

TEXAS INSTRUMENTS INC  
Form DEF 14A  
March 04, 2014

United States Securities and  
Exchange Commission  
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant [X]

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Check the appropriate box:

- Preliminary Proxy Statement  Soliciting Material Under Rule 14a-12
- Confidential, For Use of the  
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- Definitive Proxy Statement
- Definitive Additional Materials

Texas Instruments Incorporated  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**April 17, 2014**

Dear Stockholder:

You are cordially invited to attend the 2014 annual meeting of stockholders on Thursday, April 17, 2014, at the cafeteria on our property at 12500 TI Boulevard, Dallas, Texas, at 10:00 a.m. (Central time). At the meeting we will consider and act upon the following matters:

- the election of directors for the next year,
- advisory approval of the company's executive compensation,
- ratification of the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2014,
- approval of the TI Employees 2014 Stock Purchase Plan,
- reapproval of the material terms of the performance goals under the Texas Instruments 2009 Long-Term Incentive Plan, and
- such other matters as may properly come before the meeting.

Stockholders of record at the close of business on February 18, 2014, are entitled to vote at the annual meeting.

**We urge you to vote your shares as promptly as possible by: (1) accessing the Internet website, (2) calling the toll-free number or (3) signing, dating and mailing the enclosed proxy.**

Sincerely,  
Joseph F. Hubach  
Senior Vice President,  
Secretary and  
General Counsel

Dallas, Texas  
March 4, 2014

TEXAS INSTRUMENTS

2014 PROXY STATEMENT 55

## TABLE OF CONTENTS

Voting procedures and quorum	56
Election of directors	58
Nominees for directorship	58
Director nomination process	59
Board diversity and nominee qualifications	59
Communications with the board	61
Corporate governance	61
Annual meeting attendance	61
Director independence	61
Board organization	62
Board and committee meetings	62
Committees of the board	63
Board leadership structure	65
Risk oversight by the board	65
Director compensation	66
2013 director compensation	67
Executive compensation	68
Proposal regarding advisory approval of the company's executive compensation	68
Compensation Discussion and Analysis	69
Compensation Committee report	81
2013 summary compensation table	81
Grants of plan-based awards in 2013	83
Outstanding equity awards at fiscal year-end 2013	84
2013 option exercises and stock vested	86
2013 pension benefits	86
2013 non-qualified deferred compensation	89
Potential payments upon termination or change in control	90
Audit Committee report	93
Proposal to ratify appointment of independent registered public accounting firm	94
Proposal to approve the TI Employees 2014 Stock Purchase Plan	95
Proposal to reapprove the material terms of the performance goals under the Texas Instruments 2009 Long-Term Incentive Plan	97
Equity compensation plan information	99
Additional information	100
Voting securities	100
Security ownership of certain beneficial owners	100
Security ownership of directors and management	101
Related person transactions	102
Compensation committee interlocks and insider participation	103
Cost of solicitation	103
Stockholder proposals for 2015	104
Benefit plan voting	104
Section 16(a) beneficial ownership reporting compliance	104
Telephone and Internet voting	104
Stockholders sharing the same address	105
Electronic delivery of proxy materials	105
Directions and other annual meeting information	106
Exhibit A (TI Employees 2014 Stock Purchase Plan)	A-1
Exhibit B (Texas Instruments 2009 Long-Term Incentive Plan)	B-1

**PROXY STATEMENT MARCH 4, 2014****EXECUTIVE OFFICES**

12500 TI BOULEVARD, DALLAS, TEXAS 75243  
MAILING ADDRESS: P.O. BOX 660199, DALLAS, TEXAS 75266-0199

**VOTING PROCEDURES AND QUORUM**

TI's board of directors requests your proxy for the annual meeting of stockholders on April 17, 2014. If you sign and return the enclosed proxy, or vote by telephone or on the Internet, you authorize the persons named in the proxy to represent you and vote your shares for the purposes mentioned in the notice of annual meeting. This proxy statement and related proxy are being distributed on or about March 4, 2014. If you come to the meeting, you can vote in person. If you do not come to the meeting, your shares can be voted only if you have returned a properly signed proxy or followed the telephone or Internet voting instructions, which can be found on the enclosed proxy. If you sign and return your proxy but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the board of directors. You can revoke your authorization at any time before the shares are voted at the meeting.

A quorum of stockholders is necessary to hold a valid meeting. If at least a majority of the shares of TI common stock issued and outstanding and entitled to vote are present in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum. Broker non-votes occur when a beneficial owner who holds company stock through a broker does not provide the broker with voting instructions as to any matter on which the broker is not permitted to exercise its discretion and vote without specific instruction.

Scheduled to be considered at the meeting are the election of directors, an advisory vote regarding approval of the company's executive compensation, ratification of the appointment of our independent registered public accounting firm, a proposal to approve the TI Employees 2014 Stock Purchase Plan, and a proposal to reapprove the material terms of the performance goals under the Texas Instruments 2009 Long-Term Incentive Plan. Each of these matters is discussed elsewhere in this proxy statement. On each of these matters you may vote for, against or abstain. The vote required for the election of directors and approval of the other matters is shown in the table below.

<b>Matter</b>	<b>Required Vote</b>	<b>Impact of Abstentions or Broker Non-Votes</b>
Election of directors	Majority of votes present in person and by proxy at the meeting and entitled to be cast in the election with respect to a nominee must be cast for that nominee.	Abstentions have the same effect as votes against. Broker non-votes are not counted as votes for or against.
Advisory vote to approve named executive officer compensation	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions and broker non-votes have the same effect as a vote against.
Proposal to approve the TI Employees 2014 Stock Purchase Plan		
Proposal to reapprove the material terms of the performance goals under the Texas Instruments 2009 Long-Term Incentive Plan		
Proposal to ratify appointment of independent registered public accounting firm	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions have the same effect as votes against. (Brokers are permitted to exercise their discretion and vote without specific instruction on this matter. Accordingly, there are no broker non-votes.)
Any other matter that may properly be submitted at the meeting	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions and broker non-votes have the same effect as votes against.

## ELECTION OF DIRECTORS

Directors are elected at the annual meeting to hold office until the next annual meeting and until their successors are elected and qualified. The board of directors has designated the following persons as nominees: RALPH W. BABB, JR., MARK A. BLINN, DANIEL A. CARP, CARRIE S. COX, RONALD KIRK, PAMELA H. PATSLEY, ROBERT E. SANCHEZ, WAYNE R. SANDERS, RUTH J. SIMMONS, RICHARD K. TEMPLETON and CHRISTINE TODD WHITMAN.

If you return a proxy that is not otherwise marked, your shares will be voted FOR each of the nominees.

### Nominees for directorship

All of the nominees for directorship are directors of the company. For a discussion of each nominee's qualifications to serve as a director of the company, please see pages 59-61. If any nominee becomes unable to serve before the meeting, the persons named as proxies may vote for a substitute or the number of directors will be reduced accordingly.

### Directors

**RALPH W. BABB, JR.**

Age 65  
Director since 2010  
*Chair, Audit Committee*

**RONALD KIRK**

Age 59  
Director since 2013  
*Member, Governance and  
Stockholder Relations Committee*

**RUTH J. SIMMONS**

Age 68  
Director since 1999  
*Member, Audit Committee*

**MARK A. BLINN**

Age 52  
Director since 2013  
*Member, Audit Committee*

**PAMELA H. PATSLEY**

Age 57  
Director since 2004  
*Member, Compensation  
Committee*

**RICHARD K. TEMPLETON**

Age 55  
Chairman since 2008 and director  
since 2003

**DANIEL A. CARP**

Age 65  
Director since 1997  
*Member, Governance and  
Stockholder Relations Committee*

**ROBERT E. SANCHEZ**

Age 48  
Director since 2011  
*Member, Compensation  
Committee*

**CHRISTINE TODD WHITMAN**

Age 67  
Director since 2003  
*Chair, Governance and Stockholder  
Relations Committee*

**CARRIE S. COX**

Age 56  
Director since 2004  
*Lead Director; Chair,  
Compensation Committee*

**WAYNE R. SANDERS**

Age 66  
Director since 1997  
*Member, Governance and  
Stockholder Relations Committee*

## Director nomination process

The board is responsible for approving nominees for election as directors. To assist in this task, the board has designated a standing committee, the Governance and Stockholder Relations Committee (the G&SR Committee), which is responsible for reviewing and recommending nominees to the board. The G&SR Committee is comprised solely of independent directors as defined by the rules of The NASDAQ Stock Market (NASDAQ) and the board's corporate governance guidelines. Our board of directors has adopted a written charter for the G&SR Committee. It can be found on our website at [www.ti.com/corporategovernance](http://www.ti.com/corporategovernance).

It is a long-standing policy of the board to consider prospective board nominees recommended by stockholders. A stockholder who wishes to recommend a prospective board nominee for the G&SR Committee's consideration can write to the Secretary of the G&SR Committee, Texas Instruments Incorporated, P.O. Box 655936, MS 8658, Dallas, TX 75265-5936. The G&SR Committee will evaluate the stockholder's prospective board nominee in the same manner as it evaluates other nominees.

In evaluating prospective nominees, the G&SR Committee looks for the following minimum qualifications, qualities and skills:

- Outstanding achievement in the individual's personal career.
- Breadth of experience.
- Soundness of judgment.
- Ability to make independent, analytical inquiries.
- Ability to contribute to a diversity of viewpoints among board members.
- Willingness and ability to devote the time required to perform board activities adequately (in this regard, the G&SR Committee will consider the number of other boards on which the individual serves as a director, and in particular the board's policy that directors should not serve on the boards of more than three other public companies).
- Ability to represent the total corporate interests of TI (a director will not be selected to, nor will he or she be expected to, represent the interests of any particular group).

Stockholders, non-employee directors, management and others may submit recommendations to the G&SR Committee.

Mr. Kirk was elected to the board effective September 19, 2013. He is the only director nominee at the 2014 annual meeting of stockholders who is standing for election by the stockholders for the first time. One of the independent directors identified Mr. Kirk as a potential candidate.

The board believes its current size is within the desired range as stated in the board's corporate governance guidelines.

## Board diversity and nominee qualifications

As indicated by the criteria above, the board prefers a mix of background and experience among its members. The board does not follow any ratio or formula to determine the appropriate mix. Rather, it uses its judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the high standards of board service at the company. The effectiveness of this approach is evidenced by the directors' participation in the insightful and robust yet respectful deliberation that occurs at board and committee meetings and in shaping the agendas for those meetings.

As it considered director nominees for the 2014 annual meeting, the board kept in mind that the most important issues it considers typically relate to the company's strategic direction; succession planning for senior executive positions; the company's financial performance; the challenges of running a large, complex enterprise, including the management of its risks; major acquisitions and divestitures; and significant research and development (R&D) and capital investment decisions. These issues arise in the context of the company's operations, which primarily involve the manufacture and sale of semiconductors all over the world into industrial, automotive, personal electronics, communications equipment and enterprise systems markets.

As described below, each of our director nominees has achieved an extremely high level of success in his or her career, whether at multi-billion dollar multinational corporate enterprises, major U.S. universities or significant governmental organizations. In these positions, each has been directly involved in the challenges relating to setting the strategic direction and managing the financial performance, personnel and processes of large, complex organizations. Each has had exposure to effective leaders and has developed the ability to judge leadership qualities. Ten of them have experience in serving on the board of directors of at least one other major corporation, and two have served in high political office, all of which provides additional relevant experience on which each nominee can draw.

In concluding that each nominee should serve as a director, the board relied on the specific experiences and attributes listed below and on the direct personal knowledge, born of previous service on the board, that each of the nominees brings insight and the willingness to ask difficult questions to board deliberations.





Mr. Babb

- As chairman and CEO of Comerica Incorporated and Comerica Bank (2002-present) and through a long career in banking, has gained first-hand experience in managing large, complex institutions, as well as insight into financial markets, which experience is particularly relevant to the company due to its global presence.
- As Audit Committee chair at the company, chief financial officer of Comerica Incorporated and Comerica Bank (1995-2002), controller and later chief financial officer of Mercantile Bancorporation (1978-1995), and auditor and later audit manager at the accounting firm of Peat Marwick Mitchell & Co. (1971-1978), has gained extensive audit knowledge and experience in audit- and financial control-related matters.

Mr. Blinn

- As CEO and a director of Flowserve Corporation (2009-present), has gained first-hand experience in managing a large, multinational corporation operating in global industrial markets, with ultimate management responsibility for the organization's financial performance and significant capital and R&D investments.
- As chief financial officer of Flowserve Corporation (2004-2009), chief financial officer of FedEx Kinko's Office and Print Services Inc. (2003-2004) and vice president and controller of Centex Corporation (2000-2002), has developed a keen appreciation for audit- and financial control-related matters.

Mr. Carp

- As chairman and CEO (2000-2005) and president (1997-2001, 2002-2003) of Eastman Kodak Company, has gained first-hand experience in managing a large, multinational corporation focused on worldwide electronic consumer markets (which are of relevance to the company), with ultimate management responsibility for the corporation's financial performance and its significant investments in capital and R&D.
- As chairman of the board of directors of Delta Air Lines, Inc. (2007-present), a director of Norfolk Southern Corporation (2006-present) and a former director of Liz Claiborne, Inc. (2006-2009), has helped oversee the strategy and operations of major multinational corporations in various industries, including some that are capital-intensive.

Ms. Cox

- As chairman (2013-present), CEO and a director (2010-present) of Humacyte, Inc., executive vice president and president of Global Pharmaceuticals at Schering-Plough Corporation (2003-2009) and executive vice president and president of Global Prescription Business at Pharmacia Corporation (1997-2003), has gained first-hand experience in managing large, multinational organizations focused on medical-related markets (which are of relevance to the company), with responsibility for those organizations' financial performance and significant capital and R&D investments. Is also a director of Cardinal Health, Inc. (2009-present) and Celgene Corporation (2009-present).

Mr. Kirk

- As U.S. Trade Representative (2009-2013), has gained first-hand experience in managing a complex organization that operates on an international scale and developed insight into issues bearing on global economic activity, international trade policies and strategies and the workings of foreign governments.
- As Senior Of Counsel of Gibson, Dunn & Crutcher LLP (2013-present), and as a partner of Vinson & Elkins, LLP (2005-2009), has gained first-hand experience as an advisor to numerous multinational companies.
- As a director of Brinker International, Inc. (1997-2009) and Dean Foods Company (1997-2009) has helped oversee the strategy and operations of other large corporations.

Ms. Patsley

- As chairman and CEO (2009-present) of MoneyGram International, Inc., senior executive vice president of First Data Corporation (2000-2007) and president and CEO of Paymentech, Inc. (1991-2000), has gained first-hand experience in

managing large, multinational organizations, including the application of technology in the financial services sector, with ultimate management responsibility for their financial performance and significant capital investments.

- As former Audit Committee chair at the company, a member of the audit committee at Dr Pepper Snapple Group, Inc., chief financial officer of First USA, Inc. (1987-1994) and a former auditor at KPMG Peat Marwick for almost six years before joining First USA, has developed a keen appreciation for audit- and financial control-related matters.
- As a director of Dr Pepper Snapple Group, Inc. (2008-present) and a former director of Molson Coors Brewing Company (2005-2009), has helped oversee the strategy and operations of other major multinational corporations.

Mr. Sanchez

- As chairman and CEO (2013-present), president (2012 to present) and chief operating officer (2012) of Ryder System, Inc., and as president of its Global Fleet Management Solutions business segment (2010-2012), has gained first-hand experience in managing a large, multinational, transportation-related organization, with responsibility for the organization's financial performance and significant capital investments.
- As executive vice president and chief financial officer (2007-2010) and as senior vice president and chief information officer (2003-2005) of Ryder System, Inc., has developed a keen appreciation for audit- and financial control-related issues and gained first-hand experience with all technology-related functions of a large, multinational corporation focused on transportation and logistics.

Mr. Sanders

- As chairman (1992-2003) and CEO (1991-2002) of Kimberly-Clark Corporation, has gained first-hand experience in managing a large, multinational consumer goods corporation, with ultimate management responsibility for its financial performance and its significant capital and R&D investments.
- As chairman of Dr Pepper Snapple Group, Inc. (2008-present) and a director of Belo Corporation (2003-2013), has helped oversee the strategy and operations of other large corporations.

Ms. Simmons

- As president of Brown University (2001-2012) and president of Smith College (1995-2001), has gained first-hand experience in managing large, complex institutions, and developed deep insight into the development and training of professionals, including engineers, scientists and technologists, on whom the company relies for its next generation of employees.
- As a director of Chrysler Group LLC (2012-present) and Mondelez International, Inc. (2012-present) and as a former director of The Goldman Sachs Group, Inc. (2000-2010), has helped oversee the strategy and operations of other large corporations.

Mr. Templeton

- As a 33-year veteran of the semiconductor industry, serving the last 18 years at a senior level at the company, including as chairman since 2008, CEO since 2004 and director since 2003, has developed a deep knowledge of all aspects of the company and of the semiconductor industry.

Ms. Whitman

- As Administrator of the Environmental Protection Agency (2001-2003) and Governor of the state of New Jersey (1994-2000), has gained first-hand experience managing a large, complex organization and developed keen insight into the workings of government on the federal and state level and how they might impact company operations.
- As a director of S.C. Johnson & Son, Inc. (2003-present) and United Technologies Corp. (2003-present), has helped oversee the strategy and operations of other large corporations.

**Communications with the board**

Stockholders and others who wish to communicate with the board as a whole, or to individual directors, may write to them at: P.O. Box 655936, MS 8658, Dallas, TX 75265-5936. All communications sent to this address will be shared with the board or the individual director, if so addressed.

**Corporate governance**

The board has a long-standing commitment to responsible and effective corporate governance. The board's corporate governance guidelines (which include the director independence standards), the charters of each of the board's committees, TI's code of business conduct and our code of ethics for our CEO and senior financial officers are available on our website at [www.ti.com/corporategovernance](http://www.ti.com/corporategovernance). Stockholders may request copies of these documents free of charge by writing to Texas Instruments Incorporated, P.O. Box 660199, MS 8657, Dallas, TX 75266-0199, Attn: Investor Relations.

**Annual meeting attendance**

It is a policy of the board to encourage directors to attend each annual meeting of stockholders. Such attendance allows for direct interaction between stockholders and board members. In 2013, all directors then in office attended TI's annual meeting of stockholders.

**Director independence**

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The board has determined that each of our directors is independent except for Mr. Templeton. In connection with this determination, information was reviewed regarding directors' business and charitable affiliations, directors' immediate family members and their employers, and any transactions or arrangements between the company and such persons or entities. The board has adopted the following standards for determining independence.

A. In no event will a director be considered independent if:

1. He or she is a current partner of or is employed by the company's independent auditors;
2. A family member of the director is (a) a current partner of the company's independent auditors or (b) currently employed by the company's independent auditors and personally works on the company's audit;
3. Within the current or preceding three fiscal years he or she was, and remains at the time of the determination, a partner in or a controlling shareholder, an executive officer or an employee of an organization that in the current year or any of the past three fiscal years (a) made payments to, or received payments from, the company for property or services, (b) extended loans to or received

loans from, the company, or (c) received charitable contributions from the company, in an amount or amounts which, in the aggregate in such fiscal year, exceeded the greater of \$200,000 or 2 percent of the recipient's consolidated gross revenues for that year (for purposes of this standard, payments excludes payments arising solely from investments in the company's securities and payments under non-discretionary charitable contribution matching programs); or

4. Within the current or preceding three fiscal years a family member of the director was, and remains at the time of the determination, a partner in or a controlling shareholder or an executive officer of an organization that in the current year or any of the past three fiscal years (a) made payments to, or received payments from, the company for property or services, (b) extended loans to or received loans from the company, or (c) received charitable contributions from the company, in an amount or amounts which, in the aggregate in such fiscal year, exceeded the greater of \$200,000 or 2 percent of the recipient's consolidated gross revenues for that year (for purposes of this standard, payments excludes payments arising solely from investments in the company's securities and payments under non-discretionary charitable contribution matching programs).

B. In no event will a director be considered independent if, within the preceding three years:

1. He or she was employed by the company (except in the capacity of interim chairman of the board, chief executive officer or other executive officer, provided the interim employment did not last longer than one year);
2. He or she received more than \$120,000 during any twelve-month period in compensation from the company (other than (a) compensation for board or board committee service, (b) compensation received for former service lasting no longer than one year as an interim chairman of the board, chief executive officer or other executive officer and (c) benefits under a tax-qualified retirement plan, or non-discretionary compensation);
3. A family member of the director was employed as an executive officer by the company;
4. A family member of the director received more than \$120,000 during any twelve-month period in compensation from the company (excluding compensation as a non-executive officer employee of the company);
5. He or she was (but is no longer) a partner or employee of the company's independent auditors and worked on the company's audit within that time;
6. A family member of the director was (but is no longer) a partner or employee of the company's independent auditors and worked on the company's audit within that time;
7. He or she was an executive officer of another entity at which any of the company's current executive officers at any time during the past three years served on that entity's compensation committee; or
8. A family member of the director was an executive officer of another entity at which any of the company's current executive officers at any time during the past three years served on that entity's compensation committee.

C. No member of the Audit Committee may accept directly or indirectly any consulting, advisory or other compensatory fee from the company, other than in his or her capacity as a member of the board or any board committee. Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the company (provided that such compensation is not contingent in any way on continued service). In addition, no member of the Audit Committee may be an affiliated person of the company except in his or her capacity as a director.

D. With respect to service on the Compensation Committee, the board will consider all factors that it deems relevant to determining whether a director has a relationship to the company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including but not limited to:

1. The source of compensation of the director, including any consulting, advisory or compensatory fee paid by the company to the director; and
2. Whether the director is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

E. For any other relationship, the determination of whether it would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities, and consequently whether the director involved is independent, will be made by directors who satisfy the independence criteria set forth in this section.

For purposes of these independence determinations, company and family member will have the same meaning as under NASDAQ rules.

## **BOARD ORGANIZATION**

**Board and committee meetings**

During 2013, the board held nine meetings. The board has three standing committees described below. The committees of the board collectively held 19 meetings in 2013. Each director attended all of the board and relevant committee meetings combined. Overall attendance at board and committee meetings was 100 percent.

## Committees of the board

### Audit Committee

The Audit Committee is a separately designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. All members of the Audit Committee are independent under NASDAQ rules and the board's corporate governance guidelines. From April 20, 2012, to April 18, 2013, the committee members were Ms. Patsley (Chair), Mr. Babb and Mr. Sanchez. Since April 19, 2013, the committee members have been Mr. Babb (Chair), Mr. Blinn and Ms. Simmons. The Audit Committee is generally responsible for:

- Appointing, compensating, retaining and overseeing TI's independent registered public accounting firm.
- Reviewing the annual report of TI's independent registered public accounting firm related to quality control.
- Reviewing TI's annual reports to the SEC, including the financial statements and the Management's Discussion and Analysis portion of those reports, and recommending appropriate action to the board.
- Reviewing TI's audit plans.
- Reviewing before issuance TI's news releases regarding annual and interim financial results and discussing with management any related earnings guidance that may be provided to analysts and rating agencies.
- Discussing TI's audited financial statements with management and the independent registered public accounting firm, including a discussion with the firm regarding the matters required to be reviewed under applicable legal or regulatory requirements.
- Reviewing relationships between the independent registered public accounting firm and TI.
- Reviewing and discussing the adequacy of TI's internal accounting controls and other factors affecting the integrity of TI's financial reports with management and with the independent registered public accounting firm.
- Creating and periodically reviewing TI's whistleblower policy.
- Reviewing TI's risk assessment and risk management policies.
- Reviewing TI's compliance and ethics program.
- Reviewing a report of compliance of management and operating personnel with TI's code of business conduct, including TI's conflict of interest policy.
- Reviewing TI's non-employee-related insurance programs.
- Reviewing changes, if any, in major accounting policies of the company.
- Reviewing trends in accounting policy changes that are relevant to the company.
- Reviewing the company's policy regarding investments and financial derivative products.

The board has determined that all members of the Audit Committee are financially sophisticated, as the board has interpreted such qualifications in its business judgment. In addition, the board has designated Mr. Babb as the audit committee financial expert as defined in the Securities Exchange Act of 1934, as amended.

The Audit Committee met six times in 2013. The Audit Committee holds regularly scheduled meetings and reports its activities to the board. The committee also continued its long-standing practice of meeting directly with our internal audit staff to discuss the audit plan and to allow for direct interaction between Audit Committee members and our internal auditors. Please see page 93 for a report of the committee.

### Compensation Committee

All members of the Compensation Committee are independent. From April 20, 2012, to April 18, 2013, the committee members were Ms. Cox (Chair), Mr. Sanders and Ms. Simmons. Since April 19, 2013, the committee members have been Ms. Cox (Chair), Ms. Patsley and Mr. Sanchez. The committee is responsible for:

- Reviewing the performance of the CEO and determining his compensation.
- Setting the compensation of the company's other executive officers.
- Overseeing administration of employee benefit plans.
- Making recommendations to the board regarding:
  - ◆ Institution and termination of, revisions in and actions under employee benefit plans that (i) increase benefits only for officers of the company or disproportionately increase benefits for officers of the company more than other employees of the company, (ii) require or permit the issuance of the company's stock or (iii) the board must approve.
  - ◆ Reservation of company stock for use as awards of grants under plans or as contributions or sales to any trustee of any employee benefit plan.
- Taking action as appropriate regarding the institution and termination of, revisions in and actions under employee benefit plans that are not required to be approved by the board.



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- Appointing, setting the compensation of, overseeing and considering the independence of any compensation consultant or other advisor.

The Compensation Committee holds regularly scheduled meetings, reports its activities to the board, and consults with the board before setting annual executive compensation. During 2013, the committee met six times. Please see page 81 for a report of the committee.

In performing its functions, the committee is supported by the company's Human Resources organization. The committee has the authority to retain any advisors it deems appropriate to carry out its responsibilities. The committee retained Pearl Meyer & Partners as its compensation consultant for the 2013 compensation cycle. The committee instructed the consultant to advise it directly on executive compensation philosophy, strategies, pay levels, decision-making processes and other matters within the scope of the committee's charter. Additionally, the committee instructed the consultant to assist the company's Human Resources organization in its support of the committee in these matters with such items as peer-group assessment, analysis of the executive compensation market, and compensation recommendations.

The Compensation Committee considers it important that its compensation consultant's objectivity not be compromised by other engagements with the company or its management. In support of this belief, the committee has a policy on compensation consultants, a copy of which may be found on [www.ti.com/corporategovernance](http://www.ti.com/corporategovernance). During 2013, the committee determined that its compensation consultant was independent of the company and had no conflict of interest.

The Compensation Committee considers executive compensation in a multistep process that involves the review of market information, performance data and possible compensation levels over several meetings leading to the annual determinations in January. Before setting executive compensation, the committee reviews the total compensation and benefits of the executive officers and considers the impact that their retirement, or termination under various other scenarios, would have on their compensation and benefits.

The CEO and the senior vice president responsible for Human Resources, who is an executive officer, are regularly invited to attend meetings of the committee. The CEO is excused from the meeting during any deliberations or vote on his compensation. No executive officer determines his or her own compensation or the compensation of any other executive officer. As members of the board, the members of the committee receive information concerning the performance of the company during the year and interact with our management. The CEO gives the committee and the board an assessment of his own performance during the year just ended. He also reviews the performance of the other executive officers with the committee and makes recommendations regarding their compensation. The senior vice president responsible for Human Resources assists in the preparation of and reviews the compensation recommendations made to the committee other than for her compensation.

The Compensation Committee's charter provides that it may delegate its power, authority and rights with respect to TI's long-term incentive plans, employee stock purchase plan and employee benefit plans to (i) one or more committees of the board established or delegated authority for that purpose; or (ii) employees or committees of employees except that no such delegation may be made with respect to compensation of the company's executive officers.

Pursuant to that authority, the Compensation Committee has delegated to a special committee established by the board the authority to grant a limited number of stock options and restricted stock units under the company's long-term incentive plans. The sole member of the special committee is Mr. Templeton. The special committee has no authority to grant, amend or terminate any form of compensation to TI's executive officers. The Compensation Committee reviews the grant activity of the special committee.

#### Governance and Stockholder Relations Committee

All members of the G&SR Committee are independent. From April 20, 2012, to April 18, 2013, the committee members were Ms. Whitman (Chair) and Mr. Carp. Since April 19, 2013, the committee members have been Ms. Whitman (Chair), Mr. Carp and Mr. Sanders, with Mr. Kirk joining the committee on September 19, 2013. The G&SR Committee is generally responsible for:

- Making recommendations to the board regarding:
  - ◆ The development and revision of our corporate governance principles.
  - ◆ The size, composition and functioning of the board and board committees.
  - ◆ Candidates to fill board positions.
  - ◆ Nominees to be designated for election as directors.
  - ◆ Compensation of board members.
  - ◆ Organization and responsibilities of board committees.
  - ◆ Succession planning by the company.
  - ◆ Issues of potential conflicts of interest involving a board member raised under TI's conflict of interest policy.
  - ◆ Election of executive officers of the company.
  - ◆ Topics affecting the relationship between the company and stockholders.
  - ◆ Public issues likely to affect the company.
  - ◆ Responses to proposals submitted by stockholders.
- Reviewing:
  - ◆ Contribution policies of the company and the TI Foundation.
  - ◆ Revisions to TI's code of ethics.
- Electing officers of the company other than the executive officers.
- Overseeing an annual evaluation of the board and the committee.

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The G&SR Committee met seven times in 2013. The G&SR Committee holds regularly scheduled meetings and reports its activities to the board. Please see page 59 for a discussion of stockholder nominations and page 61 for a discussion of communications with the board.

## Board leadership structure

The board's current leadership structure combines the positions of chairman and CEO, and includes a lead director who presides at executive sessions and performs the duties listed below. The board believes that this structure, combined with its other practices (such as (a) including on each board agenda an opportunity for the independent directors to comment on and influence the proposed strategic agenda for future meetings and (b) holding an executive session at each board meeting), allows it to maintain the active engagement of independent directors and appropriate oversight of management.

The lead director is elected by the independent directors annually. The independent directors have elected Ms. Cox to serve as lead director. The duties of the lead director are to:

- Preside at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors;
- Serve as liaison between the chairman and the independent directors;
- Approve information sent to the board;
- Approve meeting agendas for the board;
- Approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; and
- If requested by major shareholders, ensure that he or she is available for consultation and direct communication.

In addition, the lead director has authority to call meetings of the independent directors.

The board, led by its G&SR Committee, regularly reviews the board's leadership structure. The board's consideration is guided by two questions: would stockholders be better served and would the board be more effective with a different structure. The board's views are informed by a review of the practices of other companies and insight into the preferences of top stockholders, as gathered from face-to-face dialogue and review of published guidelines. The board also considers how board roles and interactions would change if its leadership structure changed. The board's goal is for each director to have an equal stake in the board's actions and equal accountability to the corporation and its stockholders.

The board continues to believe that there is no uniform solution for a board leadership structure. Indeed, the company has had varying board leadership models over its history, at times separating the positions of chairman and CEO and at times combining the two, and now utilizing a lead director.

### Risk oversight by the board

It is management's responsibility to assess and manage the various risks TI faces. It is the board's responsibility to oversee management in this effort. In exercising its oversight, the board has allocated some areas of focus to its committees and has retained areas of focus for itself, as more fully described below.

Management generally views the risks TI faces as falling into the following categories: strategic, operational, financial and compliance. The board as a whole has oversight responsibility for the company's strategic and operational risks (e.g., major initiatives, competitive markets and products, sales and marketing, and research and development). Throughout the year the CEO discusses these risks with the board during strategy reviews that focus on a particular business or function. In addition, at the end of the year, the CEO provides a formal report on the top strategic and operational risks.

TI's Audit Committee has oversight responsibility for financial risk (such as accounting, finance, internal controls and tax strategy). Oversight responsibility for compliance risk is shared by the board committees. For example, the Audit Committee oversees compliance with the company's code of conduct and finance- and accounting-related laws and policies, as well as the company's compliance program itself; the Compensation Committee oversees compliance with the company's executive compensation plans and related laws and policies; and the G&SR Committee oversees compliance with governance-related laws and policies, including the company's corporate governance guidelines.

The Audit Committee oversees the company's approach to risk management as a whole. It reviews the company's risk management process at least annually by means of a presentation by the CFO.

The board's leadership structure is consistent with the board and committees' roles in risk oversight. As discussed above, the board has found that its current structure and practices are effective in fully engaging the independent directors. Allocating various aspects of risk oversight among the committees provides for similar engagement. Having the chairman and CEO review strategic and operational risks with the board ensures that the director most knowledgeable about the company, the industry in which it operates and the competition and other challenges it faces shares those insights with the board, providing for a thorough and efficient process.

## DIRECTOR COMPENSATION

The G&SR Committee has responsibility for reviewing and making recommendations to the board on compensation for non-employee directors, with the board making the final determination. The committee has no authority to delegate its responsibility regarding director compensation. In carrying out this responsibility, it is supported by TI's Human Resources organization. The CEO, the senior vice president responsible for Human Resources and the Secretary review the recommendations made to the committee. The CEO also votes, as a member of the board, on the compensation of non-employee directors.

The compensation arrangements for the non-employee directors are:

- Annual retainer of \$80,000 for board and committee service.
- Additional annual retainer of \$25,000 for service as the lead director.
- Additional annual retainer of \$30,000 for service as chair of the Audit Committee; \$20,000 for service as chair of the Compensation Committee; and \$15,000 for service as chair of the G&SR Committee.
- Annual grant of a 10-year option to purchase TI common stock pursuant to the terms of the Texas Instruments 2009 Director Compensation Plan (Director Plan), which was approved by stockholders in April 2009. The grant date value is \$100,000, determined using a Black-Scholes option-pricing model (subject to the board's ability to adjust the grant downward). These non-qualified options become exercisable in four equal annual installments beginning on the first anniversary of the grant and also will become fully exercisable in the event of termination of service following a change in control (as defined in the Director Plan) of TI. If a director's service terminates due to death, disability or ineligibility to stand for re-election under the company's by-laws, or after the director has completed eight years of service, then all outstanding options held by the director shall continue to full term. If a director's service terminates for any other reason, all outstanding options held by the director shall be exercisable for 30 days after the date of termination, but only to the extent such options were exercisable on the date of termination.
- Annual grant of restricted stock units pursuant to the Director Plan with a grant date value of \$100,000 (subject to the board's ability to adjust the grant downward). The restricted stock units vest on the fourth anniversary of their date of grant and upon a change in control as defined in the Director Plan. If a director is not a member of the board on the fourth anniversary of the grant, restricted stock units will nonetheless settle (i.e., the shares will issue) on such anniversary date if the director has completed eight years of service prior to termination or the director's termination was due to death, disability or ineligibility to stand for re-election under the company's by-laws. The director may defer settlement of the restricted stock units at his or her election. Upon settlement, the director will receive one share of TI common stock for each restricted stock unit. Dividend equivalents are paid on the restricted stock units at the same rate as dividends on TI common stock. The director may defer receipt of dividend equivalents.
- \$1,000 per day compensation for other activities designated by the chairman.
- A one-time grant of 2,000 restricted stock units upon a director's initial election to the board.

The board has determined that grants of equity compensation to non-employee directors will be timed to occur when grants are made to our U.S. employees in connection with the annual compensation review process. Accordingly, such equity grants to non-employee directors are made in January. Please see the discussion regarding the timing of equity compensation grants on page 78.

Directors are not paid a fee for meeting attendance, but we reimburse non-employee directors for their travel, lodging and related expenses incurred in connection with attending board, committee and stockholders meetings and other designated TI events. In addition, non-employee directors may travel on company aircraft to and from these meetings and other designated events. On occasion, directors' spouses are invited to attend board events; the spouses' expenses incurred in connection with attendance at those events are also reimbursed.

Under the Director Plan, some directors have chosen to defer all or part of their cash compensation until they leave the board (or certain other specified times). These deferred amounts were credited to either a cash account or stock unit account. Cash accounts earn interest from TI at a rate currently based on Moody's Seasoned Aaa Corporate Bonds. For 2013, that rate was 3.42 percent. Stock unit accounts fluctuate in value with the underlying shares of TI common stock, which will be issued after the deferral period. Dividend equivalents are paid on these stock units. Directors may also defer settlement of the restricted stock units they receive.

We have arrangements with certain customers whereby our employees may purchase consumer products containing TI components at discounted pricing. In addition, the TI Foundation has an educational and cultural matching gift program. In both cases, directors are entitled to participate on the same terms and conditions available to employees.

Non-employee directors are not eligible to participate in any TI-sponsored pension plan.



**2013 director compensation**

The following table shows the compensation of all persons who were non-employee members of the board during 2013 for services in all capacities to TI in 2013.

Name	Fees Earned or	Stock	Option	Non-Equity	Change in	All Other	Total (\$)
	Paid in	Awards	Awards	Incentive Plan	Pension		
	Cash \$(2)	(\$)(3)	(\$)(4)	Compensation	Value and	Compensation	
					Non-qualified		
					Deferred		
					Earnings (5)		
					Compensation		
					(\$)(6)		
R. W. Babb, Jr.	\$ 100,000	\$ 99,974	\$ 99,995			\$ 20	\$ 299,989
M. A. Blinn (1)	\$ 68,571	\$ 64,960				\$ 10,020	\$ 143,551
D. A. Carp	\$ 80,000	\$ 99,974	\$ 99,995			\$ 703	\$ 280,672
C. S. Cox	\$ 116,667	\$ 99,974	\$ 99,995		\$ 2,617	\$ 20	\$ 319,273
R. Kirk (1)	\$ 22,667	\$ 81,600				\$ 20	\$ 104,287
P. H. Patsley	\$ 98,333	\$ 99,974	\$ 99,995			\$ 20	\$ 298,322
R. E. Sanchez	\$ 80,000	\$ 99,974	\$ 99,995			\$ 10,020	\$ 289,989
W. R. Sanders	\$ 80,000	\$ 99,974	\$ 99,995			\$ 703	\$ 280,672
R. J. Simmons	\$ 80,000	\$ 99,974	\$ 99,995		\$ 551	\$ 5,020	\$ 285,540
C. T. Whitman	\$ 95,000	\$ 99,974	\$ 99,995			\$ 1,020	\$ 295,989

(1) Mr. Blinn was elected effective February 21, 2013, and Mr. Kirk was elected effective September 19, 2013.

(2) Includes amounts deferred at the director's election.

(3) Shown is the aggregate grant date fair value of awards granted in 2013 calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation (ASC 718). The discussion of the assumptions used for purposes of calculating the grant date fair value appears in Note 5 of Exhibit 13 to TI's annual report on Form 10-K for the year ended December 31, 2013.

The table below shows the aggregate number of shares underlying outstanding restricted stock units held by the named individuals as of December 31, 2013.

Name	Restricted Stock Units (in Shares)
R. W. Babb, Jr.	11,025
M. A. Blinn	2,000
D. A. Carp	27,689
C. S. Cox	21,025
R. Kirk	2,000
P. H. Patsley	13,525
R. E. Sanchez	8,138
W. R. Sanders	21,125
R. J. Simmons	27,025
C. T. Whitman	21,025

Each restricted stock unit represents the right to receive one share of TI common stock. For restricted stock units granted prior to 2007, shares are issued at the time of mandatory retirement from the board (age 70) or upon the earlier of termination of service from the board after completing eight years of service or death or disability. For information regarding share

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issuances under restricted stock units granted after 2006, please see the discussion on page 66.

- (4) Shown is the aggregate grant date fair value of awards granted in 2013 calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of calculating the grant date fair value appears in Note 5 of Exhibit 13 to TI's annual report on Form 10-K for the year ended December 31, 2013.



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The table below shows the aggregate number of shares underlying outstanding stock options held by the named individuals as of December 31, 2013.

Name	Options (in Shares)
R. W. Babb, Jr.	36,907
M. A. Blinn	
D. A. Carp	79,907
C. S. Cox	79,907
R. Kirk	
P. H. Patsley	94,907
R. E. Sanchez	26,905
W. R. Sanders	74,657
R. J. Simmons	72,907
C. T. Whitman	94,907

The terms of these options are as set forth on page 66 except that for options granted before November 2006, the exercise price is the average of the high and low price of TI common stock on the date of grant, and for options granted before 2010, the grant becomes fully exercisable upon a change in control of TI.

- (5) SEC rules require the disclosure of earnings on deferred compensation to the extent that the interest rate exceeds a specified rate (Federal Rate), which is 120 percent of the applicable federal long-term interest rate with compounding. Under the terms of the Director Plan, deferred compensation cash amounts earn interest at a rate based on Moody's Seasoned Aaa corporate bonds. For 2013, this interest rate exceeded the Federal Rate by 0.83 percentage points. Shown is the amount of interest earned on the directors' deferred compensation accounts that was in excess of the Federal Rate.
- (6) Consists of (a) the annual cost (\$20 per director) of premiums for travel and accident insurance policies, (b) contributions under the TI Foundation matching gift program of \$10,000 for Messrs. Sanchez and Blinn, \$5,000 for Ms. Simmons and \$1,000 for Ms. Whitman and (c) for Messrs. Carp and Sanders, third-party administration fees for the Director Award Program. Each director whose service commenced prior to June 20, 2002, is eligible to participate in the Director Award Program, a charitable donation program under which we will contribute a total of \$500,000 per eligible director to as many as three educational institutions recommended by the director and approved by us. The contributions are made following the director's death. Directors receive no financial benefit from the program, and all charitable deductions belong to the company. In accordance with SEC rules, we have included the company's annual costs under the program in All Other Compensation of the directors who participate. The cost attributable to each of Messrs. Carp and Sanders for their participation in this program was \$683.

### EXECUTIVE COMPENSATION

We are providing the following advisory vote on named executive officer compensation as required by Section 14A of the Securities Exchange Act. The company holds this vote annually.

#### Proposal regarding advisory approval of the company's executive compensation

The board asks the shareholders to cast an advisory vote on the compensation of our named executive officers. The named executive officers are the chief executive officer, chief financial officer and three other most highly compensated executive officers, as named in the compensation tables on pages 81-93.

Specifically, we ask the shareholders to approve the following resolution:

RESOLVED, that the compensation paid to the company's named executive officers, as disclosed in this proxy statement pursuant to the Securities and Exchange Commission's compensation disclosure rules, including the Compensation Discussion and Analysis,

compensation tables and narrative discussion on pages 69-93 of this proxy statement, is hereby approved.

We encourage shareholders to review the Compensation Discussion and Analysis section of the proxy statement, which follows. It discusses our executive compensation policies and programs and explains the compensation decisions relating to the named executive officers for 2013. We believe that the policies and programs serve the interests of our shareholders and that the compensation received by the named executive officers is commensurate with the performance and strategic position of the company.

Although the outcome of this vote is not binding on the company or the board, the Compensation Committee of the board will consider it when setting future compensation for the executive officers.

**The board of directors recommends a vote FOR the resolution approving the named executive officer compensation for 2013, as disclosed in this proxy statement.**

## Compensation Discussion and Analysis

This section describes TI's compensation program for executive officers. It will provide insight into the following:

- The elements of the 2013 compensation program, why we selected them and how they relate to one another; and
- How we determined the amount of compensation for 2013.

Currently, TI has 14 executive officers. These executives have the broadest job responsibilities and policy-making authority in the company. We hold them accountable for the company's performance and for maintaining a culture of strong ethics. Details of compensation for our CEO, CFO and the three other highest paid individuals who were executive officers in 2013 (collectively called the named executive officers) can be found in the tables beginning on page 81.

### Executive summary

- **TI's compensation program is structured to pay for performance and deliver rewards that encourage executives to think and act in both the short- and long-term interests of our shareholders. The majority of total compensation for our executives each year comes in the form of variable cash and equity compensation. Variable cash is tied to the short-term performance of the company, and the value of equity is tied to the long-term performance of the company. We believe our compensation program holds our executive officers accountable for the financial and competitive performance of TI.**
- **2013 compensation decisions for the CEO:**
  - ◆ Base salary was increased by 3.4 percent over 2012.
  - ◆ The grant date fair value of equity compensation awarded in 2013 was 2 percent higher than in 2012. The number of shares was 11 percent higher than in 2012.
  - ◆ The bonus decision was based primarily on the following performance results in 2013:

	2013 Absolute Performance	2013 Relative Performance**
Revenue Growth: Total TI	-4.8%	Below Median
Revenue Growth without legacy wireless products*	0.9%	Above Median
Profit from Operations as a % of Revenue (PFO%)	23.2%	Above Median
Total Shareholder Return (TSR)	46.3%	Above Median

Year-on-Year Change in CEO Bonus  
(2013 bonus compared to 2012) 11% change

\* Revenue growth for total TI excluding wireless product lines that, as of year-end 2013, we have exited. See note 3 on page 75.

\*\* Relative to semiconductor competitors as outlined on page 74. Includes estimates and projections of certain competitors financial results.

- Our executive compensation program is designed to encourage executive officers to pursue strategies that serve the interests of the company and shareholders, and not to promote excessive risk-taking by our executives. It is built on a foundation of sound corporate governance and includes:
  - ◆ Executive officers do not have employment contracts and are not guaranteed salary increases or bonus amounts.
  - ◆ We have never repriced stock options. We do not grant reload options. We grant equity compensation with double-trigger change-in-control terms, which accelerate the vesting of grants only if the grantee has been terminated involuntarily within a limited time after a change in control of the company.
  - ◆ Bonus and equity compensation awards are subject to clawback under the committee's policy described on page 78.
  - ◆ We do not provide excessive perquisites. We provide no tax gross-ups for perquisites.
  - ◆ We do not guarantee a return or provide above-market returns on compensation that has been deferred.
  - ◆ Pension benefits are calculated on salary and bonus only; the proceeds earned on equity or other performance awards are not part of the pension calculation.



The committee's strategy for setting cash and non-cash compensation is described in the table that follows immediately below. Its compensation decisions for the named executive officers for 2013 are discussed on pages 71-78. Benefit programs in which the executive officers participate are discussed on pages 79-80. Perquisites are discussed on page 80.

**Detailed discussion**

Compensation philosophy and elements

The Compensation Committee of TI's board of directors is responsible for setting the compensation of all TI executive officers. The committee consults with the other independent directors and its compensation consultant, Pearl Meyer & Partners, before setting annual compensation for the executives. The committee chair regularly reports on committee actions at board meetings.

The primary elements of our executive compensation program are as follows:

**Near-term compensation, paid in cash**

Element	Purpose	Strategy	Terms
Base salary	Basic, least variable form of compensation	Pay below market median in order to weight total compensation to the performance-based elements described below in this chart.	Paid twice monthly
Profit sharing	Broad-based program designed to emphasize that each employee contributes to the company's profitability and can share in it	<p>Pay according to a formula that focuses employees on a company goal, and at a level that will affect behavior. Profit sharing is paid in addition to any performance bonus awarded for the year.</p> <p>For the last nine years, the formula has been based on company-level annual operating profit margin. The formula was set by the TI board. The committee's practice has been not to adjust amounts earned under the formula.</p>	<p>Payable in a single cash payment shortly after the end of the performance year</p> <p>As in recent years, the formula for 2013 was:</p> <ul style="list-style-type: none"> <li>● Below 10% company-level annual operating profit as a percentage of revenue ( Margin ): no profit sharing</li> <li>● At 10% Margin: profit sharing = 2% of base salary</li> <li>● At Margin above 10%: profit sharing increases by 0.5% of base salary for each percentage point of Margin between 10% and 24%, and 1% of base salary for each percentage point of Margin above 24%. The maximum profit sharing is 20% of base salary.</li> </ul> <p>In 2013, TI delivered Margin of 23.2%. As a result, all eligible employees, including executive officers, received profit sharing of 8.6% of base salary.</p>

Element	Purpose	Strategy	Terms
Performance bonus	To motivate executives and reward them according to the company's relative and absolute performance and the executive's individual performance	<p>Determined primarily on the basis of one-year and three-year company performance on certain measures (revenue growth percent, operating margin and total shareholder return<sup>1</sup>) as compared to competitors and on our strategic progress in key markets and with customers. These factors have been chosen to reflect our near-term financial performance as well as our progress in building long-term shareholder value.</p> <p>The committee aims to pay total cash compensation (base salary, profit sharing and bonus) appropriately above median if company performance is above that of competitors, and pay total cash compensation appropriately below the median if company performance is below competitors.</p> <p>The committee does not rely on formulas or performance targets or thresholds. Instead it uses its judgment based on its assessment of the factors described above.</p>	Determined by the committee and paid in a single payment after the performance year

**Long-term compensation, awarded in equity**

Stock options and restricted stock units	Alignment with shareholders; long-term focus; retention, particularly with respect to restricted stock units	We grant a combination of nonqualified (NQ) stock options and restricted stock units, generally targeted at the median level of equity compensation awarded to executives in similar positions at the Comparator Group.	The terms and conditions of stock options and restricted stock units are summarized on pages 85-86. The committee's grant procedures are described on page 78.
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Comparator group

The Compensation Committee considers the market level of compensation when setting the salary, bonuses and equity compensation of the executive officers. The committee targets salary below market median in order to weight total compensation to

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performance-based elements. To estimate the market level of pay, the committee uses information provided by its compensation consultant and TI's Compensation and Benefits organization about compensation paid to executives in similar positions at a peer group of companies (the Comparator Group).

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Total shareholder return refers to the percentage change in the value of a stockholder's investment in a company over the relevant time period, as determined by dividends paid and the change in the company's share price during the period. See page 76.

TEXAS INSTRUMENTS

2014 PROXY STATEMENT 71

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The committee sets the Comparator Group. In general, the Comparator Group companies (1) are U.S.-based, (2) engage in the semiconductor business or other electronics or information technology activities, (3) have executive positions comparable in complexity to those of TI and (4) use forms of executive compensation comparable to TI's.

Shown in the table below is the Comparator Group used for the compensation decisions for 2013.

<p>Analog Devices, Inc. Applied Materials, Inc. Broadcom Corporation Computer Sciences Corporation eBay Inc. EMC Corporation Emerson Electric Co. Intel Corporation</p>	<p>Motorola Solutions, Inc. Oracle Corporation* QUALCOMM Incorporated Seagate Technology TE Connectivity Ltd. Western Digital Corporation Xerox Corporation</p>
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\* Removed in July 2013.

The committee set the Comparator Group in July 2012 for the base salary and equity compensation decisions it made in January 2013. For a discussion of the factors considered by the committee in setting the Comparator Group, please see page 71 of the company's 2013 proxy statement.

In July 2013, the committee conducted its regular review of the Comparator Group in terms of industry, revenue and market capitalization. With the advice of its compensation consultant, and to increase the group's overall comparability to TI, the committee removed Oracle, which was at the upper end of the revenue and market capitalization ranges, from the Comparator Group. The committee used that Comparator Group for the bonus decisions in January 2014 relating to 2013 performance. The table below compares the group to TI in terms of revenue and market capitalization.

Company	Revenue (\$ billion)*	Market Cap (\$ billion)*
Intel Corporation	52.7	121.4
QUALCOMM Corporation	24.9	115.7
Emerson Electric Co.	24.7	47.4
EMC Corporation	23.2	49.9
Xerox Corporation	21.4	13.2
eBay Inc.	16.0	68.4
Western Digital Corporation	15.3	17.1
Seagate Technology	14.0	15.6
Computer Sciences Corporation	13.6	7.6
TE Connectivity Ltd.	13.5	21.5
Motorola Solutions, Inc.	8.7	16.6
Broadcom Corporation	8.3	14.1
Applied Materials, Inc.	7.5	21.2
Analog Devices, Inc.	2.6	15.5
<b>Median</b>	<b>14.6</b>	<b>19.1</b>
Texas Instruments Incorporated	12.2	47.0

\* Trailing four-quarter revenue as reported by Thomson Reuters on January 31, 2014. Market capitalization as of December 31, 2013.

### Analysis of compensation determinations for 2013

**Total compensation** Before finalizing the compensation of the executive officers, the committee reviewed all elements of compensation. The information included total cash compensation (salary, profit sharing and projected bonus), the grant date fair value of equity compensation, the impact that proposed compensation would have on other compensation elements such as pension, and a summary of benefits that the executives would receive under various termination scenarios. The review enabled the committee to see how various compensation elements relate to one another and what impact its decisions would have on the total earnings opportunity of the executives. In assessing the information, the committee did not target a specific level of total compensation or use a formula to allocate compensation among the various elements. Instead, it used its judgment in assessing



whether the total was consistent with the objectives of the program. Based on this review, the committee determined that the level of compensation was appropriate.

*Base salary* The committee set the 2013 rate of base salary for the named executive officers as follows:

Officer	2013 Annual Rate	Change from 2012 Annual Rate
R. K. Templeton	\$ 1,075,000	3.4%
K. P. March	\$ 610,000	3.4%
B. T. Crutcher	\$ 675,000	7.1%*
K. J. Ritchie	\$ 625,000	4.2%
R. G. Delagi	\$ 625,000	4.2%*

\* 2012 annual rate includes salary increase in June 2012, when Mr. Crutcher and Mr. Delagi assumed new responsibilities. The committee set the 2013 base-salary rate for each of the named executive officers in January 2013. In keeping with its strategy, the committee set the annual base-salary rates to be below the estimated median level of salaries expected to be paid to similarly situated executives of the Comparator Group in 2013.

The salary differences between the named executive officers were driven primarily by the market rate of pay for each officer, and not the application of a formula designed to maintain a differential between the officers.

*Equity compensation* In 2013, the committee awarded equity compensation to each of the named executive officers. The grants are shown in the grants of plan-based awards in 2013 table on page 83. The grant date fair value of the awards is reflected in that table and in the *Stock Awards* and *Option Awards* columns of the summary compensation table on page 81. The table below is provided to assist the reader in comparing the number of shares, grant date fair values and *NQ Equivalent* levels for each of the years shown in the summary compensation table. *NQ Equivalents* were calculated by treating each restricted stock unit as 3 *NQ Equivalents* and each option share as 1 *NQ Equivalent*. This 3:1 ratio is consistent with the committee's past practice.

Officer	Year	Stock Options (In Shares)	Restricted Stock Units (In Shares)	NQ Equivalents	Grant Date Fair Value*
R. K. Templeton	2013	525,000	175,000	1,050,000	\$9,299,374
	2012	475,000	158,334	950,002	\$9,074,035
	2011	450,000	150,000	900,000	\$9,883,575
K. P. March	2013	150,000	50,000	300,000	\$2,656,964
	2012	150,000	50,000	300,000	\$2,865,478
	2011	137,500	45,834	275,002	\$3,020,004
B. T. Crutcher	2013	225,000	75,000	450,000	\$3,985,446
	2012	187,500	62,500	375,000	\$3,581,848
	2011	162,500	54,167	325,001	\$3,569,080
K. J. Ritchie	2013	200,000	66,667	400,001	\$3,542,630
	2012	175,000	58,334	350,002	\$3,343,079
	2011	162,500	54,167	325,001	\$3,569,080
R. G. Delagi	2013	200,000	66,667	400,001	\$3,542,630
	2012	175,000	58,334	350,002	\$3,343,079
			50,000**	150,000**	\$1,380,000**

\* See notes 2 and 3 to the summary compensation table on page 81 for information on how grant date fair value was calculated.

\*\* Retention grant made in June 2012, when Mr. Crutcher and Mr. Delagi assumed new responsibilities.

In January 2013, the committee awarded equity compensation to each of the named executive officers. The committee's objective was to award to those officers equity compensation that had a grant date fair value at approximately the median market level, in this case the 40<sup>th</sup> to 60<sup>th</sup> percentile of the 3-year average of equity compensation (including an estimate of amounts for 2013) granted by the Comparator Group.



In assessing the market level, the committee considered information presented by TI's Compensation and Benefits organization (prepared using data provided by the committee's compensation consultant) on the estimated value of the awards expected to be granted by the Comparator Group to similarly situated executives. The award value was estimated using the same methodology used for financial accounting.

For each officer, the committee set a number of NQ Equivalents to achieve the desired grant value. The committee decided to allocate the NQ Equivalents for each officer equally between restricted stock units and options to give equal emphasis to promoting retention, motivating the executive and aligning his interests with those of shareholders.

Before approving the grants, the committee reviewed the amount of unvested equity compensation held by the officers to assess its retention value. In making this assessment, the committee used its judgment and did not apply any formula, threshold or maximum. This review did not result in an increase or decrease of the awards from the levels described above.

The exercise price of the options was the closing price of TI stock on January 25, 2013, the third trading day after the company released its annual and fourth quarter financial results for 2012. All grants were made under the Texas Instruments 2009 Long-Term Incentive Plan, which shareholders approved in April 2009.

All grants have the terms described on pages 85-86. The differences in the equity awards between the named executive officers were primarily the result of differences in the applicable estimated market level of equity compensation for their positions, and not the application of any formula designed to maintain differentials between the officers.

*Bonus* In January 2014, the committee set the 2013 bonus compensation for executive officers based on its assessment of 2013 performance. In setting the bonuses, the committee used the following performance measures to assess the company:

- The relative one-year and three-year performance of TI as compared with competitor companies, as measured by
  - revenue growth,
  - operating profit as a percentage of revenue,
  - total shareholder return; and
- The absolute one-year and three-year performance of TI on the above measures.

In addition, the committee considered our strategic progress by reviewing how competitive we are in key markets with our core products and technologies, as well as the strength of our relationships with key customers.

One-year relative performance on the three measures and one-year strategic progress were the primary considerations in the committee's assessment of the company's 2013 performance. In assessing performance, the committee did not use formulas, thresholds or multiples. Because market conditions can quickly change in our industry, thresholds established at the beginning of a year could prove irrelevant by year-end. The committee believes its approach, which assesses the company's relative performance in hindsight after year-end, gives it the insight to most effectively and critically judge results and encourages executives to pursue strategies that serve the long-term interests of the company and its shareholders.

In the comparison of relative performance, the committee used the following companies (the "competitor companies<sup>2</sup>):

Advanced Micro Devices, Inc.	LSI Corporation
Altera Corporation	Marvell Technology Group Ltd.
Analog Devices, Inc.	Maxim Integrated Products, Inc.
Atmel Corporation	Microchip Technology Incorporated
Broadcom Corporation	NVIDIA Corporation
Fairchild Semiconductor International, Inc.	NXP Semiconductors N.V.
Freescale Semiconductor, Ltd.	ON Semiconductor Corporation
Infineon Technologies AG	QUALCOMM Incorporated
Intel Corporation	STMicroelectronics N.V.
Intersil Corporation	Xilinx, Inc.
Linear Technology Corporation	

This list includes both broad-based and niche suppliers that operate in our key markets or offer technology that competes with our products. The committee considers annually whether the list is still appropriate in terms of revenue, market capitalization and changes in business activities of the companies. The committee made no change to the list of competitor companies in 2013.

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To the extent the companies had not released financial results for the year or most recent quarter, the committee based its evaluation on estimates and projections of the companies' financial results for 2013.

74 2014 PROXY STATEMENT

TEXAS INSTRUMENTS

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Assessment of 2013 performance

The committee spent extensive time in December and January assessing TI's results and strategic progress for 2013. The committee considered both quantitative and qualitative data, and it applied judgment in its assessment. Overall, the committee determined that TI's performance was better than the prior year. Absolute performance in the company's core businesses was stronger versus a year ago, and relative performance for total TI was, again, better on most measures (see list of competitor companies above). The committee also noted the increasing strength of TI's strategic position. Commensurate with this performance, the committee set bonuses for executive officers about 10 percent higher than the prior year. Below are details of the committee's performance assessment.

*Revenue and margin*

- TI revenue declined 4.8 percent, which was below the median growth rate of competitor companies. However, this included a \$730 million decline in revenue from legacy wireless products, for which the company has had publicly stated exit plans for a number of years. Excluding the legacy wireless products, TI's revenue grew about 1 percent, better than the median rate of competitors.<sup>3</sup> Revenue for the company's core businesses of Analog and Embedded Processing was up 2.8 percent and 8.6 percent, respectively. This resulted in share gains for both businesses.
- Operating profit margin was 23.2 percent, above the median comparison with competitors.
- Three-year metrics were -4.4 percent compounded annual revenue growth and 20.1 percent average operating profit margin, below and above the median, respectively, as compared with competitors. (Without the impact of the legacy wireless products mentioned above, three-year compounded revenue growth was 1.9 percent, above the median comparison with competitors.)

*Total shareholder return (TSR)*

- TSR was 46.3 percent, which was better than the median performance of competitors.
- The company again generated strong cash, with free cash flow at 24.4 percent of revenue.<sup>4</sup> More than 100 percent of free cash flow was returned to shareholders in 2013 through share repurchases and dividends. Share repurchases of \$2.9 billion reduced outstanding shares by 2.3 percent (net of stock issuances during the year). The quarterly dividend rate increased twice, by 33.3 percent and 7.1 percent, respectively (the 11<sup>th</sup> and 12<sup>th</sup> increases in ten years). These share repurchases and dividend increases are an important element of TI's capital management strategy. TI's business model, with its focus on Analog and Embedded Processing semiconductors, allows the company to consistently generate cash and return it to shareholders, which puts TI within a unique group of companies that do so.
- The balance sheet remained robust, ending the year with cash and short-term investments of \$3.8 billion.
- Three-year TSR increased 13.2 percent, above the median performance of competitors.

*Strategic progress*

- The company's efforts over the past five years to focus on Analog and Embedded Processing semiconductors have yielded strong results. Almost 80 percent of revenue in 2013 came from these core businesses, which serve markets with thousands of possible applications and have dependable long-term growth opportunities. The company's customer base is highly diverse, with no single customer representing more than 7 percent of total revenue.
- The successful integration of National Semiconductor continued, with the associated product lines gaining market share in 2013, a year ahead of schedule.
- Also of note were the company's strategic access to low-cost capacity for future revenue growth, and its strong customer and market share position in China.
- In all, the committee concluded that the strategic condition of the company continued to improve and provides a sustainable competitive advantage.

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3 Revenue excluding legacy wireless products (baseband products, and OMAP applications processors and connectivity products sold into smartphone and consumer tablet applications) is a non-GAAP financial measure. For a reconciliation to GAAP, see the Appendix to this proxy statement.

4 Free cash flow was calculated by subtracting Capital expenditures from the GAAP-based Cash flows from operating activities. Free cash flow and the ratios based on it are non-GAAP financial measures. For a reconciliation to GAAP, see the Appendix to

this proxy statement.

*Performance Summary*

	1-Year	3-Year
Revenue growth	-4.8%	-4.4% CAGR
Operating margin	23.2%	20.1% average
Free cash flow as % of revenue	24.4%	21.5% average
% of free cash flow returned to shareholders	136.0%	111.4% average
Increase in quarterly dividend rate	42.9%	130.8%
Total shareholder return (TSR)	46.3%	13.2% CAGR

CAGR (compound annual growth rate) is calculated using the formula  $(\text{Ending Value}/\text{Beginning Value})^{1/\text{number of years}-1}$ .

One-year TSR % = (adjusted closing price of the company's stock at year-end 2013, divided by 2012 year-end adjusted closing price) minus 1. The adjusted closing price is as shown under Historical Prices for the company's stock on Yahoo Finance and reflects stock splits and reinvestment of dividends.

Three-year TSR CAGR % = (adjusted closing price of the company's stock at year-end 2013, divided by 2010 year-end adjusted closing price) minus 1. Adjusted closing price is as described above.

Before setting the bonuses for the named executive officers, the committee considered the officers' individual performance. The performance of the CEO was judged according to the performance of the company. For the other officers, the committee considered the factors described below in assessing individual performance. In making this assessment, the committee did not apply any formula or performance targets.

Mr. March is the chief financial officer. The committee noted the financial management of the company.

Mr. Crutcher is responsible for the company's analog semiconductor product lines. The committee noted the financial performance and strategic position of the product lines.

Mr. Ritchie is responsible for the company's semiconductor manufacturing operations. The committee noted the performance of those operations, including their cost-competitiveness and inventory management.

Mr. Delagi is responsible for the company's embedded processing and custom product lines. The committee noted the financial performance and strategic position of these product lines.

The bonuses awarded for 2013 performance are shown in the table on page 77. The differences in the amounts awarded to the named executive officers were primarily the result of differences in the officers' level of responsibility and the applicable market level of total cash compensation expected to be paid to similarly situated officers in the Comparator Group. The bonus of each named executive officer was paid under the Executive Officer Performance Plan described on pages 80 and 83.



*Results of the compensation decisions* Results of the compensation decisions made by the committee relating to the named executive officers for 2013 are summarized in the following table. This table is provided as a supplement to the summary compensation table on page 81 for investors who may find it useful to see the data presented in this form. Although the committee does not target a specific level of total compensation, it considers information similar to that in the table to ensure that the sum of these elements is, in its judgment, in a reasonable range. The principal differences between this table and the summary compensation table are explained in footnote 5 below.<sup>5</sup>

Officer	Year	Salary (Annual Rate)	Profit Sharing	Bonus	Equity Compensation (Grant Date Fair Value)	Total
R. K. Templeton	2013	\$ 1,075,000	\$ 92,199	\$3,000,000	\$9,299,374	\$ 13,466,573
	2012	\$ 1,040,000	\$ 48,581	\$2,700,000	\$9,074,035	\$ 12,862,616
	2011	\$ 990,087	\$ 78,118	\$2,700,000	\$9,883,575	\$ 13,651,780
K. P. March	2013	\$ 610,000	\$ 52,317	\$ 965,000	\$2,656,964	\$ 4,284,281
	2012	\$ 590,000	\$ 27,573	\$ 875,000	\$2,865,478	\$ 4,358,051
	2011	\$ 565,008	\$ 44,349	\$ 875,000	\$3,020,004	\$ 4,504,361
B. T. Crutcher	2013	\$ 675,000	\$ 57,728	\$1,210,000	\$3,985,446	\$ 5,928,174
	2012	\$ 630,000*	\$ 27,573	\$1,100,000	\$6,341,848	\$ 8,099,421
	2011	\$ 485,004	\$ 37,873	\$ 925,000	\$3,569,080	\$ 5,016,957
K. J. Ritchie	2013	\$ 625,000	\$ 53,571	\$1,100,000	\$3,542,630	\$ 5,321,201
	2012	\$ 600,000	\$ 27,945	\$1,000,000	\$3,343,079	\$ 4,971,024
	2011	\$ 550,020	\$ 42,873	\$1,000,000	\$3,569,080	\$ 5,161,973
R. G. Delagi	2013	\$ 625,000	\$ 53,571	\$ 865,000	\$3,542,630	\$ 5,086,201
	2012	\$ 600,000*	\$ 26,645	\$ 825,000	\$4,723,079	\$ 6,174,724

\* Annual rate effective June 2012.

For Messrs. Templeton and Ritchie, the Total was higher for 2013 than for 2012 primarily due to the combination of higher bonus levels and the higher grant date fair value of their equity compensation. For Mr. March, the Total was essentially unchanged for 2013 as compared to 2012. For the other officers, the Total was lower for 2013 due to the lower grant date fair value of their equity compensation.

- 5 This table shows the annual rate of base salary as set by the committee. In the summary compensation table, the Salary column shows the actual salary paid in the year. This table has separate columns for profit sharing and bonus. In the summary compensation table, profit sharing and bonus are aggregated in the column for Non-Equity Incentive Plan Compensation, in accordance with SEC requirements. Please see notes 2 and 3 to the summary compensation table for information about how grant date fair value was calculated.

The compensation decisions shown above resulted in the following 2013 compensation mix for the named executive officers:

\* Average data for the named executive officers other than Mr. Templeton.

#### Equity dilution

The Compensation Committee's goal is to keep net annual dilution from equity compensation under 2 percent. Net annual dilution means the number of shares under equity awards granted by the committee each year to all employees (net of award forfeitures) as a percentage of the shares of the company's outstanding common stock. Equity awards granted in 2013 under the company's equity-compensation program resulted in 1.3 percent net annual dilution.

#### Process for equity grants

The Compensation Committee makes grant decisions for equity compensation at its January meeting each year. The dates on which these meetings occur are generally set three years in advance. The January meetings of the board and the committee generally occur in the week or two before we announce our financial results for the previous quarter and year.

On occasion, the committee may grant stock options or restricted stock units to executives at times other than January. For example, it has done so in connection with job promotions and for purposes of retention.

We do not back-date stock options or restricted stock units. We do not accelerate or delay the release of information due to plans for making equity grants.

If the committee meeting falls in the same month as the release of the company's financial results, the committee's practice is to make grants effective (i) after the results have been released or (ii) on the meeting day if later. In other months, its practice is to make them effective on the day of committee action. The exercise price of stock options is the closing price of TI stock on the effective date of the grant.

#### Recoupment policy

The committee has a policy concerning recoupment (clawback) of executive bonuses and equity compensation. Under the policy, in the event of a material restatement of TI's financial results due to misconduct, the committee will review the facts and circumstances and take the actions it considers appropriate with respect to the compensation of any executive officer whose fraud or willful misconduct contributed to the need for such restatement. Such action may include (a) seeking reimbursement of any bonus paid to such officer exceeding the amount that, in the judgment of the committee, would have been paid had the financial results been properly reported and (b) seeking to recover profits received by such officer during the twelve months after the restated period under equity compensation awards. All determinations by the committee with respect to this policy are final and binding on all interested parties.

#### Most recent stockholder advisory vote on executive compensation

In April 2013, our shareholders cast an advisory vote on the company's executive compensation decisions and policies as disclosed in the proxy statement issued by the company in March 2013. Approximately 95 percent of the shares voted on the matter were cast in support of the compensation decisions and policies as disclosed. The committee considered this result and determined that it was not necessary at this time to make any material changes to the company's compensation policies and practices in response to the advisory vote.

Benefits*Retirement plans*

The executive officers participate in our retirement plans under the same rules that apply to other U.S. employees. We maintain these plans to have a competitive benefits program and for retention.

Like other established U.S. manufacturers, we have had a U.S. qualified defined benefit pension plan for many years. At its origin, the plan was designed to be consistent with those offered by other employers in the diverse markets in which we operated, which at the time included consumer and defense electronics as well as semiconductors and materials products. In order to limit the cost of the plan, we closed the plan to new participants in 1997. We gave U.S. employees as of November 1997 the choice to remain in the plan, or to have their plan benefits frozen (i.e., no benefit increase attributable to years of service or change in eligible earnings) and begin participating in an enhanced defined contribution plan. Mr. Templeton and Mr. Crutcher chose not to remain in the defined benefit plan. As a result, their benefits under that plan were frozen in 1997 and they participate in the enhanced defined contribution plan. The other named executive officers have continued their participation in the defined benefit pension plan.

The Internal Revenue Code (IRC) imposes certain limits on the retirement benefits that may be provided under a qualified plan. To maintain the desired level of benefits, we have non-qualified defined benefit pension plans for participants in the qualified pension plan. Under the non-qualified plans, participants receive benefits that would ordinarily be paid under the qualified pension plan but for the limitations under the IRC. For additional information about the defined benefit plans, please see pages 86-90.

Employees accruing benefits in the qualified pension plan, including the named executive officers other than Mr. Templeton and Mr. Crutcher, also are eligible to participate in a qualified defined contribution plan that provides employer matching contributions. The enhanced defined contribution plan, in which Mr. Templeton and Mr. Crutcher participate, provides for a fixed employer contribution plus an employer matching contribution.

In general, if an employee who participates in the pension plan (including an employee whose benefits are frozen as described above) dies after having met the requirements for normal or early retirement, his or her beneficiary will receive a benefit equal to the lump-sum amount that the participant would have received if he or she had retired before death. In 2013, having reached the age of 55 with at least 20 years of employment, Mr. Templeton, Mr. March and Mr. Ritchie were eligible for early retirement under the pension plans.

Because benefits under the qualified and non-qualified defined benefit pension plans are calculated on the basis of eligible earnings (salary and bonus), an increase in salary or bonus may result in an increase in benefits under the plans. Salary or bonus increases for Mr. Templeton and Mr. Crutcher do not result in greater benefits for them under the company's defined benefit pension plans because their benefits under those plans were frozen in 1997. The committee considers the potential effect on the executives' retirement benefits when it sets salary and performance bonus levels.

*Deferred compensation*

Any U.S. employee whose base salary and management responsibility exceed a certain level may defer the receipt of a portion of his or her salary, bonus and profit sharing. Rules of the U.S. Department of Labor require that this plan be limited to a select group of management or highly compensated employees. The plan allows employees to defer the receipt of their compensation in a tax-efficient manner. Eligible employees include, but are not limited to, the executive officers. We have the plan to be competitive with the benefits packages offered by other companies.

The executive officers' deferred compensation account balances are unsecured and all amounts remain part of the company's operating assets. The value of the deferred amounts tracks the performance of investment alternatives selected by the participant. These alternatives are a subset of those offered to participants in the defined contribution plans described above. The company does not guarantee any minimum return on the amounts deferred. In accordance with SEC rules, no earnings on deferred compensation are shown in the summary compensation table on page 81 for 2013 because no above market rates were earned on deferred amounts in that year.

*Employee stock purchase plan*

Our shareholders approved the TI Employees 2005 Stock Purchase Plan in April 2005. Under the plan, all employees in the U.S. and certain other countries may purchase a limited number of shares of the company's common stock at a 15 percent discount. The plan is designed to offer the broad-based employee population an opportunity to acquire an equity interest in the company and thereby align their interests with those of shareholders. Consistent with our general approach to benefit programs, executive officers are also eligible to participate.

*Health-related benefits*

Executive officers are eligible under the same plans as all other U.S. employees for medical, dental, vision, disability and life insurance. These benefits are intended to be competitive with benefits offered in the semiconductor industry.

*Other benefits*

Executive officers receive only a few benefits that are not available to all other U.S. employees. The CEO is eligible for a company-paid physical and financial counseling. In addition, the board of directors has determined that for security reasons, it is in the company's interest to require the CEO to use company aircraft for personal air travel. Please see pages 82 (footnote 6) and 90 for further details. The company provides no tax gross-ups for perquisites to any of the executive officers.

Compensation following employment termination or change in control

None of the executive officers has an employment contract. Executive officers are eligible for benefits on the same terms as other U.S. employees upon termination of employment or a change in control of the company. The current programs are described under the heading Potential Payments upon Termination or Change in Control beginning on page 90. None of the few additional benefits that the executive officers receive continue after termination of employment, except the amount for financial counseling is provided in the following year in the event of retirement. The committee reviews the potential impact of these programs before finalizing the annual compensation for the named executive officers. The committee did not raise or lower compensation for 2013 based on this review.

The Texas Instruments 2009 Long-Term Incentive Plan generally establishes double-trigger change-in-control terms for grants made in 2010 and later years. Under those terms, options become fully exercisable and shares are issued under restricted stock unit awards (to the extent permitted by Section 409A of the IRC) if the grantee is involuntarily terminated within 24 months after a change in control of TI. These terms are intended to encourage employees to remain with the company through a transaction while reducing employee uncertainty and distraction in the period leading up to any such event.

Stock ownership guidelines and policy against hedging

Our board of directors has established stock ownership guidelines for executive officers. The guideline for the CEO is four times base salary or 125,000 shares, whichever is less. The guideline for other executive officers is three times base salary or 25,000 shares, whichever is less. Executive officers have five years from their election as executive officers to reach these targets. Directly owned shares and restricted stock units count toward satisfying the guidelines.

Short sales of TI stock by our executive officers are prohibited. It is against TI policy for any employee, including an executive officer, to engage in trading in puts (options to sell at a fixed price on or before a certain date), calls (similar options to buy), or other options or hedging techniques on TI stock.

Consideration of tax and accounting treatment of compensation

Section 162(m) of the IRC generally denies a deduction to any publicly held corporation for compensation paid in a taxable year to the company's CEO and three other highest compensated officers excluding the CFO, to the extent that the officer's compensation (other than qualified performance-based compensation) exceeds \$1 million. The Compensation Committee considers the impact of this deductibility limit on the compensation that it intends to award. The committee exercises its discretion to award compensation that does not meet the requirements of Section 162(m) when applying the limits of Section 162(m) would frustrate or be inconsistent with our compensation policies and/or when the value of the foregone deduction would not be material. The committee has exercised this discretion when awarding restricted stock units that vest over time, without performance conditions to vesting. The committee believes it is in the best interest of the company and our shareholders that restricted stock unit awards provide for the retention of our executive officers in all market conditions.

The Texas Instruments Executive Officer Performance Plan is intended to ensure that performance bonuses under the plan are fully tax deductible under Section 162(m). The plan, which shareholders approved in 2002, is further described on page 83. The committee's general policy is to award bonuses within the plan, although the committee reserves the discretion to pay a bonus outside the plan if it determines that it is in the best interest of the company and our shareholders to do so. The committee set the bonuses of the named executive officers for 2013 performance at the levels described on page 77. The bonuses were awarded within the plan.

When setting equity compensation, the committee considers the estimated cost for financial reporting purposes of equity compensation it intends to grant. Its consideration of the estimated cost of grants made in 2013 is discussed on pages 73-74.

**Compensation Committee report**

The Compensation Committee of the board of directors has furnished the following report:

The committee has reviewed and discussed the Compensation Discussion and Analysis (CD&A) with the company's management. Based on that review and discussion, the committee has recommended to the board of directors that the CD&A be included in the company's annual report on Form 10-K for 2013 and the company's proxy statement for the 2014 annual meeting of stockholders.

Carrie S. Cox, Chair

Pamela H. Patsley

Robert E. Sanchez

**2013 summary compensation table**

The table below shows the compensation of the company's CEO, CFO and each of the other three most highly compensated individuals who were executive officers during 2013 (collectively called the named executive officers) for services in all capacities to the company in 2013. For a discussion of the amount of a named executive officer's salary and bonus in proportion to his total compensation, please see the CD&A on pages 69-78.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation \$(4)	Change in Pension Value and Non-qualified Deferred Compensation Earnings \$(5)	All Other Compensation (\$)
Richard K. Templeton Chairman, President & Chief Executive Officer	2013	\$ 1,072,083		\$ 5,740,000	\$ 3,559,374	\$ 3,092,199		\$ 249,000
	2012	\$ 1,035,841		\$ 5,123,688	\$ 3,950,347	\$ 2,748,581	\$ 185,472	\$ 272,000
	2011	\$ 990,087		\$ 5,194,500	\$ 4,689,075	\$ 2,778,118	\$ 149,704	\$ 254,000
Kevin P. March Senior Vice President & Chief Financial Officer	2013	\$ 608,333		\$ 1,640,000	\$ 1,016,964	\$ 1,017,317		\$ 80,000
	2012	\$ 587,917		\$ 1,618,000	\$ 1,247,478	\$ 902,573	\$ 1,065,717	\$ 200,000
	2011	\$ 562,091		\$ 1,587,231	\$ 1,432,773	\$ 919,349	\$ 896,326	\$ 390,000
Brian T. Crutcher Senior Vice President	2013	\$ 671,250		\$ 2,460,000	\$ 1,525,446	\$ 1,267,728		\$ 100,000
	2012	\$ 587,917		\$ 4,782,500	\$ 1,559,348	\$ 1,127,573	\$ 1,005	\$ 95,000
	2011	\$ 480,007		\$ 1,875,803	\$ 1,693,277	\$ 962,873	\$ 696	\$ 49,000
Kevin J. Ritchie Senior Vice President	2013	\$ 622,917		\$ 2,186,678	\$ 1,355,952	\$ 1,153,571		\$ 70,000
	2012	\$ 595,835		\$ 1,887,688	\$ 1,455,391	\$ 1,027,945	\$ 1,371,918	\$ 190,000
	2011	\$ 543,385		\$ 1,875,803	\$ 1,693,277	\$ 1,042,873	\$ 1,143,408	\$ 130,000
R. Gregory Delagi Senior Vice President	2013	\$ 622,917		\$ 2,186,678	\$ 1,355,952	\$ 918,571		\$ 54,000
	2012	\$ 568,125		\$ 3,267,688	\$ 1,455,391	\$ 851,645	\$ 990,491	\$ 23,000

(1) Performance bonuses for 2013 were paid under the Texas Instruments Executive Officer Performance Plan. In accordance with SEC requirements, these amounts are reported in the Non-Equity Incentive Plan Compensation column.

(2) Shown is the aggregate grant date fair value of restricted stock unit (RSU) awards calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2013

appears in Note 5 of Exhibit 13 to TI's annual report on Form 10-K for the year ended December 31, 2013. For a description of the grant terms, please see page 86. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2012 and 2011 appears in Exhibit 13 to, respectively, TI's annual report on Form 10-K for the year ended December 31, 2012 (pages 14-16) and to TI's annual report on Form 10-K for the year ended December 31, 2011 (pages 14-16).

(3)

Shown is the aggregate grant date fair value of options calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of the valuation of options granted in 2013 appears in Note 5 of Exhibit 13 to TI's annual report on Form 10-K for the year ended December 31, 2013. For a description of the grant terms, please see page 85. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2012 and 2011 appears in Exhibit 13 to, respectively, TI's annual report on Form 10-K for the year ended December 31, 2012 (pages 14-16) and to TI's annual report on Form 10-K for the year ended December 31, 2011 (pages 14-16).

- (4) Consists of performance bonus and profit sharing for 2013. Please see page 77 for the amounts of bonus and profit sharing paid to each of the named executive officers for 2013.
- (5) The company does not pay above-market earnings on deferred compensation. Therefore, no amounts are reported in this column for deferred compensation. The amounts in this column represent the change in the actuarial value of the named executive officers' benefits under the qualified defined benefit pension plan (TI Employees Pension Plan) and the non-qualified defined benefit pension plans (TI Employees Non-Qualified Pension Plan and TI Employees Non-Qualified