

Global Tax Strategy



ON Semiconductor®

**This strategy applies for the year ended December 31, 2019*

SECTION 1: INTRODUCTION

1.1. Ownership and approval

This document outlines the global tax strategy (“Tax Policy”) of ON Semiconductor Corporation (Nasdaq: ON) and its subsidiaries (collectively “ON Semiconductor”, “Company”, “we” or “our”).

The Tax Policy is reviewed on a regular basis and changes are approved by the Company’s Audit Committee of the Board of Directors (“Audit Committee”). ON Semiconductor’s Chief Financial Officer (“CFO”) is responsible for the Tax Policy and delegates execution to the Vice President, Global Tax (“VP Tax”). Execution of the Tax Policy is supported by the Company’s global Tax and Finance teams.

1.2. Audience

Within ON Semiconductor, the Tax Policy is primarily of relevance to the Audit Committee, the Chief Executive Officer (“CEO”), CFO, Executive Staff, members of the Company’s Tax department and supporting finance personnel. It is also relevant to all Finance, Law, Human Resources and Operational personnel and any other functions at ON Semiconductor whose decisions have tax consequences. Guidance and training on the Tax Policy will be provided to those with responsibility for making decisions that could impact the successful achievement of the Company’s strategic tax objectives.

The Tax Policy is aligned with ON Semiconductor Core Values and Code of Business Conduct and is publicly available on the Company’s website in order to allow external stakeholders to understand the Company’s approach to tax. ON Semiconductor regards this Tax Policy as complying with the Company’s requirements under the United Kingdom’s Schedule 19 Finance Act 2016.

1.3. Scope

The Tax Policy applies to the compliance, payment, and reporting of all income taxes, indirect taxes, and employment taxes owed and collected/paid by ON Semiconductor and its controlled subsidiaries worldwide.

SECTION 2: TAX POLICY

2.1 High level overview

ON Semiconductor is driving energy efficient innovations, empowering customers to reduce global energy use. The Company is a leading supplier of semiconductor-based solutions, offering a comprehensive portfolio of energy efficient power management, analog, sensors, logic, timing, connectivity, discrete, SoC and custom devices. The Company’s products help engineers solve their unique design challenges in automotive, communications, computing, consumer, industrial, medical, aerospace and defense applications. ON Semiconductor operates a responsive, reliable, world-class supply chain and quality program, a robust compliance and ethics program, and a network of manufacturing facilities, sales offices and design centers in key markets throughout North America, Europe and the Asia Pacific regions. For more information, visit <http://www.onsemi.com>.

2.2 Business strategy statement

ON Semiconductor is a performance-based company committed to profitable growth, world class operating results, benchmark quality and delivering superior customer and shareholder value. To achieve this, ON Semiconductor:

- Provides a comprehensive portfolio of energy efficient solutions
- Helps customers solve their unique design challenges
- Empowers design engineers to reduce global energy use
- Operates a responsive, reliable world-class supply chain and quality program
- Maintains global environmental sustainability and social responsibility programs

As a global supplier to customers worldwide, ON Semiconductor operates across a diverse range of cultures and international markets. We conduct our operations in an environmentally, socially and ethically responsible manner and comply with applicable law and regulation, including those related to anti-corruption. This commitment is deeply ingrained in our Core Values, our Code of Business Conduct and our policies. ON Semiconductor is proud of our commitment to operate in a transparent and socially responsible manner towards our employees, suppliers, customers and the communities in which we do business worldwide.

2.3 Tax policy statement

ON Semiconductor's Tax Policy is aligned with the overall business strategy and to the Company's approach to corporate governance, ethics and risk management wherever we operate.

ON Semiconductor's Core Values are Respect, Integrity and Initiative. In accordance with our Core Values, it is of principal importance that we pay the right amount of tax at the right time, abiding by the rules and regulations of the jurisdictions in which we operate. In doing so, we operate in a transparent, ethical and socially responsible manner with regard to our interactions with tax authorities, contributing to the communities in which we operate while being mindful of our responsibility to our shareholders.

1. *Our tax risks and our approach to tax risk management*

ON Semiconductor is a U.S. based company, taxed in the U.S. on its worldwide profits. We operate in over 30 countries worldwide, and the number of countries where we conduct business continues to grow.

Given our scale of operations, the broad range of our tax obligations, and the complexity of the tax laws that we are required to comply with, uncertainty arises in relation to our tax liabilities from time to time. We refer to this uncertainty as tax risk.

We conduct operations worldwide through our U.S. and foreign subsidiaries and are, therefore, subject to complex transfer pricing regulations in the jurisdictions in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between related parties be priced on a basis that would be comparable to an arm's length transaction between unrelated parties. There is uncertainty and inherent subjectivity in complying with these rules.

We engage an independent third party provider to provide comparable sets of arms-length data, in accordance with OECD and local country guidelines, to determine third party pricing, which we then use for setting our internal pricing between our various subsidiaries.

Where there is significant uncertainty or complexity in relation to a tax risk other than transfer pricing, for example, in how we apply specific rules and regulations of a particular jurisdiction, we may seek advice from external advisors and/or engage directly with local tax authorities as appropriate. Engaging suitably qualified and independent external advisors to provide advice on uncertain tax matters gives us confidence that our tax filings are appropriate.

We proactively monitor tax law changes and comply with laws, regulations, disclosures, tax reporting, tax payment, and tax filing responsibilities to the best of our ability by having the appropriate internal Tax and Finance expertise as well as standardized processes, procedures and various levels of review and approval in place in compliance with the U.S. Sarbanes-Oxley Act of 2002. In order to mitigate tax risk, we operate an effective tax control framework to identify key tax risks and to manage those risks through appropriately designed and operated controls. These controls are subject to regular reviews by the Company's Internal Audit department and also by our external independent audit firm.

The Company has a formal Enterprise Risk Management Program ("ERM") to systematically, consistently, and effectively identify, evaluate, prioritize and manage key opportunities and risks affecting the Company, including tax risk. All business groups and support functions, including the Tax department, report top risks to the CEO and Executive Staff. Presentations to the CEO and Executive Staff include a risk heat map depicting the associated group's top risks, risk rating score, target risk level and a summary of relevant mitigation actions, including status and completion timeframe.

2. Our attitude towards tax planning

Our tax planning must support genuine commercial activity, comply with the laws and regulations of the jurisdictions in which we operate, and be consistent with, and be seen to be consistent with, our business strategy and Core Values. The Company does not engage in “prohibited tax shelter transactions” meaning listed transactions, transactions with contractual protection, or confidential transactions as defined by the Internal Revenue Service of the U.S. or similar provisions in other taxing jurisdictions.

In structuring our commercial activities we will consider – among other factors – the tax laws of the countries within which we operate with a view to maximizing value on a sustainable basis for our shareholders. Where alternative routes exist to achieve the same commercial result, the most tax efficient approach in compliance with all relevant laws will generally be preferred. However, we will always strive to pursue our primary objectives of paying the right amount of tax at the right time from a legal perspective and maintaining a strong and transparent relationship with external tax stakeholders, including the IRS, HMRC, and other tax authorities.

Any tax planning undertaken will have commercial and economic substance and will consider the potential impact on our reputation and broader goals. We aim to make use of tax incentives and exemptions intentionally provided by law. Additionally, the Company is motivated to engage in tax planning to comply with new or changing laws in one or more jurisdictions. All tax planning is subject to a robust documentation exercise, review and approval process from multiple levels of expertise and diverse skillsets within the Company and, typically, is undertaken with advice from external advisors. All tax planning activities will be conducted consistent with the Code of Business Conduct.

We take a proactive approach to tax issues and if necessary engage with tax authorities to confirm the correct application of tax law. We ensure our tax returns and disclosures are as clear as possible, and we strive to raise important issues proactively so that tax authorities can focus their resources effectively.

3. Our approach to dealing with tax authorities

As previously discussed, we operate in a transparent, ethical and socially responsible manner with regard to working with tax authorities. We strive to maintain a proactive professional and constructive relationship with tax authorities and help focus their resources on the most important issues by providing clear and concise documentation and support, disclosing all relevant facts, for the conclusions reached in our filings. In order to supply such documentation, we endeavour to comply with all local document retention requirements.

We recognize that there will be areas of differing legal interpretations between ourselves and tax authorities, and where this occurs, we will engage in proactive discussion to bring matters to as rapid a conclusion as possible. Where considered appropriate, we would be prepared to litigate on matters where agreement cannot be reached through discussion, although we would consider the potential impact on our reputation and on our working relationship with the tax authorities before doing so.

We do not tolerate tax evasion or tax fraud, nor do we tolerate the facilitation of tax evasion or tax fraud by any person(s) acting on the Company's behalf.

SECTION 3: GOVERNANCE, STRUCTURE AND ORGANIZATION

3.1 Governance, structure and organization

Tax Governance Framework

Responsibility for tax governance lies with the CFO, with oversight by the Audit Committee. The CFO delegates to the VP Tax the execution of the Tax Policy as well as the day to day operations of the Company's Tax function. The Company's tax status is regularly reported to the Audit Committee, and the Audit Committee is responsible for monitoring any significant tax matters. Audit Committee meetings are attended by the CFO and VP Tax.

Tax Department Personnel

The VP Tax leads a centralized Tax department, primarily based in the U.S., of experienced and highly engaged tax professionals with appropriate professional qualifications and experience, including international tax expertise, commensurate with the responsibilities required for their roles. As a key component to the success of our Tax Policy, we are committed to providing team members with training as required to facilitate performance of their roles and to achieve their personal development objectives. All Tax department employees proactively seek to operate in accordance with the Tax Policy.

Finance and Other Personnel

Supporting the Tax department is a team of appropriately qualified in-house Finance, Accounting and Tax professionals based principally in the local jurisdictions in which we operate. With oversight by the VP Tax and the Tax department, these local Finance professionals manage the day to day tax operations in their location and are often the direct liaison with local tax authorities and external tax advisors in their location as appropriate. These Finance personnel are responsible for complying with the principles set out in this document and with wider tax governance requirements.

We are committed to providing training to all Finance personnel, as well as non-Finance personnel in key areas such as Legal, Human Resources, Procurement and Operations, to ensure that they are able to inform the Tax department of relevant developments and to make decisions with tax consequences in the best interests of ON Semiconductor and in line with the Tax Policy.

External advisors

Tax advice may be sought from external advisors in respect of material transactions where uncertainty exists or to supplement the Company's Tax and Finance team expertise in a specific tax area or jurisdiction. The VP Tax is responsible for the appointment of external advisors, subject to ON Semiconductor approval of audit / non-audit services, and agreement on terms of engagement approved by the Company's Legal and Procurement departments where appropriate. Such terms must adhere to the Company's corporate governance and risk management policies, including the ON Semiconductor Code of Business Conduct.

ADDITIONAL INFORMATION

Please refer to the Company's website <http://www.onsemi.com> for the Company's policy on Corporate Governance, Core Values, Code of Business Conduct and Social Responsibility Reports.