

Proposals letter NXP

CLA from October 1th 2018

Social Plan from January 1th 2019

Preface

NXP would like an optimal balance between productivity, maneuverability and staffing. It is a great company to work in and for. To **compete on the global market**, we need well-qualified people. **Training and development** are therefore necessary and self-evident. This applies not only to new employees who are just starting their careers, but also to employees with work experience. In addition, sustainable employability is important for everyone. Our goal is to keep everyone healthy and fit at work.

In the innovative NXP the developments go very fast. What has been devised today will be improved tomorrow. NXP and its employees must therefore be agile and flexible. The collective labor agreement will therefore have to be in line with the market and must be able to offer flexibility where possible.

NXP will again fully focus on its own strategy and its implementation. For this reason, we find it appropriate to agree on a collective agreement with a long term to provide **stability and clarity** for a longer period. Naturally, this collective labor agreement must also be in line with current and upcoming legislation and regulations.

The efforts of NXP in the CLA negotiations is based on three main pillars, namely:

1. **Providing clarity and stability**
2. **Everyone keeps developing and sustainable employability**
3. **Competing on the (world) market**

Below we will discuss the proposals of NXP per subject in detail.

1. Clarity and stability

Income

NXP has - among other things, by making responsible and appropriate wage agreements - become strong and successful. For the coming agreement period we want therefore again a responsible wage increase, which will keep NXP in the Netherlands healthy and competitive also for the future.

According to the CPB, inflation is currently 1.6%. The expectation is that this inflation will remain the same in the coming period or will only rise slightly.

The purchasing power development since 2014 shows again a position trend. The average purchasing power increase in August 2018 is estimated at 0.6% (CPB, MEV) . Meanwhile, the government announced measures on Budget Day that will strongly improve the purchasing power of particularly workers (1.5 % on average).

The development of the purchasing power and the low inflation in the Netherlands do not mean that it can be said that the future for the economy in general, but also for NXP especially, looks very good.

Recent political and economic developments in the world, such as the trade war between China and the US, can negatively affect the sales of NXP products.

Besides the aspects mentioned above, it is important to look at the absolute level of remuneration of NXP compared to the labor market in the Netherlands. Based on the comparison, we conclude that the salary of NXP is very competitive. If we take the bonus realization (for grades it concerns) and -in comparison with the market very low own pension and high pension from the company, then we can say that the total earned income is very competitive.

At NXP, the employees had a CLA increase of 1.95% in March 2018.

In addition, there was a budget for individual increases for employees with career opportunities as per April 1, 2018, and all employees will receive a lump sum of 1.92% (equal to one week's salary) at the end of October 2018.

As the final pay increase depends on the term of the CLA and what we agree with respect to the other conditions, NXP cannot give an exact percentage. As soon as the contours of the negotiations become more visible, we will come up with a detailed offer.

Annual Incentive Plan

Since 2015, the bonus scheme applies only to grades G2 and higher. Although this decision was taken at the insistence of the unions after long and extensive collective bargaining, it then emerged (among other things through a survey) that most employees of the grades below G2 would still like to participate in the bonus scheme.

NXP therefore proposes that the employees in the grades up to and including 45 will participate in the AIP with effect from the calendar year 2019, and we will have further consultation about the on-target bonus percentage and the method of settlement.

Employee contribution pension premium

NXP wants to pay market-based, but in comparison with the market, the level of the employee's share in the pension premium is generally not considered and only the level of the salary and the on-target bonus are taken into account. The current low level of the employee's pension premium is far below the market, while employees do not realize it at all when recruited. They too only look at the salary and the bonus. To be able to offer new employees a competitive offer, it would therefore be better to bring the employee contribution more in line with the market and the usual level of employee premium in the sector to which PME belongs.

For information: in accordance with the regulations of the branch of industry pension fund PME, this percentage cannot exceed 11.03% in 2018. The premium for the basic scheme of PME is 23% in 2018, and the maximum employees' contribution as used in many companies is therefore almost 50% of the premium of the basic scheme.

In Article 9.1 of the current collective agreement, the employee contribution to the pension is set at 2.7% of pensionable salary. NXP proposes to increase this percentage.

2. Development & Employability

Continue existing initiatives

NXP has been taking initiatives for a long time to increase sustainable employability. Think of the Lifestyle program in ICN8, the projects with Sense in the various teams, the employability project within the assistant community and Fit 20 (Nijmegen).

In addition, we introduced the career scan during the term of this CLA and employees can still apply to use the Employability Budget introduced in the previous CLA .

We realize that we must continue to draw attention to these initiatives and ensure that our employees remain/become familiar with all these possibilities. Of course, we are always open to new ideas that have already been successful at other companies.

3. Compete on the (world) market / bring CLA in line with market and new laws and regulations

Grade G7 from the CLA, and grade G6 back in the system of collective increases

NXP wants - just like other companies - to bring a larger group of employees with a high grade and employment conditions package outside the scope of the collective agreement. Philips and other companies split off from Philips, such as Thales, have also taken such a step many years ago. NXP is thus the only company in our branch of industry in the Netherlands where managers and other employees with a salary and benefits package of grade G7, still fall within the scope of the collective labor agreement. NXP's opinion is that contract freedom is more important for this group of employees than the straitjacket of the collective labor agreement.

In 2013, NXP has already removed part of the population in grade 90 (the employees with a leading position) from the CLA -by consulting with the trade unions and using Article 1.1 of the CLA- by offering a Senior Director (SD) contract.

The managers who received this offer for an SD contract (a total of ten) have accepted this offer. NXP wants to take a next step and offer all current employees in grade 90 (now G7), an individual employment contract as Senior Director (SD) with effect from 1 January 2019 and to abolish grade 90 in the CLA.

One of the consequences is that the integrated merit matrix (Appendix 1 CLA) would only apply to grade 80 (G6). Since the tables in Annex I are very complex and administratively hardly feasible, NXP prefers to remove these tables with effect from January 1, 2019. By doing so, grade 80 (G6) will be treated the same as the other grades again, and for this group a separate collective and individual increase applies. This equates the salary system for all grades in the collective agreement, which leads to equality and for NXP a simplification of the processes.

Customize age limits in collective agreements to increased retirement - age

NXP believes that all employees should have the same protection when it comes to sparing measures. Nowadays, the non-standard measures in the NXP-CLA apply only to employees over a certain age, but preferably NXP would use one generic measure of sparing: the health of the individual employee.

Alternatively, if it appears that completely eliminating the employment sparing measures based on age is too far-reaching, we want these sparing measures at least move in pace with the increase in the retirement age. This also prevents the pressure on younger employees to carry out certain activities, such as overtime, to increase continuously. We therefore propose to completely abolish the sparing measures of and - if this is not negotiable - to determine the **age requirements for the sparing measures for the elderly in the collective labor agreement and to be allowed to move these with the increase in the AOW age .**

That means the following in more detail:

- Article 6.3.4, Determination of timetables. Overtime not binding for employees of 50 years or older. In this article, NXP proposes replacing "*employees of 50 years or older*" with "*employees with an age that is five years before the state pension age*".
- Article 8.10.2, Paid absence prior to retirement. NXP proposes in this article, "*but not earlier than after reaching the age of 60*" be replaced by "*but not earlier than after reaching an age that is five years before the statutory retirement age.*"

Of course, these changes only apply to new cases. For employees who already make use of the sparing measures at the time that this new collective labor agreement applies, the old claims will be maintained.

Inconvenience

The height of the shiftwork allowance when working in shifts depends on the extent to which working hours and break times are inconvenient. Article 7.5.3 of the cla gives the schedule of inconvenient hours. It contains a percentage of 115% for the hours between 13:00 on Saturday and 24:00 on Sunday.

The scheme of inconvenience has been the same for many decades, while society has changed a lot during that period. The work on Saturday and Sunday does not happen exceptionally, and in many collective agreements the inconvenience for weekend work has been completely abolished.

NXP proposes to change this percentage for the hours between 13:00 hours on Saturday and 24:00 hours on Sunday in the new collective labor agreement to 55%, and this new percentage will apply to new employees.

Employees already in service will receive a written commitment that the current percentage of inconvenience for these hours will continue to apply to them.

NXP believes that the percentage of 55% as it already applies for the hours between 19:00 in the evening and 07:00 in the morning on Monday to Friday, is also suitable for the weekend. On the other hand, NXP recognizes with this proposal that the reduction of the inconvenience percentage for the current employees would mean an income drop. That is why NXP proposes that the adjusted percentage should only apply to new employees. With the proposed reduction, a contribution will be made to maintaining the competitiveness of the ICN8 plant in the long term.

Continued payment 3rd year of illness.

NXP wants to cancel the obligation to pay in the third year of illness, which is laid down in Article 2a of Appendix A of the collective labor agreement. On 4 September 2017, the Labor Foundation wrote a letter to the decentralized CLA parties, in which it was pointed out that the Autumn Consultation 2004 between the Labor Foundation and the Cabinet agreed that the total sick pay benefit to the employee over two years of illness together measured, will not exceed 170% of the last earned wage, unless additional specific employment conditions are made to encourage accelerated reintegration. Most of the collective agreements meanwhile comply with this arrangement, but the NXP-cla is one of the few which supplements extralegally and also has a payment during the 3rd year of illness. NXP wishes to amend the cla texts on this point in accordance with the request of the Labor Foundation, and proposes to delete article 2a from Appendix A of the cla.

Of course, these changes only apply to new cases.

Extending maternity- / birth leave

There is a legislative proposal to the House of Representatives regarding the extension of paternity

leave. The intended date of entry into force will be 1 January 2019, but the proposal has not yet been accepted. Since NXP would like to make its collective labor agreement up to date, it is proposed to amend Article 8.9 paragraph h as follows:

*After the spouse or partner has given birth, the employee is entitled to 2 working days of paternity leave. This leave must be taken within 4 weeks of the birth. In case of a delivery in the hospital, the leave must be taken within 4 weeks after the baby has returned home. **If the new law has been accepted, then from the entry into force of this new law, entitlement to paternity leave/birth leave with retention of salary of once the working hours per week will apply.***

Possible adjustment of chain arrangement and probation period

The coalition government agreement includes proposals to reintroduce the old chain control of employment contracts, and to introduce a longer probation period. NXP would like the collective agreement to be in line with these possible amendments to the law, so that NXP proposes to refer only to "the legal probationary period" and the legal chain regulation in the collective labor agreement.

Small changes in some other clause texts

In addition to the above changes that are based on legislative changes, NXP also wishes to update some other collective labor agreements. In principle, these proposals do not change the terms of employment package, so that they are only included in the appendix.

Social Plan from 1 January 2019

The current Social Plan has - thanks to its long duration- provided peace and clarity. Since NXP is a company that must keep adjusting its organization continuously, a new Social Plan with a long term contributes to the goal of creating peace and clarity. NXP proposes to set the term for the Social Plan in such a way that the end date of the collective agreement and social plan will be the same.

Since the introduction of the Transition Allowance in 2015 (and simultaneous abolition of the subdistrict court formula), the level of severance payments in the Netherlands has fallen. The NXP Social Plan is higher in terms of reimbursements than what is paid on average in the Netherlands during reorganizations.

For the sake of peace and clarity, NXP is prepared to keep the Social Plan largely in its present form, but NXP wants to build in a maximum severance payment just like the current transition compensation has. In contrast to the transition allowance (where the maximum is Euro 79,000, or 1-year salary with a higher income), NXP proposes to set the maximum in the new Social Plan at Euro 200,000 gross or 2 annual salaries if a higher income applies.

In most current safety net situations, we see that one finds a new job in general within four months. In addition, NXP Netherlands is always running against internal discussions about the long safety net period. In countries around us a short notice applies and the legal notice in the Netherlands is a maximum of four months. The long safety net period of 6 months is therefore difficult to explain in the international context. NXP would like to settle these internal discussions by reducing the safety net period from 6 to 4 months, with the remaining 2 months being paid out (simultaneously with the

severance payment, provided that a settlement agreement has been signed). Of course, in this construction the signing fee of € 1,000 will be canceled.

Conclusion

We hope for a constructive dialogue to achieve a cla and a social plan which on the one hand justify the good contribution of our employees to the result of the company and on the other hand take into account recent macro-economic developments and the need to re-focus the organization on continuing as an independent company and to further develop the long- term strategy of growth.

NXP reserves the right to submit additional/amended proposals during the negotiations.

Sincerely,

Bianca Willems
NXP Semiconductors Netherlands BV

HRM Netherlands

Annex to proposals letter of NXP, update of cla texts

Article 4.1, Exchange of employment conditions. A la carte, destination benefits

In Chapter 4, Exchange of employment conditions, the sources Money and Time are described, and for which they can be used.

Under DESTINATIONS stands at b): Benefits.

NXP proposes replacing the word **Benefits here with "**Benefits by using the source 'Money'**".**

It is administratively very difficult to use the source "Time", the value of the 5 extra-statutory vacation days, for the Bicycle Plan, etc. The source "Money" is already sufficient for this.

Article 6.2 Working hours

In Article 6.2 "Working hours" it is stated that the provisions of the "consultation of the Working Hours Act applicable until 1 April 2007" apply.

It is completely unclear why NXP should decentralized need to apply a version of the Working Hours Act of before 1 April 2007, and then in a so-called 'consultation scheme'. Perhaps it was understandable to have a sort of transitional provision in the years 2007-2009, but now this article is completely outdated.

NXP proposes that in article 6.2 the words "the provisions from the consultation arrangement of the Working Hours Act until 1 April 2007" are replaced by "the provisions in the applicable Working Hours Act".

Article 9.1 Pension scheme

NXP proposes to remove the references to the MDC excess pension plan at Zwitterleven (which existed until 1 January 2016). In July 2016 a collective value transfer took place of the accrued pension rights at Zwitterleven to the excess scheme of ABN AMRO Pensions.

NXP proposes in Article 9.1.4 the words "(which is adjusted annually and per 1 January 2015 amounts to €100,000 and per 1 January 2016 to €101,519)" to be replaced by "(which is adjusted annually and per 1 January 2018 amounts to €105,075)".

Appendix A, Payment during incapacity for work

NXP proposes to include the following article between articles 3 and 4.

"For employees with a pensionable salary higher than the maximum premium for employee insurance, NXP has taken out a WIA excess insurance which provides the same benefit as the WIA but then for the part of the pensionable salary in excess of the maximum premium wage. The premium is paid by NXP. In 2018-2019 the insurance company is: ElipsLife. "

This was not included in the NXP cla at the time because this insurance was arranged at Philips Pensioenfond (before 1 October 2007) as an "invalidity pension".

As of 1 October 2007, NXP has taken out a WIA excess insurance policy with PME. Later, that insurance was transferred to NN and then to ElipsLife. In 2019 it will be re-examined which insurance company offers the best conditions for insurance from 1.1.2020. We thought it would be right to include this in the collective agreement, also because employees regularly ask about this and until now it was an 'invisible' employment condition.

NXP proposes to delete article 1.i.

The text of this is:

"Employees who fall under the safety net provision of the Sickness Benefits Act or who can be regarded as disabled people must report this to the company doctor immediately upon commencement of incapacity for work."

This procedure no longer runs through the company doctor, and nowadays NXP is entitled to request the status AGH/SFB from the employee after commencement of employment. NXP did this a few years ago with all employees who were employed and who possibly had this status and can now also do this for the employees who are newly employed.

Appendix E, Other agreements, Repair 3rd WW year

Current text:

"From unemployment benefits with a first unemployment day on or after 1 January 2016, the statutory duration and accrual will be limited. NXP has agreed with the trade unions that they will jointly investigate whether the limitation of the build-up and duration of the unemployment benefit in the legal, public part can be repaired with private supplementary insurance at cla level. If this proves possible via a national implementing body, the parties will make further agreements on this subject in which the basic principles of the STAR agreement will prevail."

Proposed text:

"From unemployment benefits with a first day of unemployment on or after 1 January 2016, the legal duration and accrual is limited. NXP has agreed with the unions to fix the limitation of the structure and duration of unemployment benefit in the legal, public part with private supplementary insurance through a national implementing body.

The implementing agency is the PAWW Foundation, which is responsible for the private benefit starting from the end of the statutory unemployment or wage-related WGA benefit. The level of the PAWW payment corresponds to the statutory unemployment and wage-related WGA benefit. The possible reduction of the duration of the statutory benefit after 1 January 2016 compared to an allocation before 1 January 2016 is at least a ½ month and will be a maximum of 14 months (was 38, is 24 months).

NXP and trade unions decided in December 2017 to participate in the PAWW.

The Minister of Social Affairs and Employment (SZW) had some collective cla's declared generally binding, including on July 11, 2018 the collective-CLA Industry & Technics 2_02 under which the NXP cla falls. The effective date is set on August 1th 2018.

Participation therefore only applies to those employees in the NXP CLA, who were already employed at the time of the start of the scheme, August 1th 2018.

The diagram below shows the development of the employee contribution for the coming years.

*In 2018 the contribution will be **0.2%** of the **gross** wage (capped at € 54,614) and this will gradually rise to 0.6% of the maximum premium in the coming years (in 2022):*

Year	2018	2019	2020	2021	2022
Contribution %	0,20%	0,30%	0,40%	0,50%	0,60%

The contribution percentage for 2018 is definitive and the percentages for 2019 up to and including 2022 are still to be determined. The contribution is in any case limited to 0.75% for the period up to and including 2022."

Appendix F Uniformed officers of the Company Security

NXP proposes to delete Annex F of the CLA.

This appendix only applies to one employee in pay group 03 and 8 employees in pay group 08 (August 2018) in Nijmegen, while that appendix was once many years ago designed to record the deviating employment conditions of hundreds of Company Security employees of Philips, spread over many locations in the country. The company security of Philips Eindhoven itself has been split off almost 10 years ago and sold to another company.

The pay group 08 has already been equated with grade 30, and pay group 03 with grade 35, so there is no change.

NXP no longer has any employees in Nijmegen in the other payment groups mentioned in the CLA (01, 07, 04).

The ranks of “surveillant” and “groepschef” in different classes no longer have any meaning.

The slightly different holiday arrangement (including the two extra free services per year) and the shift schedule are described in the existing RAV10-"Company Security" that has not been adjusted since the privatization of NXP. Deze RAV zal gemoderniseerd worden. This RAV will be modernized.

Appendix G Global Sales Incentive Plan

All sales employees working in the Netherlands, eligible for this Sales Incentive scheme, have grown into this scheme. NXP also proposes that all text referring to the transitional provisions (Articles 5 and 6) of the Collective Appendix G te be removed and to amend Article 4. New employees are of course immediately hired with the correct SIP percentage.

Appendix H, Salary scales

From Article 5.8 (Salary Regulation), Part III (Salary System), in Article 1 (Structure of the salary system), reference is made to the salary scales in Appendix H.

The salary scales of the grades 10 to 45 in the low scale positions of the lowest grades can give the impression that NXP can pay below the minimum wage. That is obviously not the case.

That is why NXP proposes to add the following text to article 5.8.III.1:

"The Minimum Wage and Minimum Holiday Allowance Act (WML) entitles every employee to the minimum wage up to the retirement age. This is the bottom of the remuneration of NXP employees."