

Global Tax Strategy



*This strategy applies for the year ended December 31, 2022

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 “**onsemi**”, “Company”, “we” or “our”).

The Tax Policy is reviewed and approved on a regular basis by the Company’s Audit Committee of the Board of Directors (“Audit Committee”). **onsemi**’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 **onsemi**, 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 **onsemi** whose actions or 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 **onsemi**’s Code of Business Conduct and is publicly available on the Company’s website to allow external stakeholders to understand the Company’s approach to tax. **onsemi** 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, indirect and employment taxes owed and collected/paid by **onsemi** and its controlled subsidiaries worldwide.

SECTION 2: TAX POLICY

2.1 High level overview

onsemi is driving disruptive innovations to help build a better future. With a focus on automotive and industrial end-markets, the company is accelerating change in megatrends such as vehicle electrification and safety, sustainable energy grids, industrial automation, and 5G and cloud infrastructure. With a highly differentiated and innovative product portfolio, **onsemi** creates intelligent power and sensing technologies that solve the world’s most complex challenges and leads the way in creating a safer, cleaner, and smarter world. **onsemi** operates a responsive, reliable supply chain and quality programs, and robust ESG programs. **onsemi** operates a network of manufacturing facilities, sales offices and design centers throughout North America, Europe and the Asia Pacific regions.

2.2 Business strategy statement

We believe in our people, culture, and ability as good corporate citizens to address climate issues, sustainability and positively impact the communities where we work and live. **onsemi** is proud of our commitment to operate in a transparent and socially responsible manner towards employees, suppliers, customers, and the communities in which we do business worldwide.

2.3 Tax policy statement

onsemi’s Tax Policy is aligned with the overall business strategy and the Company’s approach to corporate governance wherever we operate.

onsemi abides by the rules and regulations of the jurisdictions in which we operate. We operate in a transparent, ethical, and socially responsible manner regarding our interactions with tax authorities and 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

onsemi is a U.S. based company, taxed in the U.S. on its worldwide profits. Given the scale of operations, the broad range of tax obligations and the complexity of the tax laws that the Company is required to comply with, uncertainty does arise in relation to tax liabilities. This uncertainty is referred to as tax risk.

We conduct operations through our U.S. and foreign subsidiaries and are, therefore, subject to complex transfer pricing regulations. There is uncertainty and inherent subjectivity in complying with these rules.

An independent third-party provider is engaged 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.

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. 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 by our external independent audit firm.

The Company has a formal Enterprise Risk Management Framework ("ERM") to systematically, consistently and effectively identify, evaluate, prioritize, and manage key risks and opportunities affecting the Company, including tax risk, if applicable.

The Company has Compliance & Ethics Programs designed to prevent and detect violations of our Code of Business Conduct and has established mechanisms for parties both external and internal to the Company to anonymously raise compliance and ethics concerns, including unethical or unlawful behaviour in relation to tax.

2. Our attitude towards tax planning

Our tax planning must support genuine commercial activity and be consistent with our business strategy. We aim to pay tax where our commercial activities take place and therefore, value is created and ensure that non-cooperative countries for tax purposes or so-called 'tax havens' are not used for the purpose of avoiding tax. Additionally, 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 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, while striving to maintain our primary objectives of paying the right amount of tax at the right time.

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 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

We operate in a transparent, ethical, and socially responsible manner regarding working with tax authorities, including Her Majesty's Revenue and Customs. 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. 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.

The Company does not tolerate tax evasion or tax fraud, nor is the facilitation of tax evasion or tax fraud by any person(s) acting on the Company's behalf tolerated.

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.

Tax Department Personnel

The VP Tax leads a Tax department, primarily based in the U.S., of experienced tax professionals with appropriate professional qualifications, including certain specialized tax expertise. 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.

Finance and Other Personnel

Supporting the Tax department is a team of appropriately qualified in-house Finance and Accounting professionals. 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 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 **onsemi** 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 **onsemi** approval of audit / non-audit services.

ADDITIONAL INFORMATION

Please refer to the Company's website <http://www.onsemi.com> for the Company's policy on Corporate Governance.