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Proposed Remuneration Policy for the Managing Board

2021 AGM

Process for revising the Remuneration Policy

Context and key actions undertaken

- The proposal for revision of the remuneration policy for the Managing Board^(*) was **rejected** by the 2020 AGM. This leaves the remuneration policy as adopted by the 2005 AGM intact.
- The Supervisory Board has undertaken a **holistic review of the compensation structure** based on benchmark with the market, with the involvement of members of the Supervisory Board (directly and through an **ad-hoc committee**) and the support of an external consulting firm, taking into consideration comments received from proxy advisors and shareholders.
- Based on this review, a new remuneration policy was elaborated and **approved by the Supervisory Board** on March 24, 2021 and is **submitted for adoption** by the 2021 AGM

() Under Dutch law, the approval of the remuneration policy for the Managing Board requires a super-majority of 75% of votes cast. The “Managing Board” refers to the sole member of the Managing Board, President and CEO.*



Remuneration Policy for the Managing Board Highlights

- **Improve disclosure and transparency** on compensation information
- Update the remuneration structure to **align with best market practices**

Key changes

- ❑ **Corporate Social Responsibility criteria** in both STI^(*) and LTI
- ❑ **STI:** fully paid in cash based on 4 to 7 performance criteria (70% financial / 30% non-financial)
- ❑ **LTI:** 3-year performance period before conditional vesting
- ❑ **Explicit disclosure** of **threshold** and **target** performance levels for both STI and LTI
- ❑ Implementation of **Share Ownership Guidelines**
- ❑ **Clawback Provisions**
- ❑ **Termination Provisions**

Remuneration policy supports ST's value proposition...

For our shareholders



Return value in line with our sustainable, profitable growth objective

Sustainable and profitable growth

For our customers



Provide differentiating enablers

Independent, reliable & secure supply chain

For other stakeholders



Committed to sustainability

Our values: Integrity – People – Excellence

...and is an integral part of ST's strategy focused on long-term enablers

Smart Mobility



ST provides innovative solutions to help our customers make driving **safer, greener and more connected** for everyone

Power & Energy



ST technology and solutions enable customers to increase **energy efficiency** everywhere and support the use of renewable energy sources

Internet of Things & 5G



ST provides **sensors, embedded processing solutions, connectivity, security and power management**, as well as **tools and ecosystems** to make development fast and easy for our customers

Key principles of the remuneration policy are aligned with ST's strategy and value proposition

Key principles of the remuneration policy aligned to ST's strategy



Alignment with the Company's strategy



Mix of ambitious financial and non-financial performance conditions for both STI and LTI



Improving the performance of the Company



Highly variable, performance-related compensation structure (ca. 85% of maximum total direct compensation)



Enhancing long-term creation of shareholder value



3-year performance period for LTI



Promoting Sustainable corporate development



CSR criteria for both STI and LTI



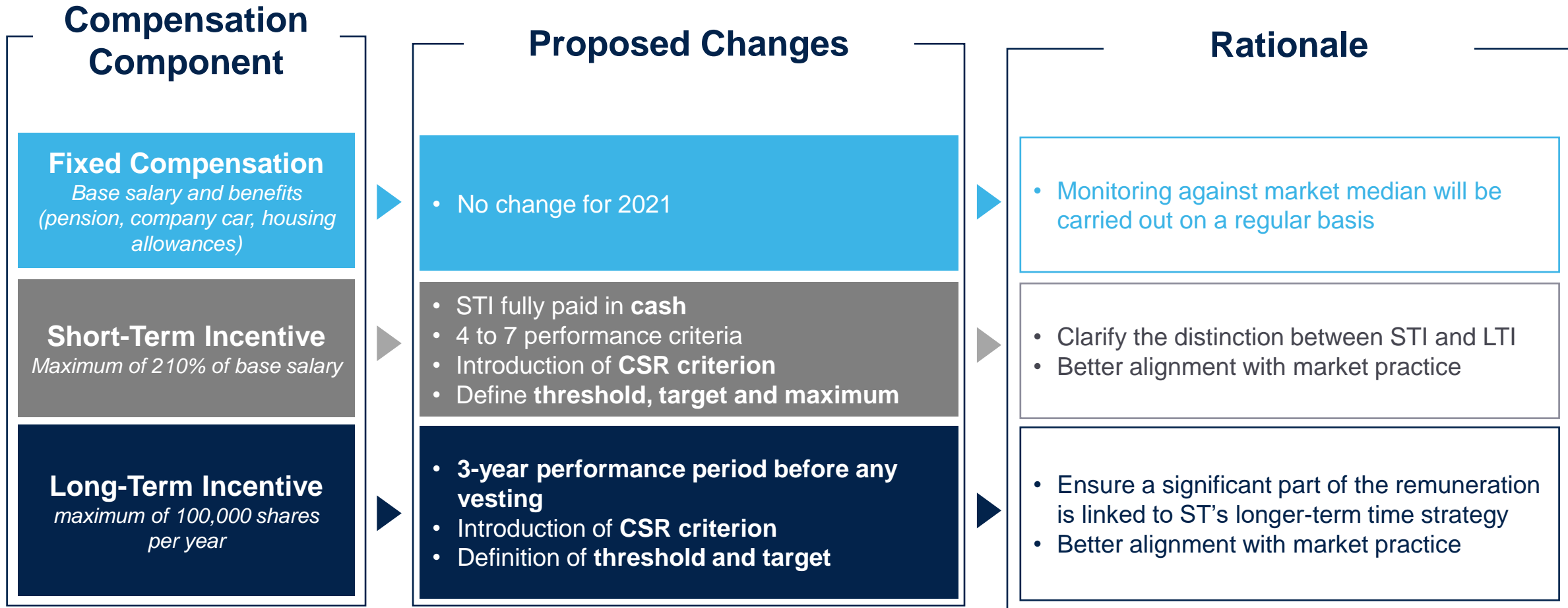
Retaining and motivating key employees



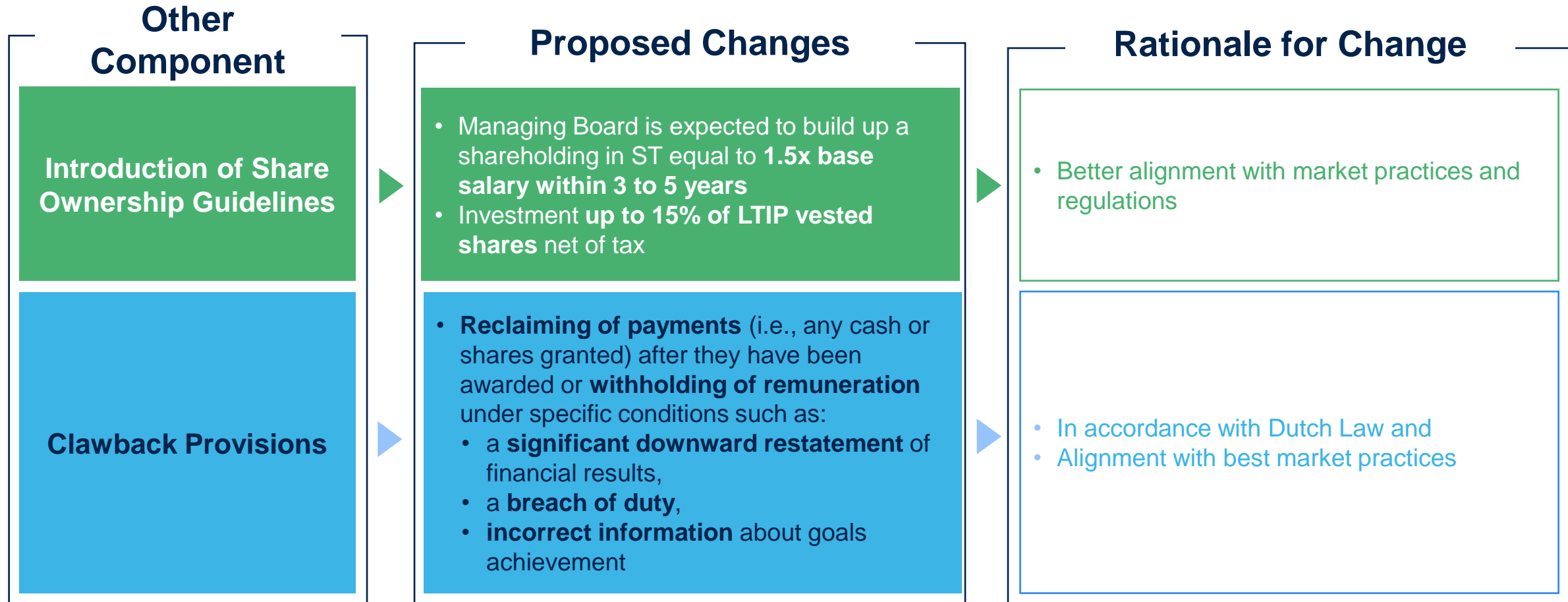
Benchmark against industry peers and alignment with best market practices



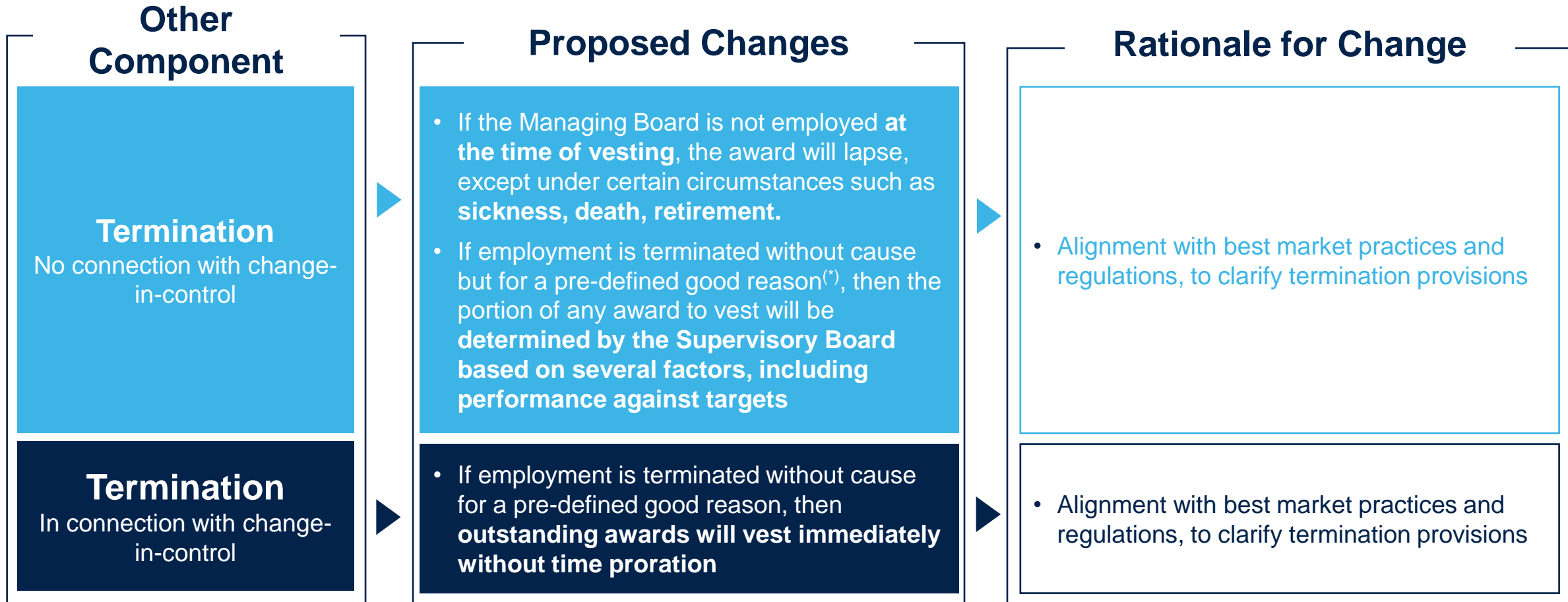
Overview of the Proposed Changes (1/3)



Overview of the Proposed Changes (2/3)



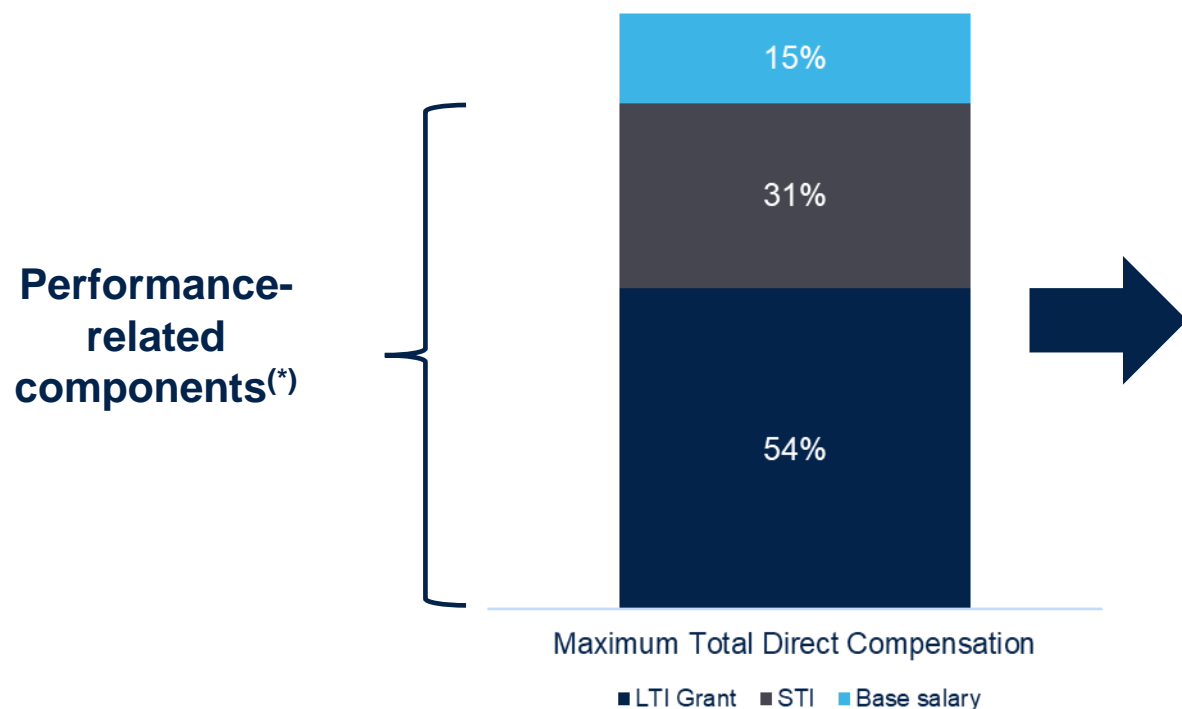
Overview of the Proposed Changes (3/3)



Breakdown of the Total Direct Compensation

The compensation package of the Managing Board should have a **highly significant portion of performance-related components** through a combination of short- and long-term variable instruments.

As an **illustration**, the following provides a breakdown of the proposed threshold and maximum total direct remuneration structure of the Managing Board:



Total Direct Compensation Components

- ❖ **Base salary** is a fixed cash amount (€800,000 – unchanged for 2021)
- ❖ **STI** is a maximum of **210%** of base salary, fully paid in cash and subject to financial and non-financial performance conditions
- ❖ **LTI** represents a **maximum of 100,000 shares** granted annually, which will conditionally vest subject to performance conditions assessed over a 3-year period.

Detailed proposed changes for the STI plan (1/2)

Rationale for change: Alignment with market practice and simplification (in terms of design and implementation), without adjusting the maximum STI opportunity.

Simplification of the STI design and alignment with market practices

- **Unique set of 4 to 7 predefined performance conditions** (ca. 70% financial conditions and 30% non-financial conditions) from the following list:
 - ✓ Revenue, Gross Margin, Operating Margin, Net Income, Free Cash Flow, RoCE, market share evolution, share price evolution
 - ✓ Sustainability/CSR Index from the following criteria list: Health & Safety, CO2 Neutrality, Diversity, Inclusion and People Engagement
 - ✓ Special Projects
- Introduction of **Sustainability/CSR performance condition**
- Explicitly **outline threshold and target payouts** (105% and 210% of base salary respectively), including overperformance conditions for financial conditions
- **STI will now be paid out 100% in cash** following assessment of and subject to the achievement of pre-defined performance conditions

Detailed proposed changes for the STI plan (2/2)

As an illustration, set forth in the following table are an overview of the performance conditions and weight set for 2021 that will be used for the attribution of the 2021 STI (payable in 2022).

Proposed Short-Term Incentive (STI) criteria for 2021	Below Threshold	Between Threshold and Target	Between Target and Stretch	Above or equal to Stretch (for financial criteria)
Financial performance conditions (weighted ca. 70%)				
Market share evolution	0%	15%	30%	45%
Revenue Growth	0%	20%	40%	60%
Operating income	0%	20%	40%	60%
Net operating cash flow	0%	20%	40%	60%
Sub-total for financial performance conditions	0%	75%	150%	Max 150%⁽¹⁾
Non-financial performance conditions (weighted ca. 30%)				
Execute special programs	0%	15%	30%	30%
Execute strategy implementation	0%	5%	10%	10%
Sustainability/CSR Index	0%	10%	20%	20%
Sub-total for non-financial performance conditions	0%	30%	60%	60%
Total	0%	105%	210%	Max 210%

Detailed proposed changes for the LTI plan (1/2)

Rationale for change: Alignment with market practices and investors' requirements, without adjusting the maximum LTI opportunity

Implementation of new vesting conditions and share ownership guidelines

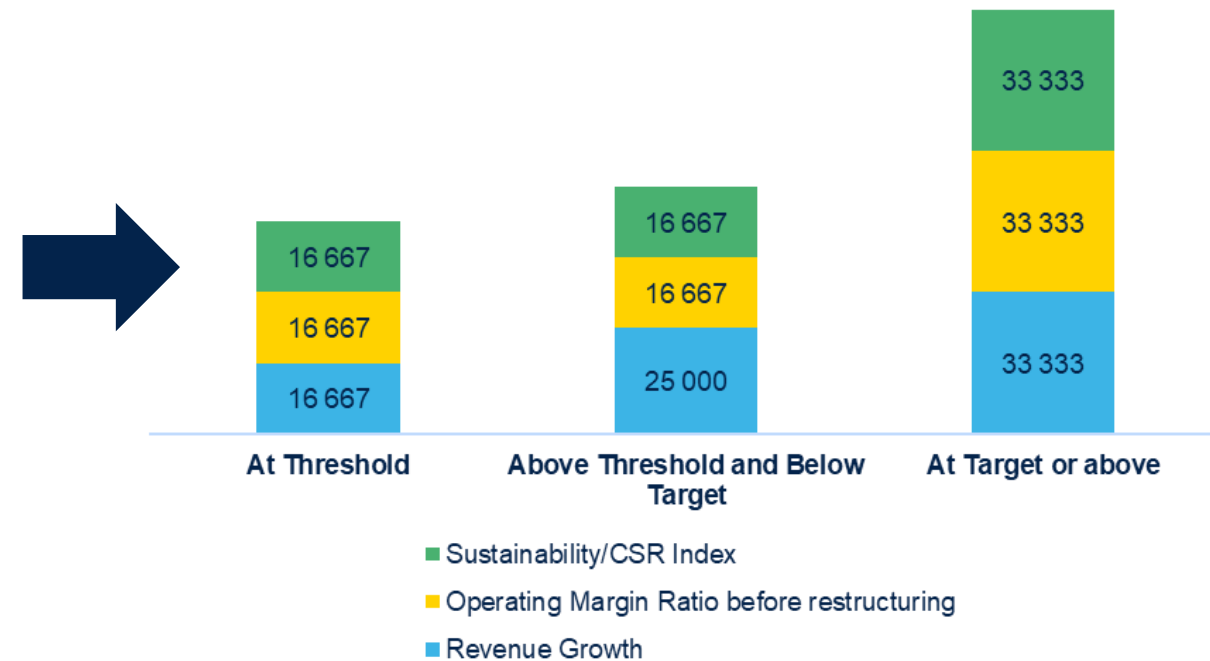
- **Up to 100,000 shares per year**, subject to predefined performance conditions
- Performance conditions will be assessed over a **3-year period**:
 - ✓ Revenue Growth
 - ✓ Operating Margin Ratio before Restructuring
 - ✓ Sustainability/CSR Index from the following criteria list: Health & Security, environmental, diversity, inclusion and people engagement
- Introduction of **Sustainability/CSR performance condition**
- **Granted shares will conditionally vest after 3 years**, subject to the assessment of performance conditions based on a combination of 3 predefined criteria and a matrix of objectives. This matrix will include **threshold and target performance levels**.
- The Managing Board is expected to build up a **shareholding in ST equal to 1.5 times base salary** (within 3 to 5 years) net of tax

Detailed proposed changes for the LTI plan (2/2)

Set forth in the following table are the performance criteria, weight, and achievement rate for the periods indicated below set for the LTIP plan.

Proposed Long-Term Incentive criteria	At Threshold	Above Threshold and Below Target	At Target or above
Sustainability/CSR Index ⁽¹⁾	16,67%	16,67%	33,33%
Operating Margin Ratio before restructuring ⁽²⁾	16,67%	16,67%	33,33%
Revenue Growth ^{(2) (3)} (FY 2023 vs. FY2020 versus peer group)	16,67%	25,00%	33,33%
Total	50%	58,34%	Max 100%

Illustration of the final number of shares to be allocated after the assessment of the three pre-defined performance conditions:



⁽¹⁾ Include the following topics: Health & Safety, CO2 Neutrality, Diversity, Inclusion & People Engagement

⁽²⁾ When assessing performance, ST's Revenue and Operating Margin will include the impact of (pending) acquisitions/divestments (pro forma) that have already been announced.

⁽³⁾ Compound Annual Growth Rate over a 3-year period. ST's performance over the 3-year period will be assessed against a peer group panel

Conclusion

- The proposed Remuneration Policy is **aligned with ST's long-term strategy** and is expected to make a key contribution towards the company's performance.
- The changes also provide **increased clarity, transparency, and disclosures**, and took into consideration comments received from proxy advisors and shareholders.

- Upon recommendation of the Compensation Committee, the proposed remuneration policy for the Managing Board was approved by the **Supervisory Board** on March 24, 2021.
- **The Supervisory Board recommends its adoption** by the 2021 AGM.

Appendix: Summary of Compensation Proposal

Fixed Compensation	Basic Annual Salary	Fixed level of earnings and a key component of overall remuneration, particularly as the annual bonus is expressed as a percentage of base salary. The determination of salary is based on several factors including, but not limited to, market pay levels among international industry peers of comparable size with the objective to regularly monitor base salary against market median, and, potentially, adjust it.
	Benefits	Miscellaneous allowances, including housing allowance and a company car.
	Pension	Pursuant to the plan and if the conditions of eligibility are fulfilled, an annual pension in the amount of USD 200.000 will be payable to the Managing Board upon retirement (from age 65 or later if retirement is postponed). In case of termination before age 65, disability or death before retirement, the mathematical reserve held by the insurer is paid to the Managing Board or beneficiaries. The plan is fully insured.
Short-Term Incentive (STI)	Purpose	The purpose of the Short-Term Incentive is to motivate the Managing Board to achieve financial and commercial objectives consistent with and supportive of the Company's strategy and to create a tangible link between annual performance and individual pay opportunity.
	Performance criteria	1-year performance period with a unique set of 4 to 7 performance conditions with a mix of financial criteria for approximately 70% and non-financial criteria (including sustainability/corporate social responsibility index performance) for approximately 30%.
	Cap	Limitation of compensation to a maximum of 210% of base salary.
	Payment	Payment fully in cash to further align with market practices and differentiate short-term incentives vehicle from long-term incentive (shares).
Long-Term Incentive (LTI)	Purpose	Stock awards are used to motivate the Managing Board to deliver sustainable long-term shareholder value through long-term profitability and share price growth. Stock awards (net of tax) must be held for a further three years to align with STMicroelectronics's longer-term time horizon and strategy.
	Plan type	Performance Share Plan with up to a maximum of 100,000 shares granted annually. Shares will conditionally vest subject to performance conditions measured over a three-year period.
	Performance criteria	3-year performance period with two financial performance conditions (Revenue Growth versus peer group and average of Operating Margin Ratio before restructuring) and one non-financial performance condition (Composite Corporate Social Responsibility Index including the following topics: Health & Safety, CO2 Neutrality, Diversity, Inclusion & People Engagement)
	Cap	The final number of allocated shares after assessment of performance conditions cannot be above the number of granted shares (100,000).
	Guidelines	Managing Board is expected to build up a shareholding in ST equal to 1.5 times base salary (within 3 to 5 years) net of tax