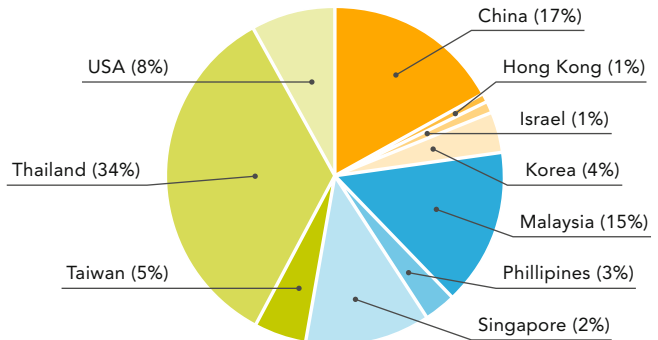
The NXP Supplier Code of Conduct implements key sections including workers' rights, the eradication of forced labor, working conditions, and supplier accountability and reporting of non-conformance. Suppliers are required to demonstrate their compliance with the NXP Supplier Code of Conduct by signing a statement of conformity, and conducting self-assessments prior to their onsite audits. In 2017, 99% of our suppliers have signed the NXP Supplier Code of Conduct conformity statement. We audited 23 suppliers in which 100% completed the NXP self-assessments. 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 longer-term contracts to decrease the risk of modern-day slavery, such as not making demands of suppliers through insufficient payments, late orders or tight deadlines. 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. Suppliers are also required to ensure that their own suppliers, including their labor agents, implement the standards addressing forced labor and human trafficking.

All suppliers, approximately 10,000, are included in our annual risk assessment analysis. The first step of the risk assessment process uses Maplecroft data to identify countries that have human rights issues such as forced/bonded labor, migrant worker index, decent wages, humane treatment, child labor risks, health and safety index, and climate change index. Next, we analyze which suppliers are critical to NXP's products and finally NXP's annual spend. Analysis of our supply chain shows that of the 10,000+ a higher percentage are located in Asia. Analysis shows that our high-risk suppliers are mostly in Asia where the top three high risks countries are Thailand, China and Malaysia.

NXP Total Supply Chain by Region



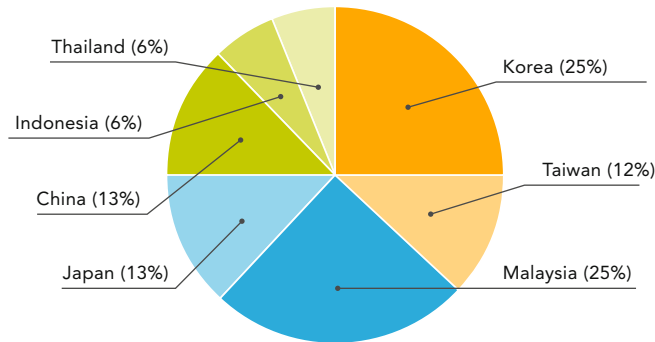
NXP High-Risk Suppliers by Country



Each year, some high-risk suppliers are selected for an audit and will first complete the NXP self-assessment questionnaire. The self-assessment addresses all requirements of the NXP Supplier Code of Conduct, including questions targeted at slavery and human trafficking. Audits on the supplier are conducted by trained and certified 3rd party auditors, Verité and Intertek, with the support of an NXP lead auditor onsite to understand the issues that arise, provide consultation if the supplier has challenges and verify the audit is conducted per the NXP auditable standards. Audits include many different components, such as facility and dormitory inspection, document review, and worker and management interviews. The audit scope also includes onsite service providers for that supplier facility such as janitorial, canteen, labor agents, security, etc. We interview the on-site service providers and their workers. We provide them our standards, train and coach them on what our expectations and provide the NXP grievance options.

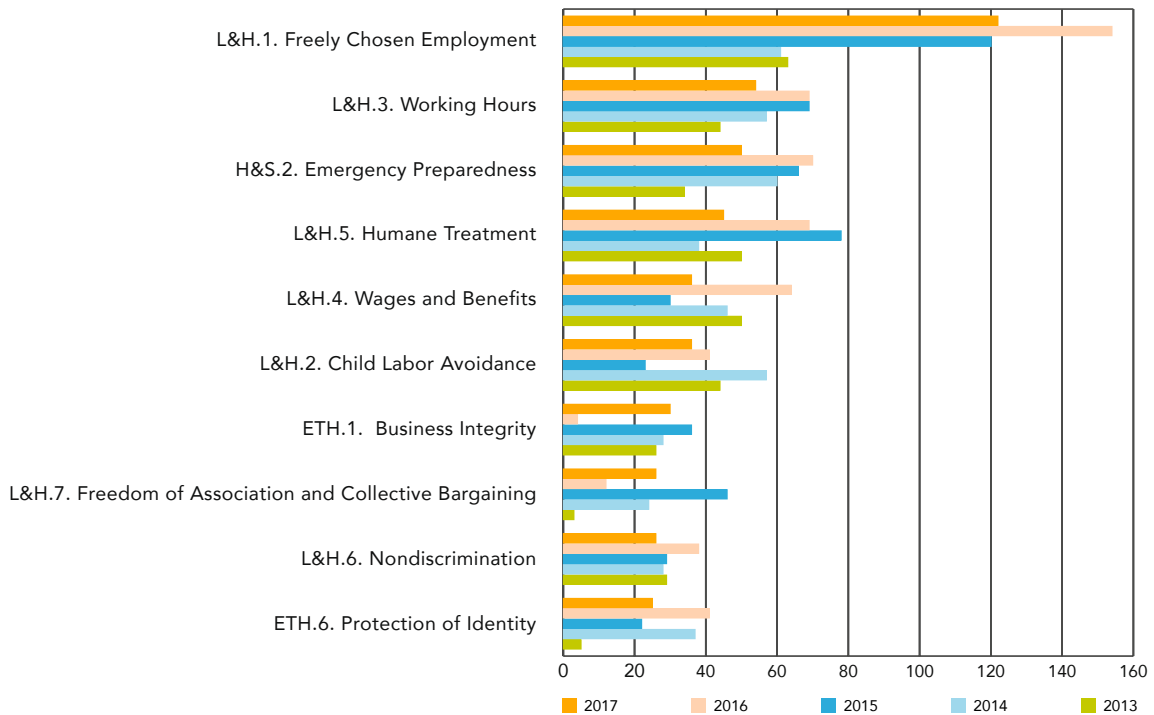
NXP has a strict policy for the presence of forced labor. If forced labor is identified, we provide the supplier an opportunity to rectify the problem and implement a corrective action plan (CAP). A CAP is a document that captures any issues discovered during an audit and the outcomes of the root cause analyses. The CAP acts as a tool for communication to NXP on how issues will be remediated. NXP is committed to collaborating with suppliers to design management systems that address the issues. An effective CAP includes remediation plans that fix the immediate issue and create management systems to prevent the issue from reoccurring. We monitor the progress of the supplier until the issues are satisfactorily resolved. This may involve repeat audits to close out the CAP. Should a supplier fail to meet our standards, NXP will limit new business or seek to eliminate the supplier from our supply chain.

NXP High-Risk Suppliers by Country



In 2013, NXP began auditing suppliers and has since audited 118 suppliers, with 23 audits and 8 re-audits occurring in 2017. Freely chosen employment, working hours, humane treatment, wages and benefits, and child labor avoidance are some findings in our supplier audits over the past three years. In 2017, 310 findings from our suppliers were related to labor and human rights, in which 50 of them were core violations. During an audit, worker interviews are conducted 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 2017 audits, 548 random worker interviews out of 31,000 workers were conducted with 40% male and 60% female with varying length of service and age range. This is three times the minimum required sample size.

Supplier Audits Top 10 Findings



To address the number of labor and human right findings from our supplier audits, NXP conducts Supplier Code of Conduct training sessions with our global suppliers and in different tiers within the supply chain. Onsite supplier audits provide NXP with an opportunity to train our suppliers and their employees on the NXP Supplier Code of Conduct. We also provide links to the RBA's eLearning academy as additional supplier training. NXP conducts ad-hoc supplier training when requested by a supplier.

Suppliers are required to have workplace grievance mechanisms in place that ensure the confidentiality, anonymity and the protection of whistleblowers. Suppliers must communicate their process to their workers so they can raise any concerns without fear of retaliation. Suppliers must state in a policy that it shall not retaliate or 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.

NXP is aware the use of recruitment and labor agencies 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 and recruitment agencies and sub-agents in relevant countries of operation to ensure compliance to NXP's Supplier Code of Conduct.

In Action: Due to the scarcity of local workers in Malaysia and the complexities for obtaining working permits and visas for migrant workers, it's quite common for companies to use the services of labor brokers in Malaysia to hire workers from countries such as Indonesia, India, or the Philippines. NXP's Social Responsibility Audit's scope includes the recruitment practices of labor brokers. It was soon detected that labor brokers in Malaysia would routinely retain migrant workers' passports. Upon learning about the common practice of withholding migrant workers' passports, NXP immediately summoned all its labor brokers to assess the situation and take action. In 2015, NXP required all labor brokers to return passports to the migrant workers. One labor broker rejected the new policies and NXP terminated the relationship as a result. NXP continues to audit the issue of passport retention in all its facilities and suppliers. Document retention continues to be a substantial problem; however, actions by companies like NXP represent a significant positive step.

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.

WORKER VOICE

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 clearly communicated, free, easily accessible, and visible (grievance box, whistleblower lines, ways to report anonymously, posters, etc.) Employees are trained upon hire and in languages they understand on the whistleblower and open-door policies.

Employee-management engagement is openly practiced at all sites, such as coffee talks, dialog sessions or programs where workers can raise concerns directly to the site general manager. Employees are free to raise concerns and suggestions to management through our open-door policy. NXP continues to explore new innovative methods to enhance the employee-management engagement process to ensure that voices are effectively addressed.

In addition, when 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 2017, during a supplier audit, workers whom were interviewed were provided with NXP cards that contained the NXP third party SpeakUp line. A representative for the foreign workers contacted the SpeakUp line and reported issues regarding unfair utility charges in their dormitory, overtime payment calculations and bonuses. In both cases, NXP escalated the issues to the supplier's management team and positive steps were taken to address and resolve the workers grievance.

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 reporting system, the NXP SpeakUP 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. For example, when worker interviews are conducted during internal or supplier audits, the worker gets a business card that has the NXP grievance local phone number and the email address. If the workers have additional information, concerns or they endure retaliation they can contact the NXP SpeakUp line.

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, DFO, SVHR and the audit committee) about allegations include periodic internal reports and details about key investigations that are in progress or completed.

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, EHS, and Legal. These resources are brought in to investigate properly and to protect the complainant. In some instances, we engage with outside services related to the investigations.

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 can be executed pending the nature and severity of the finding and the party's willingness to rectify the issue.

In 2017, over 50 allegations were reported to the ethics committee in which every report was investigated. 44% 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 suppliers or our supplier's workers.

REPORTING AND RESULTS

NXP publishes an interactive web based [corporate responsibility](#) report that follows the Global Reporting Initiative guidelines (GRI G4). Within the report, there are three pages dedicated to labor and human rights, supplier engagement, and social responsibility which describe in detail our stance on freely chosen employment. These pages discuss the high standards that we require within our own operations as well as NXP suppliers, contractors, and external manufacturers. These standards are thoroughly tested during our yearly internal and external audits.

On the labor and human rights [page](#), the overall performance related to human rights findings of the NXP factories reveal no core violations relating to labor and human rights. The report identifies the top ten findings with a year over year analysis. 2017 labor and human rights internal findings significantly decreased from 2016.

In the supplier engagement [page](#), the supply chain audit program is discussed, including goals and targets. The supplier audits are summarized in a graph with a year over year analysis. Freely chosen employment and child labor avoidance is a known high risk within our supply chain. With supplier audits, it is our policy to re-audit suppliers that receive a score below 95% and or have a core violation. Supplier re-audits have shown year over year improvement.

Each month key performance indicators are reported to the sustainability office and management on topics such as core violations from our supplier audits, NXP internal audits, NXP internal self-assessment scores, signed conformance letters from our supply chain, and quarter over quarter risk indicators for labor and human rights within our supply chain. The sustainability board receives updates twice per year. The social responsibility team meets with the purchasing organization monthly and sometimes weekly, to discuss key suppliers audit results, their findings, the approved corrective action plan and their progress towards closing out their findings.

Results:

NXP focuses on suppliers that score above 49% from the annual risk assessment. In 2017, we identified 39% of our suppliers are considered high-risk. The next step is to audit our suppliers that are high risk, and of the suppliers audited in 2017, 47% of the suppliers uncovered findings related to forced labor such as recruitment fees, government documents withheld and forced savings plan. We also identified that of those suppliers audited, 53% were determined to still remain a high-risk supplier after the audit was conducted.

During an audit, if recruitment fees are identified, the finding becomes a core violation. This is put on a Corrective Action Plan (CAP) in which fees must be repaid in 30 days to the workers. A re-audit is conducted to verify that the fees have been repaid. In 2017, we found 8 suppliers charging workers recruitment fees. Two suppliers have successfully closed out this finding, 3 are still open and 3 are pending closure from a verification audit. NXP received one complaint on fees from our supply chain via the grievance mechanism. This finding has been fully corrected and the fees have been repaid to the workers. This grievance came to NXP independent of an audit. Two re-audits

conducted demonstrated that the suppliers have implemented policies and procedures to not require recruitment fees. This is visible improvement as we continue to impact workers in our supply chain.

Wages provided at the minimum legal standards was also findings in our supply chain. In 2017, we have uncovered 7 suppliers with findings relating to wages and benefits such as overtime rates were not reflected on the pay slip and fines/deductions were taken out of the worker's salary.

Since the beginning of our audit program, NXP has not uncovered child labor. However, if an underage worker is found, NXP immediately implements a remediation program which includes protecting the young worker from reprisal and provides the completion of the young worker's compulsory education. NXP has yet to discover child labor in our factories or in our supply chain. Audit findings related to child labor in our factories and our supply chains are because there is a lack of policies and procedures on how to manage the situation if child labor is discovered. These findings are placed in the corrective action plan and is monitored closely until acceptable closure is approved.

Tin, tantalum, tungsten and gold (3T&G) are necessary to the functionality or production of NXP products, and labor and human rights violations associated with the trade of 3T&G is a concern for NXP. Section 1502 of the Dodd-Frank Act aims to prevent the use of these minerals that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo (DRC) or surrounding countries (Conflict Region). NXP complies with this act and files a Specialized Disclosure report (Form SD) and a Conflict Minerals Report (CMR) with the SEC each year declaring the use of and due diligence relating to smelters and refiners associated with these minerals within the NXP supply chain. In addition to our SEC filings, our commitment and policy can also be found on our [website](#) as well as various industry associations NXP is 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 the conflict region 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 2017, 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.

ACHIEVEMENTS, LESSONS AND IMPROVEMENTS

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

We have achieved global recognition and awards for our implementation of our policy, our efforts in auditing and training in the 2nd and 3rd 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 cannot fight modern-day slavery without going into the supply chain and educating them 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 was able to help facilitate a collaborative path forward to make a difference in the supply chain. One company cannot do it alone, it takes governments, private sector, civil society and the supply chain to join the fight to eradicate modern-day slavery.

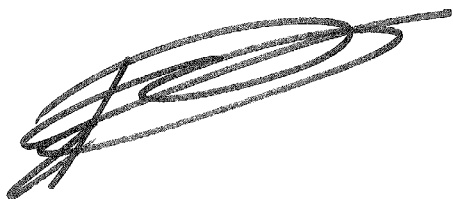
NXP has learned from our audits that some corrective actions which require changes to business models and way of working are difficult for our suppliers to close out. The team is engaged with these suppliers and are collaborating and sharing best practices to implement corrective actions as quickly as possible. Timeliness is an improvement that we are taking seriously going forward and will begin reporting metrics in our 2018 statement.

CONCLUSION

In 2017, NXP took steps to address modern-day 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-day 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.

NXP is committed to maintaining and improving systems and processes to combat modern-day slavery within our own operations, our supply chain, and our products. We regularly update our policies and standards based on industry initiatives, customer requirements, and audit outcomes. These efforts, as well as this disclosure, is reviewed by our Board of Directors annually and updated publicly.



Eric-Paul Schat

Senior Director Sustainability, Environment, Health & Safety