

# **CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

*(Restated and Amended as of August 16, 2012)*

## **I. PURPOSE:**

The purpose of the Compensation Committee (“Committee”) of the Board of Directors (“Board”) of ON Semiconductor Corporation, a Delaware corporation (“Company”) shall be to (i) discharge the Board’s responsibilities relating to the application of compensation policies and all elements of compensation of the Chief Executive Officer of the Company, other officers of the Company (as defined in Rule 16a-1 under the Securities Exchange Act of 1934 (“Exchange Act”)) and any other employees whose total compensation is substantially similar to such other officers; and non-employee directors of the Company; (ii) administer the Company’s stock option and other equity-based plans, all other short-term and long-term incentive plans, and any deferred compensation programs of the Company as may be in existence at the time of the adoption of this Charter or created hereafter (collectively, “Plans”), and (iii) produce an annual report on executive compensation for inclusion in the Company’s proxy statement in accordance with applicable rules and regulations. With respect to the preceding, the Committee is generally responsible for setting the Company’s compensation philosophy and guiding principles and for monitoring their effectiveness.

## **II. COMPOSITION:**

The Committee shall be comprised of at least three (3) or more members of the Board. As and to the extent required under applicable federal securities laws and related rules and regulations and the Nasdaq Stock Market, Inc. Marketplace Rules (“Nasdaq Rules”), all Committee members shall be independent. The members of the Committee will be appointed by and serve at the discretion of the Board. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting of the Committee. If a Committee Chairperson is not designated or present, the members may designate a Chairperson by majority vote.

## **III. FUNCTIONS AND AUTHORITY:**

The operation of the Committee shall be subject to the Bylaws of the Company, as in effect from time to time, and Section 141(c) of the Delaware General Corporation Law. The Committee will have the resources and authority necessary to discharge its duties and responsibilities. Without limitation of the foregoing, the Committee shall have the following specific responsibilities and such other responsibilities as from time to time may be prescribed by the Board:

1. To annually review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer’s performance in light of those goals and objectives, and establish the Chief Executive Officer’s compensation level based on this evaluation, subject to any employment agreement that may be in effect; and to review and approve or recommend to the Board for approval any employment agreement with the Chief Executive Officer. The Chief Executive Officer may not be present during deliberations or voting concerning the Chief Executive Officer’s compensation.

2. To annually review and approve goals and objectives relevant to the compensation of each of the senior executives, evaluate each of the senior executive's performance in light of those goals and objectives, and establish the compensation level (including perquisites) for each of the senior executives based on this evaluation, subject to any employment agreements that may be in effect; and to review and approve or recommend to the Board for approval any employment agreement with any senior executive.
3. To periodically review and establish compensation for non-employee directors for service on the Board and for services on committees of the Board (including retainer, committee and committee chairperson's fees, stock options, or other equity or long-term incentive compensation, and other similar items, as appropriate).
4. To review the competitive position of, and recommend changes to, the plans, systems and practices of the Company relating to compensation and benefits.
5. To make recommendations to the Board with respect to equity-based plans and any equity compensation arrangements outside of such plans. Shareholders must be given an opportunity to vote on equity compensation plans, as well as material amendments to such plans, whenever a shareholder vote is required by Nasdaq Rules.
6. To administer the Plans, and to approve or review the designation of participants in the Plans, and the principles and procedures used in determining grants and awards under the Plans.
7. To form, and delegate authority to, subcommittees when appropriate, including, but not limited to, (i) a subcommittee comprised solely of "outside directors" to administer and take other action with respect to Plans and other arrangements intended to be treated as "performance-based compensation" for purposes of Internal Revenue Code, section 162(m) and (ii) a subcommittee comprised solely of two or more "Non-Employee Directors" (as defined in Rule 16b-3 under the Exchange Act) to approve grants of stock options and other awards of equity securities to, and acquisitions of equity securities from, officers of the Company (as defined in Rule 16a-1 under the Exchange Act).
8. To review insurance coverage for directors and officers, and to make recommendations to the Board with respect to such insurance.
9. To retain and terminate any compensation consultants or other advisers or obtain the advice of such persons, in accordance with applicable federal securities laws and related rules and regulations and Nasdaq Rules (including after any necessary evaluation of independence and potential conflicts of interests of such persons), to assist the Committee in evaluating any aspect of Chief Executive Officer, senior executive or non-employee director compensation or on any other subject relevant to its responsibilities, including direct responsibility to oversee the work and the authority to approve the fees and compensation, and to oversee the work, of such consultants and advisers as are retained by the Committee. The Company will provide appropriate funding for the payment of such fees and other compensation. The Committee will review and discuss with management of the Company

disclosure included in the Company's annual proxy statement related to the engagement of compensation consultants.

10. To prepare an annual report on executive compensation for inclusion in the Company's annual proxy statement in accordance with applicable rules and regulations and in connection therewith to review and discuss with management of the Company the Compensation Discussion and Analysis disclosure included in such proxy statement.
11. To review and reassess the adequacy of this Charter annually and to recommend any proposed changes to the Board for approval.
12. Obtain or perform an annual evaluation of the Committee's performance.
13. To consider and discuss with management whether compensation arrangements for Company employees incentivize unnecessary and excessive risk taking.
14. To perform such other functions and have such other powers as may be necessary or convenient in the efficient discharge of the foregoing.

#### **IV. MEETINGS:**

The Committee will hold at least two regular meetings per year and additional meetings as the Chairperson or Committee deems appropriate. The President and Chief Executive Officer and the Vice President or comparable representative of Human Resources may attend any meeting of the Committee, except as provided in Section III.1 above and for portions of the meetings where such person's presence would be inappropriate, as determined by the Committee Chairperson. In addition, the Committee will meet periodically in executive session without Company management present.

#### **V. MINUTES AND REPORTS:**

Minutes of each meeting of the Committee shall be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. The Chairperson of the Committee shall report to the Board from time to time, or whenever so requested by the Board.

#### **VI. GENERAL:**

The powers of the Committee shall be limited, and all activities of the Committee shall be governed by the provisions of the Bylaws of the Corporation. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications by the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting to provide such pertinent information as the Committee requests. In general, the Committee may coordinate with other committees with respect to matters within the scope of its duties, except to the extent inconsistent with Nasdaq Rules or SEC rules.