

2014 Public Policy Priorities

Growth

Expanding market access and opportunities for business growth

Market access

Markets outside the United States account for nearly 90 percent of TI's revenue. TI advocates for non-discriminatory, open trade policies that recognize the global nature of the electronics industry.

Semiconductors now offer multiple functionalities and have increased in packaging complexity. As a result, changing tariff classifications for products have caused the imposition of new duties on certain semiconductors in various markets. In addition, several countries are creating barriers to trade by imposing unique standards, testing requirements and forced technology transfer.

Efforts

TI seeks elimination of tariffs and non-tariff barriers on information technology products through various trade agreements. Specifically, TI supports:

- Updating the 1996 World Trade Organization's Information Technology Agreement (ITA) which eliminated tariffs on high tech products, to eliminate duties on new products and functions, such as multi-component devices.
- Passing the bipartisan Congressional Trade Priorities Act of 2014 to reinstate trade promotion authority—an essential tool for Congress and the Administration to collaborate on U.S. trade negotiations and secure implementation of resulting trade agreements—and to establish an important framework for trade in the high-tech economy by addressing issues such as intellectual property and standards.
- Concluding negotiations on the Trans Pacific Partnership (TPP) among 12 Pacific Rim economies that would account for 40 percent of global Gross Domestic Product (GDP) and the Transatlantic Trade and Investment Partnership (T-TIP) between the U.S. and the European Union that would represent 60 percent of global GDP.
- Using international standards and recognizing international testing certificates to facilitate trade of high tech products. TI discourages measures designed to benefit domestic industry (such as subsidies, forced localization and unique technical standards) that effectively restrict trade, distort the market and prevent access to the best global technology.

Export controls

TI takes seriously its obligation to comply with export control laws and requirements.

The U.S. government regulates the export of certain semiconductors, equipment and technology to particular countries and individuals. It is essential that existing or new regulations keep pace with technology to avoid controlling semiconductors that are sold into broad commercial applications.

Efforts

TI supports efforts to reform export controls to reflect the global high-tech marketplace, while ensuring key technologies do not fall into the wrong hands. Specifically, TI supports:

- Reforming export control regulations to address treatment of dual-use products, encryption reform and rules involving the transfer of products within companies.
- Working with others in the semiconductor industry and key agencies to clarify terms in regulations, ensuring that commercial end products are not unintentionally subjected to export controls specifically designed for military or space applications. TI worked to solve a long standing issue stemming from controls on radiation hardened microelectronics. Over time, the regulatory parameters were overtaken by advances in purely commercial technology, putting commercial devices at risk of being controlled as military items. The new regulations provide permanent relief to commercial devices while retaining control for radiation hardened devices specially designed for military applications.

Technology-driven growth

Electronics are revolutionizing automotive safety and intelligent transportation, energy efficiency, alternative energy and medical technologies.

TI supports policies that foster technological advancements and allow our business to grow in these areas.

Efforts

TI works to identify opportunities and policies aligned with the company's business priorities that will spur growth. Specifically, TI supports policies that can help:

- Encourage the use of technology to improve automotive safety, fuel efficiency and reduced emissions.
- Accelerate adoption of energy efficient and alternative energy technologies such as smart grid and meter technologies, motor controls and LED lighting.
- Advance medical electronic technologies to allow less invasive diagnoses and procedures, better imaging and remote patient monitoring.

Innovation

Advancing policies that support innovation, protect intellectual property, develop a strong workforce and provide access to talent

Fundamental research

Fundamental scientific research is essential to addressing global and national challenges — in areas such as energy, security and health — and to securing continued competitiveness, technological leadership, economic growth and a skilled workforce.

Scientific and technological advancements have been responsible for half of economic growth in the United States over the past 50 years. However, federal support for basic research at universities and in national labs has steeply declined as a percent of Gross Domestic Product (GDP) over the last several decades.

Efforts

TI supports fundamental research by:

- Participating in a pre-competitive consortia (www.src.org) that supports university research in groundbreaking semiconductor technologies like nano-electronics. Federal funding is leveraged with industry contributions in these public-private partnerships.
- Advocating for strong and sustained funding levels for the, National Science Foundation, National Institute of Standards and Technology, Defense Advanced Research Projects Agency and Department of Energy Office of Science.
- Supporting the Texas Emerging Technology Fund as a useful tool for matching grants for research superiority investments at public universities and the Texas Research Incentive Program to match non-state dollars for emerging research universities with the objective of expanding the base of nationally-ranked top-tier institutions in Texas.
- Monitoring other countries' investments in semiconductor and other electronics-based research, and when and where appropriate, collaborating to advance progress in semiconductor-based technologies.

STEM education

Science and engineering professionals are essential to TI's ability to innovate, grow and succeed.

Lagging student interest and achievement in science, technology, engineering and math (STEM) threatens the talent pipeline in the U.S. and hinders future innovation. TI strongly supports efforts to foster STEM education and school improvement, particularly in communities where we have a presence.

Efforts

TI actively engages with national, state and local governments near key TI sites worldwide, through academic partnerships, policy advocacy and philanthropy. In order to promote educational excellence in STEM subjects in the U.S., TI is involved in:

- Encouraging high standards and accountability designed to improve student achievement in K-12 education, including the voluntary, state-led Common Core, Next Generation Science Standards and strong individual state standards in states where Common Core has not been adopted.
- Supporting K-12 and university programs that encourage students to study and pursue degrees in STEM disciplines, particularly engineering. A key focus of these efforts is to attract traditionally underrepresented groups such as women, African American and Hispanic students to these fields.
- Participating in Change the Equation, a nonpartisan organization that advocates for improved STEM education and seeks to replicate and scale proven STEM education programs.
- Emphasizing teacher training to advance content knowledge by supporting programs that encourage STEM majors to enter teaching (e.g., UTeach, Teach for America) and encouraging innovative approaches to learning, such as robotics competitions.
- Partnering with the TI Foundation, which has provided more than \$150 million in support of education programs in the last five years.

High-skilled immigration reform

Access to the world's greatest scientists and engineers is critical to TI's ability to compete, innovate and succeed.

Existing U.S. immigration law is outdated and restrictive, limiting TI's ability to hire highly educated graduates—even from U.S. universities—and placing undue hardships on employees who face multi-year waits for permanent resident status. Innovation moves quickly, and the lack of progress on immigration reform puts the U.S. at a disadvantage.

TI strongly supports science, technology, engineering and mathematics (STEM) education programs and policies to build the domestic talent pipeline. Foreign nationals currently account for 55 percent of master's degree and 63 percent of Ph.D. graduates from U.S. electrical engineering programs.

Efforts

To ensure that TI is able to hire and retain these top graduates of U.S. universities, TI supports:

- Enacting meaningful immigration reform in the 113th Congress. Legislative reform must enable U.S. employers to access top global talent and give

individuals with advanced degrees in STEM from U.S. universities a high priority for permanent resident status.

- TI supports the Senate-passed comprehensive immigration bill (S. 744) and the House SKILLS Visa Act (H.R. 2131), both of which make significant improvements to U.S. immigration laws and address some of TI's key concerns.

Intellectual property protection

TI invests heavily in R&D and enjoys a strong brand based on years of providing customers with quality solutions.

In 2013, TI invested \$1.5 billion in R&D and seeks to protect its intellectual property around the world, including the value of its patent portfolio, trademarks and trade secrets against infringement or misuse.

Counterfeit chips entering the supply chain have become a growing industry concern. The Semiconductor Industry Association (SIA) estimates that counterfeits could cost the U.S. semiconductor industry \$10-11 billion annually. In addition to the economic harm, counterfeits that enter critical defense, medical or automotive applications put lives at risk.

TI is also keenly interested in legislation to reform the patent system, supporting balanced reform that curbs abusive litigation while protecting legitimate patent holders.

Efforts

TI works to prevent counterfeits by:

- Working directly with governments worldwide and through efforts with trade associations such as the SIA.
- Advancing the recommendations of the SIA's white paper "Winning the battle against counterfeit semiconductor products" which include improved procurement practices and greater collaboration with the U.S. and other governments.

TI supports balanced patent reform legislation. Specifically, TI advocates for:

- Curbing abusive litigation while protecting legitimate patent holders.
- Preserving the ability of the International Trade Commission to issue and enforce exclusion orders, which prevent patent infringing products from entering the U.S.
- Opposing the expansion of the covered business method provisions in current law to cover software patents.

Competitiveness

Shaping a favorable business environment

Tax policy

TI advocates for sound and fair federal, state and international tax policies that recognize the global, capital and research nature of the semiconductor industry.

In the United States, TI supports comprehensive tax reform. The last overhaul was concluded in 1986. The U.S. tax code must be updated to ensure the country is a globally competitive business destination and reflect the reality of how U.S. companies operate in global markets.

The federal Research and Development (R&D) tax credit is continually allowed to lapse and is extended retroactively, making it unpredictable, weakening its ability to incentivize R&D and affecting the preparation of financial statements. The tax credit last expired in December 2013.

TI also advocates for sound tax policies in the U.S. and other countries where it has operations.

Efforts

TI's priorities in U.S. federal tax advocacy include:

- Reforming the tax code to set the corporate rate at 25 percent, adopting an international market-based system and enhancing incentives to perform R&D in the United States.
- Securing a permanent extension and enhancement of the R&D tax credit.

In various states, TI supports incentives, such as:

- Continuing and enhancing California's R&D tax incentive.
- Transitioning Maine's current personal property tax reimbursement program on older machinery and equipment to a tax exemption program for all installed production equipment.
- Ensuring a positive tax climate in Texas.

TI supports competitive and non-discriminatory tax policies in the jurisdictions in which it does business around the world.

Environment, safety and health

TI has a strong record of commitment to ensuring a safe workplace and being a responsible steward of the environment.

Environmental regulations, in place or under consideration at the U.S. federal and state levels and in various countries around the world, include restrictions on greenhouse gas emissions, hazardous substances, nanomaterials and various chemicals involved in the manufacturing of semiconductors.

Efforts

TI promotes environmental laws and regulations at the international, federal, state and local levels that are well informed and responsible. Namely, TI is interested in:

- Ensuring that environmental measures are balanced and consistent, and reflect the realities of multinational operations and complex manufacturing processes.
- Discouraging regulations and legislation that would place undue burdens on the company's operations.

Operational flexibility and supply chain

TI's supply chain and operations are core to delivering our innovative products and value to our customers.

TI monitors and participates in policy debates that affect our operational flexibility, such as access to reliable and affordable sources of energy and water, and ensuring an ethical and secure supply chain.

Efforts

Specifically, TI advocates for:

- Affordable and reliable access to electricity and water for TI manufacturing sites. TI supports policies that encourage price stability for these resources and strives to conserve its use of them in its operations.
- Sensible energy policies. TI opposes efforts in Texas to implement an energy capacity market that would impose a significant tax on energy users, without any guarantee that those funds will be invested in new generation of electricity. Studies conducted on capacity markets in other parts of the country show that over 90 percent of capacity payments go to existing power plants and are very costly for energy customers.
- Responsible supply chain policies. TI works with various governments to ensure that efforts to eliminate the use of minerals from conflict sources, including tantalum, tin, gold and tungsten, are accomplished in a feasible and effective manner.