S02E04: The Road to Sustainability

Jennifer Wuamett (00:02):

In today's world sustainability is no longer something that can just be aspirational, it really needs to be concrete and operational and worked into your strategies and operational procedures.

Kyle Fox (00:28):

This is the Smarter World Podcast, focusing on breakthrough technologies that make our connected world better, safer, and more secure. I'm host, Kyle Fox. Each episode we introduce bright minds and their approach to a more sustainable world. We discuss the opportunities and challenges they face and how technology can change the world for the better.

(00:47):

Today I'm joined by NXP's Executive Vice President, General Counsel, Corporate Secretary, and Chief Sustainability Officer, Jennifer Wuamett. In the role of chief sustainability officer, Jennifer is responsible for oversight of NXP's environmental, social, and governance, or ESG, and risk programs, as well as the release of the company's annual Corporate Sustainability Report, the latest of which was just released. I'm excited to dive into the report, talk about NXP's progress on our ESG goals and how everyone can drive positive change and sustainable growth. Jennifer, welcome.

Jennifer Wuamett (01:21):

Thank you, Kyle.

Kyle Fox (01:22):

Let's start with a broad but important question. What does sustainability mean to NXP?

Jennifer Wuamett (01:27):

That is a great and important question, Kyle, and our world and our industry also is on an exciting journey of transformation. We all understand the important role that technology and innovation play in advancing our world and improving people's lives. Technological innovation is at the core of what we do at NXP, of course. And with that, we believe in technology as a powerful catalyst for change. We're committed to improving people's lives by enabling, as you've said, a better, safer, more secure and more sustainable world, that is socially and environmentally advanced.

(02:05):

And as we look toward the future, whether it's the revolution underway in electric transportation or working in more secure, connected cities, it's clear that the role of semiconductors in society has never been more important. And as a global company in this important industry, NXP is really well-positioned to drive positive change and sustainable growth. And back to this word, sustainable, to do that sustainably really means that we conduct business in a way that stays true to NXP's business goals and objectives while operating in a responsible way that reflects broader environmental and societal demands and concerns.

So, to support that, we do have an ESG mission and strategy, and those are really dedicated to continuous improvement in these areas. Our strategy encompasses various different aspects, including, for example, designing and manufacturing technology that positively impacts the planet and society, which is really our main goal here. And also ensuring that our manufacturing operations to produce those products, using that technology, minimize the impact on the planet, minimize things like carbon emissions, optimize use of critical natural resources like water, and minimize the waste that's generated throughout this process.

(03:31):

Our mission, of course, also includes from the S of ESG, addressing social responsibility and empowering a talented and diverse workforce. This includes goals like increasing the number of women in our global workforce and preventing human rights abuses throughout our supply chain. Lots of broad topics, as you can see. So, we view sustainability as taking ownership and holding ourselves accountable to these ESG goals and our ESG mission. As we work toward our business and financial goals, we are on a journey to ensure meaningful opportunities for sustainable growth for the company, while also continuing to design and manufacture our products responsibly in a way to help advance global sustainability. So, a long answer to your question.

Kyle Fox (04:21):

It's such a broad and powerful mission statement here, and that's really why we're here is to help unpack that a little bit, because there is a lot there. So, let's start a little bit with your experience. I understand that you were appointed NXP's inaugural chief sustainability officer last year in April of 2022. So, let's talk and unpack that a little bit. What have you learned over the past year? What are you the most proud of?

Jennifer Wuamett (04:42):

That's a great question, Kyle, and I have learned a lot over the past year because there are a lot of different subject matter experts involved in this. And I'm here really to shepherd the program and bring together all the different members of the management team also, that need to touch on various aspects of our ESG strategy and mission. And it's been a great learning experience for me. And as we've discussed, as the world continues to change and advance, as a company, we need to continue to focus on the future and where that is taking us. And as part of our daily operations, we explore the challenges that are ahead of us and evaluate the opportunities to help advance our world by, as we've said, making it better, safer, and more sustainable.

(05:21):

I'm really proud of the progress we've made and I've learned a lot about the complexity of all the different aspects that go into this mission and the great expertise we have within our teams in all of the various areas that we touch upon in our ESG mission. And our teams have really made an amazing progress so far in our sustainability journey, really over the last decade, but in the last year in particular. And I'm really energized by the work ahead and knowing that we have the right teams to help us achieve our goals there.

(05:52):

One of the things we did, and one of our learning experiences over the past year and something we're proud of is in March of 2022, we signed onto the Science Based Targets initiative, and this was part of

our overall commitment to reduce our carbon emissions. And this is a partnership between the Carbon Disclosure Project, the United Nations Global Compact, the World Resources Institute, and the Worldwide Fund for Nature. So, this is a pretty broad initiative.

Kyle Fox (06:23):

It's truly global.

Jennifer Wuamett (06:24):

Yeah, it's truly global and it's supported by thousands of businesses worldwide who are committed to reducing carbon emissions and mitigating climate change. And the other thing that makes this a desirable organization to participate in is that they put out their standards for how you go about stating [inaudible 00:06:15] toward these initiatives, be accountable to an external source in these areas.

(06:48):

So, in addition to joining the Science Based Targets initiative last year, we also announced our long-term and mid-term ESG goals, including, for example, reducing our carbon footprint by 35% by 2027, that's over our 2021 levels, and becoming a carbon-neutral company by 2035. So, these were some big steps and some big commitments for the company to make.

Kyle Fox (07:16):

Absolutely.

Jennifer Wuamett (07:17):

And I am proud of that, and we're also really proud to see, and I think that was well received by some of the external ratings agencies that look at how you govern your ESG programs. And MSCI, one of the key ratings agencies from an ESG perspective, upgraded NXP's rating last year from AA, which was already quite good, to AAA, which is the highest rating. And this was largely driven by some of these governance changes that we've made with program structures and announcing goals and also the way we manage our ESG programs and things like our conflict minerals reporting.

(07:52)

So, lots of good efforts the teams have made to achieve those and get some recognition for that. So, that was really great and something we can be proud of as a company.

Kyle Fox (08:00):

And what about you personally?

Jennifer Wuamett (08:02):

Yeah. So, personally, this has been a really inspiring journey for me over the last year, really getting to dive in deeper to these various aspects and to witness firsthand the work of people in the company and the talented assets that we have from a perspective of our workforce and our team and the dedicated and skilled team members who've really embraced our sustainability program and continue to provide a strong foundation for NXP's sustainable growth. And we couldn't have accomplished any of our ESG goals without that passion and winning spirit.

Kyle Fox (08:36):

Previously on our program, we've talked a little bit about how the new generation of people coming out of university and looking for employment are actually asking the companies not so much what the company can do for them personally, that's part of a career goal, but also, what is the company doing to support, well, in essence, the planet? What kind of initiatives are they doing? And you just went through a who's-who's list of what NXP is doing, and you mentioned thousands of companies worldwide are a part of this, and that feels really good. And it's also, I think, something employees that are coming in, they're looking for this type of information.

(09:09):

So, let's unpack that a little bit more. You mentioned team members. So, I guess my general question is, what should companies do more to further engage with their team members from an ESG perspective?

Jennifer Wuamett (09:19):

I think you bring up a good point, there are a lot of employees and others who really are passionate about this topic and really do care what the company is doing. And I think it's a great way to help challenge us as a company and make sure we are keeping our eye on the future. And internal engagement really is the key to harnessing the full potential of our sustainability aspirations, because we do need everyone to get behind these initiatives.

(09:43):

We communicate with our team members through various platforms and channels. We talk about this in our town halls. Kurt talks about it during the pulse meetings. We have internal and external websites on these topics. We put out a lot of internal messaging. We talk about these topics in social media, in blog posts, in newsletters. We've got our sustainability magazine actually, that we've started publishing. So, there's a lot of different ways and of course, we put out the sustainability report every year, which is quite an undertaking and a really large and detailed transparent report on what we are doing in these areas and how our business activities are tied into our overall sustainability strategy. So, we really do want to get team members not only excited, but actively involved with our sustainability efforts and to build on their interests and passions in that space.

Kyle Fox (10:36):

So, it's really in the DNA of the company to hit at all levels?

Jennifer Wuamett (10:40):

Absolutely. And one other thing we do in this area is to really focus on various aspects of some of these initiatives in our employee resource groups or ERGs. And we have a champion ERG related to the environmental portion of our sustainability efforts and that group is called No Extra Planet.

Kyle Fox (10:58):

I love that name.

Jennifer Wuamett (10:59):

I know. Isn't that great?

Kyle Fox (11:00):

It encompasses it so well, No Extra Planet.

Jennifer Wuamett (11:04):

Exactly. These folks involved in this group are environmental protection enthusiasts that are concerned about the ongoing climate and biodiversity crisis. And this group creates opportunities for team members around the globe to actively engage in supporting not only NXP's journey but the broader journey of the world towards climate neutrality through ongoing dialogue and grassroots action.

(11:28):

And that group was founded by some team members in 2021, so a pretty new group, and with a simple goal of creating awareness and training and making people understand better some of the issues that come up in this area, and really helping the NXP community to engage in taking care of the planet. So, the No Extra Planet team has teams that work on eco-friendly business, on green mobility around team member commuting and how that impacts our footprint on the environment. They've worked on a green canteen, having more plant-based foods, and also initiatives for CO2 reductions at NXP's sites.

Kyle Fox (12:07):

It was a grassroots movement, you said it was founded by team members. They came together and said, "We want to do something wonderful."

Jennifer Wuamett (12:13):

Yes, it's really great to see that enthusiasm. The other thing in 2022, as part of supporting NXP's team member growth and development, the leaders and core members of the ERG participated in a two-day workshop on leading climate initiatives to gain skills for driving positive change toward a more sustainable future through innovation.

(12:35):

So, lots of really great dialogue that goes on in No Extra Planet and our sustainability office also spearheaded a variety of Earth Day activities around the world as part of their initiatives to act locally but still think globally. So, this year the group organized almost a hundred different activities around the world, to really encourage employees to actively engage and learn and share around Earth Day. So, great initiatives going on there.

Kyle Fox (13:00):

NXP is continuously designing and manufacturing technology and solutions that positively impact our planet and society. What are some recent examples of this?

Jennifer Wuamett (13:08):

What we do in terms of designing products that can positively impact our planet and society is really at the heart of what we do. At the core of all of these solutions is our commitment to our global community. And we do understand that smart and innovative technologies can help bring us all a more sustainable future all around. So, for this reason, as you know, we develop solutions aimed at major global needs from energy efficiency and greener mobility to food security and also safety and secure communications.

(13:41):

So, in 2022, we introduced ultra-wideband radar for presence detection. So, in smart homes, presence detection, lets light, sound, and other functions follow you from room to room, so you only use energy

where it's really needed. So, it's a great energy conservation mechanism. From an automotive perspective, obviously electric vehicles have become a major part of the transition to greener mobility.

(14:08):

And efficiency is a vital part of optimizing EV applications. Innovations relating to battery management, power conversion and distribution help prolong the useful lifetime of EV components. And our EV innovations and components are used throughout the electric powertrain and our connected EV system solutions. This includes things like the GreenBox Real-Time Development Platform and the GoldBox Vehicle Network Referencing Design. So, these put car makers on the fast track to building greener innovations.

Kyle Fox (14:45):

So, make sure that every bit of energy that's inside of these vehicles is actually used in the most efficient way.

Jennifer Wuamett (14:49):

Exactly. And then additionally, a growing number of our solutions are integrated into medical products that make healthy living more achievable. So, a whole different aspect, right? But still related to sustainability overall. And whether it's in a medical facility or at home, NXP-enabled monitoring systems provide accurate status and alerts, which can help save lives by delivering remote diagnostics and prompt earlier action and treatment.

Kyle Fox (15:18):

The picture that comes to my head is for folks like myself that may have aging parents, that's where my head goes immediately, but it can also affect people of all ages.

Jennifer Wuamett (15:29):

Right.

Kyle Fox (15:27):

And so, we talked a lot about people and sustainability. Well, making sure that we're able to more efficiently deal with their medical needs, especially on an emergency basis, sounds pretty critical.

(15:36):

Jennifer, last year we announced our mid and long-term ESG goals, including reducing carbon footprint 35% by 2027 and becoming carbon-neutral by 2035. NXP just published its 2022 Corporate Sustainability Report. So, how are things looking to those targets?

Jennifer Wuamett (15:54):

They're looking good. NXP does continue to make progress to those goals. As we've noted, it's a journey, so it doesn't happen overnight.

(16:01):

But we are making progress to our goals to reduce the emissions of greenhouse gases, and made good progress in 2022. We succeeded in reducing our normalized carbon footprint, which takes into account

any increases in overall production, by 9% compared to the normalized footprint in 2021. NXP also increased our renewable electricity usage, which is an important part of controlling those emissions, from 31% in 2021 to 35% in 2022. So, really great progress there. On the water front, NXP also considers water, and I think the world considers water to be a limited and scarce resource.

(16:41):

So, we are working to reduce our impact on water supplies by increasing our water recycling rates. In 2022, we created an updated roadmap to take this recycling journey to the next level and lay the groundwork for achieving our longer term goal of reaching a water recycling rate of 60% by 2027. So, great progress there.

Kyle Fox (17:06):

That is significant, because you think about a multi-thousand employee company, worldwide water's being used regularly, having that kind of recycling rate is significant.

Jennifer Wuamett (17:16):

Yeah. And water is a big part of semiconductor manufacturing, so it's an important thing to be able to manage.

Kyle Fox (17:22):

That's a good point. So, when we take a few percentage points increase, we're having actually a larger impact because of its water use. We've talked about goals around things like greenhouse gases, carbon footprints. What other notable ESG goals does NXP have and what we're driving toward?

Jennifer Wuamett (17:38):

We do have goals in other areas, as you note as well. So, from a social and people perspective, reaching our diversity, equality, and inclusion goals are also very important to us. To make measurable progress against those goals, NXP has established aspirational goals for diverse representation by 2025, with interim milestones of achievement. So, some of those goals include, for example, achieving 25% women in research and development by 2025 and achieving 50% underrepresented minorities in the US workforce by 2025 as well. And these are just some of the different aspects of how we are trying to really focus on diversity in our workforce.

(18:24):

One of the things we also did in 2022 was to create the NXP Diversity and Inclusion Council, with the purpose of that council, which includes quite a few senior executives and Kurt, advancing NXP's global strategic diversity, equality, and inclusion initiatives. And of course, providing team members with a safe and healthy work environment remained the very top priority for NXP. And in 2022, we maintained a very low total case incident rate, which is the measurement for how we measure our safety and any incidents that might occur. Our case rate was 0.10 in 2022, which is well below the semiconductor industry average and something we are very proud of.

Kyle Fox (19:10):

That's fantastic. And it's a powerful combination when I think about people and you get a picture in your head of what that actually means, but what you're describing with diversity is also different viewpoints.

So, people bring different things to the table, not only just in our region but globally, and that's where these ideas, these drivers of innovation come from, is diverse opinions. How do we achieve that balance between short-term objectives with these more longer term strategies that we've been talking about?

Jennifer Wuamett (19:36):

That's a great question, Kyle, and it is, I think something most companies are really focusing on and trying to figure out how to tackle this and how to structure their own journey ahead when in today's world sustainability is no longer something that can just be aspirational, it really needs to be concrete and operational and worked into your strategies and operational procedures and integrated into the organization's performance.

(20:01):

So, it's really a lot about setting goals, long-term goals that you're trying to achieve and those shorter term goals that need to be achieved as you work toward your longer term objectives and strategies. And that's really what we've been doing as we've rolled out these longer term goals over the last year and started looking at how we will track those on an annual basis to stay on track for the longer term goals.

(20:25):

Like we say always at NXP, sustainability is a journey, not a destination. It's really a multifaceted challenge that can't be solved in a short period of time. It really requires ongoing dedication and attention and it requires collaboration with partners outside of our own company. For an example, from a partnering perspective, last year NXP was named as one of the founding members of SEMI's Semiconductor Climate Consortium, which is the first global, industry-wide collaborative focused on addressing the semiconductor industry's response to climate change. And members of this organization include companies from across the semiconductor ecosystem, all with a vision of accelerating progress on climate action. So, really uniting as a global industry to continue this sustainability journey together will help companies overall achieve the longer term ESG strategies and goals that we really need to achieve to have a positive impact on the planet.

Kyle Fox (21:28):

I love how you describe that, "In today's world sustainability is no longer aspirational." And the picture that comes into my head, it can't be a bumper sticker, right? It can't be, "I want to save the planet." That's not actionable, but it also can't be solved in a near term. You've got to have the ability to say, "Yes, I'm going in that direction. Here's some real get your hands dirty work that we have to do."

(21:47):

This has been an absolute delight talking with you, and these are really meaty topics, and I'm sure we could spend several hours going down into every single one of them, but we're going to bring it to a close by asking you, Jennifer, through your eyes, help us understand how you envision a more sustainable world 50 years from now. What does that look like to you?

Jennifer Wuamett (22:06):

That is the big question, Kyle. I am very hopeful for the future. I think achieving a brighter, greener, more sustainable world is absolutely possible as long as we and others don't waiver in our dedication and commitment to sustainable business practices. That commitment, especially the commitment to transparency, which is what we do when we put out things like our sustainability report and we talk

about these topics, but that commitment to transparency really is everything. And setting those longer term goals and publishing our process to those goals and the progress we're making as we do things like put out our annual sustainability report or put out some of the things we're doing in our Sustainability Stories magazine, these are really great ways for companies like ours to keep ourselves accountable and make sure we stay on target to that mission and to our journey.

(22:58):

And we are very committed to our ESG journey and dedicated to driving further technology advancements while operating with sustainability as a guiding principle. And we'll continue to regularly review our progress towards our ESG goals to ensure that we are taking the appropriate actions to achieve those long-term strategies and ensure a more sustainable world 50 years from now.

Kyle Fox (23:23):

Beautiful. And just through our conversation, I have a lot more hope about what that world looks like in 50 years. Jennifer, this has been an absolute delight talking through these really meaty topics. I know that I learned a lot and I'm sure our listeners did as well. So, thank you so much for being here with us today.

Jennifer Wuamett (23:37):

Thank you, Kyle. Great to talk with you.

Kyle Fox (23:40):

Thanks, everybody, for listening, and we'll be back soon with the next episode.