

TEXAS INSTRUMENTS INC
Form DEF 14A
March 07, 2008

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
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- 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, 2008**

Dear Stockholder:

You are cordially invited to attend the **2008 annual meeting of stockholders on Thursday, April 17, 2008**, at the cafeteria on our property at 12500 TI Boulevard, Dallas, Texas, at 10:00 a.m. (Dallas time). At the meeting we will:

- Elect directors for the next year.
- Consider and act upon a board proposal to ratify the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2008.
- Consider and act upon such other matters, including a stockholder proposal, as may properly come before the meeting.

Stockholders of record at the close of business on February 19, 2008, are entitled to vote at the annual meeting.

We urge you to vote your shares as promptly as possible by: (1) accessing the Internet web site, (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 7, 2008

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MAILING ADDRESS: POST OFFICE BOX 660199, DALLAS, TEXAS 75266-0199

PROXY STATEMENT

March 7, 2008

VOTING PROCEDURES

TI's board of directors requests your proxy for the annual meeting of stockholders on April 17, 2008. 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 7, 2008.

If you come to the meeting, you can of course vote in person. But if you don't 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. 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.

ELECTION OF DIRECTORS

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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: JAMES R. ADAMS, DAVID L. BOREN, DANIEL A. CARP, CARRIE S. COX, DAVID R. GOODE, PAMELA H. PATSLEY, 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 now directors of the company. If any nominee becomes unable to serve before the meeting, the people named as proxies may vote for a substitute or the number of directors will be reduced accordingly.

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JAMES R. ADAMS *Director*

Member, Governance and Stockholder Relations Committee.

Chairman of the board of the company, 1996-98. Group president, SBC Communications Inc., 1992-95; president and chief executive officer of Southwestern Bell Telephone Company, 1988-92.

DAVID L. BOREN *Director*

Chair, Governance and Stockholder Relations Committee.

President of the University of Oklahoma since 1994. U.S. Senator, 1979-94; Governor of Oklahoma, 1975-79. Director, AMR Corporation and Torchmark Corporation; chairman, Oklahoma Foundation for Excellence.

DANIEL A. CARP *Director*

Chair, Compensation Committee.

Chairman of the board and chief executive officer of Eastman Kodak Company, 2000-2005; director, 1997-2005. President of Eastman Kodak, 1997-2001, 2002-2003; chief operating officer, 2002-2003. Chairman of the board, Delta Air Lines, Inc.; director, Liz Claiborne, Inc. and Norfolk Southern Corporation.

CARRIE S. COX *Director*

Member, Audit Committee.

Executive vice president and president of Global Pharmaceuticals at Schering-Plough Corporation since 2003. Executive vice president and president of Global Prescription Business at Pharmacia Corporation, 1997-2003.

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DAVID R. GOODE *Director*

Member, Governance and Stockholder Relations Committee.

Chairman of the board of Norfolk Southern Corporation, 1992-2006; chief executive officer, 1992-2005; president, 1991-2004. Director, Caterpillar, Inc., Delta Air Lines, Inc. and Russell Reynolds Associates, Inc.;

member, The Business Council.

PAMELA H. PATSLEY *Director*

Chair, Audit Committee.

Senior executive vice president of First Data Corporation, 2000-2007; president of its subsidiaries First Data International, 2002-2007 and First Data Merchant Services, 2000-2002. President and chief executive officer of Paymentech, Inc., 1991-2000. Director, Molson Coors Brewing Company and Tolleson Wealth Management, Inc.; national trustee, Boys and Girls Clubs of America.

WAYNE R. SANDERS *Director*

Member, Audit Committee.

Chairman of the board of Kimberly-Clark Corporation, 1992-2003; chief executive officer, 1991-2002; director, 1989-2003. Director, Belo Corporation; national trustee and governor, Boys and Girls Clubs of America.

RUTH J. SIMMONS *Director*

Member, Compensation Committee.

President of Brown University since 2001. President of Smith College, 1995-2001; vice provost of Princeton University, 1992-95. Director, The Goldman Sachs Group, Inc.; fellow, American Academy of Arts and Sciences; member, Council on Foreign Relations; trustee, Howard University.

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RICHARD K. TEMPLETON *Director, President and Chief Executive Officer*

President and chief executive officer of the company since 2004. Chief operating officer of the company, 2000-2004. Joined the company in 1980; elected president of the company's Semiconductor Group and executive vice president in 1996. Director, Semiconductor Industry Association; member, The Business Roundtable.

CHRISTINE TODD WHITMAN *Director*

Member, Compensation Committee.

Director and president of The Whitman Strategy Group. Administrator of the Environmental Protection Agency, 2001-2003; Governor of New Jersey, 1994-2000. Director, Council on Foreign Relations, S.C. Johnson & Son, Inc. and United Technologies Corp.

Retiring Director

Thomas J. Engibous, a highly valued leader and member of the board, will retire as chairman immediately after the annual meeting and, therefore, is not standing for reelection. Mr. Engibous has been chairman since 1998 and president and chief executive officer of the company from 1996-2004. He is also a director of J.C. Penney Company, Inc.

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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 Committee), which is responsible for reviewing and recommending nominees to the board. The Committee is comprised solely of independent directors as defined by the rules of the New York Stock Exchange (NYSE) and the board's corporate governance guidelines. Our board of directors has adopted a written charter for the Committee. The charter can be found on our web site at 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 Committee's consideration can write to the Secretary of the Governance and Stockholder Relations Committee, Texas Instruments Incorporated, Post Office Box 655936, MS 8658, Dallas, Texas 75265-5936. The Committee will evaluate the stockholder's prospective board nominee in the same manner as it evaluates other nominees.

In evaluating prospective nominees, the 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 Committee will consider the number of other boards on which the individual serves as a director).
- 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-management directors, management and others may submit recommendations to the Committee. The board prefers a mix of experience among its members to maintain a diversity of viewpoints. For example, some board members may have spent much of their careers in business, some in government and some in academia. The board's current size is within the desired range as stated in the board's corporate governance guidelines.

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: Post Office Box 655936, MS 8658, Dallas, Texas 75265-5936. All communications sent to this address will be shared with the board or the individual director, if so addressed.

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 members of the board. In 2007, all directors attended TI's annual meeting of stockholders.

Director Independence

The board has adopted the following standards for determining independence.

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

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1. He or she is a current partner of or is employed by the company's independent auditors; or
 2. An immediate 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 participates in the auditors' audit, assurance or tax compliance (but not tax planning) practice.
- 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) or any of its subsidiaries;
 2. He or she received more than \$100,000 during any twelve-month period in direct compensation from TI (other than (a) director and committee fees and pension or other forms of deferred compensation and (b) compensation received for former service as an interim chairman of the board, chief executive officer or other executive officer);
 3. An immediate family member of the director was employed as an executive officer by the company or any of its subsidiaries;
 4. An immediate family member of the director received more than \$100,000 during any twelve-month period in direct compensation from TI (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 personally worked on the company's audit within that time;
 6. An immediate family member of the director was (but is no longer) a partner or employee of the company's independent auditors and personally worked on the company's audit within that time;
 7. He or she was an executive officer of another company, at which any of TI's current executive officers at the same time served on that company's compensation committee;
 8. An immediate family member of the director was an executive officer of another company at which any of TI's current executive officers at the same time served on that company's compensation committee;
 9. He or she was, and remains at the time of the determination, an executive officer or employee of a company that made payments to, or received payments from, TI for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2 percent of the other company's consolidated gross revenues for its last completed fiscal year (for purposes of this standard, charitable contributions are not considered "payments"); or
 10. An immediate family member of the director was, and remains at the time of the determination, an executive officer of a company that made payments to, or received payments from, TI for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2 percent of the other company's consolidated gross revenues for its last completed fiscal year (for purposes of this standard, charitable contributions are not

considered [payments]).

- C. Audit Committee members may not accept any consulting, advisory or other compensatory fee from TI, other than in their capacity as members 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 TI (provided that such compensation is not contingent in any way on continued service).

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- D. The following relationships will not be considered material relationships with the company for the purpose of determining director independence:

1. A director is an employee, director or trustee of a charitable organization and TI or the TI Foundation makes discretionary contributions to that organization that are less than the greater of \$50,000 or 2 percent of the organization's latest publicly available consolidated gross revenue.
2. A director is an employee, director or trustee of another entity that is indebted to TI or to which TI is indebted, and the total amount of either company's indebtedness to the other is less than 2 percent of the total consolidated assets of the entity he or she serves as an executive officer, director or trustee.

For any other relationship, the determination of whether the relationship is material, 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, [immediate family member] will have the same meaning as under the NYSE rules.

Applying these standards, the board has determined that the following directors have no material relationship with the company other than as a director and are, therefore, independent: Mr. Adams, Mr. Boren, Mr. Carp, Ms. Cox, Mr. Goode, Ms. Patsley, Mr. Sanders, Ms. Simmons and Ms. Whitman. In its deliberations, the board considered Mr. Adams's employment by the company in the role of independent chairman of the board from 1996 to 1998, and noted that the board's independence standards specifically permit employment of an independent director as interim chairman with no effect on that director's status (please see B.1. above). The board also considered a charitable contribution the company made to an organization for which Ms. Patsley and Mr. Sanders serve as national trustees. The amount of the contribution was well within the [safe harbor] for charitable contributions contained in the independence standards (please see D.1. above). Gerald W. Fronterhouse, who served as a director of the company before reaching the age of 70 and becoming ineligible to stand for reelection in April 2007, also had been determined by the board to be independent.

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Directors' Ages, Service and Stock Ownership

The table below shows the directors' ages and beneficial ownership of common stock of the company and the year each became a director.

Director	Age	Director Since	Common Stock Ownership at December 31, 2007*
J. R. Adams	68	1989	436,112
D. L. Boren	66	1995	76,611
D. A. Carp	59	1997	131,936

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C. S. Cox	50	2004	26,465
T. J. Engibous	55	1996	5,681,496
D. R. Goode	67	1996	130,550
P. H. Patsley	51	2004	33,110
W. R. Sanders	60	1997	114,515
R. J. Simmons	62	1999	99,651
R. K. Templeton	49	2003	5,110,403
C. T. Whitman	61	2003	41,887

* Included in the common stock ownership shown above are:

Director	Shares	Shares	Restricted	Shares
	Obtainable	To 401(k) and Profit Sharing	Stock Units (in shares)	To Deferred Compensation
	Within 60 Days	Accounts	(1)	Account (2)
J. R. Adams	95,500	3,482	21,012	24,219
D. L. Boren	48,000	0	25,380	3,231
D. A. Carp	95,500	0	11,164	25,272
C. S. Cox	20,500	0	4,500	0
T. J. Engibous	5,559,697	18,296	0	0
D. R. Goode	95,500	0	16,132	18,918
P. H. Patsley	20,500	0	4,500	8,110
W. R. Sanders	95,500	0	12,100	1,315
R. J. Simmons	75,500	0	10,500	13,651
R. K. Templeton	4,477,697	11,198	620,000	0
C. T. Whitman	35,500	0	4,500	1,887

(1) The non-employee directors' restricted stock units granted before 2007 are settled in TI stock generally upon the director's termination of service provided he or she has served at least eight years or has reached the company's retirement age for directors. Restricted stock units granted after 2006 are settled in TI stock generally upon the fourth anniversary of the grant date.

(2) The shares in deferred compensation accounts are issued following the director's termination of service.

Excludes shares held by a family member if a director has disclaimed beneficial ownership. Each director owns less than 1 percent of TI's common stock. No director has pledged shares of TI common stock.

CORPORATE GOVERNANCE

The board has a long-standing commitment to responsible and effective corporate governance. A full description of our board's corporate governance practices is available at www.ti.com/corporategovernance.

TI's board of directors first adopted written governance guidelines and committee charters in 1973. Its policies and practices have evolved over time, adapting to meet the needs of TI and our stockholders, although some practices, such as maintaining a majority of independent directors, are of long standing. Our board's commitment to governance is evidenced by the time members devote to TI matters. Historically the board has met at least eight

times a year. TI directors have also long participated in strategic planning conferences in addition to the regular board meetings. Directors interact directly with managers other than the chief executive officer at board meetings and the strategic planning conferences. This practice facilitates the directors' oversight efforts and also gives directors opportunities to evaluate those managers, aiding directors in succession planning considerations. The board and each of its committees conduct evaluations annually; changes to processes such as agenda setting, and expanded presentations to the board on certain topics, are examples of improvements that have resulted from those evaluations.

The Governance and Stockholder Relations Committee typically considers and makes recommendations to our board on governance matters. Membership of the committee is determined by our board and the committee consists entirely of independent directors. On page 13 of this proxy statement is a summary of the committee's responsibilities.

Our board regularly undertakes an assessment of its governance practices. Following are examples of significant governance practices at TI:

- Majority voting. Under TI's by-laws, a director nominee must receive an affirmative vote from a majority of the shares present at the company's annual meeting of stockholders in order to be elected. The board believes this majority vote standard appropriately gives stockholders a greater voice in the election of directors than does plurality voting. Under Delaware law, an incumbent director who fails to receive the required vote "holds over," or continues to serve as a director, until his or her successor is elected and qualified. In order to address this "holdover" issue, board policy requires an incumbent nominee who fails to receive the required vote to tender a resignation. Following receipt of such a resignation, the board is required to act on it within 90 days of the certification of the vote. In considering whether to accept or reject the resignation, the board will consider all factors it deems relevant, including the underlying reason for the vote result, the director's contributions to the company during his or her tenure, and the director's qualifications. The board may accept or reject the resignation. Only independent directors will participate in the deliberations regarding a tendered resignation.
- The roles of chairman and chief executive officer. The board has no fixed policy on whether the roles of chairman and chief executive officer should be separated or held by the same person. Instead, the board prefers to maintain the flexibility to determine the leadership structure that serves the company best at any given time. As a result, the board has at times separated the roles of chief executive officer and chairman, and at times it has preferred that the chief executive officer simultaneously serve as chairman. Factors that can influence the board's determination include the chief executive officer's tenure in that position and his level of experience with the board and its activities.
- Retirement age and term limits. Our board maintains a retirement age of 70 for directors. The board has considered whether to institute term limits but concluded that term limits can result in the loss of directors who have developed, over a period of time, an in-depth understanding of the company and its strategic objectives, operations and challenges and, therefore, provide a valuable contribution to the board as a whole.
- Executive sessions and "lead director." Non-management directors of the board meet in executive session at each regularly scheduled meeting and at such other times as the committee recommends. Any management director, such as the chief executive officer, is excluded from these executive sessions. The chair of the appropriate board committee acts as chair at executive sessions at which the principal item to be considered is within the scope of authority of his or her committee or, if there is no single principal item, the chair of the Governance and Stockholder Relations Committee. This practice, by providing opportunities for leadership to more than one independent director, more fully engages the board members. Our board prefers this approach to the selection of one "lead director."

- Director independence. Our board has historically been comprised almost entirely of independent directors. In accordance with the NYSE listing standards, the committee has developed specified standards for determining independence. Those standards are listed beginning on page 6.

Governance Documents

The board's corporate governance guidelines, the charters of the board's committees, TI's code of business conduct and our code of ethics for its chief executive officer and senior financial officers are available on our web site at 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, Texas, 75266-0199, Attn: Investor Relations.

BOARD ORGANIZATION

Board and Committee Meetings

During 2007, the board held nine meetings. The board has three standing committees described below. The committees of the board collectively held 24 meetings in 2007. Overall attendance at board and committee meetings was approximately 99 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 the rules of the NYSE and the board's corporate governance guidelines. From January 1, 2007, to April 19, 2007, the Committee members were Ms. Patsley (Chair), Ms. Cox, Mr. Fronterhouse and Mr. Sanders. Mr. Fronterhouse, having reached the age of 70, was ineligible under the company's by-laws to stand for reelection at the company's 2007 annual meeting. Since April 19, 2007, the members of the Committee have been Ms. Patsley (Chair), Ms. Cox and Mr. Sanders. 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 discussed by Statement of Auditing Standards No. 61.
- Reviewing relationships between the independent registered public accounting firm and TI in accordance with Independence Standards Board Standard No. 1.
- 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 literate and have financial management expertise, as the board has interpreted such qualifications in its business judgment. In addition, the board has designated Ms. Patsley as the audit committee financial expert as defined in the Securities Exchange Act of 1934, as amended.

The Audit Committee met six times in 2007. The Audit Committee holds regularly scheduled meetings and reports its activities to the board. The dates on which meetings will occur are generally set three years in advance to coincide with board meetings. 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 49 for a report of the committee.

Compensation Committee. The Compensation Committee consists of three independent directors. Since January 1, 2007, the committee members have been Mr. Carp (Chair), Ms. Simmons and Ms. Whitman. The committee is responsible for:

- Reviewing and approving company goals and objectives relevant to CEO compensation.
- Evaluating the CEO's performance in light of those goals and objectives.
- Setting the compensation of the CEO and 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.
- Purchase of company stock in connection with employee benefit plans.
- 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.

The Compensation Committee holds regularly scheduled meetings, reports its activities to the board, and consults with the board before setting annual executive compensation. The dates on which meetings will occur are generally set three years in advance to coincide with board meetings. During 2007, the committee met nine times. Please see page 30 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 2007 compensation cycle. The

committee instructed the consultant to advise it directly on executive compensation philosophy,

strategies, pay levels and decision-making processes. Additionally, the committee instructed the consultant to assist the company's Human Resources organization in its support of the committee on such items as identifying peer-group companies, analyzing the market level of compensation and developing compensation recommendations relating to the CEO and other executive officers.

The Compensation Committee considers it important that its compensation consultant's objectivity not be compromised by other business engagements with the company or its management. In support of this belief, the committee adopted a policy in June 2007 on compensation consultants. In summary, the policy states:

- The committee's executive compensation consultant will act pursuant to directions and instructions of the Compensation Committee, and be subject to retention and dismissal only by the committee. The committee will have sole authority to set the consultant's fees and other terms of the engagement, although the committee Chair may approve increases in the budget for the engagement, subject to informing the committee of any such approval.
- If it is proposed that the consultant (or any affiliate) perform services to TI beyond the engagement for the committee, then the proposal must be submitted to the committee or its Chair for approval before those services begin. Those services will be approved only if the committee or Chair, as applicable, is satisfied that they will not compromise the consultant's objectivity and that a reasonable alternative does not exist.
- At least once annually, the committee will confirm that in its judgment, the consultant is independent of the company and its management. In this connection, the committee will consider (i) the amount of fees paid to the consultant and any affiliated firm for all services rendered during the past three years, (ii) whether the consultant or any affiliate provided services beyond those for the committee during the preceding year and, if so, the extent of those services, and (iii) any other factors that the committee considers relevant to the independence of the consultant.

During 2007, neither the consultant nor any of its affiliates performed services for TI other than pursuant to the engagement by the committee.

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 discussion of his own 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. During the committee's deliberations on executive compensation, 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 (except the chairman) 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 stock options and restricted stock units under the company's long-term incentive plans, subject to limits established by the committee. The sole member of the special committee is

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Mr. Templeton. With respect to each of TI's two long-term incentive plans, the special committee is authorized to grant, amend or terminate (i) up to 500,000 restricted stock units per year and (ii) stock options and restricted stock units for an aggregate amount up to 2 million shares per year. The special committee has no authority to grant, amend or terminate any form of compensation to TI's executive officers. The special committee has typically used its delegated authority to make grants of stock options as needed between regularly scheduled meetings of the Compensation Committee to meet the requirements under certain foreign laws that the grants be made only during certain periods as a condition to qualifying for favorable tax treatment. The Compensation Committee reviews the grant activity of the special committee.

Governance and Stockholder Relations Committee. All members of the Governance and Stockholder Relations Committee are independent. Since January 1, 2007, the committee members have been Mr. Boren (Chair), Mr. Adams and Mr. Goode. The Governance and Stockholder Relations 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 of 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.

The Governance and Stockholder Relations Committee met nine times in 2007. The Governance and Stockholder Relations Committee holds regularly scheduled meetings and reports its activities to the board. The dates on which meetings will occur are generally set three years in advance to coincide with board meetings. Please see page 5 for a discussion of stockholder nominations and communications with the board.

DIRECTOR COMPENSATION

The Governance and Stockholder Relations Committee has responsibility for reviewing and making recommendations to the board on compensation for non-employee directors. The board makes the final determination of compensation for non-employee directors. 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 chairman, the CEO, the senior vice president responsible for Human Resources and the Secretary also review the committee's recommendations. The chairman and CEO also vote, as members 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 \$20,000 for the chair of the Audit Committee.
- Additional annual retainer of \$10,000 for each of the chairs of the Compensation Committee and the Governance and Stockholder Relations Committee.
- Annual grant of a 10-year stock option to purchase 7,000 shares of TI common stock pursuant to the terms of the Texas Instruments 2003 Director Compensation Plan (Director Plan), which was approved by stockholders in April 2003. The exercise price of the option is the closing price of the company's common stock on the date of grant. These nonqualified 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 a change in control (as defined in the Director Plan) of TI.
- Annual grant of 2,500 restricted stock units pursuant to the terms of the Director Plan. 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 on such anniversary date if the director had completed eight years of service prior to termination or the director's termination was due to death, disability or ineligibility to stand for reelection 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.
- \$1,000 per day compensation for other activities designated by the chairman.

The board has determined that grants of equity compensation to non-employee directors should be timed to occur when grants are made to our U.S. employees in connection with the annual compensation review process. Accordingly, equity grants to non-employee directors are made in January. Please see the discussion regarding the timing of equity compensation grants in the Compensation Discussion and Analysis on pages 26-27.

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 have all or part of their cash compensation deferred 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 earned interest from TI at a rate currently based on Moody's Seasoned Aaa Corporate Bonds. For 2007, that rate was 5.42 percent. Stock unit accounts fluctuated 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. Beginning in 2007, directors were given the opportunity to defer their annual grant of restricted stock units.

We have arrangements with certain customers whereby our employees may purchase specific consumer products containing TI manufactured components at discounted pricing. Under these arrangements, directors were 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.

2007 Director Compensation

The following table shows the compensation of all persons who were non-employee members of the board during 2007 for services in all capacities to TI in 2007, except as otherwise indicated.

Name	Fees Earned or Paid in Cash \$(2)	Stock Awards \$(3)	Option Awards \$(4)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified	All Other Compensation \$(5)	Total (\$)
					Deferred Compensation Earnings		
J. R. Adams	\$ 80,000	\$70,800	\$67,830	0	0	\$ 7,699	\$226,329
D. L. Boren	\$ 90,002	\$70,800	\$67,830	0	0	\$ 20,290	\$248,922
D. A. Carp	\$ 90,000	\$70,800	\$67,830	0	0	\$ 12,227	\$240,857
C. S. Cox	\$ 80,000	\$64,900	\$76,990	0	0	\$ 1,450	\$223,340
G. W. Fronterhouse (1)	\$ 26,668	\$70,800	\$67,830	0	0	\$ 6,796	\$172,094
D. R. Goode	\$ 80,000	\$70,800	\$67,830	0	0	\$ 17,146	\$235,776
P. H. Patsley	\$100,000	\$64,900	\$76,990	0	0	\$ 1,450	\$243,340
W. R. Sanders	\$ 80,000	\$70,800	\$67,830	0	0	\$ 12,545	