Sustainability Report 2012
Reader’s Guide

Report scope and profile

This Report describes our Sustainability performance in the calendar year 2012. It covers all of STMicroelectronics activities and sites, and it excludes ST-Ericsson sites and activities unless otherwise stated. You can find details of ST’s structure and countries of operation in the chart on page 1.

In last year’s report we set out how we integrate those new sites in our 2013 sustainability reports_st.html. This Report describes our approach to sustainability, along with related targets, performance against new objectives since 2000, which commits us to our Global Compact Principles and ISO 26000 core subjects that are contained within this Report.

Indicators and use of symbols

Following implementation of ST’s revised Sustainability strategy in 2011, we are now able to report performance against new objectives under each of our Sustainability Priorities. Progress updates for each objective can be found in the “performance versus objectives” tables, illustrated by the following symbols:

Alignment with GRI and the UN Global Compact

This Report is prepared and presented in accordance with the 2006 Global Reporting Initiative (GRI) G3 Guidelines. We have self-declared an ‘A’ application level, which has been confirmed by GRI.

Although reasonable efforts have been made to ensure the consistency of the summary financial information for the year 2012 in this report with ST’s financial reporting, reliance should only be placed upon the complete financial reporting contained in ST’s Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the SEC on March 4, 2013, which can be found at www.sec.gov.

Site certifications: ISO/TS 16949 (Quality), ISO 27001 (Information Security) and OHSAS 18001 (Occupational Health & Safety)

Investments: $851m since 2001 in building infrastructure, test & R&D Equipment

Site specifications: ST India has a rich history of providing high-value platforms, SoCs (Systems on Chips), embedded systems, application-specific IP (Intellectual Property), and reference designs in various application segments, including home entertainment, multimedia, telecommunications, imaging, automotive, computer peripherals, and industrial control. ST Designers have contributed to library development in leading-edge low power technologies from 45nm down to 28nm.

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Sustainability.html

web/en/about_st/st_approach_to_d.aspx

Our Sustainability Report is also accessible on the web in interactive PDF format at http://www.st.com/web/en/about_st/company_reports_st.html along with past reports. Printed copies are available on request.

Assurance

DNV (Det Norske Veritas) is the entity that has been appointed to provide assurance services to STMicroelectronics. In order to do so, DNV interviewed all relevant corporate departments and visited three sites (Catania - Italy, Calamba - Philippines and Muar - Malaysia) to review and validate ST’s data reporting process and to provide assurance of this year’s Report. DNV’s assurance statement can be found on page 72.

Focus on a site

Focus on a site Zoom on Greater Noida (India)...
Foreword by Carlo Bozotti, President and Chief Executive Officer

2012 was an important year for ST, marked by our 25th anniversary and by the announcement of our new strategic plan. It was also another challenging year, characterized by a difficult economic scenario as well as by significant structural changes in the market and in end-customer competitive dynamics.

Our longevity dedication to sustainable excellence helped us to deal with these challenges and ST ended the year showing strong progress in three main areas.

First, despite the significant cash required by our joint-venture ST-Ericsson and the weakness of the market, we actually improved our net financial position to $1.19 billion, thanks to careful management of ST’s assets and resources.

Second, our advances and breakthroughs in products and technologies in 2012 contributed to ST gaining market share in several of our targeted markets. In the Analog, MEMS and Sensors market, we achieved 22% year-over-year revenue growth and saw ST’s market share within the MEMS mobile and hard disk market rise to 48%—more than twice the share of our closest competitor.

In Automotive, ST reached the milestone of having more than 200 million cars in the world equipped with ST’s leading infotainment technologies and we established important partnerships with leading car makers such as Audi and Hyundai. Microcontroller billings grew 30% year over year, while in trust and data security, we were confirmed as a leading Secure Element vendor.

Third, at the end of 2012, we made an important strategic decision and announced our new vision and strategy to be a leader in Sensors & Power and Automotive products and Embedded Processing Solutions, the key drivers for our growth, our new financial model and this transition from ST-Ericsson after a transition period.

Our focus is now on five key growth areas: MEMS and Sensors, Smart Power, Automotive, Microcontrollers, and Application Processors including Digital Consumer. We target growing markets of approximately US $140 billion that are driven by secular trends and societal needs: smart energy usage and the need for dramatic reduction of CO2 emissions, ubiquitous embedded intelligence and the humanization of technology, with more intuitive man-to-machine interfaces for a more natural, immersive and easier interaction of people with vehicles. This reflects our conviction that we can achieve our aim of being financially successful while remaining socially responsible.

The loyalty, commitment and expertise of the people that helped us navigate a difficult year were also reflected in our continued focus on achieving our Sustainability priorities during 2012 and ensuring that our new strategic plan contributed to our new strategy, covering our people, products, the environment and the community, became firmly embedded throughout the organization.

Our people and organization development programs are aligned with our strategy and business needs. In 2012, we focused on very specific training programs to strengthen the competencies of our sales & marketing and research & development workforce.

While we focused more on leadership for our management staff, we also reinforced the way we develop individual career paths for technical staff through the “individual path technical and specialists functions” program. At the end of this process, was deployed across 84% of the eligible sites and employees, with a target to reach 100% by the end of 2013. Moreover, during the first half of 2012, several hundred highly skilled employees from ST-Ericsson started to join ST R&D teams, helping to fuel growth in several key product areas. Numerous collaboration seminars and workshops were held to welcome them into ST.

Continually enhancing our technical expertise helps us to accelerate the development of products and solutions that contribute to the realisation of the societal challenges that our vision. Our internal Product Stewardship program includes product compliance and eco-design and STAR responsible products. Our internal responsible products STAR initiative, which applies to all new products and classifies them into relevant environmental and social categories such as energy saving and healthcare, identified 196 new products that contribute to a more sustainable world. An example is our new Masterlux™ universal lighting controller family which makes lighting more energy efficient, more economical, safer and more flexible. We consider as social products those that relate to health (insulin pumps, remote patient monitoring, glaucoma diagnosis, management and treatment, etc.) or safety (airbags, ABS, etc.). We also remain on track to have 100% of our new devices eco-designed by 2015.

Looking forward to the next 25 years, ST will continue to build on its strong heritage, rich technical expertise and its finely skilled and motivated people to provide levels of sustainable excellence, in line with our vision to be everywhere microelectronics make a positive contribution to people’s lives.

Carlo Bozotti
President and CEO

ISO 50001 (energy management system certification).

In addition to these environmental efforts, we restructured our community involvement approach by 2012. By adapting the BSCI methodology,5 we are better able to evaluate the impact of nearly 400 initiatives taken worldwide by about 4,500 employees during the year. Young people and education remain the main domain of focus of ST at world level and we will also continue to develop our community involvement in the areas of innovation and high technology, social welfare and charity, environmental involvement and economic development. During 2012, nearly 30,000 people in developing countries benefited from our Digital Unity program, managed by the ST Foundation, which aims at overcoming the digital divide. As a committed supporter of the Electronic Industry Citizenship Coalition, our supply chain management program remains one of our key priorities and we implement controls designed to ensure that we do not source minerals from conflict zones. For example, we have been able to certify 100% of tantalum smelters through the Conflict-Free Smelters’ Protocol.

Safety of our employees comes first at ST. A well-established safety record places ST among the best-in-class in our industry. However, unfortunately in 2012, we experienced one employee fatality at one of our Chinese plants. As a result, we have strengthened even further our governance programs, and including an increase in field audits, additional learning modules, and more internal and external training assessment. During 2012, ST’s programs managed by the ST Foundation, which aims at promoting social responsibility, environmental involvement and economic development. During 2012, nearly 30,000 people in developing countries benefited from our Digital Unity program, managed by the ST Foundation, which aims at overcoming the digital divide. As a committed supporter of the Electronic Industry Citizenship Coalition, our supply chain management program remains one of our key priorities and we implement controls designed to ensure that we do not source minerals from conflict zones. For example, we have been able to certify 100% of tantalum smelters through the Conflict-Free Smelters’ Protocol. Safety of our employees comes first at ST. A well-established safety record places ST among the best-in-class in our industry. However, unfortunately in 2012, we experienced one employee fatality at one of our Chinese plants. As a result, we have strengthened even further our governance programs, and including an increase in field audits, additional learning modules, and more internal and external training assessment. During 2012, ST’s programs managed by the ST Foundation, which aims at promoting social responsibility, environmental involvement and economic development. During 2012, nearly 30,000 people in developing countries benefited from our Digital Unity program, managed by the ST Foundation, which aims at overcoming the digital divide. As a committed supporter of the Electronic Industry Citizenship Coalition, our supply chain management program remains one of our key priorities and we implement controls designed to ensure that we do not source minerals from conflict zones. For example, we have been able to certify 100% of tantalum smelters through the Conflict-Free Smelters’ Protocol.
Sustainability principles have been integrated into our core business practices and products for more than 20 years. Our company ethos is not only about placing our people and the environment at the heart of the way we operate, but is also about constantly finding ways to innovate and create products that improve the quality of life for the people who use them.

In 2012, as a key step in ST’s Global Diversity and Equal Opportunities goal, I personally sponsored the preparation of the ST’s Women’s Network (to be officially launched in 2013) that aims to advance the career development of female employees as part of a wider goal of creating a genuinely diverse and inclusive working environment. ST also sponsors the Global Enterprise Project, an initiative of the European Roundtable of Industrialists (ERT), in which our CEO himself is involved, aimed at raising awareness of global business amongst secondary school students, helping them to develop an entrepreneurial mind-set. Within this program, the ERT hopes to contribute to reducing youth unemployment. In this same context, ST is also very much involved in raising young people’s awareness and interest in science, technology, engineering and mathematics (STEM).

How do you think ST should keep moving forward?

It is important to ensure the effective deployment of the Sustainability Strategy that consolidates our top priorities and defines our targets. This report highlights these core elements of the strategy in detail. Our deep conviction that sustainability is a cornerstone of our competitiveness ensures that we move on whatever the business environment and that we will keep seizing opportunities to offer to the market those products that help us protect the environment and save energy.

One year after the launch of ST’s new Sustainability Strategy, I am pleased to report some very concrete achievements and improvements across all of our sustainability pillars. The comprehensive materiality exercise we conducted less than two years ago has helped us focus clearly on our most significant challenges and opportunities.

We track our performance across all areas of our Sustainability Strategy using a set of robust indicators. In this report, you will be able to read about the key achievements and the progress we have made against our targets but also the initiatives we had to put on hold or challenges in a clear and transparent way in each section.

Two strategic stakeholder reviews have played an important role in helping us prioritize our sustainability activities in 2012; an ISO 26000 evaluation was carried out at three of our major sites (Rousset (France), Muar (Malaysia) and Ang Mo Kio (Singapore), and our first official stakeholder survey was undertaken, which included a number of interviews with stakeholders. The very valuable feedback gathered from these initiatives has helped to confirm our existing approach across all areas of our strategy and also provided us with some food for thought for future sustainability developments.

As reported by our CEO in his statement, we unfortunately experienced a fatality at one of our Chinese sites. We are committed at the highest level in ST to further strengthening our management of safety to ensure this will never happen again, taking all necessary measures we can to reinforce ST’s safety culture across all of our sites in 2013. Working safely must remain employees’ number one priority.

We have been working now for more than 20 years with our Environment, Health and Safety Decalogue as our guide to enhance environmental protection and reduce our manufacturing environmental impacts. We are currently in the process of reviewing our Decalogue targets to ensure they remain challenging, realistic and in line with industry practices and norms. For 2012, GHG emissions from all ST manufacturing sites have been certified under ISO 14064 (scope 1 and 2) standard and three of our Front-end manufacturing sites, Agrate and Catania (Italy) and Rousset (France), have achieved ISO 50001 (energy management system certification).

Looking forward, we have chosen to focus more of our resources on reducing the environmental impact of our products. This is why we have launched our Product Stewardship Program, including a target for 50% of ST’s new products to be eco-designed by 2015. We will also be validating our methodology for product life-cycle assessments.

Our journey to find more sustainable ways to operate as a business will continue, as constant advances in technology and thinking inspire us and assist us in our drive for constant improvements.

Materiality

Our top-level approach to Sustainability is set out in our Code of Conduct and, at a more operational level, in our Sustainability Strategy. We conducted a comprehensive materiality exercise to help define ST’s new Sustainability Strategy, launched at the end of 2011. Under the guidance of BSR (Business for Social Responsibility), we sought insight from relevant internal and external stakeholders to identify our most material issues and ensure alignment with our business priorities and stakeholder expectations.

Embedding this new Sustainability Strategy was one of our six corporate priorities in 2012. One year on, we are now in a better position to evaluate progress and describe our performance against the objectives we set ourselves under each of our Sustainability pillars. When compiling data for this year’s report we recognized that some of our objectives required further definition. We made the decision to continue to report on our existing indicators this year while developing a more expansive and clearer account of performance data for next year’s Report.
ISO 26000 evaluation

We undertook an ISO 26000 review in 2012 to help validate our refreshed Sustainability Strategy and priorities. We selected Deloitte Veritas for this piece of work. Their methodology evaluates employees’ perceptions of a company’s Sustainability approach. Fifty employees and managers were interviewed from three of our major manufacturing sites: Rousseau (France), Ang Mo Kio (Singapore) and Muar (Malaysia). Although located in different regions, the employees all shared very similar views, indicating that ST’s Sustainability program is consistently implemented across our sites.

Responding to DNV’s recommendations, we have:
- Organized ISO 26000 training sessions for Sustainable Excellence coordinators
- Held Sustainability Strategy implementation workshops with site managers
- Developed new 2013 training plans for specific internal audiences such as newcomers, Human Resources and Purchasing experts

**External stakeholder survey**

We see stakeholder engagement as an integral element of our Sustainability Strategy review process. In 2012, we conducted our first formal external stakeholder survey to obtain inputs that would help develop our Sustainability Strategy and future reporting. Almost 170 stakeholders with an understanding of ST’s operations, including customers, employees, suppliers, investors, SPI analysts, government representatives, academic and R&D organizations and NGOs were invited to participate. Approximately one third responded. Through the survey, we also identified a small number of stakeholders who wished to participate in one-to-one interviews to provide more in-depth feedback.

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<tr>
<th>Sustainability Strategy Feedback</th>
<th>Sustainability Report Feedback</th>
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<tr>
<td>62% of respondents were familiar or very familiar with ST’s Sustainability program</td>
<td>57% of respondents read the Report in part or in full</td>
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<tr>
<td>47% of respondents received information about ST’s Sustainability program through our Sustainability Report</td>
<td>50% of respondents found the Report very useful and informative</td>
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<td>42% of respondents rated ST as an Sustainability leader compared with its competitors</td>
<td>15% of respondents read the Report to identify examples of best practice</td>
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**Employee engagement survey**

Employees have the opportunity to share their thoughts, opinions and suggestions through the Company’s annual employee engagement survey. For more information, see pages 16-17.

**Local stakeholder engagement**

The stakeholders we engage with vary for each site, department and region. ST has developed general guidelines, based on feedback from our global network of Sustainable Excellence coordinators and best practice principles in our Code of Conduct and Sustainability Strategy. These help sites and departments identify their most important stakeholders and guide them through the process of engagement.

Our Corporate Governance Structure

STMicroelectronics is a global leader in the semiconductor market serving customers across the spectrum of Sense & Power Automotive and Embedded Processing Solutions. From energy management and savings to trust and data security, from healthcare and wellness to smart consumer devices, in the home, car and office, at work and at play. ST is found everywhere.

Microelectronics make a positive and innovative contribution to people’s lives.

STMicroelectronics was formed and incorporated in 1987 as a result of the combination of the semiconductor business of SGS Microelettronica (then owned by Società Finanziaria Telefonica, STET, an Italian corporation) and the non-military business of Thomson Semiconducteurs (then owned by the former Thomson-CSF, now Thales, a French corporation). We are organized under the laws of The Netherlands and have our corporate legal seat in Amsterdam. Our headquarters and operational offices are managed through our wholly-owned subsidiary, STMicroelectronics International N.V., and are located at 39, chemin du Champ des Fils, 1228 Plan-Les-Ouates, Geneva, Switzerland. Our operations are also conducted through various subsidiaries, which are organized and operated according to the laws of their country of incorporation, and consolidated by STMicroelectronics N.V.

We are listed on the New York Stock Exchange (NYSE), Euronext Paris and the Borsa Italiana in Milan.

Our corporate governance policies and practices are outlined in our Corporate Governance Charter. This is available on our website, along with our Supervisory Board Charter, in the Corporate Governance section at http://investors.st.com.

**Managing Board**

In accordance with Dutch law, our management is entrusted to the Managing Board under the supervision of our Supervisory Board. Mr. Carlo Bozotti, President and Chief Executive Officer, is currently the sole member of our Managing Board. The member of our Managing Board is appointed for a three-year term, as described in our Articles of Association, which may be renewed one or more times in accordance with our Articles of Association upon a non-binding proposal by the Supervisory Board at a shareholders’ meeting and adoption by a simple majority of the votes cast at the shareholders’ meeting where at least 15% of the issued and outstanding share capital is present or represented. [1.4.1.2.1.4.2.1.4.10]

The Supervisory Board has determined the following independence criteria for its members, based on the evaluations by an ad hoc committee: Supervisory Board members must not have a material relationship with STMicroelectronics N.V., or any of our consolidated subsidiaries, or our management. A material relationship can include commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationships, among others, but does not include a relationship with direct or indirect shareholders.

In accordance with our Corporate Governance Charter, Supervisory Board members serve on the Board at a shareholders’ meeting and adoption by a simple majority of the votes cast at the shareholders’ meeting where at least 15% of the issued and outstanding share capital is present or represented. [1.4.1.2.1.4.2.1.4.10]

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Information on the composition of the Audit Committee, Compensation Committee, Strategic Committee and Nominating and Corporate Governance Committee of our Supervisory Board, as well as the compensation of the members of the Supervisory Board and the attendance at the meetings of our Supervisory Board are set out in our Dutch Annual Report or SEC Form “20-F”, which are available on our website and can be downloaded at http://investors.st.com.

**New Nominations at Supervisory Board Level**

Ms. Martine Verlykten was appointed as a member of the Supervisory Board at our annual shareholders’ meeting on 30 May 2012 and has also served on its Audit Committee since then.
Ms. Verkuyten succeeded Mr. Tom de Waard as Chair of the Audit Committee on 22 April 2013.

Ms. Janet G. Davidson was appointed as a member of the Supervisory Board at our annual meeting of shareholders on 21 June 2013. Ms. Davidson also serves on the Audit Committee and the Strategic Committee of the Supervisory Board.

Independence of the statutory auditors and of the Corporate Internal Audit Organization

The statutory auditor’s independence is monitored at the highest level of the Company:

Our Audit Committee is responsible for selecting the independent registered public accounting firm employed to audit our financial statements, subject to ratification by the Supervisory Board and approval by our shareholders. Our Audit Committee also assumes responsibility (in accordance with Dutch law) for the retention, compensation, oversight and termination of the independent auditor.

We adopted a policy (the Policy), agreed by our Audit Committee, for the pre-approval of audit and permissible non-audit services provided by our independent auditors.

All engagements with the external auditors, regardless of size, must be authorized in advance by our Audit Committee, pursuant to the Policy and its pre-approval authorization or otherwise.

In 2012, non-audit services amounted for only 0.5% of the total audit fees paid to our statutory audit firm (and pertained to tax compliance services).

The Internal Audit function is strictly independent from Corporate and Local Management:

The mission of Corporate Internal Audit, as defined in the ST Internal Audit Charter, which is consistent with the Institute of Internal Auditors (IIA) Standards and approved by the Chairman of the Audit Committee and the CEO, is as follows:

Corporate Internal Audit is an independent function designed to provide objective assurance and consulting activity, which adds value, improves the ST’s operations at all levels, and evaluates and promotes compliance with ST’s Standard Operating Procedures and Policies.

Corporate Internal Audit helps ST accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Corporate Internal Audit is a key component of ST’s governance framework and assists the Audit Committee of the Supervisory Board and the Company’s certifying officers in their fiduciary duties (Corporate Internal Audit promotes a sound management control structure at a cost justified by the risk and exposure involved).

Our Chief Audit & Risk Executive, Franck Freymond, is the head of Corporate Internal Audit. He reports directly to the Audit Committee of the Supervisory Board, attends all Audit Committee meetings, has direct interactions with the Chairman of the Audit Committee throughout the year and attends executive management quarterly meetings. The current functional reporting line and the practices now in place ensure the head of Corporate Internal Audit the appropriate level of organizational independence and unrestricted access to executive management and the Supervisory Board.

This reporting approach is in line with standards defined by leading international organizations such as The Institute of Internal Auditors.

The audit results and the follow-up of the audit recommendations made by the internal audit team are regularly presented to both executive management and the Audit Committee of the Supervisory Board.

Our Sustainability Governance

ST manages sustainability in line with the following international guidelines and standards:


Our commitment to align with these standards is outlined in our Code of Conduct which provide guidelines for informing our behavior and decision-making. Policies and procedures are then defined at corporate level, and endorsed by our CEO, Carlo Bozotti, to ensure effective deployment throughout the Company.

Other significant standards in terms of sustainability are our Business Conduct and Ethics, Human Resources, Health and Safety and Environmental Policies.

Sustainability is one of ST’s six corporate annual priorities. Executive Vice President, Chief Administrative Officer, Tjerk Hooghiemstra, has overall responsibility for sustainability. Part of his remit is to provide sustainability updates to the CEO and Executives Officers at quarterly Corporate Staff Meetings. Every three to five years, a group of ST’s Vice Presidents conducts a materially exercise, taking into account both ST’s business priorities and our main stakeholders’ expectations, in order to review and update the Sustainability Strategy. The ST Sustainability Governance Framework is shown below.

Our risk management approach

Enterprise Risk Management’s purpose is to systematically, consistently and effectively identify, evaluate and manage risks across the Company, including the set-up of effective risk mitigation action plans for identified key risks and top priority risk areas. ST ERM applies a holistic approach and has been developed / designed to comply with the ISO 31000 standard.

The ERM governance and process at ST are defined as follows:

More performance indicators are available on pages 67 to 70.
Financial performance

In 2012 overall, ST has been able to improve its net financial position compared to 2011 despite the significant cash used by ST-Ericsson as well as the impact of weak business conditions. We were able to end the year with significant financial flexibility and strong cash balances while providing shareholders with the same level of dividend compared to 2011.

Net revenues for 2012 decreased 12.8% to US$8.49 billion mainly due to lower sales at our former region, in order to ensure that we are well-positioned to anticipate and respond to our customers’ business requirements. Important decisions were made in 2012 that are shaping a new, more focused, higher-performing ST. In December 2012, we announced a new strategic plan to target leadership in two product segments: Sense & Power and Automotive Products and Embedded Processing Solutions.

This strategy includes a sharper focus on five growth drivers: MEMS and sensors, Smart Power, automotive products, microcontrollers, and application processors including digital consumer products. Importantly, from a financial model perspective, we are targeting an operating margin of 10% or more. A key component to achieving this objective is bringing our net operating expenses to an average quarterly rate in the range of US$600 million to US$650 million by the beginning of 2014.

Extra-financial performance

Recognizing of extra-financial performance through rating agencies’ evaluations, investor ranking and inclusion in sustainability indices is an important element of ST’s overall objectives. It helps us better understand our performance and identify the focus for further improvement. Throughout the year we receive numerous requests and questionnaires from rating agencies, extra-financial analysts and investors on a wide range of topics e.g. governance, risk management, business ethics, social, labor and human rights, health and safety, environment, community involvement.

The annual Sustainability Report is designed to address the majority of information requests as we report already many indicators but also detail our management system or approach, and document many projects and initiatives. We have also reworked our sustainability webpages to provide more comprehensive descriptions of our policies and actions. In 2012, we maintained a strong position in most major sustainability indices and were recognized by some newly created indices as shown below. Unfortunately we were not included in Dow Jones Sustainability Index in 2012. We keep actively work on all sections of this evaluation to ensure a better description of our approach and relevant evidences to demonstrate our robustness.

ST INCLUSION IN THE MAIN SUSTAINABILITY INDICES

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<th>Index (Italy)</th>
<th>ASPI (%E)</th>
<th>Ethical Sustainability Index (Regione)</th>
<th>ECPI (Italy)</th>
<th>FTSE ECPI Index series (Italy)</th>
<th>FTSE4GOOD European Index</th>
<th>FTSE4GOOD Global Index</th>
<th>Euronext Vigeo SRI Leaders (France)</th>
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<td>2012</td>
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Our People

Key figures for 2012

- 98% workforce with regular contract
- 22% increase of disabled people in total workforce
- 72.34% employees covered by collective bargaining
- Total medical services provided: 71,287
ST is a high-technology company where engaging people is strategic to constantly stay on the edge of the business. This is why our Human Resources strategy aims at ensuring the right level of hiring and development of our people to match the company’s evolving requirements in terms of profiles and competencies. This strategy plays a key role in reinforcing employees’ ability to perform better and contributes to their evolution within the Company.

**Individual career paths**

The cornerstone of career management is to provide employees with a clear understanding of their job positioning within the Company and to support their vertical and transversal progression. This is performed through the deployment of three career paths: managerial, cross-functional/program management and individual (Technical and Specialist functions).

Starting in 2010, one of our key objectives has been to promote and develop the individual career path (for technical functions), through the deployment of the process individual path technical and specialists functions, within our core business job functions (product design, technological development...), reaching key milestones by 2012.

After being sponsored by management, candidates are evaluated; validation is granted according to technical expertise. Candidates are evaluated; validation is granted according to technical expertise. This strategy aims at ensuring the right level of hiring and development of our people to match the company’s evolving requirements in terms of profiles and competencies.

**Review of our learning offer**

Another key objective in 2012 was the complete review of ST’s learning offer that focused on business needs and used a blend of locally and globally deployable solutions.

A network of internal business stakeholders and training professionals worked to define the training offered across ST’s job categories, ensuring alignment with the Company priorities whilst maintaining the practicality of known deployment channels.

Courses were mapped, either to the professional job function competencies, behavioral competencies or to the leadership model providing employees with easily accessible solutions that meet their development needs. We reviewed existing courses and existing vendors, compared internal and external solutions and defined globally deployable solutions whilst maintaining local offers when the cultural needs required.

By the end of 2012, the networked taskforce delivered a learning catalogue of over 2,500 courses addressing 81 job functions, now constituting our unique worldwide reference. The offer was integrated into HR tools, enabling managers and employees to build development plans during their annual assessments to be conducted early 2013, by selecting competencies to develop and then selecting from the list of relevant courses.

**Performance against objectives**

- Increase the percentage of open positions for exempt filled by internal candidates by 5% per year (compared with a 2010 baseline), with a long-term target of 60%.
- Ensure that more than 50% of employees have a development plan, linked to their annual performance.
- Increase employee retention - percentage of employees that maintain their expertise be known and visible.
- Further align ST’s learning with its business strategy to contribute to company transformation, employee productivity and being an ‘employer of choice’

“

When I received the certification, I felt honored, and also proud to join the ST Technical staff community. ST was recognizing a software expert at this level for the first time. A strong sign that things are changing, and going in the right direction. I’d like to share with all my colleagues what I find very useful and interesting in being part of this community: - First, whether they admit it or not, technicians appreciate to be recognized, that others understand who they are and that their expertise be known and visible.
- Then, ST has put in place very useful training cycles for the technical community. I attended several of them which I really appreciated. It is a fact that technicians are “not always” experts in how to present or communicate, how to sell their ideas, manage innovation and practice lobbying. Such training has taught me a lot.
- Finally, I have found it very enriching to meet other experts from domains completely different from mine. To confront our ideas and methods and to see that we share the same values, motivations and problems.”

**Talent management**

Talent management is key in our company. The ST’s company-wide Development Booster programs target our high-potential exempt employees and aim at accelerating their development, retaining and engaging them. Identified through the people review process, the selected candidates are enrolled in a two-year program including a 360° assessment, mentoring and a collaborative project in order to prepare ST’s future leaders.

Initiated in 2010 at corporate level for top managers, and then expanded to regional high-level managers in 2011, the program was extended to middle managers in 2012. At the end of the year, there were 135 participants worldwide in the three deployment levels. This is a promising start for this highly visible program. The target for 2013 is to have 250 participants enrolled.
Employee Engagement

Employee engagement is a critical driver of organizational performance to achieve superior business results. The feedback provided is a unique opportunity for ST to respond by making continuous improvements to the working environment and for managers to improve their effectiveness (defined by their relative strength across key underlying competencies), identifying where and how they can act to improve business results with their team.

Follow up on actions in place and 2012 survey results

In our 2011 report we described our new “leadership model” program. We continued to roll this out in 2012 throughout Asia Pacific, to our manufacturing organizations thanks to “train the trainers” sessions and workshops for managers. They were taught how to build efficient and effective teams by creating a work culture of self-confidence. For operators’ integration, we launched the “integration buddy program”, based on mentoring and coaching, which after implementation rapidly reduced the turnover rate in our Longgang (China) Back-end facility.

The Executive steering committee set up at corporate level analyzes results at various levels in ST groups, launches workgroups based on focus points, and tracks action items initiated at ST level. We also introduced several initiatives developed as a consequence of employees’ feedback from the previous survey or to celebrate our 25th anniversary.

• Managers’ accountability for engagement survey results was clearly defined. They are required to analyze the detailed results of their organization and site, build quantitative and qualitative interpretation with key stakeholders and communicate regularly the status and strategy to their teams, and to act on the key opportunities for improvements.

86.75% of employees participated in the 2012 survey, an increase of 0.75% on last year. Performance against benchmark, discretionary effort, and learning and development remained the same as last year. Overall employee engagement (0.32 vs. 0.33 in 2011) shows a small decrease, but we achieved a 59% favorable score despite the survey being run during a period of organizational uncertainty. This stemmed from the fact that we had announced we would unveil a new company strategy, but it was not known during the survey period. The new strategy, as anticipated, was announced by our CEO after the survey had closed.

The positive progress in some areas of direct management can be attributed to the success of the various programs launched last year. Employees would like to see more proximity to the senior executive team and in the area of reward and recognition.

During 2013, we build on these results and while we continue our efforts on the programs in place, we also work towards achieving the priorities we set during the year to improve managers’ skills, including giving performance feedback.

Celebrating ST’s 25th anniversary

ST reached its 25th anniversary in 2012. We could not have achieved this milestone without the dedication of thousands of ST employees around the world. We held several celebratory events throughout the year:

• We launched the “Buy ST” program which helps connect employees with their contribution to ST tangible results through the publication on our intranet of ID cards of end products using ST components.

• The “ST pioneers” and “What ST means to me” initiatives were featured on our intranet with the aim of representing great moments in our company in a single montage displayed at more than 70 ST sites, showcasing the passion of the organization.

• A special 25th anniversary STAR award was created as part of the annual company recognition awards.

• CVP’s leadership sessions were rooted in providing opportunities for their teams to question them on the company’s strategy and results. 38,000 employees took part in either town hall meetings or round tables (10,000 more than in 2011).

• Managers’ accountability for engagement survey results was clearly defined. They are required to analyze the detailed results of their organization and site, build quantitative and qualitative interpretation with key stakeholders and communicate regularly the status and strategy to their teams, and to act on the key opportunities for improvements.

Performance against objectives

• Annually increase the percentage of employees who demonstrate the highest level of discretionary effort

• Increase ST employee engagement relative to the benchmark

• Following engagement surveys, action plans to address key expectations should be defined and communicated in 100% of organizations

• Implementation of action plans should be done at 50% on an annual basis

Here are just a few of the quotes from the many “What ST means to me” employee testimonies we received.

Orio Bellizza
FMT - Front-end Manufacturing & Technology

“It is a company that allows me to develop a lot of skills in terms of interpersonal relationships, dealing with people, managing people.”

Bob Kryskiak
Sales & Marketing - Region Americas

“The people, the technology and the passion of the organization”

Manu Khullar
CIS - Company Infrastructure & Services

“ST allows any individual, without discrimination, to excel and find their own path of growth and excellence”

Francesco Giannetto
FMT - Front-end Manufacturing & Technology

“ST always on the crest of the wave”

Ela Mica Cadag
PTM - Packaging & Test Manufacturing

“ST is not just a company, but the home of excellent people”

Giuseppe Costania
IMS - Industrial and Multisegment Sector

“I can touch the future with ST”

More performance indicators are available on pages 67 to 70
Overview of 2012
Governments and corporations continue to strengthen their commitment to ensuring employee safety. New laws have been passed in many countries, EHS information and training campaigns are becoming more accessible, helping to improve both employees and supply chain workers practices and awareness. ST has a long history in this field, and began certifying sites to OHSAS 18001 safety management standard in 2002. By 2003, all manufacturing sites had been awarded the standard and, with the certification of Loyang, Singapore in 2012, we now have twenty three sites that have achieved OHSAS 18001.

A key element of our safety approach is our dedicated ‘loss prevention’ program which ensures that major sites have an appropriate level of protection against fire and associated hazards.

A well-established safety record places ST amongst the best-in-class in our industry, showing several years’ continual decrease of our Recordable Cases rate (see “Recordable cases rate benchmarks” graph). However, unfortunately in 2012, we experienced one employee fatality at one of our Chinese plants. This fatality, the first ever recorded in ST, occurred whilst heavy equipment was being moved. A thorough root cause analysis was immediately carried out, resulting in the implementation of preventive and corrective actions on all similar sites. We also immediately re-boosted our governance and programs built to strengthen our Safety culture and efficiency. They contain a new matrix of 38 Key Performance Indicators, more field audits, more learning modules fitted to site type or level of management and more communication. It will be fully deployed in 2013.

Integrating safety culture at all levels
Over the years, safety has become an integral part of our company culture. Our sites continuously innovate to make safety a way of life for everyone, including external contractors working on our sites. While we continually strengthen our safety management robustness, we also promote employee empowerment through regular communication, awareness and training. Indeed in 2012, we totalled an average of 4.8 hours of EHS Training/Awareness per employee. In 2012, after previously achieving 0.29 for two years running, we were able to reduce our recordable cases rate further to 0.27, beating our target of 0.28. This equated to a 10% decrease in our on-site “domestic” Recordable Cases rate and 8% in our “Industrial” Recordable Cases rate.

We are pleased to announce that we maintained all our EHS Management Systems certifications. Within our Internal Loss Prevention program, 2 more sites were rated Adequately Protected Risk. While most of ST’s safety results are better than targets and improving (Recordable Cases rate, EHS training hours, evacuation practice drill coverage, contractor injury rate, loss prevention achievements...), we know that in the matter of safety relentless attention must be exerted in all situations and roles, at all times.

ST is therefore working to further embed its safety culture overall, strengthening management leadership and deploying company-wide training. A program addressing major risks management and emergency preparedness, and engaging site management and teams, has been strengthened with all scheduled procedures issued. Additional KPIs have been developed to track the efficacy of our approach to improving employee safety.

These will be monitored quarterly across all major sites from 2013. To validate our approach and confirm our efficiency, we carry out corporate audits and follow-up visits on the ground. More than 12 audits were conducted in 2012, bringing the total to 20 in the past two years. This method increases transparency, providing a clearer view of issues and requirements, faster implementation of solutions and the sharing of good practices between sites.

ST at a glance
In last year’s report a Calamba employee highlighted that EHS practices now radiate from the company to people’s homes. In 2012, ST received six sustainability awards in the Philippines, clearly demonstrating the maturity level reached by our sites and individuals in this area (see our Awards page).

We now turn to ST Kirkop (Malta), another major ST site, which can pride itself of no accident in the last five years thanks to the significant involvement of Site management, line managers and all teams on site.

ST Kirkop received 1st prize for Health and Safety Best Practices from the national Occupational Health and Safety Authority and the European Agency for Safety and Health at Work. ST Kirkop’s range of safety initiatives includes Emergency Response Team, Health & Safety Champions, EHS Steering Committee, Employee suggestion scheme, Health & Safety training and Health Plan & Counseling clinic. The site has now been selected to represent Malta in the European H&S competition.

“EHS weeks” are one of ST good practices. They include safety-related visuals, presentations and animations for all employees on site, as well as dedicated training sessions. Five manufacturing sites, including ST Kirkop together with four sites in Asia (see photo from EHS week in Longgang) demonstrated their commitment to safety by organizing this week in 2012. All sites showed clear success in terms of attendance and impact.

Performance against objectives
• Continuously reduce work-related injuries and illnesses rate (recordable case rate) and severity rate by 5% per year
• Ensure that, by 2012, ST employees have an average of four hours of training and awareness per year on Environment, Health and Safety (EHS)
ST strives to be an employer of choice by fostering a workplace environment that encourages people to reach their potential. Ensuring that our employees are treated with respect and dignity is a fundamental principle of how we operate and we closely support and monitor our sites and departments to ensure we meet our responsibilities in this area.

From rules and guidelines to concrete improvements

International standards covering labor and human rights guide companies to comply with sustainability legislation, set internal standards and promote improvement. Besides, the attention of media on employees’ work and living conditions in high technology companies and their supply chains has increased progressively during recent years and has been present in 2012. Amongst our stakeholders, customers are particularly attentive to our practices and performance. Indeed several key customers are now deploying large scale audit programs with specific requirements that extend beyond regulation or legislation.

ST, as a signatory of the UN Global Compact and a full member of the EICC, is committed to respect its workers’ rights and continuously improve labor conditions in its operations. To drive continuous improvement and to detect and correct gaps versus our commitments, we progressively integrate guidelines such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and ISO 26000 into our management systems.

Labor and Human Rights are addressed in our Code of Conduct, which define our values and how we conduct business. Our continuous efforts on this subject of high concern led us to major breakthroughs in 2012 which enabled us to better evaluate our policies and practices and to share our results more transparently with customers and other external stakeholders:

- Significant progress was made on the deployment of EICC risk assessment and audit of our facilities. At the end of 2012, 71.4% of our Back-end sites in Asia had been audited, showing a satisfying level of conformity. We set up an efficient corrective action plan process enabling ST to reduce risks and improve performance.

- A Human Resource Policy was adopted and deployed by all sites, mainly to describe management responsibilities and provide further detail of corporate standards. It newly addresses subjects such as forced labor, working hours and housing conditions.

Controlling working hours to improve employees’ working conditions

The audits enabled us to identify weaknesses in the management of working hours. Thus we reinforced our monitoring and control by raising awareness to top management and developing tools to ease sites’ overtime control. Most of our sites now closely monitor their compliance to a maximum of 60 hours worked per week, as required by the EICC Code. Some of our sites, ST Muar (Malaysia) and ST Calamba (Philippines) for example, where effective action plans have been deployed, are now demonstrating a level of compliance close to 100%.

Ensuring employee well-being through dormitories management

In 2012, we formalized and deployed a corporate procedure defining the housing standards for the building, maintenance and management of ST workers’ dormitory facilities. The specification is based on stringent requirements from our customers, on the EICC standard and on best practice within ST sites.

It covers all aspects related to dormitory location, structure and ownership, and sets requirements on living conditions and facilities; health, safety, security and maintenance. It includes the management of dormitory suppliers and providers and enables us to raise the minimum standards for dormitories and also provide pleasant living places for our employees.

Four of our manufacturing sites provide accommodation for ST workers: Ang Mo Kio (Singapore), Muar (Malaysia), Longgang (China) and Shenzhen (China). To assess the conformity of each site versus specification requirements, a detailed gap analysis was performed. Some non-conformances were identified and thorough corrective action plans deployed through strong collaboration between sites and corporate organizations. Several best practices have been identified and reinforced. By the end of 2012 we had closed more than 50% of our major gaps. Management reviews are now conducted regularly with the dormitory and service providers to ensure that contractual management responsibilities, monitoring and reporting requirements are met. Communication has also been improved to raise employees’ awareness of their rights.

EICC Audit Program Results

<table>
<thead>
<tr>
<th>Major Findings</th>
<th>ST Shenzhen</th>
<th>ST Muar</th>
<th>ST Muar</th>
<th>ST Calamba</th>
<th>ST Calamba</th>
</tr>
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<tbody>
<tr>
<td>Working hours</td>
<td>ST Shenzhen</td>
<td>ST Muar</td>
<td>ST Muar</td>
<td>ST Calamba</td>
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</tr>
<tr>
<td>6</td>
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</table>

Erich Hoch
Senior Vice President, Chief Supply Chain Officer- Jabil

“Our commitment to ethical principles and EICC standards are embedded (taught) into every single sourcing decision we make at Jabil. And, we drive our supply chain to the same standards we expect of ourselves. Like ST, Jabil believes in providing all employees a safe and respectful working environment. We are continually working to improve our employee experience, from creating dormitory standards and instituting new safety controls to providing educational and training opportunities. Building a sustainable supply chain, like all social responsibility challenges, is an on-going process that requires trusted partners like ST who demonstrate their leadership in Social and Environmental Responsibility.”
ST remains committed to ensuring equal opportunities and appropriate representation of gender, age, race, disability and nationalities at all levels of the organization.

Our main improvement axes
ST’s strategy for equal opportunities, with a specific focus on gender equality, was defined in 2006, taking a softer approach. Nowadays, we run formal equal opportunities programs. Ensuring equal opportunities for disabled employees is another important aspect of our strategy, as well as ensuring continuous development of our senior employees. ST has made steady progress in these areas but we know there is still room for improvement.

Preparing the ST women’s network
Women in business is a hot topic within the corporate world. During Q4 2012, an enthusiastic steering committee of 37 women from ST locations around the world, participated to a series of working groups to prepare the launch of the “ST women’s network”. The initiative came about as a result of the commitment made by ST’s top management to increase the number of women leaders in the company. The key steps of the project involved:

- Sending an email to all women in the company asking them for their opinion and advice on the initiative, for example on what they would like, what the network should do and their expectations. We were delighted to learn that 90% of women were interested in a women’s network creation.
- Establishing a steering committee of 37 women who addressed 5 work streams (benchmark, governance, structure, communications and career), meeting once a month from September, increasing to once every two weeks from December.
- Choosing Woman’s Day 2013 to launch the network and preparing a series of associated events such as internal conferences on several sites and road shows for interested visitors.
- Providing a team workspace for the network to publish and share information, and start forum discussions, opened to all interested visitors.

We believe we are building strong foundations for gender equal opportunities at ST by creating and promoting a favorable working environment and culture for women in the company.

Supporting female students
Looking ahead, we are aiming to promote more technical jobs to female students to ensure more employment equality. In France, a national initiative, “Capital filles”, was launched in 2010 between the educational institutions and corporations. It is an innovative program that aims to encourage girls in sensitive urban and rural areas to continue their studies through apprenticeship. ST promoted this tutorship project with volunteer “godmothers” from several ST French sites. Each ST godmother coaches and supports a girl in her last school year to help her map out her career, fight against family’s stereotypes and support her motivation for higher studies.

Promoting diversity in France
In France, our efforts to promote diversity have been consistent over the years, providing employees with opportunities to access employment and maintain their roles within the company by adapting working conditions where necessary. By remaining open minded and regularly raising employee awareness through newsletters and other forms of communication we enable to scale up innovative initiatives to achieve progress and results at a faster pace.

People with disabilities often do not have the same access to education as the rest of the population. To increase their employability, we provide them with additional training prior to them joining ST to ensure their knowledge and the competencies match the job requirements. As part of the integration of people with disabilities, we also give subcontracting activities to sheltered administrative services has been identified whose employees will be trained to note taking for punctual formal meetings, such as assemblies. This is an innovative initiative. The ‘disability agreement’ has resulted in the recruitment of more than 130 disabled employees between 2010 and 2012 through specific training programs, professional insertion contracts, internships and recruitment with standard contract. In 2006, 1.2% of people in our French workforce had a disability; this figure increased to 3% before the signature of the national agreement and has now reached 3.78%. The renewal of the agreement in March 2013 will enable us to maintain our dynamic approach.

Achievements of the “Equal Opportunities committee” in Italy
In Italy global diversity and equal opportunities are managed through the Equal Opportunities committee, which has implemented some very practical and concrete initiatives, some of which are described below:

- “Fico e Azienda” is a project set up to provide coaching to mothers and help them peacefully face all changes related to motherhood as well as recognize the symptoms of post natal depression.
- Specific agreements have been signed with Provinces to ensure the recruitment of disabled employees, involving several temporary agencies. At the end of 2012 the total number of disabled employees working in ST Italy reached 120. In Agrate, 7 disabled employees were hired in Staff functions and Manufacturing areas, in line with the Province’s agreement. Their needs were assessed and they were provided with any necessary equipment to help make their working lives more comfortable.
- An agreement was signed with an external nursery, to reduce the high cost of child care by offering 10-15% discount on fees.
- Other positive actions put in place through labor unions included offering part-time roles for production employees and improving paternity leave. Employees can request to go part time by completing a simple form, then submitted to HR and management; ST’s paternity benefits go beyond legal requirements. Indeed Italian paternity law pays 30% of salary whilst ST offers 50%, if the father asks for a 3 months or more leave.

Performance against objectives

- Ensure gender equality at higher level of job grade by increasing the women to men ratio by 4% for Job Grades 15 and 16
- Ensure that all sites have a seniority plan to maintain employability in the second part of people’s careers
- Ensure that all ST sites have disability plans to keep increasing the percentage of disabled employees in ST
- Ensure that hiring ratio of women to men is equivalent to the gender ratio of graduated students in partner schools and universities
- Increase the proportion of women in leadership positions worldwide from 8.8% to 15% by 2015

<table>
<thead>
<tr>
<th>DISABLED EMPLOYEES (%) 2013</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled people employed as % of total workforce</td>
<td>0.89</td>
<td>0.95</td>
<td>1.05</td>
<td>1.05</td>
<td>1.28</td>
</tr>
<tr>
<td>Budget spent on disability programs (kEuros)</td>
<td>3,489</td>
<td>3,231</td>
<td>3,567</td>
<td>3,597</td>
<td></td>
</tr>
</tbody>
</table>

Gender split by category (%) 2013

- Male Non exempt
- Male Exempt
- Female Non exempt
- Female Exempt
- Male Non exempt
- Male Exempt
- Female Non exempt
- Female Exempt

Quote

"Equal gender career opportunities in big corporations have given women increased flexibility and broader perspective when it comes to decision and policy making. I pursued a career in engineering and worked my way up in manufacturing. The companies I have worked for in the past and today, ST Calamba, are open to talents and capabilities regardless of gender. More and more HR programs are focused on talent and potential development and are offered to deserving employees. ST wants to increase the percentage of women at executive level. Women should take this opportunity to experience diverse and interesting careers."
Employee Health & Well-being

We are committed to ensuring the well-being of our employees both during, and outside of work, through promoting a work-life balance, high quality working conditions and access to healthcare. ST’s approach is continuous improvement and we also propose a range of personal services at ST locations.

Combining corporate programs and local initiatives

We develop health and well-being programs centrally to ensure all of our employees are provided with the same level of care and benefits. However, we recognize local programs are often better equipped to identify local health care requirements. We therefore continue to promote local initiatives and have begun to share best practices through ST’s Sustainable Excellence Coordinators network, encouraging global deployment.

At corporate level

The Health Plan launched by our CEO, Carlo Bozotti, to ensure all employees receive the same level of medical care wherever they are based in the world, receive the same level of medical care and benefits. However, we recognize local programs are often better equipped to identify local health care requirements. We therefore continue to promote local initiatives and have begun to share best practices through ST’s Sustainable Excellence Coordinators network, encouraging global deployment.

In Italy: “Work-related stress”, a project in collaboration with Università di Milano involving interviews with a significant sample of more than 500 employees to conduct in depth analyses of stress at work.

• Healthy diet campaign involving the support of canteen suppliers.
• Specific counseling to help managers deal with employees with emotional difficulties.
• Various campaigns in collaboration with external health authorities about smoking, osteoporosis risk, physical exercise, prevention of breast cancer and large-scale flu vaccinations.
• Medical fund for all employees (a labor union agreement).
• Subsidized company and public transportation for employees.
• Facilities for cyclists, such as changing rooms and showers.

In France: in addition to medical visits, the “Stressbush”, a tool mentioned in our 2011 report, that measures the employees’ exposure to psychological risks, has enabled us to go one step further in reducing stress related issues. When cases of stress are identified, the doctor immediately prescribes corrective measures to support the employee. Now, in addition to stress management, we are also focusing on prevention. Our approach consolidates and maps individual results and risks associated with specific categories including socio-professional, seniority or work area, so that we can identify and implement preventive actions.

In India: World Health & Safety Day: We dedicated a full day in April to common health concerns. Talks were given on spine, headaches, ergonomics and physiotherapists then assessed given on spine, headaches, ergonomics and physiotherapists then assessed employees at their workstations, advising them on correct seating postures and exercises.

• Start for your Heart: We organized a run to mark World Heart Day, with the aim of bringing everybody together, promoting fitness, having fun and recognizing the importance of having a healthy heart. 200+ employees participated. Awareness was built around “Matters of the Heart” through banners, posters and booklets. Discounted health coupons were also given out.
• Quit smoking: We held a one-day session for 250 employees addicted to smoking. Following the event four employees completely quit and seven significantly reduced their intake.
• Well Woman Program: We organized for a health specialist to give a talk on breast cancer and provided hand-outs about symptoms and preventive measures.
• Sports: We regularly run a wide range of sporting tournaments such as volleyball, soccer, cricket and bowling.
• Employee Assistance Program: The ‘1to1help.net’ agency has been set up to give free counseling services to employees via email, telephone or face to face on any professional or personal issues.

• Art: TULIKA, ST India’s art group was launched to show the creativity of our employees. Artwork is displayed in a gallery at our Greater Noida site.

Additional benefits of improving employee well-being

In Italy, an initiative to increase well-being, started in 2011 as a trial and has now been deployed across all our Italian sites, resulting in very positive feedback from employees and managers. 150 people participating in the “Mobile Work” project have been given the necessary equipment to enable them to work from home via a remote connection, saving them travels and commuting time. We have also found that work and management quality has improved as a result of having better defined tasks and thus better focused employees.

Many ST initiatives are also interconnected with other sustainability priorities such as Employee Safety, Labor & Human Rights or Local Sustainability & Impacts. Whilst safety is our highest priority, next comes well-being, and in our approach on better conditions of living for our employees, better management and quality of dormitories is a clear step forward for our employees concerned. And even, if not yet measurable, we have first signs that favoring a healthy way of life for our employees also starts to positively impact on their families whose awareness is increased.

Health Plan - Medical examinations

<table>
<thead>
<tr>
<th>ITEM TYPE</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Medical Examinations</td>
<td>30,302</td>
<td>30,306</td>
<td>30,104</td>
<td>70,402</td>
<td>60,212</td>
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<tr>
<td>Check up with a physician</td>
<td>14,057</td>
<td>20,007</td>
<td>32,472</td>
<td>36,089</td>
<td>36,064</td>
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<tr>
<td>Blood analyses (including biomonitoring tests**)</td>
<td>9,267</td>
<td>12,267</td>
<td>13,344</td>
<td>15,254</td>
<td>11,986</td>
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<tr>
<td>Chest X rays</td>
<td>3,796</td>
<td>4,253</td>
<td>6,756</td>
<td>8,881</td>
<td>5,624</td>
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<tr>
<td>Colorectal cancer immunovan test</td>
<td>754</td>
<td>851</td>
<td>523</td>
<td>990</td>
<td>310</td>
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<td>Electrocardiogram</td>
<td>5,019</td>
<td>5,257</td>
<td>5,736</td>
<td>5,497</td>
<td>4,882</td>
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<td>Mammography</td>
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<td>1,138</td>
<td>1,090</td>
<td>1,034</td>
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<td>Pap smear tests</td>
<td>1,497</td>
<td>2,084</td>
<td>1,691</td>
<td>1,586</td>
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<td>Prostate cancer screening</td>
<td>410</td>
<td>788</td>
<td>579</td>
<td>813</td>
<td>412</td>
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<tr>
<td>Screening test</td>
<td>9,026</td>
<td>11,925</td>
<td>10,826</td>
<td>13,297</td>
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<td>Immunization</td>
<td>3,121</td>
<td>4,347</td>
<td>3,506</td>
<td>3,019</td>
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<tr>
<td>Total services provided</td>
<td>48,171</td>
<td>68,565</td>
<td>83,643</td>
<td>80,508</td>
<td>71,267</td>
</tr>
</tbody>
</table>

(*) 2010 results slightly modified in 2011 after adjustments communicated by some sites.
(**) These tests are dedicated to employees working in manufacturing areas (and especially on some specific maintenance operations).

Performance against objectives

• Ensure 100% of employees have benefited from the health plan by the end of 2013
• Expand and promote the well-being services offered to employees at ST sites to facilitate day-to-day life
• Promote employees’ health and well-being through local initiatives and campaigns on the following aspects: sport practices, tobacco, overweight & obesity, blood pressure, cholesterol

In my opinion a healthy employee is always more productive and efficient. Having personally attended programs like ‘Complete health checkup’, ‘Employee Assistance Program’, ‘sports’ and many other such programs, I sincerely want to thank and congratulate ST as an organization. Our HR team has really proved time and time again, that people are assets and that at ST life is really ‘AUGMENTED’.}

Amrit Rathee
Manager, Software Competence Center - ICT group - Greater Noida (India)
Our Products

Key figures for 2012

- 82% of products in kunits are ECOPACK® 2
- 100% of ST Tantalum suppliers use conflict-free smelters
- ST has reached the objective of on-time delivery to committed date
- 100% of involved suppliers and subcontractors have completed the EICC-GeSI Due Diligence Survey on Conflict-free Minerals
**ST’s approach to customer satisfaction**

Since its inception commitment to customer satisfaction has been one of ST’s core company values. This culture evolved from our early Total Quality and Environment Management programs and now forms a foundational pillar of our Sustainable Excellence strategy.

Listening to our customers, fulfilling their needs and expectations and building strong partnerships with them helps both ST and our clients maintain competitiveness and jointly explore new business opportunities.

We define our approach to customer satisfaction using the following five areas of excellence:

- Innovation and R&D
- Business Excellence
- Supply Chain
- Quality
- Sustainability

**ST quality strategy & roadmap**

Our quality strategy sets the directions for reaching our goal and is elaborated around seven fundamental pillars: customers, change management, product and technology development, manufacturing and supply chain, people, business processes, tools and indicators and economical value. Our approach also includes the development of state-of-the-art programs and processes for improving quality, combining innovative approaches and continuous improvement.

It is the duty of each ST account manager to:

- Collect the feedback of his customers following the rating system in place at the customer if any (Customer score card, frequency, form, ...) or ST system otherwise
- Identify positive points and major area of improvements

**How does ST evaluate its customer performance?**

ST has formalized a process to manage external and internal feedbacks in order to continuously improve its performance and consequently customer satisfaction and loyalty. Every ST employee is involved in this process:

**Internal feedback: Satisfaction index**

ST has defined and monitors a set of internal indicators which provide an accurate and factual measurement of customer satisfaction. These indicators represent our customers’ major areas of interest, for example, number of customer complaints, failure analysis cycle time, percentage of customer returns and just-in-time figures.

**External customer feedback: Customer scorecard**

It is the duty of each ST account manager to:

- Collect the feedback of its customers following the rating system in place at the customer if any (Customer score card, frequency, form, ...) or ST system otherwise
- Identify positive points and major area of improvements

**Performance against objectives**

- Just in Time on Committed Date at 90%
- Just in Time on Requested Date at 65%
- Reduce customer complaints per million units by 5% by Q4 2012 compared with a 2011 baseline

**ST products**

**Customer Satisfaction**

ST is committed to ensuring its products meet customer expectations in all respects, all along the product life cycle, from conception to delivery and post-sales, including service and appropriate management of quality.

The certification of an Automotive microcontroller to the ISO 26262 Functional Safety standard by the EIITA certification body is one example of our commitment to provide our customers with high quality products.

Lives depend on microcontrollers when they are used in automotive and other safety applications. Where safety measures like software countermeasures or failure alerts exist, both in automobiles and at systems level, product analysis and validation are necessary to ensure functional safety. The ISO 26262 Functional safety standard guarantees to our customers that safety features will work reliably throughout the product’s entire lifetime.

By achieving this certification, ST demonstrates its ability to create safe and reliable products as measured against the most rigorous of safety standards. It is vital for the future of our company that we are able to produce technology that both meets safety standards and contributes towards making lives safer.

**Customers’ sustainability demands**

We are continually providing our customers with information regarding our Sustainability management systems, activities and performance.

In 2012 we received more than 700 Sustainability customers’ demands at corporate level. 72% were concerning our approach to Environment Health and Safety aspects and 28% concerning Social and Ethics.

These customer demands can be very diverse, from questions linked to our practices and products, general sustainability surveys, signature of Code of Conduct to specifications and letters to review and approve or audit requests.

**Supply chain governance**

2012 has been a year of focus on Supply Chain governance. In May 2012, Alberto Della Chiesa was appointed Group Supply Chain Manager reporting to Otto Koegel, Executive Vice President, Member of the Corporate Strategic Committee, Company Businesses and Services (CBS).

In the same year we reinforced the Supply Chain Governance where all organizations pertaining to the supply chain are represented. The following priorities were agreed:

- Forecasting & Demand Management: optimizing forecasts, processes, KPIs and tools
- Fragmentation: reinforcing links between all organizations along production flows and capacity and assets management
- Inventory Model & Asset utilization: reviewing and aligning inventory policy to customers’ portfolios and market needs
- Planning processes: continuing to shorten and simplify processes to increase their effectiveness
- Organization & People: optimizing the organization and flow to become agile and fast

We also implemented common key performance indicators (KPI) throughout the entire supply chain covering:

- Customer satisfaction with Just In Time Requested Date and Committed Date

**Quote**

Fabio Gualandris
Executive Vice President for Product Quality Excellence - ST Geneva (Switzerland)

“Quality is a priority throughout ST. We work hard every day to meet and exceed customer expectations. Our goal is to provide our customers competitive solutions that are the best, safest and most reliable in the industry.”
In 2012, despite a challenging business environment, we have continued with our implementation plans and have undertaken major internal restructuring within certain businesses. Below are some examples that illustrate our journey towards excellence in Innovation Management.

New Ventures entity will invest in innovation
ST has created its own investment fund to promote innovation in selected start-up companies that are working in new technologies that are relevant to ST’s business while not necessarily at its core today e.g. health, cleantech and smart infrastructures. In addition to financial returns, this initiative also provides ST with valuable insight into emerging technologies, products and services.

Partnerships are critical to innovation
In July 2012, ST and the Harbin Institute of Technology (HIT), one of China’s most renowned national universities, announced the opening of a joint laboratory to encourage innovation in electronics. Its aim is to support the study, research and development of innovative and emerging electronics applications e.g. medical, power management and multimedia convergence. ST contributes various products, including samples and technical documentation, as well as training to educate students in the design and development of innovative electronics projects. HIT provides general-purpose facilities and management of the joint laboratory. During the early stages of this partnership, the joint lab will focus on smart-sensor applications. ST has donated its advanced NEMO®1 development tools supported by a software platform.

The integration of multiple sensors with processing capabilities and dedicated software in a single device is a significant leap forward in functionality and performance for a wide variety of applications, including Gaming, Human Machine Interface, Robotics, Portable Navigation Devices, and Patient Monitoring.

For more information on Partnerships in R&D and Education, see pages 60-61.

ST PATENTS FILED

<table>
<thead>
<tr>
<th>Year</th>
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INNOVATION ACTIVITY (INCL. ST-ERICSSON)***

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<th>Year</th>
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**) Our products

Innovation Management at ST is a three-part process which
involves: creating an environment that fosters the generation of ideas; ensuring company-wide implementation of our technology and product development processes, sanctioned by formal maturity steps; rigorously managing the various phases of product development.

Standardizing electronics: a key ingredient to open innovation
ST was awarded the Corporate Award 2012 by the Institute of Electrical and Electronics Engineers Standards Association for its contribution to the development and progress of electronic and electric standards. ST takes an active role in many standardization initiatives at several electronics industry associations as part of ST’s active participation in technology/IP eco-systems. Participating in these initiatives is a fundamental pre-requisite to being able to leverage open innovation and collaborative R&D in our industry.

Focus on technological innovation breakthroughs in 2012

FD-SOI: shaking up the industry with innovative semiconductor technology
Moore’s Law—the observation that the number of transistors on a chip doubles about every two years—has driven the semiconductor industry over the past 50 years to shrink the size of the transistors, which are essentially miniature on/off switches. The increase in the number of transistors in a product as a result of their size reductions have given consumers a plethora of new and more exciting features at a lower-cost. In parallel, these new features are able to operate at speed allowing phones for example to respond to commands, by keypad, touchpad, and now voice.

As transistors shrink to nano-scale dimensions, where approximately 450 transistors can fit within the diameter of a human hair, physics is challenging the traditional high-speed and low-power advantages of planar CMOS (Complementary Metal Oxide Semiconductor) technology. FD-SOI technology, finally demonstrating to the market the full potential of this technology, which was conceived over a decade ago by ST research fellows. In 2012, ST successfully prototyped commercial products designed in 28nm FD-SOI technology, finally demonstrating to the market the full potential of this technology, which was conceived over a decade ago by ST research fellows.

New technology and product on Galvanic Isolation
As a result of a successful Company-wide program involving teams from the semiconductor industry diversified and specialized along its value chain.

The ultimate phase in this trend relates to so-called “design IPs”, or blocks of circuitry implemented well-defined functions e.g., connectivity, processing, graphics rendering or video compression. A modern chip contains hundreds of such blocks, making their design no longer practical for a single company at reasonable cost and risk. Sourcing these blocks via collaboration therefore becomes a basic necessity for successful chip design.

It is an ongoing process that relies on an increasingly open innovation model with our partners and suppliers: ST benefits from the dedicated skill set and the larger R&D investments that a broad market reach allows, they benefit in return from early debug and performance tuning provided to our selected partners by ST. In December 2012, ST organized a very successful “Happy IP Day” event where hundreds of ST engineers were exposed to, and could interact with, the latest innovations from our partners on site.”

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ST is committed to reducing the impact of its products on the environment, continually improving their performance to enhance the quality of life for end-users. We developed our Product Stewardship framework to gain a deeper understanding of the societal and environmental impact of our products in order to continuously enrich our product portfolio, exploring new and innovative sustainable solutions.

**Product Stewardship**

Our approach takes into account the environmental footprint of new products with legislation and align with requirements of the new standard and customers can access our latest product information on the ST website.

**Expected benefits**

Our product stewardship program provides qualitative and quantitative data about the sustainable value and benefits of our products. We expect to continue to grow revenue and market share on the back of innovation. In 2012 ST’s responsible products generated around US$ 48m. ST provides detailed product information relating to compliance with legislation, reduction of environmental footprint, energy-saving and social characteristics.

**Ecopack®**

The voluntary ECOPACK® program started in 2000 to remove polluting and hazardous substances from our products. We meet all applicable requirements such as REACH and RoHS, developing solutions that eliminate RoHS chemical compounds from our manufacturing lines and products. In 2012, we went a step further to remove halogens, enabling us to reach the ECOPACK®3 level.

- **ECOPACK®1**: Compliant with the Restriction of Hazardous Substances (RoHS) directive and ‘lead free’.  
- **ECOPACK®2**: Free of bismuthed, chlorinated and antimony-oxide flame retardants.  
- **ECOPACK®3**: Free of halogens with no RoHS exemptions.

**Material declarations**

To provide our customers with the detailed material composition of our devices, ST has a material declarations program in place to disclose the full chemical identity of any product launched since 2006. We use the IPC 1752 standard to report declarable substances and material groups. As a member of the IPC working group, ST is at the forefront of standards deployment. In 2012, ST adopted the newer and stricter version of the IPC 1752: A standard. Anticipating an evolution, ST endeavors to disclose the full product material chemical composition of its devices in 2008. To achieve this, a new Material Declaration format definition was adopted, in-house IT tools developed, and our quality management system database was upgraded.

**Performance objectives**

- **ECOPACK®2**: 90% of new packages implemented in ECOPACK®2 by the end of 2012.  
- **ECOPACK®3**: 80% of products in ECOPACK®2 by the end of 2012.  
- **Conflict-free minerals**: Start tracking products eligible for ECOPACK®3 (halogen-free and no RoHS exemption) in 2012.  
- **Alignment of ST packaging materials to ECOPACK® levels 2 and 3 in 2012**.
Our Products

Eco-Design

Energy efficiency and eco-design are now key consumer requirements for products. ST has included the target in its EHS Decalogue to eco-design 100% of new products by 2015.

ST is committed to design its products by systematically taking into consideration the environmental impacts of the device during its whole life cycle (raw materials, transportation, manufacturing, usage, end of life).

ST’s approach to eco-design

To successfully integrate eco-design, ST has adopted a dynamic and systemic approach based on innovation, performance and awareness. We are working to integrate this methodology into our product design and development.

To help us reach this objective, our experts have developed a decision-guiding tool that enables designers to evaluate the environmental footprint of products in the design phase. It relies on a complete database of environmental impacts for each stage, based on the Life Cycle Analyses we have conducted over the years. This cross-departmental tool:

- Covers all front-end sites manufacturing technologies;
- Takes into account the calculation of the most representative packages of Back-end manufacturing phases;
- Will be implemented on selected products across all ST Products Groups by the end of 2013.

Life-Cycle Assessment (LCA) methodology

ST has been undertaking complete Life-Cycle Assessments since 2009 covering some cutting-edge products. These assessments have resulted in the development of a bespoke methodology to perform LCAs on assembled devices at the first stage of eco-design, in accordance with ISO 14040 and ISO 14044 standards.

Due to ST’s huge portfolio of products, it is not feasible to carry out complete LCAs on them all, so ST has developed a screening LCA methodology that enables us to provide a quick calculation of products’ carbon (in kg of CO\text{2}\text{eq}) and water footprint (in m\text{3}) of our products within a shorter time frame. In order to verify and review our internal methodology, ST will undergo third-party validation with Quantis in 2013.

Life cycle stages

- Raw materials
- Transport
- Use
- ST production site
- End of life

Environmental indicators

- Climate change
- Water demand
- Freshwater eutrophication
- Photochemical oxidant formation

Performance against objectives

- Ensure 100% of ST new products are eco-designed by 2015 through deployment of:
  - eco-design strategy
  - new eco-design tools
  - product eco-labeling

Michele Galatola
Product team leader, Directorate General Environment, European Commission, Brussels (Belgium)

‘Since 2003, the European Commission has supported the consistent and coherent use of Life Cycle Assessment in European policies; the most reliable and comprehensive method for calculating the environmental performance of products, services and organizations. Life Cycle Assessments help provide clear, reliable and comparable environmental performance data to all stakeholders, including supply chain participants. The Commission’s recent adoption of the package ‘Building the Single Market for Green Products’ represents a key step towards improving the way the environmental performance of products and organizations is measured and communicated.”

STAR Responsible Products

Advances in semiconductor technology offer exciting opportunities to address global sustainability issues through innovative products that address a diverse range of social and environmental challenges e.g. ageing population, more affordable and accessible healthcare.

What are ‘responsible products’?

For ST, the term ‘responsible products’ refers to the design, development, sale and marketing of devices that:

- Reduce energy consumption and/or provide new environmental solutions e.g. smart grid, start/stop systems, converters to manage solar cells and wind turbines;
- Provide new social solutions to key societal challenges and improve end-user quality of life e.g. all health-related and fitness products, safety and security applications, environmental and social solutions for developing countries.

ST’s STAR Responsible Products

In 2011 we developed the STAR Responsible Products program which aims to identify, track and communicate new ST products that make a contribution to sustainability. Specifically, this program aims to provide detailed information about products that feature in the target growth areas of ST’s markets. Investors are increasingly asking us to communicate the percentage of and associated revenues from our products with energy-saving characteristics.

The STAR Responsible Products program enables us to do this and also demonstrates the societal value of our portfolio by applying an innovation rating. Split into two main macro-categories; “Social” and “Environmental / Energy saving”, ST Responsible Products are awarded 1, 2, or 3 STARS according to their level of innovation. Ratings have a two-year validity and capture the degree of innovation on specific sustainability characteristics. The three levels of innovation are defined as incremental, significant and breakthrough.

For social products the rating is applied based on qualitative evaluation, and for environmental/energy savings products it is based on quantitative assessment.

In 2012, we carried out a data collection exercise to develop a dashboard of all new products launched during the last two years. The dashboard indicates that 196 individual products with 250 STAR ratings have generated approximately 30% of all new product revenue, corresponding to approximately 7% of all ST products.

To ensure we can catalogue ST’s Responsible Products portfolio, we are updating our internal STAR rating system and should be soon able to automatically classify our products. We are also focusing on making responsible products an integral part of product development and communication.

Serge Palmieri
Quality management system and Sustainable Excellence coordinator of Analog, MEMS and Sensors Product Group, ST Grenoble (France)

‘To accurately identify responsible product characteristics, all ST Product Groups actively participate in the product stewardship program, providing ST with full visibility on specific market segments, products and application fields. This knowledge drives innovation and is continually being fed back into ST’s product development.”

Performance against objectives

- In 2012, track the percentage of ‘STAR responsible products’ in ST’s overall product portfolio and associated revenues (following STAR environmental and social criteria) for the year
- Prepare a complete communications plan for responsible products in 2012

RESponsible pRODUCTS CATEGORY AND STAR CLASSIFICATION CRITERIA / EMI 0920

<table>
<thead>
<tr>
<th>Social Products</th>
<th>Associated STAR rating</th>
<th>Number of products in 2012</th>
<th>Environmental / Energy Saving Products</th>
<th>Associated STAR rating</th>
<th>Number of products in 2012</th>
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<tbody>
<tr>
<td>• Health/Medical/Fitness</td>
<td>1 STAR: incremental improvement to a standard already on the market</td>
<td>43</td>
<td>• Energy saving of the ST chip bulb</td>
<td>1 STAR: incremental improvement to a standard already on the market</td>
<td>95</td>
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<tr>
<td>(Emission to air applications related to physical well-being)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Safety/Security</td>
<td>2 STARS: not just an existing solution, and look to in new ways</td>
<td>24</td>
<td>• Energy saving of the application thanks to ST chip</td>
<td>3 STARS: significant improvement versus previous generation above standard market offering</td>
<td>63</td>
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<tr>
<td>(Contributions to transportation / car safety or safety in general or for personal security)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Social (general)</td>
<td>3 STARS: solves a problem for which there is not yet a solution on the market</td>
<td>16</td>
<td>Environmental (not related to energy saving)</td>
<td>3 STARS: sustainable improvement or previous generation (\geq 50%) above standard market offering</td>
<td>9</td>
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<tr>
<td>Products supporting ageing population, disabilities, to improve quality of life in developing countries etc</td>
<td></td>
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</table>
ST is committed to complying with legislation and aligning with customer requirements relating to conflict minerals. We take carefull measures to avoid procuring 3TG metals that are directly or indirectly associated with human rights violations or environmental damage in the Democratic Republic of Congo and its neighboring countries.

ST began to address the conflict minerals issue in 2007 by requiring our tantalum suppliers to confirm they were not sourcing metals from conflict areas. We now participate in the Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI) programs and require all our suppliers and subcontractors to provide evidence that they are not sourcing 3TG metals (Tantalum, Tungsten, Tin and Gold) through any channels that fund armed groups in the eastern provinces of the Democratic Republic of Congo (DRC) and surrounding regions.

Assurance of conflict-free minerals
ST manages conflict minerals in accordance with the following legislation and best practices:

• Section 1502 of the US Dodd-Frank Act and its application rules from the US Securities and Exchange Commission (SEC)
• OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from conflict-affected and high-risk areas, for more information, see www.oecd.org/daf/fm/nn minerals.html
• Working groups within the EICC and GeSI supporting documents and audit trails
• ITRi’s Tin Supply Chain Initiative supporting documents and audit trails

We have developed a comprehensive process to provide our customers with evidence to demonstrate that our products only contain conflict-free minerals:

• ST requires suppliers to:
  • sign a written commitment annually stating that no metals used in ST products originate from the identified conflict zones
  • have a DRC Conflict-Free Minerals Policy
  • conduct a thorough supply chain analysis to identify and provide ST with the names of smelters and refineries involved in mineral processing
  • disclose the country of origin and the mining location of procured minerals
  • implement due diligence to verify suppliers’ compliance with its Conflict Free Mineral Policy
  • source 3TG metals from smelters who themselves have been validated as using DRC Conflict Free minerals by a third party certified organization
• A supplier’s ability to meet these requirements is then reviewed, and if any of them are not met we ask the supplier to provide us with evidence that corrective action plans have been implemented.
• Collected information is aggregated and shared with customers when requested.

Any identified smelters are contacted by both ST and the supplier to invite them to join the Conflict Free Smelter (CFS) program. In fact smelters’ engagement rate with the CFS engagement is one of our internal key performance indicators. If suppliers provide other evidence of being conflict-free, we conduct a risk assessment to evaluate whether the information received is sufficient to meet our requirements.

In 2010 the US Congress passed legislation, the Dodd-Frank Act, which requires manufacturers of electronics devices to undertake due diligence on their 3TG supply chains, to publicly disclose their conflict minerals policy and to enforce conflict-free measures in their procurement processes. This ruling was adopted by the US Securities and Exchange Commission in August 2012.

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In 2012, we concentrated our efforts on mapping smelters within our supply chain. This exercise was undertaken using the Due Diligence tool developed by the EICC GeSI Extractive Working Group. Smelters were also invited to join the EICC’s Conflict Smelter Program. Starting in 2014, ST will publish an annual conflict minerals report, in line with SEC requirements.

We review each mineral (Tantalum, Tin, Tungsten or Gold) individually due to the varying levels of complexity found within each mineral supply chain. For Tantalum, for example, we have been able to certify 100% of smelters through the Conflict-Free Smelters’ Protocol. We are still in the process of identifying smelters for the other minerals with significant progress made for sources of Gold (around 30% of declared smelters are now certified). In parallel, the EICC revised its Due Diligence tool at the end of 2012 to include a pre-defined list of smelters. We found this to be an extremely valuable addition that will help us to accelerate the process of identification.

In order to engage all relevant departments within ST, we worked on defining internal rules and responsibilities with global purchasing, wafer foundry, compliance, finance, corporate sustainability development, product quality excellence and group external communication. These will be formalized in 2013.

ST has been working on conflict minerals mapping and disclosure since 2007. In 2012, we concentrated our efforts on mapping smelters within our supply chain. This exercise was undertaken using the Due Diligence tool developed by the EICC GeSI Extractive Working Group. Smelters were also invited to join the EICC’s Conflict Smelter Program. Starting in 2014, ST will publish an annual conflict minerals report, in line with SEC requirements.

We review each mineral (Tantalum, Tin, Tungsten or Gold) individually due to the varying levels of complexity found within each mineral supply chain. For Tantalum, for example, we have been able to certify 100% of smelters through the Conflict-Free Smelters’ Protocol. We are still in the process of identifying smelters for the other minerals with significant progress made for sources of Gold (around 30% of declared smelters are now certified). In parallel, the EICC revised its Due Diligence tool at the end of 2012 to include a pre-defined list of smelters. We found this to be an extremely valuable addition that will help us to accelerate the process of identification.

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“..." This is a challenging activity since our Procurement supply chain is wide and complex with various and numerous materials suppliers and subcontractors involved. Awareness and responsibility are the drivers we are focusing on and engaging with all the actors of that chain, relying on a collaborative approach and continuous monitoring. We in ST are well engaged in the deployment of the Conflict Free Minerals Program and have established robust company management systems by adopting a conflict minerals policy, defining systems of controls and suppliers risk assessment.”

Jérôme Roux
Corporate Vice President, Global Procurement and Outsourcing
ST Ang Mo Kio BHQ (Singapore)

Performance against objectives

Define and deploy systems and processes to provide trustworthy evidence that our products are conflict-free. In 2012, we will:

• Maintain EICC-GeSI Due Diligence Tool update for 100% of our material suppliers, Front-end and Back-end subcontractors
• Engage all the smelters identified in our supply chain to join the EICC-GeSI Conflict-Free Smelter Program incurred via partnerships or external IP sourcing
• Any identified smelters are contacted by both ST and the supplier to invite them to join the Conflict Free Smelter (CFS) program. In fact smelters’ engagement rate with the CFS engagement is one of our internal key performance indicators. If suppliers provide other evidence of being conflict-free, we conduct a risk assessment to evaluate whether the information received is sufficient to meet our requirements.
• In 2013, ST will publish an annual conflict minerals report, in line with SEC requirements.

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The Environment involvement

- 12 Manufacturing sites ISO 14064 certified
- US$2M invested on PFC abatement devices
- 85% increase in our purchase of green energy
- Water recycling in 2012 vs 2011 +6%
ST is committed to managing and reducing its direct and indirect greenhouse gas (GHG) emissions, including perfluorinated compounds (PFCs), from its manufacturing and other business operations, in accordance with scopes 1 to 3 of the GHG Protocol.

Since the early 1990s, reducing and adapting to climate change have been key components of our environmental strategy. We have implemented a multi-faceted approach that takes all aspects of the value chain into consideration, working with stakeholders, wherever possible, to bring about emission reductions.

Mitigation of global warming effects
Since 1995 and its first EHS Decalogue, ST has consistently delivered annual decreases in the level of greenhouse gases emitted from its manufacturing activities.

Emissions
More than 90% of our direct emissions result from the use of PFCs in our manufacturing processes.

ST has a carbon neutrality roadmap that includes reducing our direct and indirect GHG emissions by 30% from a 2010 baseline. We require all new processes and tools adopted by our sites to be equipped with abatement systems. ST also has an investment strategy to upgrade existing equipment, providing us with the tools to prevent and protect against climate change and natural disasters.

Adaptation to climate change
As well as reducing our impact, we must also adapt to increase our resilience to climate change.

Performance against objectives
- Reduce absolute PFC emissions by 30% by 20195 baseline
- Offset the remaining direct CO2 emissions through reforestation or other sequestration methods, to reach carbon-neutrality of direct CO2 emissions by 2050

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Water risk mitigation

Water scarcity assessment

Water is a crucial concern for both communities and businesses. ST ensures that every site deploys a series of measures that contribute to a sustainable management of water. In 2013, the company-wide EHS Benchmark objective to reach 45% water recycling rate was almost attained, due to the strong progresses recorded at Back-end sites.

ST Kelapa (Malaysia) has exceeded the 45% target and both ST Muar (Malaysia) and ST Shenzhen (China) reached this target during 2012. ST Muar established a water balance to evaluate the water consumption for each area of the site and minimize wastage. Existing installations were optimized with daily controls on operation and maintenance. ST Shenzhen installed additional infrastructure to modify water recycling processes, adapting to changes in manufacturing process and associated waste water streams.

Other ST Back-end sites are currently undergoing similar reviews of water management systems with a view to meeting the 45% recycling objective.

**Performance against objectives**

- Reduce water draw-down (cubic meters per production unit) by 5% per year
- Achieve an overall Company recycling rate of 45% by 2015
- Conduct a water risk and opportunity assessment for each manufacturing site by 2012

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**Recycling 45% of our water at Back-end sites**

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**Quote**

Yves Loerincik
Chief Executive Officer, Quantis, Lausanne (Switzerland)

“Responsible water management within a business’s direct operations and supply chain has become a mandatory pillar of any sustainability strategy. Water risks, closely linked to climate change, together with reputational and regulatory risks are on the increase. ST, in collaboration with Quantis, performed a water risk assessment using lifecycle analysis in 2012, to prioritize the actions required to manage and mitigate these risks. This work needs to be updated to reflect the ever-changing landscape of our world. In particular, ST should focus on water-related risks within its supply chain.”

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**More performance indicators are available on pages 67 to 70**
ST is committed to reducing its energy consumption and carbon footprint from its operations through energy efficiency and conservation programs, along with the purchase of CO₂-free and renewable energies, to mitigate its business exposure to climate change. ST carefully monitors and anticipates changes in the energy market.

**Energy strategy**

Responsible energy management has been a key pillar of ST’s environmental strategy since our first Environmental Health and Safety Decalogue was launched in 1995. Our multi-faceted strategy is supported by a culture of Sustainable Excellence, and covers:

- **Energy sourcing**
  - ST’s strategy incorporates both the generation and purchase of green energy. Our energy sourcing department monitors and anticipates regulations, along with energy needs and prices for each of our sites. When purchasing energy, we take into account both financial and environmental considerations.
  - In 2012, for economic reasons ST’s wind farm, located in the south of France, was taken over by a major energy supplier. We are committed to increasing the amount of green energy purchased worldwide. In 2012, 74% of the energy purchased by ST came from renewable sources compared to 4% in 2011. ST also encourages sites to install green energy technologies, such as solar panels, which generated 2.1 GWh in Catania (Sicily) and 50,000 kWh for both our Grenoble (France) and Geneva (Switzerland) sites in 2012.

- **Energy consumption**
  - Production fluctuations greatly impact energy use, and have affected our energy performance in 2012. We acknowledge that whilst ST continues to reduce its energy consumption, it is becoming increasingly difficult for us to make significant improvements and achieve our EHS Decalogue targets which we set more than 15 years ago.
  - Before any new major facilities equipment is purchased it is assessed under the TCOO (Total Cost of Ownership) framework which evaluates the total cost of the equipment acquisition, mainte-

**ISO 50001 certification of Front-end sites**

Beyond the ST Decalogue targets, we have set ourselves the challenging goal of achieving ISO 50001 certification of all Front-end sites to increase energy efficiency, reduce costs and improve overall energy performance. We plan to certify six Front-end sites by July 2013.

- **Energy efficiency and conservation**
  - For nearly 20 years, ST has been reducing its energy usage and gaining efficiency through regular upgrades of its existing equipment and manufacturing processes. In 2012, Front-end sites consumed 70.4% of ST’s total energy consumption. Conservation efforts at these sites during the same year reduced electricity consumption by 1.4%, equivalent to 20 GWh and US$ 2.6m. Efficiencies were achieved for example, by improving the water cooling process optimizing chiller performance; and also by finding the optimum balance between humidity, temperature and laminar flow velocity in our clean rooms.
  - ST sites also raise employee awareness through regular energy conservation campaigns and by participating in environmental events. For example, in 2012 our Singapore offices took part in Earth Day.

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Legislation on hazardous substance management is becoming increasingly stringent. Semiconductor manufacturing processes require several hazardous chemicals. ST considers this a key issue and has worked successfully to anticipate legislation. Reduce consumption, find greener alternatives and to ensure that employee health and company assets are protected. We’ve had reusable continuous process over the last 15 years, it is becoming increasingly difficult for us to find additional ways to continually improve our performance and meet our Decoupled targets.

Materials of concern management process

ST has an integrated and proactive strategy to manage chemicals throughout its manufacturing activities and supply chain within the ISO 14001 and OHSAS 18001 certification schemes, ensuring compliance with applicable regulation on chemical use and product chemical content.

We have been working on integrating the precautionary principle into the early stages of the selection of new chemicals. Before being introduced, chemical products are assessed against our banned, exempted and declarable substances specification. ST requires chemical risk assessments to be performed at all sites before introducing any new substance. Chemicals (liquid, gases and solids) are screened and evaluated based on hazard identification, engineering aspects and personal protective equipment in order to reduce the risk to the environment and employees’ health and safety. ST procedures require the site’s Chemical Committee to ensure:

• Full compliance with legal requirements applicable to the chemical’s use;
• Facilities and equipment modification according to stringent technical standards;
• Availability verification of possible alternative materials and/or processes;
• Performance of medical checks on employees who may be exposed;
• Collection of industrial hygiene data.

To further enhance our approach, ST management systems will be progressively aligned with the IECQ QC 080000 Hazardous Substances Process Management System Requirements (HSPM) standard.

Substances reduction, replacement and elimination

ST has been reducing its chemical usage since the late 90’s by developing corporate and local reduction plans, which included waste treatment and recycling across all ST sites. Since 2000, this focus on chemicals usage reduction has been maintained with an overall percentage decrease of more than 5% per year.

To comply with REACH legislation, ST has developed a substance substitution strategy and detailed roadmap for Front-end and Back-end sites. To date, we have replaced 6 regulated substances.

ST is committed to reducing and managing its environmental, health and safety risks, achieving legislative compliance and alignment with customer requirements. We base the selection, use and substitution of materials on the precautionary principle and our relevant specifications and procedures. We also aim for suppliers and subcontractors to be compliant with ST’s specifications and procedures.

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Chemicals and our employees

People safety is our first concern. ST has strict rules regarding chemical handling to protect employees’ health and create a safe manufacturing environment. In 2012, ST prepared a training course to heighten the understanding and awareness of ST chemicals management and chemical risk assessment processes amongst manufacturing, operational and product group managers. It will be deployed to approximately 2,000 employees in 2013.

Management of chemicals in ST’s supply chain

ST’s banned, exempted and declarable substances list includes more than 1,600 substances. ST assesses the alignment of key material suppliers and subcontractors with this list by requesting a legal statement and evidence to support compliance. Management of chemicals is also integrated in the Supplier Performance Evaluation (SPE) conducted twice a year. Under SPE, we request improvement plans if a supplier’s score is below the target or does not meet ST standards.

In 2012, ATMI worked together with teams at ST Crolles (France) to change from Carbon Dioxide to Carbon Monoxide gas on the silicon wafer carbon implantation process. ATMI designed a Vacuum Actuated Cylinder to deliver carbon monoxide without the risk of gas leakage. The new process decreased contamination, maintenance and employee exposure. This implementation has significantly improved carbon implantation productivity (increase of 7% in manufacturing capacity plus savings of US$ 50,000 per year) and gas safety at Crolles.”

In 2010, Potassium Chromate was classified as a candidate Substance of Very High Concern (SVHC) by the European Chemical Agency (ECHA) for future inclusion in Annex XIV of EU REACH regulation. Anticipating legislation, that will restrict the usage of this substance in the next years, ST had already phased out this substance across all ST sites by 2008, with the exception of ST Calamba site that joined ST in 2008 and which still used the chemical for an essential quality process on copper analysis.

Aligning with ST standards, the site prepared a detailed substitution plan in 2010, identifying the possible technical solutions for replacement. As the use was very specific, ST Calamba could not benefit from other ST site experiences. Close cooperation with the supplier was undertaken to substitute and completely phase out Potassium Chromate from Calamba’s manufacturing lines. After extensive testing, to ensure that process reliability was not affected, a suitable alternative substance has now been approved for this particular process. The replacement was finalized in February 2012.

Today, no ST site uses Potassium Chromate. ST moved beyond compliance with REACH in completely phasing out this substance.

ELIMINATION OF SUBSTANCES OF VERY HIGH CONCERN (SVHC)

Action plans completed on time for the elimination and reduction of Substances of Very High Concern (SVHC)

Performance against objectives

• Reduce total consumption of chemicals by 5% per year (weight per production unit)
• Strive towards continuous reduction and elimination of Substances of Very High Concern in our processes
• Ensure 100% of key suppliers and subcontractors fully commit to ST specifications and procedures (through ST banned and exempted substances specification).
• Strengthen our management of materials of concern in our manufacturing processes through Chemical Risk Assessments

Consumption of chemicals

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<td>93.0</td>
<td>91.0</td>
<td>98.5</td>
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</table>

2008/2010 figures are from previous publications following site reviews.

More performance indicators are available on pages 67 to 70.
Waste is profitable at ST Kirkop (Malta)

Implementing a comprehensive waste treatment process on the Island of Malta is a challenge due to strict European regulations, restricted market availabilities and a range of waste types. ST Kirkop experts have overcome these challenges and developed innovative solutions to manage waste streams. Since 2003, 100% of the site waste has been recycled or reused. Waste management is even turned into a profitable activity, contributing to nearly US$ 4m in 2012. To achieve this, they implemented a thorough waste segregation and collection process, storage in secure depots and recording waste data using an online waste management database. All waste streams are video monitored and performance is automatically inputted in the database, enabling real-time management. Where possible, ST Malta recycles glass, paper, resin, plastics, biodegradable waste, etc. locally. It then sells other manufacturing and treatment waste (scrap metals, frames, sludge, etc.) to specialized contractors in mainland Europe to ensure waste receives the best reclamation treatment possible. ST Malta’s waste management system is regularly monitored by the Maltese Environment and Planning Authority.

Total environmental benefits generated by the material recycling of the ST’s thirteen sites located in the America region2:

- 1,335 Pounds (of air) Air Pollution Prevented
- 155,796 Gallons Water Saved
- 378 Trees Trees Saved
- 44,513 Pounds Recycled Paper (office grade paper)
- 10,238 Gallons Oil Saved
- 91,252 KW-hours Electricity Saved
- 67 Cubic Yards Landfill Reduction

Shane Belvin Product management Director, Iron Mountain, Boston (USA)

“US businesses use about 21 million tons of paper every year, Iron Mountain’s secure shredding program meets ST’s request to address its paper-based information destruction challenge in an environmentally-friendly manner. After we securely shred information, the processed materials are transported to paper and tissue mills for pulping. This destruction process provides both security and environmental benefits by reducing pollution, preserving landfill space and saving trees, water and oil resources.”

Waste strategy

ST’s EHS Decalogue requires that all sites meet stringent national or local regulations or ST’s internal standards, whichever is the more stringent. We established an integrated process for the environmental management of waste covering compliance, monitoring of the quantity of waste produced each year, data collection and reporting, and strict controls over the whole process. We also evaluate waste storage, recycling, treatment and disposal of subcontracting and waste transport companies.

ST’s waste strategy covers all waste streams, from operations (metals; plastics, chemicals, etc.), surrounding activities (offices, canteen, etc.), and products1. In 1999, ST introduced a seven-step ladder to ensure the appropriate end-of-life treatment for each waste stream, based on its economic value and ecological impacts. Most hazardous waste is recycled or re-used and the remaining waste is safely disposed of by authorized companies. As in previous years, none of our sites exported hazardous waste in 2012, in accordance with the Basel Convention.

ST goes beyond EHS Decalogue targets through initiatives to revalorize office and canteen waste in partnership with local subcontractors to increase organic waste composting and recycling of cardboard, bottles and cans. In 2012, ST Grenoble (France) installed a biotechnological solution to treat liquid canteen waste, and reached an abatement ratio of nearly 100%. A cocktail of organic bacteria is added to the waste on a daily basis to break down and treat the effluent, saving ST the equivalent of 2,000 litres of water, 20 tonnes of CO2 and US$ 15k per year.

Waste Management

ST is committed to continuously reducing, re-using, recycling and managing waste streams from manufacturing sites including hazardous substances, metals, packing, plastics and other non-biodegradable materials.

Waste management, including the treatment, transportation and elimination of hazardous waste from manufacturing, is a strategic environmental focus for every ST site.

Waste performance

Since 1995, we have set ambitious targets in ST Environmental Health and Safety (EHS) Decalogue to increase the re-use and recycling of materials, dispose of waste safely and to minimize waste to landfill. In 2012, 91% of waste generated was recycled and re-used, while 4.6% was sent to landfill. Whilst these figures indicate the continuous progress we have made in our waste management performance over the last 15 years, it is becoming increasingly difficult for us to find additional ways to continually improve our performance and meet our Decalogue targets. In 2012, our performance has been impacted by the difficulty to find a viable recycling partner to Valorize a concentrated sulfuric acid waste (due to production increases and difficulty to find a viable recycling partner).

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Performance against objectives

- Reduce the generation of waste by at least 5% per year (kg per production unit)
- Reduce the generation of hazardous waste by at least 5% per year (kg per production unit)
- Re-use and recycle at least 95% of waste
- Reduce landfill waste to less than 2%
Optimization of road haulage in Shenzhen (China)

ST Shenzhen (China) exports an average of 1,000 tons of finished goods per quarter, filling approximately 180 freight containers. To meet ST’s business and sustainability objectives, the local Shenzhen team has optimized its practices to ensure that manufacturing operations are supported by an efficient transportation and logistics network. There were three mains areas of focus:

- Optimizing of the inbound dice shipment traffic; with road freight frequency being lowered from a daily service to a three times per week. This single initiative eliminated the need for 208 trucks and 8,320 kilometers of road transportation;
- Deployment of smaller trucks to increase the efficiency and utilization of movements between Shenzhen and ST’s regional distribution center for local delivery and Chinese customers in Hong Kong, decreasing road freight CO2 emissions by 21 tons; and
- Removal of the return load capacity from Hong Kong to Shenzhen, reducing road transportation by 3,400 km.

In 2012, ST Shenzhen achieved a CO2 road freight footprint decrease of nearly 3% while maintaining a high level of service. Driven by a continuous improvement mindset, the team is exploring further efficiency opportunities.

Performance against objectives

- Reduce the carbon footprint of ST product transportation by 15% by 2014
- Ensure that all sites have a formalized mobility plan to promote alternative and greener modes of transportation and evaluate the benefits

Carbon footprint

<table>
<thead>
<tr>
<th>Period</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport component of ST’s total CO2 emissions (%)</td>
<td>8.1</td>
<td>7.4</td>
<td>6.8</td>
</tr>
<tr>
<td>CO2 emissions due to product transportation per year (ktCO2)</td>
<td>110.32</td>
<td>99.42</td>
<td>82.87</td>
</tr>
</tbody>
</table>

*Values reviewed in 2010 after a revision of methodology to estimate the annual carbon sequestration.

Packing density reduction

<table>
<thead>
<tr>
<th>Mode of Transportation</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air &lt;2000km</td>
<td>0.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air &gt;2000km</td>
<td>0.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road</td>
<td>0.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ocean</td>
<td>0.93</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Packing volume reduction (compared with a baseline of 100 in 2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100.0</td>
<td>98.7</td>
<td>93.8</td>
</tr>
</tbody>
</table>

Employee mobility plan

<table>
<thead>
<tr>
<th>ST sites with an employee mobility plan (%)</th>
<th>56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees covered by a mobility plan (%)</td>
<td>68</td>
</tr>
</tbody>
</table>

Modes of transportation proposed to employees

- Private and public buses, trains, bikes and electrical bikes,
- Car-pooling networks, shuttles, last service for employees working late

“...To commute from home to work, more than 80% of ST Greater Noida’s 1,350 employees use company transport every day which is heavily subsidized. To lower pollution emissions, all ST’s coaches run with compressed natural gas, covering 46 routes that offer a balance of convenience, timing, cost and environmental impact. As certain roads in the outskirts of Indian main cities can be uncomfortable, we have also equipped coaches with air suspension to improve employee comfort and well-being of women on the family way. Our goal is for 100% of our employees to commute in this way, but changing people’s habits takes time. We must be patient and continue our efforts in this area.”

Prem Sharma, Transport Services Deputy Manager, ST, Greater Noida (India)
The Community

ST Community involvement

400 initiatives worldwide
Involvement of 42 sites in 22 countries
100,972 hours have been donated during company time

Total contribution US$ 8.5 million
ST suppliers and subcontractors are required to commit to ST and EICC policies and standards, comply with legislation and meet customer requirements. This includes managing health, safety, and the environment, along with social and ethical aspects. These partnerships contribute to raising the overall levels of corporate responsibility across the electronic industry’s supply chain.

International pressure on suppliers

The United Nations Guiding Principles on Human Rights and ISO 26000 are driving companies to extend their corporate responsibility programs to cover their whole supply chain. In 2012, the international context, as well as laws such as the Dodd-Frank Act, also caused the intensification of requirements by customers onto ST as a supplier. Similarly, this triggered ST to increase controls on its own suppliers and to drive and support them on their improvement path for greater compliance, rigor and transparency, thus spreading our commitment to environmental, health, safety, social and ethical standards.

Our approach to Conflict-Free Minerals

We have continued to deploy sustainability management programs to our supply chain partners, we have globally reinforced our process. To our supply chain partners, we have sustainability management programs. Migrating to the EICC-ON platform has provided KPIs and more visibility on their own sustainability programs.

Sharing our data on a new platform

The evolution of the Labour Rights model with the release of the EICC Code of Conduct Version 4 was an important development deployed throughout our supply chain in Q3 2012. Deploying the revision required extra bandwidth and efforts, but we consider that integrating updated requirements and practices to all our supply chain is absolutely necessary, and it has been a satisfaction for us to successfully manage this evolution.

We managed the migration of our supplier database to the new EICC-ON platform, with subsequent good participation rate from our suppliers on the new tool. We sent the new code and engagement letters to our suppliers in August, triggered the return of more than 240 SAQs representing an important percentage of the business by market, and more than 150 facilities. This corresponds to more than 90% of our suppliers SAQs, being supported to provide efficient mitigation plans.

In Q4 2012, we continued the deployment of the revised EICC Code of Conduct Version 4 and the evolution of the Labour Rights model with the release of the EICC Sustainable Purchasing guidelines. This represented an important percentage of the business by market, and more than 150 facilities. This corresponds to more than 90% of our suppliers SAQs, being supported to provide efficient mitigation plans.

While we have continued to deploy sustainability management programs to our supply chain partners, we have globally reinforced our process. We have implemented new policies and specifications and increased their scope, for example by requesting suppliers to provide KPIs and more visibility on their own sustainability programs. Migrating to the EICC-ON platform has also enabled us to track our suppliers’ environmental, health safety and social performance more easily.

Supplier Performance Evaluation

The backbone of our management process has been rolled out to all our key suppliers. It aims to identify and resolve supplier issues through close monitoring and regular supplier interactions. It consists of a global evaluation which incorporates EICC-ON results and a follow-up plan. We provide extensive feedback and work with our suppliers to define and implement effective improvement plans. All the sections at risk and the critical questions are studied, then a follow up plan is put in place to look for solutions, leveraging on various tools including a Pareto; Progress against the follow-up plan is monitored and any weakness found with one supplier will trigger a review of all other similar suppliers. We also extended the EICC-ON Self-Assessment Questionnaire to include some key equipment suppliers and we engage with all of our suppliers to encourage them to adopt ESH management systems and to report on safety, waste, energy, water and climate change performance.

Our improvement path

In 2012, while we continued our improvement path, focused on expanding the volume of business, the areas covered and the number of suppliers involved in our sustainability management program, lower priority was given to 3 activities: green purchases, water management and sustainability audits.

Suppliers' Assessment Questionnaires results in 2012 highlighted a need for improvements to be made to our purchasing process, which we plan to achieve by reworking our guidelines and extending our requirements. Our strategy for supplier audits is to involve low performing suppliers, prioritized using the following internal criteria: purchase volume, plant location, type activity; SAQ results. Concentrating on our Back-end subcontractors, we have been able to verify the performance of our subcontractors at 53% of our purchasing volume through third party audits. Audits are a load we cannot easily absorb, so we engage our suppliers on the path of certifications such as the ISO14001, the OHSAS 18001, etc.

Performance against objectives

- Ensure 80% of suppliers (by purchasing volume) are involved in the EICC compliance program (annually)
- Ensure none of these suppliers are classified “high risk” based on Self-Assessment Questionnaires (SAQs)
- Continuously reduce the number of non-conformances arising from SAQs and audits
- Ensure 100% of ST major sites deploy the EICC approach to local suppliers
- Progressively deploy our Sustainable Procurement program to all our sites
- In 2012, deploy the Green Procurement guidelines in Italy
- In 2012, deploy the “Charter for Sustainable Purchasing” to French suppliers
- Promote fair access to business opportunities for Small and Medium-sized Enterprises (SMEs) by encouraging purchasing departments at French sites to include SMEs in tenders
- By the end of 2012, define and deploy internal tools to track ST part of business with these actors

Sustainability in the Supply Chain

Global and local operations in various countries requires a common framework that can be applied everywhere. Our Sustainable Procurement program provides a robust approach which is being implemented throughout our supply chain in order to help us achieve our sustainability targets.

Our objective is to provide a framework that can be applied everywhere, with a common language and metrics that allow us to measure the impact of our efforts in reducing the environmental, social and economic footprint of our supply chain.

The overall strategy is to ensure that we operate in the most sustainable manner possible, considering all relevant aspects of our business, including environmental, health and safety impacts.

In 2012, we continued to deploy the “Charter for Sustainable Purchasing” to French suppliers.

Throughout the year, we continued reducing the number of non-conformances arising from SAQs and audits.

In 2012, we deployed the Green Procurement guidelines in Italy and the Charter for Sustainable Purchasing to French suppliers.

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At the end of 2012, 79% of SAQs were rated low risk, 21% medium risk. The average scoring across the three main SAQ areas (Labour & Ethics, Environment and Health & Safety) was 88.90%, exceeding the low risk target of 85%.

**Quote**

“Sustainability has become a new challenge to supply chain competitiveness. Relationship with Customers and Suppliers as well as focus on new business opportunities are the foundation of sustainability activities. In this respect, the recent creation of a structured Business Continuity Plan at Company level will reinforce sustainability and strengthen our supply chain.”

**Otto Kosgalwies**

Executive Vice President - Company Infrastructure and Services

ST Geneva (Switzerland)
Business Ethics and Compliance Standards

Our company Code of Conduct sets out the Company’s principles in the area of business conduct and ethics around Integrity, People and Excellence.

At ST, we are committed to conducting our business with the highest standards of ethics and integrity, as outlined in our company Code of Conduct. At STMicroelectronics, we are dedicated to conducting business with integrity, treating our employees with respect, and pursuing excellence to create sustainable economic value for all our stakeholders. We believe that how we carry out our business is as important as what we do. Therefore, raising the awareness of our employees through training on subjects linked to our company’s Code of Conduct is critical to us.

In 2012, we focused on developing and delivering three main training programs focusing on:

- **Foreign Corrupt Practices Act:** in this course, participants were faced with situations involving possible instances of bribery or corruption; they learned to identify, recognize and deal with them. This training was created for senior ST managers.
- **Conflicts of Interest:** in this course, participants learned how to identify and manage potential situation of conflicts of interest. This training was developed for senior ST managers.
- **Company Code of Conduct:** dedicated training on the compliance to Company’s Code of Conduct and its scope which were included in a revised version of the Committee’s Charter, formally approved by the CEO. Under this revised Charter, the CEC provides guidance and recommendations to ST management and employees to help them comply with ethics-related policies, procedures and principles applicable throughout the Company.

**Business Ethics and Compliance Training**

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CEC was formed in 2007 and comprises ST Executives, nominated by the CEO. In 2012, we re-defined our CEC’s mission statement, authority and scope which were included in a revised version of the Committee’s Charter, formally approved by the CEO. Under this revised Charter, the CEC provides guidance and recommendations to ST management and employees to help them comply with ethics-related policies, procedures and principles applicable throughout the Company.

ST’s Corporate Ethics Committee (CEC)

The CEC was formed in 2007 and comprises ST Executives, nominated by the CEO. In 2012, we re-defined our CEC’s mission statement, authority and scope which were included in a revised version of the Committee’s Charter, formally approved by the CEO. Under this revised Charter, the CEC provides guidance and recommendations to ST management and employees to help them comply with ethics-related policies, procedures and principles applicable throughout the Company.

The CEC’s roles and responsibilities include:

- Review and update of ST’s policy on Business Conduct and Ethics
- Assessment of the implementation of ethics and compliance programs
- Follow-up on ethical breaches and allegations
- Issuing guidance on ethical dilemmas

In its capacity described above, the CEC has responsibility for all ST business units along with majority-owned subsidiaries, branches and affiliates.

The CEC has the authority to address questions, inquiries and documentation requests to any ST employee or executive under its jurisdiction. Confidentially concerns cannot be used to deny the CEC access to information, except in situations involving a CEC member or a member of the executive management.

In case a situation would involve a member of the Corporate Staff, it would be communicated to the Chair of the CEC who ensures that they are properly handled and monitored by the CEO and/or the Audit Committee of the Supervisory Board.

Due to its composition and authority, the CEC fulfills a crucial role in providing an independent evaluation of sensitive situations and in advising ST’s top management accordingly.

ST Country and Regional Ethics Committees have been formed during recent years. Their roles are overseen by the CEC.

ST’s Misconduct Reporting Framework

ST’s Misconduct Reporting Framework is defined in our Code of Conduct and disseminated throughout the Company. “Every employee plays his or her part in how well we adhere to our Principles. If you think that our Principles are being violated, or if you have a problem applying them, please discuss with your Manager, your site Human Resources Manager, or your Site Manager.”

In this context, we engender a management culture that enables employees to discuss concerns relating to adherence to our Principles in an open manner without fear of retribution.

In addition, ST employees have two whistle-blowing reporting channels at their disposal:

- The Company Ombudsman’s hotline, managed by a third party (KPMG), allows all ST employees worldwide to submit their allegations and complaints regarding accounting, internal control and auditing matters.
- The contact details necessary to communicate with the Ombudsman (toll free phone numbers, emails and postal addresses) are available in ST’s Business Conduct and Ethics Policy.

An internal hotline which ST employees are encouraged to use if they require more support to have their issue properly addressed, or if they have a suggestion about our Principles. All emails sent to the hotline are received directly by both the Chairman of the Corporate Ethics Committee and by the Corporate Vice President Human Resources.

They are treated in confidence.

All ethical breaches reported through the Misconduct Reporting Framework, or identified through the internal control and monitoring frameworks (including but not limited to reviews by our Corporate Internal Audit Organization), are duly assessed.

The relevance, criticality and potential impact of each alleged or suspected breach are thoroughly examined to determine the appropriate level of remedial actions.

**Fraud prevention**

Fraud and corruption prevention are also priorities for ST, assessed through a risk assessment conducted in 2012 by Corporate Compliance, in conjunction with Corporate Internal Audit.

**Non-Compliance / Ethical Breaches Reporting / SOA / HH4**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of incidents reported or identified in 2012</th>
<th>Incidents closed in 2012 after preliminary assessment</th>
<th>Incidents closed in 2012 by a formal investigation report</th>
<th>Incidents closed in 2012 by a formal investigation report</th>
<th>Incidents still open as of 2012 year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>2009</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>2010</td>
<td>3</td>
<td>2</td>
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<tr>
<td>2011</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

(1) Specific population — approximates 20% of total ST population

**Performance against objectives**

- Train 7,000 ST employees to increase awareness on key bribery and corruption topics (e.g. FCPA, Insider Trading, Code of Conduct, Conflicts of Interest) and reinforce internal controls.
- Communicate updated whistle-blowing channels to 1,000 employees in EMEA region in 2012 and employees from remaining regions in 2013

**Satisfaction of Business Conduct and Ethics Policy (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>92.00</td>
<td>94.50</td>
<td>93.90</td>
<td>90.30</td>
<td>93.40</td>
</tr>
</tbody>
</table>

More performance indicators are available on pages 67 to 70.

The above training modules were delivered focusing on:

- **FCPA:** in this course, participants were faced with situations involving possible instances of bribery or corruption; they learned to identify, recognize and deal with them. This training was created for senior ST managers.
- **Conflicts of Interest:** in this course, participants learned how to identify and manage potential situation of conflicts of interest. This training was developed for senior ST managers.
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</table>

More performance indicators are available on pages 67 to 70.
Community Involvement

In 2012, our company level focus was to identify the initiatives being undertaken across the Company and the ST sites that are involved, and also to evaluate our inputs to such initiatives. In order to do so, we have decided to become a member of the London Benchmarking Group and adopt its methodology. We organized two classroom training sessions for our Sustainable Excellence community, one in Paris for our coordinators in Europe and the US, and one in Singapore for our Asian contributors. We also organized an additional training session by conference call to employees. This was a key step as the methodology was new to us and we needed to ensure a good understanding and appropriation of the concept.

All ST sites contributed to list their community initiatives, we conducted the same exercise at corporate level and then validated a final list of eligible initiatives according to the methodology before undertaking evaluation. This considered cash contributions, the volunteering time spent by employees, in-kind donations and the management costs associated with the various community projects.

Some key figures from this evaluation are shown below:

- Total contribution: US$ 8.5 million
- 400 initiatives worldwide
- Involvement of 42 sites in 22 countries
- Community investment represents 0.1% of 2012 turnover
- 4,571 ST employees volunteered their time
- 100,972 hours have been donated during company time
- Average contribution per employee is equal to US$ 191

We will continue the consolidation of community initiatives each year. In 2013 we will start to evaluate the outputs and impacts generated by these projects.

ST Foundation

Since 2003, the ST Foundation has helped to reduce the digital divide (the gap between those who have access to modern digital technologies, and those who do not) in both developed and developing countries through a world-wide computer literacy program, Digital Unify. As of the year to date, more than 176,443 persons have benefited from the program with the support of 3,112 ST employees volunteered during company time. ST employees volunteered 100,972 hours during company time and $8.5 million has been donated during company time.

In 2012, ST did not contribute financially to the Foundation but contributed in other ways, by donating computer equipment that were used to equip laboratories set up under the Digital Unify program. A network of ST volunteers at our sites also provided training in prison and with the collaboration of local associations for people in need.

Jon Lloyd
Head of LBG

“LBG is used worldwide, by companies that are serious about their corporate community investment, helping them assess the real value and impact of corporate community investment to both business and society. STMicroelectronics is to be commended on joining LBG to better understand its overall contribution, establish where it is making a difference and assess its impact. Since joining in October 2012, STMicroelectronics has taken significant steps to apply the inputs side of the LBG model and so measure and report its contribution; the next challenge is to begin to assess what this contribution achieves for both the community and the business.”

Some key areas of involvement and include aspects such as design contests, robotics’ cups, awards, training, development, R&D clusters etc.

The community involvement forms a central pillar of our culture with many site-based initiatives and activities providing social and environmental support.

In today’s world, engagement between companies and their local communities is multifaceted, taking into account many diverse views and interests. Effective engagement has the potential to benefit many stakeholders, including local communities, government and other areas of civil society. Within ST, community involvement forms a central pillar of our culture with many site-based initiatives and activities providing social and environmental support.

...
The success of our R&D clusters

France

In 2012 our efforts to engage with young people and offer educational or career opportunities, benefited 459 interns, 303 apprentices, 74 theses (PhD) and 25-30 VIE (Volontariat International en Entreprises) recruits. We also partnered with 156 laboratories.

For example, we are involved in a long standing partnership with CMP, a service organization working in ICs and MEMS, which are used for prototyping and low volume production. Through CMP, we provide Universities, Research Laboratories or industrial companies with access to silicon fabrication, at preferential prices, in quantities compatible with research and teaching needs. Occasionally we also offer free fabrication.

In 2012, 266 circuits were made for 83 stakeholders from 23 countries. ST introduced the 28 nm FD SOI, and now offers packages in 6 different technologies. 42 new institutions received ST design kits.

In 2012, CMP organised the European Workshop on Microelectronics Education and celebrated its 30 year anniversary. ST delivered several presentations.

Our involvement in CMP is also visible in Announcements and Press articles throughout the year (http://cmp.imag.fr).

Professor Antonio Strollo
Dept. of Electrical Engineering and Information Technology, University of Napoli. Universities Coordinator in NeoPols Innovation

“NeoPols Innovation has proved to be a very effective and functional collaboration mechanism. It has contributed to multiply the opportunities for interaction and collaboration between universities and ST. Several ‘seed contracts’ have been signed and some of them have resulted in the launch of a more challenging research project, called ‘Laboratorio di Microelettronica della Campania’. Students appreciated the opportunity to carry out these and internships on topics of great interest, enabling them to experience what it is like to be part of a team in a global company. Possible improvements include strengthening of cooperation with SMEs, which represent an important part of the productive ecosystem of our region.”

Italy

The Italian cluster is active around three poles: Milano, Napoli and Catania. Contribution to R&D programs helps ST create value for its customers and remain among the industry’s most innovative companies. It also improves ST’s ability to attract the younger generation through its successful involvement with local R&D and academic organizations. The various programs conducted enable ST to receive funding or grants from European institutions, governments or local authorities and to anchor the positive impact we have at national, regional and local levels. Our key 2012 figures include:

- 98 cooperative R&D funded projects, carried-out at national and international level, where ST coordinated 31 R&D funded projects and partnered on 67.
- 40 research contracts with external laboratories (Universities and Research Centres).
- 53 partnerships with universities.
- 173 student internships at ST sites.
- 20 future PhD students working part-time for their theses at ST sites.

In the Naples area, the “NeoPols Innovation” initiative brings ST together with 5 universities and the regional industry association, to build new models of collaboration which balance theoretical knowledge with experience to create more efficiency and value. This cooperation offers reciprocal advantages to students and companies. Resources available to participants include labs, a campus and seminars as well as research contracts, internships, theses and training delivered by university professors and tutors. Investment is, and partnerships with local universities and other institutions help value creation at local level, on the territory of our sites, which is a clear sustainability model.

Asia

China, Taiwan and Singapore: ST continued to demonstrate its leadership in sensor technology, sharing its newest technology with over 700 students and young engineers from over 60 universities across these countries.

In 2012, our data for partnerships with the academic community year split between partnerships for R&D purposes (research labs, long-term research contracts, any R&D programs) and those dedicated to teaching or internship programs and recruitment.

Italian cluster: 57 partnerships with universities, colleges, schools; teaching programs, internship programs and recruitment.

China cluster: 374 partnerships with universities, colleges, schools; teaching programs, internship programs and recruitment.

Students were given the opportunity to design innovative applications using ST’s latest NEMO evaluation board and work with the same advanced technology that is powering the latest smart devices.

We also further strengthened our network of university partnerships, creating our latest Joint Laboratory for Innovation in Electronics with the Herbin Institute of Technology, one of China’s most renowned universities. This Joint Laboratory’s initial focus will be on smart-sensor applications. The collaboration is expected to expand to power management, medical and multimedia areas.

In India, ST also shared its expertise and reinforced its partnerships with the academic community. To help drive engineering curriculum development at universities and bring them up to speed with industry standards and practices, ST conducted free training programs on the STM32 microcontroller with 105 laboratories. ST also shared its expertise with faculty members from partner universities or engineering institutes. In parallel, internships are managed through the RISE (Real-Time Internship with ST Expert) program, which includes engagement surveys during the internship and on its conclusion. In 2012, ST hired 19 of the 219 interns.

In association with the IEEE Solid State Circuits Society, Delhi Chapter, ST also held workshops at our Greater Noida campus. Eminent professors and industry veterans delivered lectures on topics of contemporary interest, providing a unique platform for the semiconductor fraternity in the national capital region of India to participate in extensive technical discussions.

Focus on local initiatives

In 2012, 8 schools visited the Agrate site and ST employees addressed over 500 middle school students. Several ST sites have put in place similar initiatives. They provide students with an insight into the realities of work and enlarge their inspiration for future careers.

Europe

The ‘Innovation Cup’ is a contest created by ST to leverage students’ ideas and creativity. The 2012 edition proposed to create an innovative electronic product (excluding software applications) using ST technology that could be used in one of the 31 indoor or outdoor sports selected.

ST technologies available to use included a wide range of sensors, cameras, wireless technologies and Ultra Low Power devices. In 2011 ST invited selected Universities in France, Switzerland and Italy to enter. ST then provided support to the teams to help them develop their ideas. In 2012 two finalists were selected and ST worked with them to prepare their projects for submission to a sponsor. The top 10 ideas were financially rewarded, with further contributions awarded to the finalists. The winners received full support from ST until prototype realization, as well as international ST internships on our French or Italian partner sites, or grants for the sport students. In 2012, 4 students who participated in the Innovation Cup, including the 2 winners, were hired by ST. The program has been re-launched in 2013 to 9 universities. (www.st-innovationcup.com)

Performance against objectives

- For the short/mid term: Ensure ongoing growth of ST’s technical and specialist populations recognized through the technical ladder (individual paths)

- For the mid- to long-term: raise young populations’ employability by providing access to PhD, apprenticeships and internship experience

More performance indicators are available on pages 67 to 70

THE COMMUNITY

Partnerships in R&D & Education

We are continually looking for opportunities to strengthen our existing relationships and develop new partnerships in R&D and education. While we collaborate with our customers and competitors to advance application and product development, for advanced research, the cluster organization (refer to our 2011 report for details) plays a key role.

In Announcements and Press articles ST delivered several presentations. “One day at school” involves ST employees visiting schools to talk about the company and its activities in a very interactive way, usually to very enthusiastic groups of 60-70 students aged 11 to 19. Twenty dedicated ST employees give their time to the project. In 2012, 8 schools visited the Agrate site and ST employees addressed over 500 middle school students. Several ST sites have put in place similar initiatives. They provide students with an insight into

Performance against objectives

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- For the mid- to long-term: raise young populations’ employability by providing access to PhD, apprenticeships and internship experience

Partnerships with the academic community (University & EEC)

* In 2010, our data for partnerships with the academic community year split between partnerships for R&D purposes (research labs, long-term research contracts, any R&D programs) and those dedicated to teaching or internship programs and recruitment.
ST proactively engages at a global, national and local level with a range of stakeholders such as trade associations, industry groups and standard-setting bodies. This engagement contributes to ST’s enhanced competitiveness.

One of ST’s key objectives is to promote the electronic industry’s potential in all countries where ST operates. Whilst our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations our overall company strategy remains the same across all of our locations.

R&D has become increasingly critical for companies to ensure they remain competitive in the semiconductor sector. Our R&D efforts require substantial resources and are also dependent on alliances in order to develop new processes, technologies and products. As we supply a broad range of products, we are required to make significant investments in R&D across our product portfolio. Many of the products that we market have short life cycles, with some being one year or less. We believe that we can only maintain proprietary R&D for derivative technology investments and share R&D business models if we are supported with adequate state funding.

In Europe, the microelectronics industry must constantly adapt and innovate to remain competitive across all our areas of expertise. For this reason, ST has forged partnerships and provided expert knowledge to healthcare, power, sensor, multimedia and embedded technologies initiatives.

Through its Singapore-based subsidiary, Vederus Laboratories, ST has leveraged its Lab-on-Chip technology as a strategic weapon in the global fight against tuberculosis. Working with the Chinese Center for Disease Control and Prevention in Beijing, its new VedeMTB platform was used in clinical trials to accurately and quickly identify multi-drug resistant strains of tuberculosis for correct treatment. In Asia, China and India have high incidences of tuberculosis and multidrug resistant TB (tuberculosis bacillus) is a growing threat. ST sites also contribute to and lead some local initiatives which help develop local partnerships within the semiconduc- tor or electronics industries, maximize employee potential and create more accessible resources and services. One such example involves Melba Cuyahon, General Manager of ST’s Cebu site in the Philippines a board member of the SEPII (Semiconductor and Electronics Industries of the Philip- pines, inc). One of its projects pursued in partnership with DOST (Department of Science and Technology) is AOMATEL (Advanced Device and Materials Testing Laboratory). The project benefits the local community as well as ST by:

- reinforcing and upgrading local industry failure analysis (FA) and materials testing facilities;
- providing shorter turn-around times especially for companies who cannot afford to construct their own FA and characterization laboratories;
- providing less expensive analysis (as this can be done locally instead of overseas);
- attracting more potential investors seeking a competitive business environment.

According to Cosimo Musca, Italy R&D and Public Programs Director, R&D and Public Affairs, we undertake significant R&D activity in Italy at both National and European level. In 2012, in Italy ST coordinated 91 R&D funded projects and partnered on another 67.

In Asia, Francesc Gubert, Executive VP, President, Greater China & South Asia Region, believes that the best way ST can contribute to the communities where it operates and strengthen stakeholder relationships, is to provide leadership across all our areas of expertise. For this reason, ST has forged partnerships and provided expert knowledge to healthcare, power, sensor, multimedia and embedded technologies initiatives.

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One of Energy@home’s key achievements was the release of a set of technical specifications and an interoperable fully-integrated system comprising smart broadband gateway, smart meter, smart plugs, smart domestic appliances and a user interface application.

In 2012, Energy@home started a field trial, involving the installation of its integrated system in 50 homes ST provided the HAN (Home Area Network) wireless interface for the smart meter. The trial is still ongoing.

ST is also involved in the steering committee, as well as in the technical working groups (Standardization, Internet Protocol) where we use our expertise and wide ranging product portfolio including RF-RadioFrequency (PLC-Power Line Communication connectivity), microcontrollers and power management technology to help develop the Energy@home roadmap and future programs. See more on: http://www.energy-home.it/SitePages/Home.aspx

ST’s Environment, Health and Safety contribution to the SITELEC in France

Our EHS departments in Rousset, Tours and Crolles in France are involved in the Health & Safety and Environmental commissions of SITELEC, the micro and nano electronic French professional union representing research laboratories, component software design centers, equipment fitters and suppliers as well as semiconductor manufacturers.

The commissions facilitate sharing of knowledge and best practice and provide a platform through which companies can give legislative feedback and lobby French and European public authorities. Some of the commissions’ 2012 achievements, to which ST actively participated, include:

- Possibility: setting up an exposure traceability datasheet to comply with law 2010-1330 (9th November 2010) on French pension reform which requires ST to define appropriate methods to measure exposure level and organize databases.
- Running a conference on Psychosocial Risks organized in conjunction with the Social Affairs commission.

Andreas Wild
ENIAC joint undertaking Executive Director

“...the European nanoelectronics industry faces fierce global competition and must step up its efforts to raise the challenge. The European response is centered on breakthrough innovations, like Fully Depleted SIC or advanced MEMS technologies from STMicroelectronics, supported, among others, by public-private partnerships such as the ENIAC Joint Undertaking, STMicroelectronics, a European and global leader, brings an extraordinary contribution to our program, participating in 26 of the 50 projects, providing almost 20% of the total eligible costs, engaging the whole ecosystem of SMEs, research organizations and academic labs. This is a strong basis to secure the future European competitiveness, growth and jobs.”
Our People

April
Italy
ST Italy sites were awarded the National Prize on Health and Safety in the workplace from INAIL & CONFINDUSTRIA, an organization under the patronage of the President of the Italian Republic, in recognition of good methodologies implemented.

October
Malta
ST Malta received first prize in the Health and Safety Best Practices Award organized by the National Occupational Health and Safety Authority and the European Agency for Safety and Health at Work. The award was presented by the Minister for Health, the Elderly and Community Care, Hon Dr. J. Cassar and by Ms. Bogiarka Bola, Network Manager for the European Agency.

Our Products

July
Automotive Product Group, Germany
We received the Supplier Quality Excellence Award from General Motors, for ST APG's Ascis products (used in safety applications such as airbags) which were delivered free from defects to GM Worldwide in a one year period between July 2011 and July 2012. The award is granted only to suppliers who reach this one year milestone.

October
United Kingdom
ST was awarded the 2012 NM Low Power “Green” team award by NM. The award recognizes continued commitment to sustainability and “green” design. Teams from Bristol (UK), Grenoble (France) and Greater Noida (India) were honored.

The Environment

December
Crolles (France)
Considered as the most prestigious R&D award in electronics in France, the Général Férrié award honors an engineer or team whose work brought significant contribution to the progress of electronics and to its applications. In 2012 this award was granted to a team of ST (Stéphane Mourny and Frédéric Baulu) and CEA-Leti researchers, for its work on Fully-Depleted Silicon-On-Insulator technology, a major technological breakthrough in the pursuit of miniaturization of electronic circuits.

March
Shenzhen (China)
ST Shenzhen received the 2010 – 2011 Energy Conservation Award granted by Shenzhen Fujian District Government.

June & December
Calamba (The Philippines)
In June, Makiling Center for Mountain Ecosystems Recognition for Mt Makiling Tree Planting & Nurturing Project, was awarded to the site by the MCMC Director Dr. Nathaniel C. Bantayan & UP Chancellor Dr. Rex Victor Cruz, University of the Philippines-Los Banos.

The Community

February
Singapore
ST Asia Pacific Pte Ltd and ST Pte Ltd were certified TradeFIRST (Trade Facilitation & Integrated Risk-based) SyS Tam “Premier” band by Singapore Customs, the highest level of certification in an integrated assessment framework, supporting the Customs’ trade facilitation and compliance efforts. The certifications affirm ST’s firm commitment to trade compliance and export control.

November
Singapore
National SSWG - Safety and Security Watch Group - Award was given by the Singapore Police Force and Singapore Civil Defence Force in recognition of the business community’s efforts to the site to adopt robust measures and be prepared for the threat of crime and terrorism.

December
Calamba (The Philippines)
During the 8th GKX - Gawad Kaligtasan at Kalasag awards we received:
• The 2012 DOLE Secretary’s Award of Distinction for ST sites Calamba/Manila, for demonstrating global commitment to sustainability, through the deployment of Occupational Safety and Health Programs, comprising risk assessments, training, audits and overall quality management.
• The 2012 DOLE Award of Honor, was awarded to Ms. Elizabeth Boronco, ST Calamba Environment, Safety, and Security Manager, by Hon. Rosalinda Dimapilis-Baldoc, Secretary of Labor and Employment of the Philippines. Her long standing experience and expertise in implementing site environmental, safety and health management systems, with the support of the EHS Committee, site management and employees, has resulted in numerous certifications and awards for the site.

Our awards

Each year our sites receive external recognition for their sustainability practices. Here is an overview for 2012.

Company Awards

Roussel (France)
The site received the Disability Policy award from IMS-Entreprise pour la Cité, a French organization promoting Corporate Social Responsibility, and more specifically diversity in companies. A signatory of the French Diversity Charter since 2006, the site was recognized for its practices in recruitment and integration of disabled people and for the innovative training program FAM (Fédération d’Adaptation aux Maltans). The program, launched in 2008, is dedicated to equipping people with disabilities with essential competences required for the electronics industry.

Muar (Malaysia)
ST Muar received the Implementation of Fire Prevention Program certification awarded by the Fire Prevention Centre Malaysia (NP3), in recognition of its commitment to promoting fire safety awareness amongst over 800 ST employees and contractors.

NMI (UK)
NMI, a trade association of the UK Electronics Systems, Microelectronics and Semiconductors Community, granted the NMI Young Engineer of the Year Award to Kevin Moore, a Senior Analogue Designer at our Edinburgh site.

Adaptation aux Metiers).
New 2013 Objectives

Learning: Ensure that more than 60% of employees follow at least 8-hrs training yearly.

Development: Ensure that more than 95% of ST exemptions have their potential assessed every 2 years through ‘People Review’ process.

Ensure that ST manufacturing sites and corporate departments continuously improve the global scoring of ST’s EICC SAIIs.

Ensure that our audited sites have 0 Major Non-Conformance on the Labour and Health & Safety section.

Ensure all sites deploy communication and training programs on the EICC Code of Conduct for all their managers and employees.

Increase efficiency of product development:
Reduction average age of development projects to 15 months.
Increase efficiency of product development: Increase proportion of projects less than 1 year old to 33%

Ecopack®3 (no RoHS exemption and Halogen free):
25% of new packages implemented in Ecopack®2 by the end of 2015.

Ensure 100% of new ST products are eco-designed by 2015.

ST new objectives set for 2013 and beyond.

because they are not meaningful to ST anymore and some have been revised. Please find below the
within the year or a few years. Some 2012 objectives have been achieved, some will be discontinued

On a yearly basis, we review with the owners of each Sustainability priority the objectives to be reached

New 2013 Objectives

Newcomers Seminar
employment*
during their first year of
work.
Newcomers who participated
in a formal induction session

Hires by job type / LA1

As an active member of “Charte des Relations-Fournisseurs
Responsables” (Charter for Responsible suppliers relations/ps),
participate in the steering committee.

Ensure fair treatment of ST suppliers: 100% of our payment terms to be in line with Law on the Modernization of the Economy (LME)

Ensure fair treatment of ST suppliers: 100% of our payment terms to be in line with Law on the Modernization of the Economy (LME)

Ensure that ST supplier agreements be in line with the EICC Code of Conduct.

Ensure that ST suppliers be in line with the EICC Code of Conduct on the Firearms & Chemicals section.

Ensure that our audited sites have 0 Major Non-Conformance on the Labour and Health & Safety section.

Ensure that ST suppliers be in line with the EICC Code of Conduct on the Labour and Health & Safety section.

To ensure continuous improvement, implement a supplier survey and define an action plan.

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The Community

Local Sustainability Impacts

Business Ethics & Compliance

Management of Sustainability in the Supply Chain

Energy Management

Our Products

Our People

Our Community

The Environment

Company

Employees survey - Engagement rate

Career length and voluntary turnover rate / LA2

Average employee age (years)

Number of nationalities in the headcount by region*

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Average employee age

Number of nationalities in the headcount by region*

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Number of nationalities in the headcount by region*

Different nationalities

Average employee age

Number of nationalities in the headcount by region*
Gender breakdown by region (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>Male</th>
<th>Female</th>
</tr>
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<tbody>
<tr>
<td>Europe</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>Americas</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>70</td>
<td>30</td>
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Promotion ratio female/male by category and region / LA13 (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Americas</td>
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<tr>
<td>Europe</td>
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<td>Asia Pacific</td>
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Average weekly working time in selected countries (in hours)

<table>
<thead>
<tr>
<th>Country</th>
<th>China</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Malaysia</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST standard</td>
<td>40.00</td>
<td>38.00</td>
<td>40.00</td>
<td>40.00</td>
<td>42.00</td>
<td>43.00</td>
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<tr>
<td>Overtime</td>
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Unplanned absenteeism (%)

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<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>China</td>
<td>27.4</td>
<td>27.8</td>
<td>27.2</td>
<td>27.0</td>
<td>26.9</td>
</tr>
<tr>
<td>Europe</td>
<td>25.7</td>
<td>25.9</td>
<td>26.1</td>
<td>26.2</td>
<td>26.3</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>26.5</td>
<td>26.7</td>
<td>26.9</td>
<td>27.1</td>
<td>27.2</td>
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</table>

Internal job requests

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
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</tbody>
</table>

Internal mobility (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Employees above the ST minimum salary (in US$)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>8474</td>
<td>8463</td>
<td>8452</td>
<td>8441</td>
<td>8430</td>
</tr>
</tbody>
</table>

Unplanned absenteeism (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>2.57</td>
<td>2.77</td>
<td>2.82</td>
<td></td>
<td></td>
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</tbody>
</table>

Average weekly working time in selected countries (in hours)

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Internal job requests

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
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</table>

Internal mobility (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Employees above the ST minimum salary (in US$)

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>8474</td>
<td>8463</td>
<td>8452</td>
<td>8441</td>
<td>8430</td>
</tr>
</tbody>
</table>
### Phase 1 - Introduction: Agreement to comply with EICC (%)

<table>
<thead>
<tr>
<th>Suppliers/materials</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers of equipment/semi-finished/finished</td>
<td>81</td>
<td>82</td>
<td>83</td>
<td>82</td>
</tr>
<tr>
<td>Suppliers of spare-parts</td>
<td>34</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Subcontractors front-end</td>
<td>18</td>
<td>18</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>Subcontractors back-end</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Phase 2 - Assessment: EICC Self-assessment questionnaire completed**

<table>
<thead>
<tr>
<th>Suppliers/materials</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers of equipment/semi-finished/finished</td>
<td>18</td>
<td>18</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>Suppliers of spare-parts</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subcontractors front-end</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subcontractors back-end</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**ST Foundation’s contribution to the Community according to the IGS* methodology**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of contribution (US$m)</td>
<td>760,835</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of involvement</td>
<td>100% (Community investment)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leaves of involvement</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash contribution</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff time volunteering</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management cost contribution</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**STMicroelectronics Sustainability Report and the Ten Principles of the Global Compact, the Global Reporting Initiative (GRI) elements and the ISO 26000 standard.**

<table>
<thead>
<tr>
<th>Company</th>
<th>2008-2009</th>
<th>2010-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Performance Indicators</td>
<td>6.3; 6.4</td>
<td>6.3; 6.4</td>
</tr>
<tr>
<td>Awards</td>
<td>1.1; 1.2; 2.3; 2.4; 2.5; 2.6; 2.7; 2.8; 2.10; 3.3; 4.1-4.3; 4.7; 4.8; 4.9; 4.11; 4.12; 4.14-4.17</td>
<td>6.2</td>
</tr>
<tr>
<td>Leadership, Learning &amp; Development</td>
<td>1.2; 1.3; 1.4; 1.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>4.16; 4.17</td>
<td>6.2</td>
</tr>
<tr>
<td>Labor &amp; Human Rights</td>
<td>4.6; 4.12</td>
<td>6.3; 6.4</td>
</tr>
<tr>
<td>Global Diversity &amp; Equal Opportunity</td>
<td>5.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Employee Health &amp; Well-being</td>
<td>6.4.4; 6.4.6</td>
<td></td>
</tr>
<tr>
<td>Our Products</td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>4.16; 4.17; PR5</td>
<td>6.73; 6.78</td>
</tr>
<tr>
<td>Innovation Management</td>
<td>4.17</td>
<td>6.67</td>
</tr>
<tr>
<td>Product Stewardship</td>
<td>EN2; EN3; EN6; EN27; PR1; PR3</td>
<td>GC1; GC7; GC8; GC9</td>
</tr>
<tr>
<td>Conflict-free Minerals</td>
<td>4.7</td>
<td>GC1; GC2</td>
</tr>
<tr>
<td>6.3; 6.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Environment</td>
<td>4.8; 4.15</td>
<td>GC7; GC8; GC9</td>
</tr>
<tr>
<td>Water Management</td>
<td>6.6; 6.8</td>
<td></td>
</tr>
<tr>
<td>Energy Management</td>
<td>6.3; 6.5; 6.6</td>
<td></td>
</tr>
</tbody>
</table>
| Chemical Management | 6.3; 6.5;
| Multi Management | 6.3 | GC7; GC8; GC9 |
| Transports & Logistics | 6.3; 6.5; 6.6 |
| The Community | 4.16; 4.17 | 6.6; 6.8 |
| Management of Sustainability in the Supply Chain | 4.8; 4.9; 4.12 | GC1; GC3; GC4; GC5; GC6; GC9 |
| Business Ethics & Compliance | 4.8 | GC10 |
| Local Sustainability Impacts | 6.8.3; 6.8.5; 6.8.6; 6.8.7; 6.8.8 |
| Partnerships in R&D and Education | 6.8.4 |
| Public Affairs and Industry Networking | 6.66 |
| Awards | 2.8; 3.9; 3.12 | 6.2 |

**Additional Indicators**

- **EHS Fines / WSA**: Fine of $677,035 (1994 = 100) for air pollution violation.
- **EHS Incidents / IN3**: ST Ang Mo Kio (Singapore): On 8th February 2012, an acid scrubber’s pH fell from 7 to 3.6 for a duration of about 4 hours. This event, 223,000 units, caused abrupt and short-term decreases in the concentration of the acid.
Det Norske Veritas Business Assurance France S.A.R.L. (“DNV Business Assurance”) has been commissioned by the management of STMicroelectronics NV (“the Company”) to carry out a moderate assurance engagement on the “2012 Sustainability Report” (“the Report”) in its draft electronic format. STMicroelectronics NV is responsible for the collection, analysis, aggregation and presentation of information contained in the Report. Our responsibility in performing the work commissioned is solely towards the Management of STMicroelectronics NV and in accordance with the terms of reference agreed on with the Company; the assurance engagement is based on the assumption that the data and information provided are complete, sufficient and authentic. STMicroelectronics NV’s stakeholders are the intended recipients of the assurance statement.

The scope of work agreed upon with STMicroelectronics NV to provide a moderate level of assurance includes the following information and entities:

- Key Performance Indicators for People, Products, The Environment and The Community related to the period between January 2012 and December 2012, as contained in the 2012 Report.

- Our verification was carried out in May and June 2013. As part of this engagement we visited selected sites on the basis of their contribution which represents more than half of the Group’s consolidated environmental and social indicators (as at December 2012,) and whose assurance would have required a more detailed review: Geneve (Headquarters), Catanza (Italy), Muar (Malaysia), Catania (Italy), Barcelona (Spain), Malacca (Malaysia), Kuala Lumpur (Malaysia), and Singapore (Singapore).

- Our assurance engagement was planned and carried out in accordance with the DNV Protocols for Verification of Sustainability Reporting. The available parts of Report were evaluated against the following guidelines in accordance with the Protocol: Maturity, Completeness, Reliability, Comparability and Stakeholders inclusiveness.

- As part of the verification we have:
  - Challenged the People, Products, The Environment and The Community statements and claims made in the Report and assessed the robustness of the data and information made available to DNV Business Assurance France by the Company;
  - We interviewed the Corporate Sustainable Development Team and have made interviews with an excess of 40 company’s representatives we visited in three sites and the company’s headquarter including data owners and decision-makers from different divisions and functions to assess compliance by the site visited with Group procedures, processes and guidelines. Interviews with external stakeholders were not included;
  - Performed sample-based audits of the mechanisms for implementing the company’s own policies, as described in the available parts of Report;
  - Performed sample-based audits of the processes to review the methods, practices and tools used in the collection, aggregation, calculation, analysis, internal quality control and reporting of qualitative and quantitative data and information, as it is transferred, managed and stored within the Company.

- It is the opinion of DNV Business Assurance that the 2012 Sustainable Report is an accurate and impartial representation of the company’s sustainability-related strategies, management systems and performance. Based on the assurance work we performed on both the Key Performance Indicators as well as parts of the narrative in the Company’s “2012 Sustainability Report”, it is our opinion that sufficient evidences have been obtained to achieve a moderate level of Assurance, as information and data communicated and subjected to our verification were found to be reliable. Since the organization has carried out a review of its material sustainability issues, we believe STMicroelectronics NV efforts to strengthen the strategy and the linked action plan have been significantly addressed to an advanced level, for all material issues among processes and business performance. We recognize that strong efforts have been made to reinforce organisation and resources in order to better manage sustainability coordination across the Company and reliability of data. Moreover the achievements versus the objectives are reported in a balanced and transparent way allowing the stakeholders to have an unbiased view of the company’s sustainability performance. Based on our review, we evaluated adherence to the Report and the following principles, on a scale of from ‘Good’, ‘Acceptable’, ‘Need for improvement’.

- Maturity: we consider that the Report includes the major material aspects concerning the Company’s performance and stakeholders concerns. In our opinion, the level at which the Report adheres to the principle of materiality is “Good”.

- Completeness: we believe that, overall, the tables and indicators contained in the Report cover STMicroelectronics NV material impacts sufficiently and enable stakeholders’ assessment of the company’s sustainability performance in 2012. In our opinion, the level at which the Report adheres to the principle of completeness is “Good”.

- Reliability: we found that the information and processes are sufficiently collected, recorded, compiled, analysed and disclosed in a manner that allowed us to examine and assess the accuracy of the information. In our view, the level at which the Report adheres to the principle of reliability is “Good”.

Comparability: we consider that stakeholders have sufficient information that is adequately selected and compiled in order to analyse the changes in the Company’s performance over time. In our opinion, the level at which the Report adheres to the principle of comparability is “Good”. Stakeholders inclusiveness: we consider that the views and concerns of stakeholders have been taken into consideration and that the dialogue was effective. In our opinion, the level at which the Report adheres to the principle of stakeholders inclusiveness is “Good”.

Our verification report includes observations, findings and opportunities for improvement which have been backed towards the management of the STMicroelectronics NV. These do not, however, affect our conclusions for the Report, 2012.

DNV was not involved in the preparation of any statements or data included in the Sustainable Report. DNV carries out impartiality in the work carried out and expressly disclaims any liability or co responsibility for any decision or action by a person or an entity may make based on this Assurance Statement. DNV is a leading provider of quality and reliability. These do not affect our conclusions for the Report, 2012.

The ST Sustainability Report 2012 is printed on paper produced by a manufacturer that is certified against ISO 9001 and ISO 14001. Printing uses chlorine-free pulp which enables both recyclability and renewability as well as use in premium products requiring high-quality paper. Furthermore the paper used is certified by the Forest Stewardship Council and the Chain of Custody. These confirm that the paper used comes from controlled forests that are well-managed according to strict environmental, social and economic standards, and links the production chain from source of timber through to paper manufacturing and the final printing process.