Responsible business practices

GOVERNANCE

Our governance website explains our corporate governance practices and includes additional detail about our leaders, governance documents and board committee responsibilities.

In our 2019 U.S. Securities and Exchange Commission (SEC) Form 10-K, you will find:
• Financial statements. (Part II, Item 8, pages 23-57)
• Taxes paid to governments. (Part II, Item 8, Note 4, pages 38-40)

In our most recent proxy statement, you can read about:
• Voting procedures, quorums and attendance. (page 3)
• Tenure of board members. (page 5)
• Board attendance at annual meetings. (page 11)
• Director independence. (page 11)
• Board evaluation processes. (page 15)
• Director and executive compensation (pages 16-43) and pay ratios. (page 43)
• The compensation committee report. (page 31)
• The audit committee report. (page 44)
• A proposal to ratify the appointment of an independent registered public accounting firm. (page 44)
• The engagement of and fees paid to executive compensation consultants. (page 14)
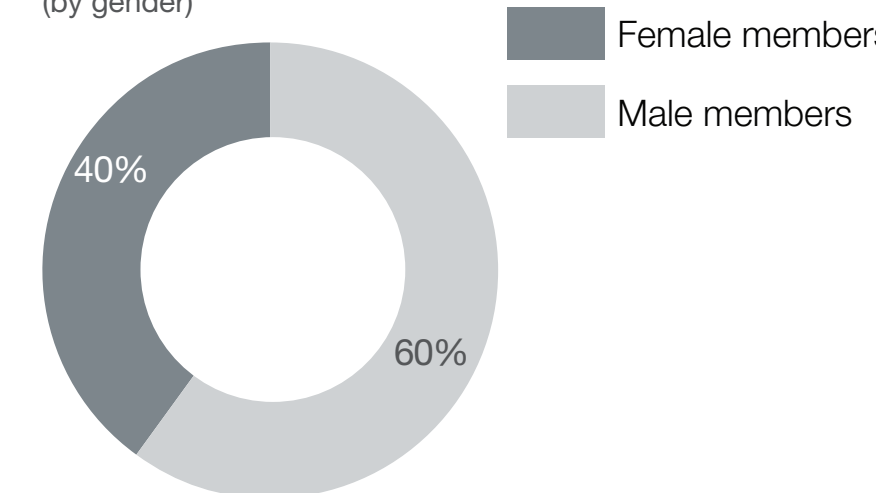
About TI's board of directors

At year-end 2019, TI had a unitary board system with 10 board members, 90% of whom were independent. The age limit to serve is 70. The graphs below offer additional information about TI's board composition in 2019.
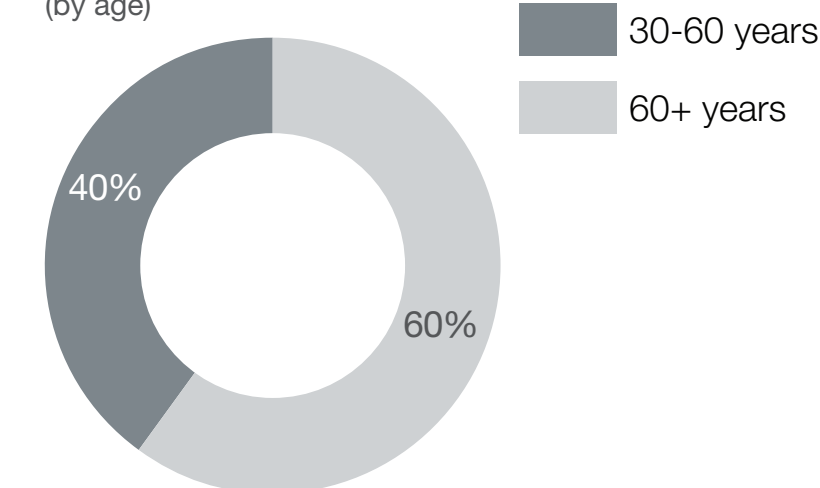
Board members (by race)

- 10% Black
- 10% Hispanic
- 80% Caucasian

Board members (by gender)

- 40% Female members
- 60% Male members
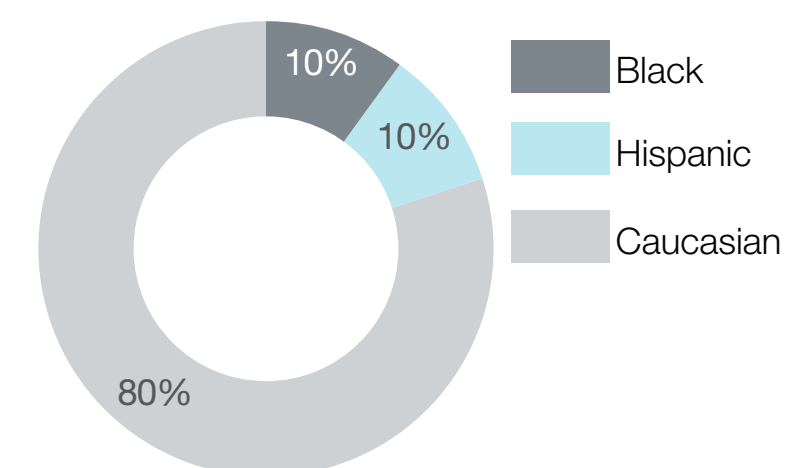
Board members (by age)

- 40% 30-60 years
- 60% 60+ years

RISK MANAGEMENT AND BUSINESS CONTINUITY

TI's ability to adapt in an ever-changing world includes managing business risks and taking advantage of opportunities to achieve its objectives. Continuity of supply and limiting business interruptions reassure customers of our reliability and preserve our reputation, financial position and long-term sustainability.

Understanding our risks

Like any global company, TI continuously monitors and plans for both unanticipated and emerging operational risks, such as cyberattacks, natural disasters and extreme weather events, pandemics, geopolitical issues, social unrest, terrorism or other hostile acts, or supply-chain or product-distribution delays. We mitigate disruptions to our business by continuously monitoring these risks; by developing and modifying plans to address them; and by assessing changes to the global regulatory and political landscape, environmental conditions and continuity of supply.

Risk management

Planning

TI has a robust business continuity planning management system and policy that provides the framework to systematically prepare for and manage risks. Modeled after the ISO 22301 business continuity management standard, the system helps us plan,

implement, monitor and maintain protections against business interruptions. We also conduct business modeling, scenario and impact analysis to develop and refine management strategies, policies and standards, and contingency plans.

This helps us determine:

- Critical business processes that make up our operations, as well as the people accountable for ensuring their viability.

- Possible threats and risks, and whether controls are in place to manage them.

- Process recovery times to ensure that we respond and recover efficiently, and with the right resources.

- Contingency strategies for all critical business processes that pose a high risk to people, our revenue and our reputation.

- Comprehensive recovery strategies to cover all aspects of response and recovery, prioritizing the continuation of products and services.

Our Readiness 2 Recover program helps us measure the effectiveness of and compliance with our own business continuity management requirements. Every two years (or as needed), we conduct risk assessments to identify and rectify existing controls and gaps.

Training

We regularly train executives, directors and other employees with management responsibilities on how to identify issues that may have an immediate or future impact. We teach leaders how to assess and prioritize risks based on the level of severity on the business, our people or our products. Through workshops and tabletop exercises, participants apply what they've learned to actual scenarios. We also ask leaders to evaluate and update contingency strategies based on lessons learned from either real events or scenario-based exercises.

Emergency response planning

We activate our emergency response system depending on the nature and severity of an incident. Our Emergency Response team quickly identifies the appropriate resources, services and infrastructure required to mitigate potential loss. Each TI site has emergency response liaisons trained to coordinate efforts locally, or globally if necessary, and deploy the best response strategies. We also work to provide disaster relief to communities where we operate when natural and other catastrophes occur.

Our incident command process is modeled after the U.S. National Incident Management System and is designed to mitigate impacts. Through detailed risk assessments, we classify risks based on their severity. This enables our 24/7 year-round security communication center to prepare for and deploy resources to ensure the safety of people and the environment, and to reduce operational downtime. To prepare for unforeseen events, we conduct drills, training, tabletop exercises and site-level exercises.

SUPPLY CHAIN RESPONSIBILITY

TI buys materials – for fabrication processes, factory equipment and maintenance, logistics services, and nonproduction supplies and services – from approximately 11,000 suppliers of various types and sizes. Effective supply chain management enables us to reduce costs and waste, streamline efficiencies, and increase our competitiveness. Integrating responsible business practices into our supply chain also helps mitigate risks in our vendors' businesses, and in their labor and environmental practices.

Responsible sourcing

We approach our procurement activities in a way that enables us to purchase intelligently and to coordinate buying power globally. Our worldwide procurement teams oversee various categories of goods and services, set specific procurement strategies, and identify qualified suppliers and the best fulfillment methods. For example:

- We carefully consider a supplier's environmental, human rights and safety record before making purchasing decisions and will not knowingly engage with a supplier that violates our values, code of conduct and other governing documents.

- We specify our performance requirements and expectations in our policies, contracts and purchase orders. Integrating responsible business practices into our supply chain helps mitigate risks.

- We seek suppliers that will create long-term shareholder value as we aim to scale for growth, reduce costs and waste, improve efficiency, and develop innovative approaches to product development.

Additionally, our supply chain management system provides a framework to systematically manage procurement, inventory, manufacturing, quality and distribution processes. It also helps us comply with operational and regulatory standards, track costs and monitor risks. Our management system is certified through:

- ISO Quality Management System 9001, which helps businesses operate efficiently and improves customer satisfaction.

- ISO/Technical Specification 16949, a quality management system for automotive production and relevant service part organizations.

- International Automotive Task Force 16949, an automotive quality management system.

We regularly conduct internal audits of our management system to identify and close gaps. Additionally, the ISO annually evaluates our procurement management system as part of its recertification process.

Expectations of our suppliers

We require that our suppliers demonstrate environmental, social and governance responsibility in all areas of their operations. We also expect them to adhere to our standards, to comply with all laws and regulations, and to achieve and maintain benchmark levels of performance. To maintain a supply chain that can service our needs and meet our requirements for sourcing and human rights, we require all suppliers to adhere to these governing documents:

- Living our values – TI's ambitions, values and code of conduct.

- TI's Supplier Code of Conduct, based on the Responsible Business Alliance (RBA) Code of Conduct, which forbids:
  - Forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking or child labor.
  - Transporting, harboring, recruiting, transferring or receiving persons through threat, force, coercion, abduction or fraud for labor or services.
  - Holding worker identity or immigration documents, or charging fees in exchange for jobs.
  - Substandard living and work conditions.
  - Excessive work hours.
  - Exploitation and discrimination.

- Our Supplier Environmental and Social Responsibility Policy, which outlines our expectations for ESH protection.

- Our Anti-Human Trafficking Statement, which provides information about our efforts to eradicate slavery and human trafficking from our supply chain and business. We do not tolerate human trafficking of any kind.

- Our Conflict Minerals Policy, which describes our expectations to avoid sourcing metals for our products from smelters that help support wars and human rights violations.

- Our General Quality Guidelines, which outline the processes and systems that support our quality expectations. These include making sure that direct material suppliers are certified to international quality standards.

- Our ESH Policy and Principles, which outline suppliers' compliance with applicable regulations and TI ESH policies, standards and specifications.

Additionally, we require that our suppliers:

- Operate in full compliance with the laws and regulations of the countries in which we do business. While these vary, suppliers are responsible for monitoring local legislation and ensuring compliance.
- Have robust ESH policies and management systems, as well as methods to identify and control risks and prove compliance with related laws and regulations.

We strive to provide the kind of transparency we expect from our suppliers. For example:

- Our Eco-Info and Pb-Free websites and material content search enable customers to view materials contained within our products.
- We provide details about our supplier management and monitoring programs and disclose our annual performance in our Anti-Human Trafficking Statement.
- We share findings of the RBA/Global E-Sustainability Initiative's Conflict Minerals Reporting Template with customers as required.
- We meet with stakeholders to address questions about our environmental, supplier management and citizenship activities.

Engagement

When initiating relationships with suppliers, we educate them about our standards and expectations for safe, humane and ethical labor practices, as well as human trafficking, forced labor and workers' rights. We communicate these guidelines in meetings; on our supplier website; and in purchase orders, supplier contracts and other related documents. We also routinely engage and collaborate with industry groups such as the RBA, the Semiconductor Industry Association and Semiconductor Equipment and Materials International to discuss and create supply-chain standards and share best management practices.

Assessing risks

We continually assess risks to our supply chain, whether anticipated (such as emerging regulations) or unexpected (such as natural disasters). We also evaluate suppliers' financial health, concentration in geographic areas and whether they are single-source providers. Our objective is to ensure that our procurement and supplier-management processes are rigorous enough to prevent reputational issues, ordering fulfillment problems, shipping delays or escalated costs. Therefore, we require that suppliers maintain an appropriate business continuity plan in the event of a business interruption and make the contents of such plans available to us upon request. We also require that suppliers communicate with TI and implement their business continuity plan within 24 hours of a triggering incident to ensure continuity of supply.

Risks that we assess include:

- Labor and human rights.
- Environment, safety and health.
- Business ethics.
- Supply management systems.
- Price and trade volatility.
- Conflict minerals.
- Financial health.
- Quality of materials.
- Availability of materials and finished goods.

When using labor providers, we require extensive due diligence and conduct interviews with workers to identify possible exploitation. We also conduct regular audits to evaluate employment contracts, working hours and dormitory conditions.

We prioritize the examination of suppliers based on spend, criticality, and products and services provided, as well as their geographic location. TI deploys three assessment tools to routinely evaluate production suppliers, nonproduction providers and on-site suppliers:

- **Assessments.** We investigate the risks and management systems of prioritized direct material and services suppliers using the RBA's self-assessment questionnaire (SAQ) or internally developed assessments that examine demographics and existing facility policies against sections of the RBA code. The assessments help identify ethical, environmental and social risks, including human rights and forced labor.
- **Audits.** Based on an analysis of the assessments and other risk factors, we identify suppliers to audit, either by TI or independent third-party auditors, against the full or targeted sections of the RBA Code of Conduct. In addition, TI personnel annually conduct audits of suppliers that operate in high-risk regions identified by Transparency International's Corruption Perceptions Index to measure compliance with labor-related sections of the RBA Code. This entails on-site inspections; document reviews to ensure that suppliers do not impose debts and fees on workers; worker and management interviews to assess labor conditions, work hours, wages and restrictions on mobility; and inspections of dormitories. If TI personnel identify any concerns during this process, our purchasing managers work with the supplier to develop corrective action plans, which are tracked until closure.
- **Supplier performance measurement program.** For critical suppliers, we include their performance on the assessments described above in a biannual supplier performance measurement program called CETRAQ, which stands for cost, environment and social responsibility, technology and assurance. The CETRAQ program enables us to:
  - Identify risks in supply and quality that need review by both TI and the suppliers' management team.
  - Encourage continuous improvement through regular supplier performance discussions.
  - Review progress toward supplier improvement plans.

To close the annual assessment cycle, TI's Supply Chain Management team reviews the results and looks for ways to improve processes and policies.

Responsible business practices

Progress against goals

In 2019, we assessed 179 suppliers with 300 factory locations, and 90% met our expectations. The remaining 10% required corrective actions, which included additional training and engagement with workers to explain paychecks and wage withholdings, improving dormitory conditions, and enhancing their policies and recordkeeping.

Training

We deliver online and in-person training on our Supplier Code of Conduct, standards and expectations. We also leverage RBA's training programs to help suppliers understand its code of conduct, labor risks, respecting workers' rights, hiring migrant workers and more.

Grievance mechanisms

TI has established grievance mechanisms to ensure that our buyers or procurement representatives are available to meet with our suppliers to address any questions or concerns. Our Supply-Chain Management team can also assist with identifying and addressing issues inconsistent with our ethics and values. If suppliers prefer, they can contact our Ethics Office to anonymously ask questions or discuss issues.

Our Supplier Code of Conduct requires our suppliers to establish and maintain programs that ensure the confidentiality, anonymity and protection of supplier and employee whistleblowers, unless prohibited by law. Suppliers must have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

Supplier diversity

We set annual goals to do business with minority- and women-owned business entities (MWBEs). For over 20 years, TI has focused on ways to diversify its supply chain with an approach that includes all businesses with a competitive product or service to

Goals and results	2015		2016		2017		2018		2019	
	Goal	Result	Goal	Result	Goal	Result	Goal	Result	Goal	Result
Minority-/women-owned business supplier spend (% of total U.S. supply-chain spend)	6.5%	7.9%	6.5%	8.6%	6.3%	6.4%	8.7%	9.2%	8.5%[13]	10.0%[13]
Targeted suppliers completing environmental and social responsibility assessments (%)	100%	99%	100%	100%	100%	100%	100%	100%	100%	100%
Production suppliers rated as low risk for all facilities on environmental and social responsibility SAQ assessments (%)	Baseline	69%	80%	86%	85%	88%	85%	87%	90%	89%

offer. Most of our supplier diversity engagements are concentrated in the U.S., primarily Texas, where our headquarters and several of our major manufacturing facilities are located, enabling us to contribute to the economic impact on our communities. Additionally, our 2019 goal was to devote 8.5% of our U.S. spend to diverse suppliers. We exceeded that goal by spending 10% with minority- and women-owned businesses.

Human rights in the supply chain
TI is a member of the RBA, an industry coalition dedicated to corporate social responsibility in global supply chains. The RBA provides a set of industry standards in the RBA Code of Conduct that reference international expectations for labor and human rights, including:
- The International Bill of Rights.
- The Universal Declaration of Human Rights.
- The U.N. Guiding Principles on Business and Human Rights.
- International Labor Organization (ILO) International Labor Standards.
- OECD Guidelines for Multinational Enterprises.

Responsible business practices

[13] Our 2019 MBWE goal was lower because one supplier was purchased by another company that did not meet our MBWE certification requirements.

CONFLICT MINERALS

Tantalum, tin, tungsten and gold (3TG) are used in various technologies and electronics, from computers to phones, due to their electrical and noncorrosive properties. These minerals are often referred to as "conflict minerals" because profits from the sale of minerals mined from certain smelters within the Democratic Republic of the Congo (DRC) and adjoining countries have funded wars and related human rights violations in the region for many years. We believe that the purchase of minerals from illicit mines is an important concern globally, and agree that companies should not purchase from such mines.

We are committed to ensuring that our products do not contain minerals derived from sources that finance or benefit armed groups in the DRC or adjoining countries.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that companies disclose the steps they are taking to determine whether the smelters they work with support those conflicts. These reports are independently audited, and TI files them annually with the SEC.

Our approach

We work diligently with our supply chain, including subcontracted manufacturers, to identify and eliminate noncompliant sources of material. For example:

- Before we were required to disclose our due diligence to the SEC, we joined the Responsible Minerals Initiative (RMI). Members of the RBA and Global e-Sustainability Initiative created the RMI to help advance effective policies that address conflict mineral concerns while considering the complexities of the global supply chain. We helped create and test tools that track the sourcing of minerals, conducted smelter outreach and contributed to its initial audit fund. This program works with companies to develop plans to exercise their due diligence over cobalt supply chains in accordance with Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance. TI has started taking steps to eventually disclose the use of cobalt in its supply chain.

- We developed a Conflict Minerals Policy and put management systems and due-diligence procedures in place to identify and remove conflict smelters from our supply chain. These conform with the OECD's Due Diligence Guidance for Responsible Supply Chain from Conflict-Affected and High-Risk Areas, which requires the establishment of policies, structures and procedures, risk management, and communications mechanisms. We distribute our Conflict Minerals Policy to both first- and second-tier suppliers and reinforce their full and prompt response to our information requests.

- We require that suppliers report to us the smelters from which they source minerals and notify us if any person or entity in their supply chain is directly or indirectly financing or benefiting armed groups in the conflicted regions. We then analyze that information and validate it against a list of facilities that have received a "conflict-free" designation from the Responsible Minerals Assurance Process (RMAP), a process developed by RMI and other sources. We initially gathered this information from our top-tier suppliers, but in cases where information was not available, we assessed second-tier suppliers.

- We encourage suppliers to direct all smelters in their supply chains to participate in the RMAP. The RMI notifies TI and other participating companies if any smelter changes its operations or refuses to participate in an audit so that we can take appropriate action.

Our progress

We monitor the conflict-free status of our integrated circuit smelters and continue to close information gaps on our remaining smelters. Integrated circuits refer to finished semiconductor products manufactured by or for TI and packaging subcomponents, such as mold compounds, bond wires and leadframes. It excludes DLP® products, semiconductor modules and other products manufactured by or for TI. Integrated circuits accounted for nearly 92% of TI revenue in 2019.

We collect and audit smelter information from our first- and second-tier suppliers. From our research and information gathering, none of the smelters evaluated to date are financing or benefiting armed groups.

Smelters that potentially supply integrated circuits to TI

1%
11%
246 smelters
88%
2018

1%
1%
222 smelters
98%
2019
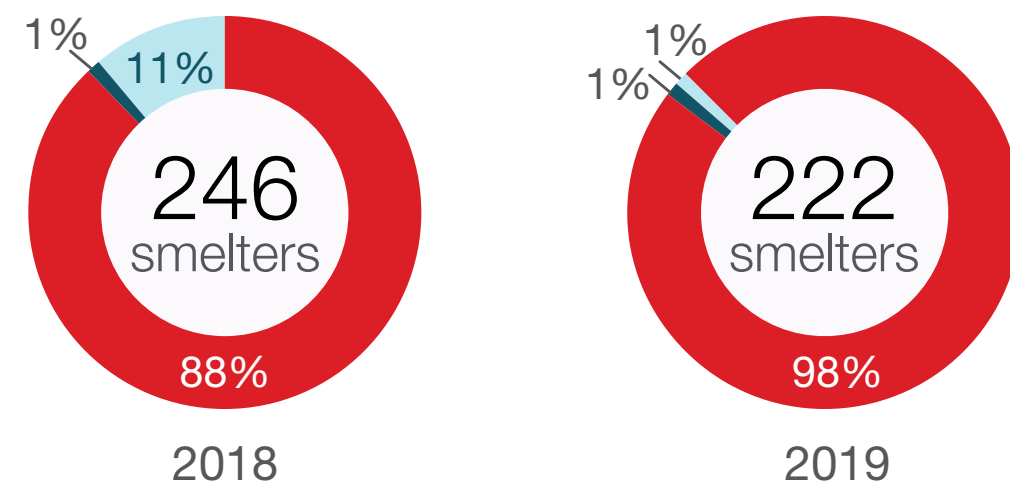
■ **Conflict-free** – Smelters for which we determined, based on an independent third-party audit, that the conflict minerals potentially supplied were conflict-free.

■ **Committed to audit** – Smelters for which we were unable to determine the origin of minerals potentially supplied to us. These smelters agreed to participate in a third-party audit of their conflict status.

■ **Undeterminable** – Smelters for which we were unable to determine the origin of the minerals potentially supplied to us. These smelters did not commit to participating in a third-party audit of their conflict status.

LABOR AND HUMAN RIGHTS AT TI

We believe in respecting one another, protecting human rights and ensuring individual dignity, freedom and respect in our operations.

Our commitment in our operations and supply chain

In addition to the expectations we have for suppliers, Texas Instruments is committed to upholding international human rights and labor standards and the fair and equitable treatment of all employees, contractors and suppliers. In our business and manufacturing operations, all employment is voluntary, pay is fair and consistent with local labor standards and laws, and hours are reasonable. We do not use child labor in any area of our business. Employees have the freedom to associate and/or the right to collective bargaining as provided by local statute. We also periodically conduct global employee surveys and roundtable discussions during on-site visits to better understand site-specific work climates.

Proactively managing labor and human rights risks

Our goal is to have zero human rights allegations in our supply chain and we:

- Conduct periodic risk assessments and due diligence with our suppliers using the OECD Guidelines for Multinational Enterprises.

- Utilize third-party audits, onsite interviews and assessments in high-risk geographies to ensure the rights of employees, suppliers and contractors. These including labor standards, training and awareness-building practices and freedom to associate and incident reporting tools.

How we address concerns if they are raised

To convey workplace concerns and improvement opportunities, employees have multiple channels to contact internal authorities. Anyone can anonymously report allegations of human rights abuse, discrimination or other complaints through a direct supervisor, human resources, our ethics director or calling our ethics line. When we learn of concerns, we immediately evaluate the situation and work to address it.

Responsible business practices

AMBITIONS, VALUES AND ETHICS

Every TIer plays a critical role in upholding our company's ambitions, values, code of conduct and policies, as outlined in Living our values – TI's ambitions, values and code of conduct. As a multinational company, we expect all employees to take personal responsibility for upholding and living our values and operating responsibly and ethically.

Violations of our ambitions, values, code of conduct or policies may be grounds for termination of employment. TI will not tolerate retaliation against those who have reported an issue in good faith. Anyone who retaliates against an employee for these activities is subject to disciplinary action, which may include termination.

Reporting concerns

When a TIer sees behaviors inconsistent with our ambitions, values, code of conduct or policies, it is their responsibility to speak up. They can do so by talking to a manager or human resources.

Anonymous helpline:
- Online at: texasinstruments. alertline.com
- Call U.S. toll-free: 1-888-590-5465

Direct contact:
- Email ethics@ti.com
- Write to P.O. Box 830801, Richardson, Texas 75083-0801

Training and engagement

Our sites are in diverse geographical locations with varied risks of corruption, societal pressures, laws and regulations. We give TIers, managers and leaders the training and tools they need to help them make the right decisions about how they should conduct themselves in business.

Every employee takes training on ethics, compliance topics, core values, environment, safety and health, confidential information protection, information technology security, and avoiding workplace and sexual harassment. Additionally, select employees and staff are trained on human rights topics, and other TIers receive training on fraud prevention, export compliance, the Foreign Corrupt Practices Act, insider trading, global competition law and the RBA Code of Conduct. Finally, we engage top managers on ethics and provide tools for them to promote ethics and compliance within their respective organizations.

Our values

Trustworthy
We start by being trustworthy. We act with integrity and do the right thing, every time. We operate in a socially responsible way. Being trustworthy is foundational for us as a company and as individuals.

Inclusive
We thrive by being inclusive. We create an environment that unlocks everyone's potential, where we treat one another with respect, value our differences, and are encouraged to put our thoughts and ideas on the table.

Innovative
We win by being innovative. We imagine new technologies that produce compelling products, open new markets and improve our competitiveness. We are curious, persistent and determined to overcome barriers.

Competitive
We embrace a competitive world. We hate to lose, so we continuously challenge ourselves to perform at our best. We invest in the best opportunities for sustainable growth. To stay competitive, we attract, develop and retain the best people.

Results-oriented
We are results-oriented and hold ourselves accountable. Our customers have choices, and we act with urgency and deliver on our commitments. We improve our performance every day to help our customers succeed.

INFORMATION PROTECTION

We work continuously to identify and eliminate potential threats to our information technology (IT) infrastructure and our proprietary technologies. This protection is key to business growth and profitability, and required in order to maintain compliance with such regulations as the General Data Protection Regulation and the China Cybersecurity Law.

We work diligently to protect our intellectual property, competitiveness and reputation from potential cybersecurity threats using a variety of techniques, including industry frameworks and security standards and collaboration with experts and industry partners, with whom we exchange information about threats, best practices and trends.

Reducing risks

As computer-based threats and vulnerabilities continue to grow in number and sophistication, so have concerns about information protection from our global partners, suppliers and customers. Our risk management process is based on best practice management and governance frameworks, such as the ISO, the National Institute of Standards and Technology, and Control Objectives for Information and Related Technologies.

Using guidance from these organizations, as well as information collected from our assessments, we develop security plans, policies and protocols to reduce our risks and strengthen our security posture. Our policies range from defining the acceptable use of the company's information assets, to technical requirements for specific technologies, to how we protect personal information and privacy.

Our global Information Security team identifies and responds to potential threats and works with our business units and support teams to improve security. As part of this, we:

- Restrict access to data on our computers, servers, networks and other IT systems.
- Conduct regular phishing and spear-phishing assessments for employees and send accompanying education and awareness communications.
- Monitor and limit the use of USB or thumb drives and external hard drives.

- Monitor IT systems and respond to alerts regarding inappropriate activity.
- Deliver cybersecurity awareness and confidential information protection training to all TIers, and specialized security training to our IT team.
- Conduct risk and compliance assessments of third parties requesting access to our IT resources and information.
- Implement technical measures to protect TI's web presence (TI.com) from external attacks, including protections for our online store.
- Deploy industry-standard protections, such as multifactor authentication, malware defenses and access review processes.

Phishing for awareness
To complement our cybersecurity training, TI employees receive simulated phishing assessments multiple times a year. This provides opportunities to reinforce their training and expose them to a variety of phishing attack themes. As users demonstrate awareness of common phishing tactics, we have increased the difficulty of these assessments over time and will continue to do so.
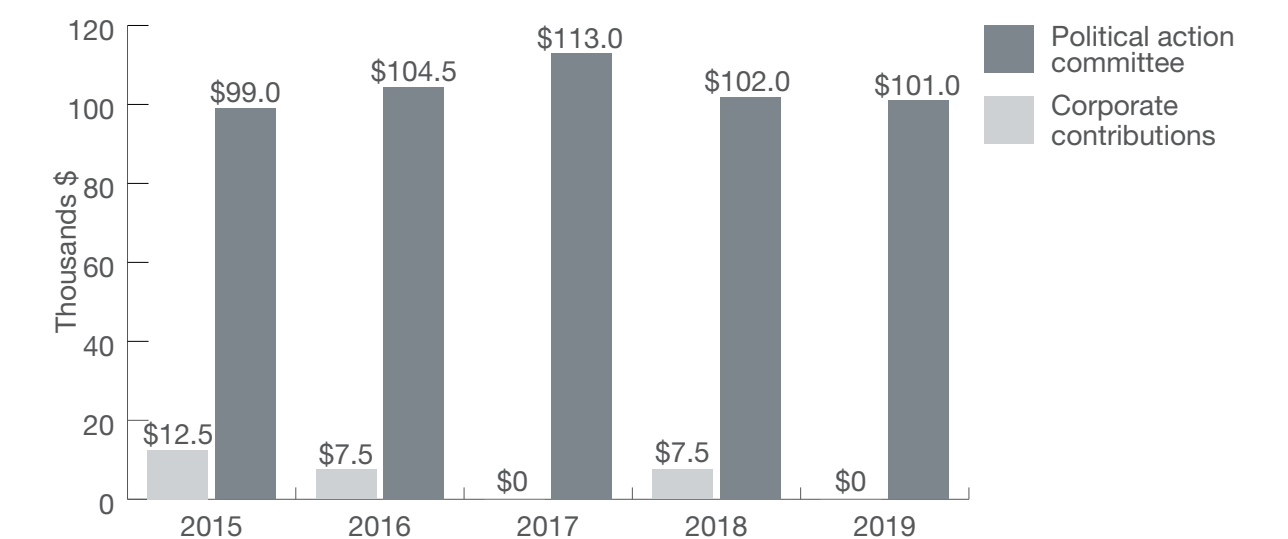
PUBLIC POLICY

We work with governments to advocate for policies that promote our growth, innovation and competitiveness, such as access to talent and policies related to tax, trade and racial equity. Educating policymakers about the implications of their decisions on our business is important to advancing laws and regulations that help sustain our competitiveness and long-term growth.

Visit our Public Policy website to learn about:
• Corporate political activities.
• TI's Political Action Committee.
• Political activity of our employees.
• Policies and expectations.

We belong to many associations with which we collaborate on various policy objectives. We are more active in some organizations than others; we do not work on all issues with every association and may not align on all positions.

Political expenditures

■ Political action committee
□ Corporate contributions

Year	PAC	Corporate
2015	$99.0	$12.5
2016	$104.5	$7.5
2017	$113.0	$0
2018	$102.0	$7.5
2019	$101.0	$0

TI chose not to make any corporate contributions to local ballot initiatives in 2017 and 2019.

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