



2022

TCFD INDEX



2022 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

If emissions of greenhouse gases (GHGs) continue at current rates, global warming will accelerate. Temperature gains above 2 °C (relative to the pre-industrial period) would have catastrophic economic and social consequences.

The growing demand for decision-useful, climate-related information from organizations across all sectors of the economy has given rise to several disclosure standards that support greater accountability and transparency. One such standard, established in 2015, is the Task Force on Climate-Related Financial Disclosures (TCFD), which defines a set of voluntary disclosures of climate-related financial risk. Using the TCFD format, companies can inform stakeholders of any risks relating to climate change that they face.

The TCFD structures their recommendations around four themes that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets.

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Governance

Disclose the organization's governance around climate-related risks and opportunities.

- The Nominating, Governance, and Sustainability Committee of NXP's Board of Directors is responsible for reviewing the Company's policies and practices relating to significant issues of sustainability, environmental, social, and governance (ESG), and public issues of concern that affect investors and other key stakeholders, including climate-related risks and opportunities. The Committee is updated on these efforts on a quarterly basis by representatives of the ESG Management Board, and reports on these efforts in the plenary meetings of NXP's Board of Directors. A monitoring dashboard of top key performance indicators (KPIs) for our status on progress is reviewed on a quarterly basis.
- a. Describe the board's oversight of climate-related risks and opportunities.
- The Board and Board Committees consider climate-related issues when making decisions involving strategy, major plans of action, risk-management policies, annual budgets, and business plans. The Board and Board Committees consider climate-related issues when setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures.
- The Nominating and Governance Committee reviews and approves our carbon-footprint goals, strategy, roadmap, and budget. Please see our [Nominating, Governance, and Sustainability Committee Charter](#) for more details.
- Please see the "ESG Board Oversight" subsection of the "Board of Directors" section of the "Governance" chapter of our [2022 Corporate Sustainability Report](#) for more details.

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b. Describe management's role in assessing and managing climate-related risks and opportunities.

The CEO and the NXP Management Team, under the supervision of NXP's Board of Directors, are responsible for implementation of NXP's ESG strategy, policies, and goals. Climate-related risks and opportunities are included in the ESG and Sustainability function within the Company and are managed in the same way as other ESG matters.

NXP's ESG Management Board, which is comprised of Management Team members and other senior leaders, oversees the implementation of ESG strategy and policy, and ensures appropriate resourcing. The ESG Management Board is chaired by our General Counsel and Chief Sustainability Officer, and supported by our Chief Financial Officer, Chief Strategy Officer, Chief Technology Officer, Chief Human Resources Officer, and Executive Vice President (EVP) of Global Operations. The ESG Management Board meets monthly to ensure our ESG performance is in line with our strategy and goals. The Nominating, Governance, and Sustainability Committee is updated on these efforts on a quarterly basis by representatives of the ESG Management Board, and reports on these efforts in the plenary meetings of NXP's Board of Directors.

In addition to the ESG Management Board, NXP also has an Environment, Health, and Safety (EHS) Management Board, which includes members of the Management Team and other senior leaders. While the ESG and EHS Management Boards approve the strategy and targets, the Sustainability and EHS Corporate Teams focus on policies, goals, program development, and measurable improvement plans, all while monitoring and controlling operational functions. The Sustainability and EHS Corporate Teams meet regularly with the ESG and EHS Management Boards to discuss and review NXP's performance.

The Sustainability and EHS Corporate Teams set targets, conduct annual self-assessments and third-party audits, ensure timely closure of corrective-action plans, monitor and control working hours and rest days, and conduct internal capacity-building. The Site Steering Committee Teams implement, measure, and validate policies, drive continuous improvement at their respective sites, and report progress to Site Management and the Sustainability and EHS Corporate Teams.

Please see the "Governance" chapter of our [2022 Corporate Sustainability Report](#) for more details.

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Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

While we discuss climate-related risks, we do not include all the risks that may ultimately affect NXP in this regard. We will conduct more in-depth scenario analysis and disclose subsequent results in future reports. Some risks that are as yet unknown, or are believed not to be material, could ultimately have a major impact on our businesses, objectives, revenues, income, assets, liquidity, and/or capital resources.

In 2022, NXP joined the SEMI Semiconductor Climate Consortium (SCC) as a founding member to contribute to and accelerate the semiconductor industry's efforts to reduce the emission of GHGs.

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

a. Describe the organization's processes for identifying and assessing climate-related risks.

NXP maintains lists of identified risks to formally evaluate external and internal issues and identify how they may impact the strategic direction and business operations of the company, our customers, our suppliers, our communities, and other interested parties. We continue to include climate-related risks within these assessments, and within our Enterprise Risk-Management Program. We will expand on this in the future as we increase our understanding of how climate risks may impact our business. Risks are prioritized at the corporate and local levels for their scope and operational controls and are reviewed annually. Updates are completed through risk-assessment reviews and with inputs from executive EHS Board meetings, management reviews, functional staff meetings, and specialized councils. Existing and emerging regulatory requirements are taken as inputs to the risk assessments, as are benchmarks from other companies and other stakeholder input received from customers, investors, and the public.

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b. Describe the organization's processes for managing climate-related risks.

Site and Corporate Business-Continuity Teams regularly review and update assessments of risks, including climate-related risks, and their associated action plans. We document high-priority risks and identify action plans to reduce the relative impact of those risks. Risk assessments and action plans are used as input into formal goal planning, management review updates, and, if applicable, capital financial planning. Feedback obtained from management reviews, the Sustainability Office, the ESG and EHS Management Boards, Business Continuity Teams, and other stakeholders is also incorporated into the risk assessments and action plans.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Our disclosure of climate-related metrics provides current and historical information for analysis of our Scope 1, 2, and 3 emissions. In the "Environment" chapter of our [2022 Corporate Sustainability Report](#), we include both absolute and normalized data to factor in our production index and align with our semiconductor peer group.

Scope 1 emissions includes an in-depth, ten-year analysis of our emissions of perfluorinated compounds (PFCs), heat-transfer fluids (HTFs), fossil fuels, and N₂O. Scope 2 emissions includes a ten-year analysis of electricity from our manufacturing and non-manufacturing facilities. Scope 3 emissions includes a ten-year analysis of business travel and product transportation. Scope 1, 2, and 3 emissions metrics are used by NXP to ensure alignment with our climate-related strategy and risk-management process.

All emissions are reported in alignment with the accounting standards of the GHG Protocol. In 2022, NXP adopted the 2019 Refinement to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories. Having adopted the 2019 Refinement, we have updated some of our historical data. As a result, the PFC emissions and, by extension, our Scope 1 emissions, differ from what were previously reported. To be specific, we now use IPCC 2006 Tier 2a for 2012 through 2020 PFC data and IPCC 2019 Tier 2c for 2021 and 2022 PFC data.

We discuss water, energy, and waste with equivalent levels of detail. We make all environmental data available in our [2022 Corporate Sustainability Report](#) and/or on our [website](#).

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b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks.

GHG Disclosure	Unit	2019	2020	2021	2022
Scope 1 GHG Emissions					
PFCs	tCO ₂ e	288,566	217,326	346,299	400,261
HTFs	tCO ₂ e	113,810	82,100	104,510	62,499
Fossil Fuels	tCO ₂ e	41,862	41,819	44,229	46,068
N ₂ O	tCO ₂ e	13,592	14,498	15,188	15,956
Other Scope 1 Emissions	tCO ₂ e	688	720	777	1,102
Total Scope 1 Emissions	tCO₂e	458,518	356,462	511,004	525,886
Scope 2 GHG Emissions					
Total Manufacturing	tCO ₂ e	654,294	604,013	642,640	613,620
Total Non-Manufacturing	tCO ₂ e	21,669	21,648	22,354	25,453
Total Scope 2 Emissions (Market-Based)	tCO₂e	675,963	625,661	664,994	639,073
Scope 3 GHG Emissions¹					
Product Transport	tCO ₂ e	23,682	24,577	20,153	20,555
Business Travel	tCO ₂ e	13,008	1,258	1,288	9,098
Total Scope 3 Emissions	tCO₂e	36,690	25,835	21,441	29,653

¹ Our Scope 3 emissions are currently limited to business travel and product transport. We continue to work with our supply chain to further quantify Scope 3 emissions.

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c. Describe the targets used by the organization to manage climate-related risks and opportunities, and the organization's performance against these targets.

Our goal to be carbon neutral by 2035 presents multiple layers of complexity, given that we use renewable and non-renewable electricity, fossil fuels, PFCs, and HTFs. The picture becomes even more complex when we consider annual increases in semiconductor production which, in turn, increase our GHG emissions. In 2022, to keep ourselves accountable, we committed to aligning our targets with the Science Based Targets initiative (SBTi) and have identified a number of mid-term goals.

By 2027, our mid-term goal is to reduce Scope 1 & 2 absolute emissions by 35% from a 2021 baseline. To reach our mid-term goal, we will address Scope 1 reduction by focusing on designing and/or installing equipment to reduce emissions, substituting chemicals, and optimizing manufacturing processes. Since electricity is our largest GHG contributor, another of our mid-term goals is to increase our renewable electricity use to 50% and thereby decrease our Scope 2 emissions. To help achieve our 2027 goal, we created a task force to identify opportunities for additional emissions reduction.

In 2022, the demand for our products increased 9% compared to 2021. That meant our electricity, PFC, and HTF consumption increased as well. However, due to conservation and reduction projects, our absolute Scope 1 & 2 emissions decreased 1% and our normalized Scope 1 & 2 emissions decreased by 9% compared to our baseline year, 2021. While a 9% production increase is significant, our ongoing efforts to conserve electricity, optimize our processes, increase renewable electricity use, upgrade tools, and install abatement equipment, resulted in a decrease for absolute and normalized Scope 1 & 2 emissions.

In 2022, as part of our efforts to reduce our Scope 2 emissions and achieve our goal for renewable electricity, our renewable energy as a portion of electricity from the grid increased by 4 percentage points to a total of 35% renewable electricity for the company overall.

We also have a mid-term goal to recycle 60% of wastewater by 2027. In 2022, we recycled 48% of wastewater, an increase of 1 percentage point compared to 2021, and an increase of 16 percentage points compared to 2012.

Please see the "Goals" section of the "Environmental, Social, and Governance" chapter, and the "Emissions," "Energy," and "Water" sections of the "Environment" chapter of our [2022 Corporate Sustainability Report](#) for more details.



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For more information about NXP's ESG activities, please read our full [2022 Corporate Sustainability Report](#).

