

2016

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 2016 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.

In 2015, NXP merged with Freescale semiconductor. This statement reflects the combined company's information for 2016, as the 2015 statement was reporting solely on former NXP. The 2016 statement and metrics include all NXP operations and joint ventures in which we have a majority share.

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 sustainability board.

This NXP slavery and human trafficking statement will address our:

- Policy
- Organization
- Internal Verification
- Training
- Supplier Engagement
- Worker Voice
- Investigation & Remediation
- Reporting
- Leadership

We welcome comments (csr@nxp.com) and will continue to monitor feedback and consider changes for future statements.

POLICY

In 2015, the International Labour Organization reports that almost 21 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 outlined in NXP's Code of Conduct and NXP's Supplier Code of Conduct. The NXP Code of Conduct and this statement are approved by the Board of Directors, while the NXP Supplier Code of Conduct is approved by the sustainability board.

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 also 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.

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 conformance letter, and conducting self-assessments which may include onsite audits. 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.

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 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.

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](#), which was updated in 2015. Key suppliers are required to sign a statement of conformity to the NXP Supplier Code of Conduct.

NXP is aware the use of recruitment and labor agencies increases the risk of forced labor. 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 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. NXP supervises the audits to ensure the recruitment agencies and sub-agents are adhering to 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.

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 and all labor agents acting on behalf of NXP do 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 greater. 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

Work weeks cannot exceed the maximum set by local law. A work week must not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers must be allowed at least one day off after six consecutive days of work. All overtime is voluntary. 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.

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 or no verifiable industry wage, the contracted wage serves as the base wage and is the basis of other wage calculations. 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 a timely and 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 shall be free of harassment and unlawful discrimination. Employers shall 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.

ORGANIZATION

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 sustainability board, chaired by the Chief Human Resource Officer and has executive members representing operations, support, and business groups. The sustainability board establishes strategy and sets targets, while the sustainability office, under the direction of Senior Director of Sustainability and EHS, performs operational functions. The sustainability 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 sustainability board.

The sustainability office is tasked to:

1. Establish and maintain policies and standards that are fully aligned or more stringent than regulatory, industry groups, and customer requirements.
2. Ensure compliance of all NXP manufacturing facilities to the policies and standards by conducting regular training, site assessments, and audits.
3. 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.
4. Conduct supplier audits and provide consultation to support establishing programs that are aligned to NXP requirements.

5. Manage and track corrective action plans of suppliers to ensure that gaps found in supplier audits are fully addressed and closed successfully.
6. Work and collaborate with external stakeholders, i.e., industry associations, customer, 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.

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, locations and organizations. They apply equally to all NXP suppliers, contractors and external manufacturers. The NXP auditable standards are how we implement safe working conditions within our facilities and supply chain, ensure that 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 three main aspects: 1) documentation, 2) management interviews, and 3) worker interviews. 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.

Using the NXP auditable standards, independent, third-party audit firms conduct onsite audits on all NXP factories. These audit firms have been thoroughly trained on the NXP auditable standards and conduct the audits using an internally developed NXP social responsibility 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 do not keep their government identity documents, contract changes are made without the worker's knowledge, workers are physically barred from leaving the factory, dormitories or factory grounds, and many more.

In 2016, NXP conducted seven audits on NXP sites resulting in no core violations. If a facility scores above 95%, then the audit is valid for two years. Factories are audited twice a year if the audit score is below 95%. In addition to our own 3rd party audits, NXP had seven customer audits on its social responsibility program in 2016 with no core violations.

In 2016, two newly merged Freescale Semiconductor factories were audited to the strict NXP auditable standards. Management systems were still in the developing stages, resulting in 29 violations. Of those violations, none were core violations.

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.

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 900 key employees on topics of slavery and human trafficking. In 2016, 20 NXP employees were trained to be EICC-VAP lead auditors. The EICC-VAP (Validated Audit Process) is the EICC standard for onsite compliance verification. This training in 2016 makes a total of 84 certified EICC-VAP lead auditors in our manufacturing sites. EICC-VAP certified lead auditors go through a rigorous 5-day training. As lead auditors, they play an important role in the deployment and implementation of the social responsibility program at their respective sites. In 2016, we launched a new, interactive training module regarding NXP's policy on human rights and labor practices which included an examination at the end.

NXP 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. In 2016, the team went to [Indonesia](#) to train and audit the recruiter's sub-agents. In addition, NXP went to schools to educate potential NXP workers of their human rights and NXP's labor practices.

When a 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, the workers 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 foreign workers to obtain feedback on working and living conditions.

The training program content is updated and revised whenever there is a change or revision in the NXP auditable standards. The NXP auditable standards are reviewed on an annual basis to determine the need for a revision based on changing regulatory landscape or change in customer requirements and expectations. Any changes are communicated to all NXP sites and to our supply chain through a series of webinars.

Identifying and acknowledging risks within our facilities and our supply chain is important. That is why NXP is participating in a pilot program that specializes in supply chain social responsibility to monitor and manage forced and bonded labor risks in Malaysia. The pilot program conducts surveys, enhances communication between foreign workers and factory management, and conducts additional training on labor and human rights.

SUPPLIER ENGAGEMENT

NXP strongly opposes slavery and human trafficking and would never knowingly conduct business with contractors or employees engaged in such practices. To combat modern day slavery 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.

All suppliers, approximately 9000, 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.

Key suppliers then 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. From the data analysis, high risk suppliers are identified and are then audited to the NXP auditable standards. Audits for the supply chain are conducted by certified 3rd party auditors in which NXP lead auditors are also 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 inspection, document review, employee and management interviews and facility inspections. Audits also include interviews with labor agents and inspection of living conditions if applicable.

NXP has a strict policy for the presence of forced and bonded labor. If forced or bonded 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 work collaboratively with the supplier on the CAP to successfully address the findings. We monitor the progress of the supplier until the issues are satisfactorily resolved. This may involve repeat audits to close out the CAP. NXP measures our supplier's improvement by monitoring and approving the CAP. Should a supplier continue to fail to meet our standards, NXP will limit new business or seek to eliminate the supplier from our supply chain.

In 2013, NXP began auditing suppliers and has since audited 95 suppliers, with 34 of those occurring in 2016. 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 2016, 10 of the 34 audits were re-audits to verify corrective actions were closed. In 2016, 464 findings from our suppliers were related to labor and human rights, in which 66 of them were core violations. This is an increase in the number of [violations](#) because the high-risk suppliers audited in 2016 were legacy Freescale Semiconductor suppliers. The legacy Freescale supply chain did not yet have processes in place to meet the strict NXP Supplier Code of Conduct, resulting in an increase of findings.

To address the number of labor and human right findings from our supplier audits, NXP conducted NXP Supplier Code of Conduct training sessions with 289 suppliers in 2016. Onsite supplier audits also 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 EICC'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.

WORKER VOICE

At NXP facilities, we make use of communication programs to ensure that every worker is fully 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.) Workers are trained upon hire and in languages they understand on the whistleblower and open door policies.

Worker-management engagement is openly practiced at all sites, such as regular worker-management coffee talks or 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. NXP continues to explore new innovative methods to enhance the worker-management engagement process to ensure that workers' 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 need to report retaliation for speaking with the auditor.

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 line 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 the SpeakUp system 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 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 an internal or supplier audit, 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 for speaking with the auditor 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, CFO, 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.

REPORTING

NXP publishes an interactive web based [corporate social 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 at our own facilities 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 of the NXP factories findings reveal no core violations relating to labor and human rights. The performance of all the sites is summarized on our external website which reports the top ten findings with a year over year analysis. From 2013 to 2015, labor and human rights findings were decreasing year over year, however, the merger with Freescale Semiconductor resulted in an increase. This increase in findings is related to excessive working hours and lack of management systems. In Malaysia, there was a temporary hiring freeze of foreign labor which resulted in a shortage of workers, causing an increase in working hours. The remaining findings were associated with implementing the labor and human rights management systems, as this was a new requirement per the NXP auditable standards.

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 a great improvement from one year to the next.

Tin, tantalum, tungsten and gold are necessary to the functionality or production of NXP products, and labor and human rights associated with the trade of tin, tantalum, tungsten, and gold 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.

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.

LEADERSHIP



In November 2016, the Thomson Reuters Foundation awarded NXP with the [Stop Slavery Award](#) in the Policy and Implementation category. The Stop Slavery Award gives public recognition to corporations that are “best in class” at demonstrating integrity, courage, and innovation in cleaning their supply chains. NXP was chosen because of our deep commitment to end modern day slavery.

To facilitate progress towards a supply chain that consistently operates with social and environmental responsibility, NXP is a member of 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. The EICC formed an initiative called the [Responsible Raw Materials Initiative](#), in which industry can collectively understand and agree to its duty in advancing responsible sourcing. In 2016, NXP became a member of the Responsible Raw Materials Initiative where we address responsible sourcing throughout the whole supply chain of the mining industry.

NXP is an active member of the [Conflict Free Sourcing Initiative](#) (CFSI), a multi-industry initiative consisting of over 350 companies and industry associations. NXP is also an active participant in CFSI’s Conflict Free Smelter Program (CFSP), an independent 3rd party audit program developed according to global standards (including the OECD Guidance) to identify smelters and refiners that have systems in place to assure sourcing of conflict-free materials. Representatives from NXP are members of the CFSI Due Diligence Practices Team and the Smelter Engagement Team. In 2016, NXP has made valuable contributions to the Conflict Free Smelter Program. In 2016, NXP also contributed \$15,000 USD to the CFSP Audit Fund to boost the ability of new smelters and refiners to enter the Conflict Free Smelter Program. These initiatives help NXP address the labor and human rights risks within our supply chain. We believe that the collaborative efforts and shared tools and practices are an efficient way to make progress on labor and human rights.

In 2016, NXP took a step further to have boots on the ground by becoming a strategic partner in the [European Partnership for Responsible Minerals](#) (EPRM). EPRM focuses on serving as a knowledge platform where organizations can share knowledge on due diligence and support activities to improve the conditions in the mining areas of conflict and high risk. Working with participating companies and cross-sector partners, NXP seeks to advance

initiatives to drive meaningful improvement in the mining sector.

In 2016, NXP began to focus on the labor agents. Our goal was to go deeper into the supply chain and audit the labor agents within the foreign migrant workers' originating country. NXP went to Indonesia to audit the labor agents and their appointed sub-agents, who support in the recruitment of workers in the rural villages of Indonesia. While in Indonesia, NXP visited schools in the villages where potential candidates are completing their mandatory education before joining the workforce and trained them on labor and human rights. This visit was to ensure we cover the entire worker supply chain in Indonesia. The audit in 2016 covered two main labor agents in Indonesia that directly work with the labor agents in Malaysia, eleven sub-agents that recruit from the rural villages, and three schools in Medan and Yogyakarta. During this time, we also conducted several educational sessions to the labor brokers and the workers on NXP standards.

NXP was one of the first companies to ban all recruitment fees paid by the worker. As a full and active member of the EICC, NXP was vocal and recommended that the EICC ban all recruitment fees paid by workers. The EICC updated its code of conduct for this practice that went into effect on April 01, 2015. This policy change was substantial as the EICC is comprised of more than 100 electronic companies, representing 17 different sectors from consumer brands to smelters.


The NXP sustainability office is working with Singapore Polytechnic to develop a game-based training for our supply chain. This form of training targets small to medium suppliers for a highly interactive exercise to bring awareness to human trafficking and modern-day slavery. The game play mode of the learning module requires the person undergoing the training to make critical business decisions when hiring foreign workers. The student acts as a hiring manager and will be presented with different options in the recruitment process. In one option, workers are provided by a labor agent that fully complies with NXP's standards but with higher initial impact to the business operational costs. In another option, workers are provided by a labor agent that presents no up-front cost and the hidden costs (recruitment fees) are all borne by the workers. Through participation in the game-based training, the student gains awareness that choosing the no up-front cost option will lead to modern day slavery and forced/bonded labor which will have a severe business and regulatory implications and additional long-term costs.

CONCLUSION

In 2016, NXP took significant steps to address modern-day slavery including financial contributions to important initiatives, engagement with industry associations, training, auditing deep in our supply chain, and traveling to schools in Indonesia to train potential NXP employees on their human rights. Our leadership on this important issue, led NXP to be unanimously chosen by the judging board for the Thomson Reuters Foundation Stop Slavery Award for Policy and Implementation. This award showcased NXP's mission to make anti-slavery everyone's business. NXP's mission is to ensure all workers are not held hostage by labor suppliers, making sure kickbacks and payment demands from employment agencies are eradicated. This is why we train, audit and re-audit deep within 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
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