

# SLAVERY AND HUMAN TRAFFICKING





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 the 2015 financial year to ensure that slavery and human trafficking is not taking place in our business and our 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 social responsibility program is built around the recognition that everything we do in connection with our work 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](#) (the Code) which is approved by the board of directors.

## POLICY

In 2015, the International Labour Organization reports that almost 21 million people are victims of forced labor. 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. NXP allows all employees, including contract workers, the freedom of association, and the right to collective bargaining. We are committed to the abolition of child labor and the elimination of discrimination. NXP forbids suppliers and recruiters from charging fees to employees during recruitment processes or withholding government issued documents.

NXP makes these policies available to our employees through the Code, which is available in the languages in which our employees speak. The last revision of the Code was in 2015. NXP provides training on the Code to our direct and contract labor. 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 Code, by either phone or email 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.

When a complaint or grievance is received, there are procedures for documenting, investigating and addressing the complaint or grievance. The NXP Ethics Committee reviews complaints and grievances, and oversees their investigation. When necessary, corrective actions to prevent the reoccurrence of similar complaints are implemented.

As a responsible corporate citizen, we seek to ensure that ethical standards are maintained throughout our supply chain. We expect our suppliers to respect human rights, including maintaining policies and procedures to prevent modern slavery. Specific requirements are in the [NXP Supplier Code of Conduct](#), which was last updated in 2015 and is available in multiple languages. The Supplier Code of Conduct is approved by the Social Responsibility board and is owned by the Sustainability Office. In 2015, adherence to the NXP Supplier Code of Conduct was incorporated into new supplier contracts. For legacy suppliers, they are required to sign a statement of conformity to the Supplier Code of Conduct.

To facilitate progress towards a supply chain that consistently operates with social and environmental responsibility, NXP joined the Electronic Industry Citizenship Coalition ("EICC") and the Global Business Coalition Against Human Trafficking (gBCAT). These coalitions of corporations support the rights and well-being of employees and communities affected by the global supply chain. We believe that the collaborative efforts and shared tools and practices is an efficient way to make progress on this important initiative.

### **Sustainability organization**

The NXP sustainability organization oversees NXP's Slavery and Human Trafficking initiatives and policies. Sustainability is the responsibility of the CEO and the NXP management team. The Social Responsibility board is chaired by the Chief Human Resource Officer and has members representing operations and business groups. The Social Responsibility board establishes strategy and sets targets, while the sustainability office performs operational functions. The sustainability office meets regularly with the board to discuss and review the performance of NXP and our suppliers on issues such as slavery and human trafficking. Any issues of non-conformance are handled in the sustainability office and, if needed, are escalated to the Social Responsibility board.

### **Compensation to NXP employees**

NXP's compensation practices comply with all applicable wage laws, including those relating to minimum wages, overtime hours, and legally mandated benefits. Our employees are compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure are not permitted. NXP and labor agents must offer vacation time, leave periods, and holidays consistent with applicable laws and regulations and pay employees in a timely manner. For each pay period, employees are provided with a timely and understandable wage statement that includes sufficient information to verify accurate compensation for work performed.

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. Where there is no national or local minimum wage and no verifiable industry wage, the contracted wage serves as the base wage and is the basis of other wage calculations.

### **Recruitment**

NXP is aware that recruitment agencies increase our risk of forced labor. Therefore, NXP pays all labor agent fees and forbids suppliers from charging fees to workers or have arrangements in place that bind employees financially. NXP and all labor agents acting on behalf of NXP do not withhold government issued documents, unless required by law, and employees are free to leave work at any time or terminate their employment.

All labor agents acting on behalf of NXP must have a clear policy against charging fees to employees and withholding government issued documents. The labor agent shall clearly inform employees and recruitment agencies about this policy at the point of recruitment in their native language and conduct due diligence with employment and recruitment agencies and sub-agents in relevant countries of operation to ensure compliance. Since labor agents have a risk of forced labor, NXP has implemented recruitment agency audits as part of our supply chain monitoring program.

### **Verification**

NXP conducts onsite audits on all factories using an independent, third-party audit firm, Verité. Verité uses the internally developed NXP Social Responsibility audit tool. This audit tool surpasses industry standards and customer requirements. In 2015, NXP conducted 7 audits on 4 NXP sites. Closure audits were conducted in the 2nd half of 2015 at those facilities that did not score above 95%. If a facility scores above 95%, then the audit is valid for two years. If a facility scores below 95%, then an audit occurs twice per year until 95% is reached. In addition, NXP had 15 customer audits on its Social Responsibility program in 2015.

### **Supplier Risk Assessments and Audits**

NXP evaluates our supply chain by addressing risks of human trafficking and slavery through conformance to the NXP Supplier Code of Conduct, which states that forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons shall not be used. We pursue conformance by statements of conformity from the supplier, the Maplecroft Risk Assessment tool, the NXP Supplier Self-Assessment Questionnaire, and onsite audits.

All suppliers are required to sign a statement of conformity with NXP's Supplier Code of Conduct. The Maplecroft Risk Assessment tool is a third party service that evaluates risks by sector and location. The Supplier Self-Assessment Questionnaire is a self-evaluation against all sections of the NXP Supplier Code of Conduct and includes questions targeted at slavery and human trafficking. If a supplier is determined as a high risk, they will participate in the NXP Social Responsibility Audit program. Audits for the supply chain are conducted by certified social responsibility NXP auditors. Audits include many different components, such as, inspection, document review, employee and management interviews and facility inspections. Audits also include interviews with labor agents and inspection of the foreign employees living conditions. In addition, our suppliers are required to have workplace grievance mechanisms in place.

In 2013, NXP began auditing suppliers and has since audited over 60 suppliers, with 20 of those occurring in 2015. Freely chosen employment and employee health and safety issues were some [findings](#) in our supplier audits. NXP has a zero-tolerance policy for the presence of forced and bonded labor. If zero-tolerance items are identified, we provide such supplier with an opportunity to rectify the problem and implement a corrective action plan. We work with the supplier on action plans to successfully address our findings. These findings can range from excessive fees to withholding government issued documents. Both fees and identification documents shall be returned to the worker and the supplier is required to provide a safe place for storing them. We monitor the progress of the supplier until the issues are satisfactorily resolved. This may involve repeat audits to close out the findings. In 2015, 40% of our suppliers received re-audits. Should a supplier continue to fail to meet our standards, NXP will limit new business and/or seek to eliminate the supplier from our supply chain.

NXP is aware of global concerns that minerals mined in conflict areas in the Democratic Republic of the Congo (DRC) and adjoining countries are contributing to human rights violations. At NXP, we participate in the Conflict Free Smelter Initiative (CFSI) and work with our suppliers to improve supply chain transparency for the tin, tantalum, tungsten and gold that are present in our products. NXP requires its suppliers to exercise due diligence on the source and chain of custody of these minerals and to make their due diligence measures available to NXP. NXP does not prohibit the sourcing of metals from the DRC or its surrounding countries as this may have a serious impact on the economy and its people. However, sourcing from mines that contribute to armed violence is prohibited. Additional information of our program can be found on our conflict minerals [website](#).

### **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 and newsletters. Additionally, we train employees whose job functions include supply chain procurement to comply with all laws in all locations, which includes prohibiting slavery and human trafficking. Since 2013, NXP has trained over 900 key employees on topics of social responsibility, including slavery and human trafficking. In 2015, 12 NXP employees were trained to be EICC lead auditors to make a total of 80 certified EICC lead auditors in our manufacturing sites. EICC certified lead auditors go through a rigorous 5-day training and they play an important role in the deployment and implementation of the social responsibility program at their respective sites.

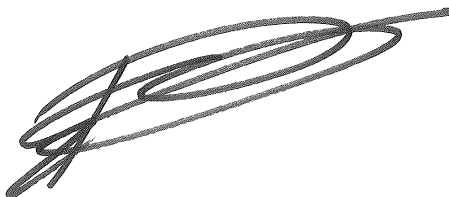
To help employees understand NXP's fair labor requirements, including protections for workers who lodge grievances or report violations, NXP conducts training for foreign workers to make them aware of their rights. We conduct pre-departure training and interviews before they leave their home country to ensure that they are being recruited fairly and their recruitment process meets NXP's stringent requirements such as no fees being paid to the labor agent(s) and sub-agent(s). Upon arrival at the NXP facility, the workers go through an on-boarding process that includes training on company social responsibility policies and programs. Throughout an employee's career, the facility management team holds regular roundtable or coffee talk discussions with foreign workers to obtain feedback on their working condition and life.

NXP conducts ad-hoc supplier training as and when needed by a supplier. The trainings we conduct for suppliers are carried out by either training sessions organized at our facilities or through webinar sessions. In 2015, NXP conducted two supplier face-to-face training sessions and one webinar. In addition, onsite audits of NXP's supply chain provides NXP with an opportunity to train our suppliers and their employees of the NXP Supplier Code of Conduct and provide links to the EICC's eLearning academy. Although NXP requires our supply chain to provide a grievance mechanism for their employees, NXP also provides the NXP's SpeakUp email [code.compliance@nxp.com](mailto:code.compliance@nxp.com) and country specific phone numbers as an additional resource during onsite audits.

Identifying and acknowledging risks within our facilities and our supply chain is important. That is why NXP is participating in a pilot program with a 3rd party, one that specializes in supply chain social responsibility, to monitor and manage forced and bonded labor risks in Malaysia. The pilot program will conduct surveys, enhance communication between foreign workers and factory management. Training programs will educate foreign workers on their rights.

### **Conclusion**

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



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