



September 28, 2015

Mrs. Bobbie Sta. Maria, Mrs. Annabel Short EIRIS
Business & Human Rights Resource Centre

Dear Mrs. Bobbie Sta. Maria, Mrs. Annabel Short,

The report of June 2 by SOMO/GoodElectronics is known to us. In fact, we have been in discussion with SOMO/GoodElectronics on their draft report and provided them a great number of comments and suggestions. Unfortunately, on June 2, SOMO/GoodElectronics published its report and an accompanying press release containing many factually incorrect and subjective conclusions, allegations and statements. NXP is committed to be a responsible social partner and is of the opinion that only conclusions should be drawn on correct and complete information; not doing so creates misleading and false impressions which may cause more harm than that it improves anything. Not in the last instance for our > 27,000 employees, of which many have let us know they don't recognize the one-sided conclusions published by SOMO/GoodElectronics. For your reference a copy of our comments are attached to this letter.

The claims made by SOMO about the Philippines refer mainly to the actions around the collective bargaining agreement for our manufacturing site in Cabuyao in the Philippines during the spring of 2014. When the negotiations on the collective labor agreement reached an impasse, trade unions called for illegal strikes on the 9th, 17th and 18th of April, as well as on the 1st of May. According to Philippine legislation these days may be classified as working days provided that the company gives an advance notification that these days are indeed working days. NXP has done so in a timely manner. Work on public holidays itself is always voluntary.

The trade unions denied that these were illegal strikes. However, our site in the Philippines has always operated continuously, 24 hours a day, 7 days a week. In other years, on these Sun- and holidays, the factory was operated, voluntary, by about 85% of the staff. During the strike last year only 25% of the staff was present.

To reinforce their actions, some of the Union leaders damaged houses of NXP management members in the Philippines and used intimidating actions with the intention to disrupt the operation of the factory. It is clear that some Union leaders overstepped the legal boundaries. This was confirmed by the Authorities in the Philippines. A discontinuation of production could lead to severe damage for NXP.

Despite the fact that the strikes were illegal, it was not expected that a court ruling would come quickly. In order to allow employees that were willing to work to enter the factory safely, NXP took the difficult decision to dismiss 24 of the trade union leaders, which is in compliance with the rules and has been done with the full support of the authorities. During hearings on the dismissals most of the Union leaders did not show up, nor did they make use of the possibility to file a court case. Protest marches were organized around the NXP-establishment in the Philippines, but of the approximately 500 participants only less than half were actually NXP-employees.

The dispute in our plant in Cabuyao was resolved in September of last year in a settlement agreement with the workers' union whereby NXP agreed to reinstate 12 of the 24 dismissed union members and to make severance payments to the other 12. In return, the workers' union agreed to withdraw all legal and political actions initiated against NXP in the Philippines. In addition, a new Collective Bargaining Agreement was signed which provided for salary increases over the years 2014 to 2016.

To make clear that the relationship between Unions and NXP has improved a joint press release was issued that contained, among others, the following statement: "We look forward to continuing this strong and mutually beneficial partnership with our employees. While there has been speculation about certain issues associated with



the CBA talks, in particular about the circumstances surrounding the termination of 24 employees in early May 2014, the MOA shows clearly that an amicable settlement has been reached and the speculation can now be brought to an end. This welcome development will further strengthen the relationship between Union and Management. Difficult as it may have been, the terms are fair and mutually acceptable to all concerned.”

The claims made by SOMO in her report refers with respect to Thailand refers to the actions around the collective bargaining agreement for our Bangkok manufacturing operation that was negotiated over two years ago, in the spring of 2013.

Before NXP in 2013 a new CAO-agreement was concluded with the trade unions in Thailand, the facility had is a complicated work schedule with fixed and rotating shifts. The collective labor agreement before 2013, which was concluded in the time when NXP was still part of Philips, determined that changes in the work schedule had to be negotiated with the trade unions. The schedule was structured in such a way that not many workers had a free day every week and many had to work more than 60 hours a week, some even had only 8 hours between two shifts on certain days. Little free time remains when the travel time to and from work is deducted from these 8 hours. In the “old” work schedule, about 30% of the employees worked more than 60 hours a week, and about 25% did not have a day off every week.

It was clear for NXP that the situation as described above needed to change. After long negotiations an agreement with the Union on the 19th of April 2013 the contained the following elements:

The work schedule remains part of the collective bargaining agreement
Shift schedule is 4 days x 12 hours (10.5 hours excluding breaks), followed by 2 days off

Other work schedules have been considered but led to opposition from workers because this would limit overtime and thus income. In the end, the 4 x 2 schedule was chosen by a Committee of managers, trade union representatives and other employees as being the best work schedule that meets international standards and guarantees a solid base income for the employees. Moreover, the 4 x 2 schedule is an international standard in the industry with continuous (24/7) operation.

Important to mention is that all employees have personally signed up for the new schedule. The average hours worked per week is 56. For your information, the relevant ILO standard states: “The limit of hours of work prescribed in Article 2 may also be exceeded in those processes which are required by reason of the nature of the process to be carried on continuously by a succession of shifts, subject to the condition that the working hours shall not exceed fifty-six in the week on the average. Such regulation of the hours of work shall in no case affect any rest days which may be secured by the national law to the workers in such processes in compensation for the weekly rest day.”

Overtime is limited by NXP, so that in any week not more than 60 hours are worked. This is also in accordance with international agreements to which NXP adheres, including standards such as the Electronic Industry Citizenship Coalition (EICC). In addition, NXP standards state that employees should not work more than 12 hours in a single day. A 12 hour work day in NXP Thailand means net 10.5 hours and 1.5 hours of rest time. Operators get 3.5 out of 10.5 hours paid as overtime; technicians get 2.5 hours paid as overtime because they are on a monthly payment schedule for an 8-hour workday. Both operators and technicians have a higher base income as a result of the schedule change.

The CBA also states that each employee is required to take at least one day off per 7 day work week. For employees who, because of personal circumstances, were not able to change to the new 4 x 2 shift schedule, a customized schedule was made, usually in day shift.

As a follow-up action, NXP invited SOMO/GoodElectronics to get a more in-depth explanation on the way NXP operates its global businesses, in particular in Thailand and the Philippines. An appointment was made that SOMO/GoodElectronics would visit our Bangkok site in July, but that visit was cancelled by SOMO/GoodElectronics a few days before the meeting would take place as they felt visiting our plant in Bangkok would not change their views as laid down in their June 2 report.

On a more positive note the NXP management met with SOMO/GoodElectronics in August in our Nijmegen, Netherlands, facility where more detailed information was exchanged and actions agreed upon to come to a better understanding of each other’s viewpoints.



In addition, we would like to emphasize that the NXP Code of Conduct outlines our general commitment to be a responsible social partner and the way in which we attempt to interact with our stakeholders, including stockholders, suppliers, customers, employees and the market. The Code of Conduct expresses our commitment to an economically, socially and ethically sustainable way of working. It covers our policy on a diverse array of subjects, including corporate gifts, child labor, International Labor Organization conventions, working hours, sexual harassment, free-market competition, bribery and the integrity of financial reporting. The NXP Code of Conduct is available on our website at www.nxp.com/investor/governance.

NXP believes taking responsibility for its impact on the world is crucial to the company's success and its ability to deliver value to customers, partners and employees, as well as protecting the environment for future generations. Therefore we have clear goals in corporate governance, people practices, product development and manufacturing, environment and community responsibility. Whether it's people management, supplier relationships or product design, NXP has developed a set of auditable standards on social responsibility, which have been deployed through extensive training programs in all our sites. Our ambition for our worldwide operation is to go beyond compliance, and establish a global benchmark.

Please contact me if you have any further questions.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Eric-Paul Schat', is written over a light blue oval-shaped background. The signature is fluid and cursive.

Eric-Paul Schat
Sr. Director, Sustainability
NXP Semiconductors

