

Texas Instruments' global public policy priorities are aligned carefully with the company's strategic business priorities and our ethical values. This alignment supports continued growth and profitability, customers' success, and advances our commitment to corporate citizenship.

TI's public policy interests are global. While much of our advocacy is focused within the United States, many issues transcend national boundaries and we advocate in various geographies. TI monitors policies related to open trade, innovation, sound environmental laws and regulations, fair and competitive tax measures, and policies related to TI business growth priorities, such as clean energy and energy efficiency, health care innovation, increased safety and security.

### **Open Trade**

TI derives approximately 90 percent of its revenues from sales outside the United States. Open trade policies that provide market access and recognize the global nature of the electronics industry are essential to TI selling products internationally. TI benefits from the elimination of tariffs and non-tariff barriers on information technology through bilateral and multilateral trade agreements and sector specific agreements such as the Information Technology Agreement (ITA) and the agreement on multichip packages.

TI supports advancing bilateral and multilateral efforts to secure new trade agreements such as an expansion of the ITA and negotiations on the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership.

TI continues to work with industry partners to monitor and address discriminatory forced localization policies, such as mandatory technology transfer, local sourcing requirements, and unique standards.

### **Export controls**

TI and other U.S. semiconductor companies are subject to a set of U.S. government regulations that govern the export of semiconductors, equipment and technology to particular countries and to citizens of certain countries. TI has a strong compliance function that ensures we do our part to protect national security. In conjunction with compliance activities, TI also makes an important contribution to revising existing regulations and shaping new regulations that are becoming outdated or need to be streamlined. Specifically, TI continues to engage with key agencies to address the radiation hardening issue that, without change, could subject certain commercial chips to munitions controls in the coming years simply due to outdated performance criteria.

The Obama Administration has proposed significant changes to the current export control regime with the goal of developing a system more attuned to the commercial realities of today's global high tech marketplace. TI is advising key governmental agencies and lawmakers about the impact of such changes that enable

companies to be competitive while protecting U.S. national security. Among top priorities are encryption reform, intra-company transfer rules and the treatment of dual use products.

## **Innovation**

Maintaining the competitiveness of the U.S. semiconductor industry is a top public policy priority for both TI and the overall semiconductor industry. Critical components of innovation include robust and sustained investments in fundamental scientific research, improvements in math and science education, and access to and retention of the world's brightest minds.

## **Fundamental scientific research**

Scientific and technological progress has been responsible for half of economic growth in the United States over the past 50 years. Fundamental scientific research at U.S. universities underpins the nearer-term R&D investments made by companies like TI. University research is key to addressing national challenges such as energy, security and medical advances and to securing our nation's continued competitiveness, economic growth, and skilled workforce. TI supports robust federal funding for scientific research, particularly in the physical sciences and engineering, where federal investment steeply declined as a percent of GDP since the 1970s. TI serves as the industry chair for the Task Force on American Innovation, a coalition of academia, industry, and professional/scientific societies dedicated to reverse the decline in the physical sciences and engineering.

Companies continue to invest in research and development, even in difficult economic conditions. The government should do the same to enable research to shape our future, launch new industries, reinforce our science and engineering infrastructure, and strengthen our academic institutions.

In particular, TI advocates for strong and sustained funding levels for the National Science Foundation, the National Institute of Standards and Technology, DARPA and the Department of Energy Office of Science. TI also participates in public-private pre-competitive consortia supporting university research in semiconductor technologies, including nanoelectronics, which could alter the dynamics of the industry. In these programs, federal funding is leveraged with industry contributions to support research at universities.

Texas is home to TI headquarters' advanced manufacturing and R&D activity. TI advocates on behalf of funding for the state's Emerging Technology Fund (ETF) that provides matching grants for research superiority investments at public universities. It also supports funds for the Texas Research Incentive Program (TRIP) which matches non-state dollars for Emerging Research Universities with the objective of expanding the base of nationally-ranked Tier One institutions in Texas.

## **Talent**

Science and engineering professionals are essential to TI's growth and success everywhere we operate. In the United States, we actively engage with federal, state and local governments to promote educational excellence at all grade levels. For example, at the K-12 level, TI supports initiatives to increase focus on science, technology, engineering and math proficiency. In the last five years, TI and the TI Foundation have

invested more than \$150 million to support education, consistent with our support of federal, state and local programs and policies designed to improve math and science teaching and student performance. TI is a corporate sponsor for Change the Equation, a nonpartisan program that advocates for better STEM education programs nationwide and seeks to replicate proven STEM education programs across our nation to improve teacher effectiveness and student achievement.

In addition, in Texas and other states in which TI operates, the company advocates on behalf of continued higher standards, accountability and measurement of student, teacher and district performance in public schools, especially in science and mathematics.

At the university level, TI actively supports numerous programs designed to increase the pipeline of scientists and engineers. Most graduates from U.S. advanced degree programs in technical fields are foreign nationals. TI supports reforming immigration policy to facilitate the transition from student to permanent resident and to reduce backlogs for permanent resident visas. Individuals with advanced degrees in science, technology, engineering and mathematics are critical to U.S. competitiveness and should be given priority for permanent resident status. TI opposes legislation that would restrict use of visa programs essential to ensuring a competitive workforce.

### **Enabling growth**

As various countries around the world seek to drive deployment of energy-efficient or clean-energy technologies to reduce energy consumption and emissions of greenhouse gases, TI works to identify opportunities and policies congruent with the company's growth opportunities in industrial, automotive, lighting, smart grid and meter technologies, solar generation and distribution, medical technologies, education technology, safety and security and motor controls, among others. Electronics are the key driver behind advances in all these areas.

### **Environment, safety and health**

TI has a strong record of commitment to worker safety, ensuring a safe workplace and being a responsible steward of the environment. We work to promote laws and regulations at the federal and state levels and internationally that are well informed and responsible, discouraging those that place undue burdens on the company's operations.

Numerous new initiatives are in place or under consideration in various countries around the world. Some examples include: new regulations on greenhouse gas emissions, regulation of product content, nanomaterials, and various chemicals involved in the manufacturing of semiconductors. TI monitors and, as appropriate, works with government agencies to ensure that such regulations do not impose undue costs, create onerous administrative and operational burdens on the company or place TI at an unfair disadvantage while TI complies with sound environmental policies.

## **Taxes: U.S. Federal**

Fundamental tax reform in the U.S. was last addressed in major legislation in 1986. Recently, bipartisan government leaders and business executives have called for a comprehensive overhaul of the U.S. tax system. Like many other multinational companies, TI advocates for globally competitive tax policies, including a lower corporate rate, an international market-based system and enhanced incentives to perform research and development in the United States. Our nation's 39 percent combined federal and state corporate tax rate is now the highest among the Organisation for Economic Co-operation and Development countries. This puts the U.S. at a clear disadvantage in global competition with other countries where rates are lower and incentives like research tax credits are higher.

Securing a permanent extension of the U.S. federal R&D tax credit has been and continues to be a top priority for TI. TI works with its associations and the R&D Tax Credit Coalition to improve the credit and make it permanent. Currently, the U.S. R&D incentives rank 24th out of 38 countries.

TI also supports international tax policies that reflect the reality of companies operating in global markets. TI has semiconductor design, manufacturing or sales operations in more than 30 countries. While more than half of TI's wafer fabrication and the vast majority of our research and development (R&D) are in the U.S., about 90 percent of 2012 revenues came from overseas sales.

TI has formidable competitors from other countries with similar international operations. In many cases, they locate operations in the same countries we do. In recent years, proposals were made to apply U.S. tax to the earnings of foreign subsidiaries of U.S. companies. These proposals would not apply to our international competitors. No other developed country in the world imposes a tax on the active earnings of foreign subsidiaries. TI believes that comprehensive tax reform should include adoption of a territorial system of taxation to put us on an equal footing with our foreign competition. TI will closely monitor the issue and participate in public policy debates where appropriate.

## **Taxes: State**

TI believes the tax structure in the State of Texas generally provides a competitive economic climate for capital-intensive companies. The sales tax exemption for semiconductor manufacturing equipment, as well as other exemptions that reduce the cost of operations for manufacturers, are essential components of that environment. Texas is not competitive with other states in the area of R&D investment incentives. TI supports an extension of the manufacturing equipment exemption to equipment used for research and development. TI also supports a low margins tax that is fairly applied to a broad business base, and equal property tax treatment for business and residential payers. In other states where the company has a major presence, TI supports tax policies that help ensure that manufacturers can compete effectively in a global market. For example, in Maine, TI advocates to preserve the Business Equipment Tax Rebate program that helps ensure cost competitive manufacturing environment. TI also supports the existing R&D tax incentives in California.

## **Taxes: International**

TI also seeks to ensure that tax policies in geographies in which we operate are sound and applied in a non-discriminatory manner.

## **Human resources**

TI supports flexible policies in the workforce to ensure effective deployment of resources, encourage diversity, and offer employees stimulating and rewarding career opportunities.

An overall goal is to help TI offer policies that provide the greatest flexibility in health and retirement benefits and offer the best, most cost-effective protection for employees. TI's particular focus involves promoting greater consumerism in health care; managing burdensome regulations and high costs associated with retiree health care; and promoting health information technology to drive increased safety, efficiency, accountability and quality of care. TI continues to monitor the development and implementation of regulations associated with the Patient Protection and Affordable Care Act.

## **Operational costs and flexibility**

TI monitors and as necessary participates in policy debates that affect our operational flexibility, particularly in areas involving corporate governance, confidential business information, supply-chain security and access to reliable and affordable sources of energy. For example, TI continues to work with various governments to ensure that efforts to eliminate the use of tantalum, tin, gold and tungsten from improper sources in the DRC and adjoining countries can be accomplished in a rational and effective manner. In Texas, manufacturers including TI, require affordable and reliable electricity. TI does not support re-regulation of electricity in Texas; and opposes policies that unnecessarily increase electricity prices including proposals to implement a capacity market.

## **Intellectual property protection**

TI invests heavily in R&D and enjoys a strong brand based on years of providing our customers with quality solutions. TI works to protect the value of the company's patent portfolio, its trademarks and its trade secrets against infringement or misuse. A particular area of focus involves policies designed to prevent counterfeit chips from entering the supply chain. The Semiconductor Industry Association (SIA) estimates that counterfeits cost the U.S. semiconductor industry \$7 billion annually.