

ANNEX C

Compensation Committee Charter

STMICROELECTRONICS N.V.

COMPENSATION COMMITTEE CHARTER

1. **PURPOSE**

The Compensation Committee's primary purpose is to advise the Supervisory Board in relation to its responsibilities and to prepare the decisions to be made by the Supervisory Board relating to the compensation of the Managing Board, Supervisory Board, Secretary and Assistant Secretary and Controllers. The Supervisory Board has delegated to the Compensation Committee, subject to applicable laws, authority to determine the allocation of stock-based compensation to executive officers following proposal of the Managing Board and to attribute stock-based compensation is granted to Supervisory Board members and professionals, in each case pursuant to plans approved by our shareholders. The Compensation Committee also advises the Supervisory Board on the remuneration and Executive Incentive Programs for executive officers and any other employee compensation matter submitted to it by the Managing Board.

2. **COMPOSITION**

1. **Members.** The Compensation Committee shall consist of as many members as the Supervisory Board shall determine from time to time, at any event a maximum of three members. The Compensation Committee is composed of the Chairman, the Vice-Chairman (currently vacant) and such other members as shall be appointed and dismissed annually by the Supervisory Board.
2. **Qualifications.** Each member of the Compensation Committee shall be a member of the Supervisory Board. Each of the members of the Compensation Committee must be independent according to the Independence Criteria defined by the Supervisory Board.
3. **Chair.** The Chair of the Compensation Committee shall be appointed by the Supervisory Board. The Chair shall be primarily responsible for the proper functioning of the Compensation Committee. He/she shall act as the spokesman of the Compensation Committee and shall be the main contact with the Supervisory Board.
4. **Removal and Replacement.** The members of the Compensation Committee may be removed or replaced by the Supervisory Board, and any vacancies on the Compensation Committee shall be filled by the Supervisory Board in accordance with the Supervisory Board Charter.
5. **Secretary.** The Chair of the Compensation Committee may appoint a Secretary to its organization to assist in the preparation of minutes of Committee meetings.

3. **OPERATIONS**

1. **Meetings.** The Chair of the Compensation Committee, in consultation with Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least twice per year. The Compensation Committee may and does meet outside the presence of the Managing Board from time to time.
2. **Agenda.** The Chair of the Compensation Committee shall develop and set the Committee's agenda, in consultation with the other members of the Committee, the

Managing Board and/or senior management (human resources, legal, etc.). The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be distributed to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

3. Minutes. Minutes of the meeting shall be prepared by the Chair, as supported by the Secretary. These minutes shall generally be adopted during the next meeting of the Compensation Committee. If all members of the Committee agree on the contents of the minutes, they may be adopted earlier. The minutes shall be signed for adoption by the Chair. The Chair shall report to the Supervisory Board at the Supervisory Board meeting following the Compensation Committee meeting.
4. Access to consultants and advisers. The Compensation Committee has the power to retain compensation consultants having special competence to assist the Committee in evaluating director and executive compensation. The Committee may also retain counsel, accountants or other advisers as it deems appropriate. The Committee has the sole authority to retain and terminate the consultant's or advisor's services and to review and approve the consultant's or advisor's fees and other retention terms.
5. Self-Evaluation; Assessment of Charter. The Compensation Committee shall conduct an annual performance self-evaluation and shall report to the Supervisory Board the results of the self-evaluation. The Compensation Committee shall assess the adequacy of this Charter periodically and recommend any changes to the Supervisory Board.

4. **AUTHORITY AND DUTIES**

The Compensation Committee has several missions:

1. To propose decisions for adoption by the Supervisory Board concerning:
 - The establishment and renewal of the service agreement of the sole member of the Managing Board;
 - The remuneration policy for the Managing Board, to be submitted to shareholders starting in 2005;
 - The bonus amount for the Managing Board and the performance criteria to be met by the Managing Board to be eligible for the annual bonus amount, as well as the stock-based compensation to be attributed each year to the Managing Board;
 - The terms and conditions for employee stock purchase plans; and
 - Annual remuneration for Supervisory Board members subject to shareholder approval and the annual remuneration of the Controllers, Secretary and Assistant Secretary.
2. As a delegated administrative body of the Supervisory Board:
 - To determine allocation of stock-based compensation to our executive officers and managers following the proposal made by the Managing Board, pursuant to the terms

of the Stock-Based Compensation Plan for directors, managers and selected employees approved by ST's shareholders.

- To attribute stock-based compensation granted to Supervisory Board members and professionals pursuant to the Supervisory Board Stock-Based Compensation Plan approved by ST's shareholders.
3. As an advisory Committee to the Supervisory Board, to make recommendations and:
 - To review the Company's remuneration policy and Executive Incentive Program for executive officers and managers, based on performance criteria which generally relate to customer service, profitability, cash flow and market share; and
 - To resolve any other employee compensation matter submitted by the Managing Board.
 4. The Compensation Committee also has authority to retain and terminate compensation consultants to assist it and to approve such firm's fees and other retention terms.
 5. The Committee shall prepare the Supervisory Board's report on the remuneration policies for the Managing Board to be adopted by the Supervisory Board. The remuneration report comprises a report on the way in which the remuneration policy was implemented in the most recent financial year and an outline of the remuneration policy that will be implemented in the forthcoming financial year and later years. The remuneration policy will be posted on the Company's website.
 6. The Committee may review the Company's disclosure policies and communication with respect to Company remuneration of members of the Managing Board, the Supervisory Board and executive officers.

The Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its duties with the approval of the Supervisory Board.