TEXAS INSTRUMENTS INC
Form DEF 14A
March 13, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Texas Instruments Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 26, 2018

Dear Stockholder:

You are cordially invited to attend the 2018 annual meeting of stockholders on Thursday, April 26, 2018, in the auditorium on our property at 12500 TI Boulevard, Dallas, Texas, at 8:30 a.m. (Central time). See Attendance requirements for important information about attending the annual meeting. 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,
- approval of the Texas Instruments 2018 Director Compensation Plan,
- ratification of the appointment of Ernst & Young LLP as the company s independent registered public accounting firm for 2018, and
- such other matters as may properly come before the meeting.

Stockholders of record at the close of business on February 26, 2018, 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,

Cynthia Hoff Trochu

Senior Vice President,

Secretary and

General Counsel

Dallas, Texas

March 13, 2018

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PROXY STATEMENT MARCH 13, 2018

EXECUTIVE OFFICES

12500 TI BOULEVARD, DALLAS, TX 75243

MAILING ADDRESS: P.O. BOX 660199, DALLAS, TX 75266-0199

Voting procedures, quorum and attendance requirements

TI s board of directors requests your proxy for the annual meeting of stockholders on April 26, 2018. 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 13, 2018. 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.

Shown below is a list of the matters to be considered at the meeting (each of which is discussed elsewhere in this proxy statement), and the vote required for election or approval, as the case may be.

Matter	**Required Vote for Election or Approval**	**Impact of Abstentions or Broker Non-Votes**
Election of directors.	Majority of votes present in person or 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 votes against.
Proposal to approve the Texas Instruments 2018 Director Compensation Plan.	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.
Proposal to ratify appointment of	Majority of votes present in person or by proxy at the meeting	Abstentions have the same effect as votes against. (Brokers are permitted to exercise

independent registered public accounting firm.	must be cast for the proposal.	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.

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Attendance requirements

Attendance at the meeting is limited to stockholders or their legal proxy holders. Each attendee must present a government-issued photo ID and an advance registration form.

If you plan to attend the annual meeting in person, you must print your own advance registration form and bring it to the meeting to gain access.

- Advance registration forms can be printed by clicking on the Register for Meeting button found at www.proxyvote.com and following the instructions provided. You will need the 16-digit control number included on your notice, proxy card or voting instruction form. You must request your advance registration form by 11:59 p.m. April 25, 2018.
- If you are unable to print your advance registration form, please call Stockholder Meeting Registration Phone Support (toll free) at 1-844-318-0137 or (international toll call) at 1-925-331-6070 for assistance.
- On the day of the meeting, you will be required to present valid government-issued photo ID, such as a driver s license or passport, with your advance registration form. You may be denied entrance if the required identification and form are not presented.

Guest advance registration forms are not available. Exceptions may be granted to stockholders who require a companion in order to facilitate their own attendance (for example, due to a physical disability) by contacting Investor Relations.

Additionally, if you plan to attend as proxy for a stockholder of record, you must present a valid legal proxy from the stockholder of record to you. If you plan to attend as proxy for a street name stockholder, you must present a valid legal proxy from the stockholder of record (i.e., the bank, broker or other holder of record) to the street name stockholder that is assignable and a valid legal proxy from the street name stockholder to you. Stockholders may appoint only one proxy holder to attend on their behalf.

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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, TODD M. BLUEDORN, DANIEL A. CARP, JANET F. CLARK, CARRIE S. COX, BRIAN T. CRUTCHER, JEAN M. HOBBY, RONALD KIRK, PAMELA H. PATSLEY, ROBERT E. SANCHEZ and RICHARD K. TEMPLETON.

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, see Board diversity and nominee qualifications. 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 69 Director since 2010 *Member, Governance and Stockholder Relations Committee*	**JANET F. CLARK** Age 63 Director since 2015 *Member, Audit Committee*	**RONALD KIRK** Age 63 Director since 2013 *Member, Governance and Stockholder Relations Committee*
MARK A. BLINN Age 56 Director since 2013 *Chair, Audit Committee*	**CARRIE S. COX** Age 60 Director since 2004 *Member, Governance and Stockholder Relations Committee*	**PAMELA H. PATSLEY** Age 61 Director since 2004 *Member, Compensation Committee*
TODD M. BLUEDORN Age 54	**BRIAN T. CRUTCHER** Age 45 Director since 2017	**ROBERT E. SANCHEZ** Age 52 Director since 2011

Director since 2017
Member, Audit Committee

Chair, Compensation Committee

DANIEL A. CARP

Age 69

Director since 1997
Member, Compensation Committee

JEAN M. HOBBY

Age 57

Director since 2016
Member, Audit Committee

RICHARD K. TEMPLETON

Age 59

Chairman since 2008
and director since 2003

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Director not standing for re-election

WAYNE R. SANDERS

Age 70

Lead Director;

Chair, Governance and

Stockholder Relations Committee

Mr. Sanders, a highly valued director since 1997, has attained the age of 70 and is therefore ineligible under the company s by-laws to stand for re-election at the 2018 annual meeting. Subject to their re-election by stockholders, Mr. Blinn and Mr. Kirk have been duly elected as new lead director and new GSR chair, respectively, to take effect immediately following the 2018 annual meeting of stockholders.

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 GSR Committee), which is responsible for reviewing and recommending nominees to the board. The GSR 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 GSR Committee. It can be found on our website at www.ti.com/corporategovernance.

Director candidate recommendations

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 GSR Committee s consideration can write to the Secretary of the GSR Committee, Texas Instruments Incorporated, P.O. Box 655936, MS 8658, Dallas, TX 75265-5936. The GSR Committee will evaluate the stockholder s prospective board nominee in the same manner as it evaluates other nominees.

Criteria

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

- Outstanding achievement in the individual s personal career.
- Relevant commercial expertise.
- International operations experience.
- Financial acumen.
- Government experience.
- Soundness of judgment.

Ability to make independent, analytical inquiries.

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).

Board diversity (viewpoints, gender, ethnicity).

Willingness and ability to devote the time required to perform board activities adequately. Directors should not serve on the boards of more than three other public companies.

Outside board memberships

In evaluating prospective nominees, the GSR Committee will consider the number of other boards on which the individual serves as director, and in particular the board s policy that directors should not serve on the boards of more than three other public companies.

The board is sensitive to the fact that a director s service in an executive role at another company can be time consuming. In this regard, the board reviewed Mr. Bluedorn s outside directorships at Lennox International, Inc. and Eaton Corporation, plc, and determined that they enhance the breadth and depth of experience on the board. Because of these directorships, Mr. Bluedorn brings to the company a unique combination of specialized knowledge and experience in the industrial market, an area in which the company has publicly disclosed its intent to focus R&D investments. He also brings a familiarity with the challenges posed by complex international manufacturers. Additionally, Mr. Bluedorn has held senior management positions at United Technologies, such as leading its Otis Elevator and Carrier (HVAC) business, that provide the board with important perspective on the industrial market.

There is a strong consensus among the directors that Mr. Bluedorn is willing and able to devote the time required to perform board activities, and that his service with Lennox and Eaton will not interfere with his duties to the company and its shareholders. Mr. Bluedorn has served on the boards of Lennox and Eaton since 2007 and 2010, respectively, so his familiarity with his roles and responsibilities at those organizations enables him to devote the balance of his time to his service on the board. Also, two of Mr. Bluedorn s directorships (Lennox and TI) are located within ten miles of each other in the Dallas, Texas area, and Mr. Bluedorn s exemplary attendance record at both Lennox and Eaton, as well as at the company, indicate his commitment to devoting sufficient time to board duties.

Stockholder nomination of directors

Under the company s by-laws, a stockholder, or a group of up to 20 stockholders, owning at least 3 percent of the company s outstanding common stock continuously for at least three years, may nominate and include in the company s proxy materials director nominees constituting up to the greater of two individuals or 20 percent of the board of directors, provided that the stockholder(s) and the nominee(s) satisfy the requirements specified in the by-laws.

The company s by-laws also allow stockholders to nominate directors without involving the GSR Committee or including the nominee in the company s proxy materials. To do so, stockholders must comply with the requirements set forth in the by-laws, which can be found on our website at www.ti.com/corporategovernance.

Director nominees

All nominees for directorship are currently directors of the company, including Mr. Crutcher, who was elected to the board effective July 19, 2017. He is the only director nominee at the 2018 annual meeting of stockholders who is standing for election by the stockholders for the first time.

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

Diversity and 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. Maintaining a balance of tenure among the directors is part of the board s consideration. Longer-serving directors bring valuable experience with the company and familiarity with the strategic and operational challenges it has faced over the years, while newer directors bring fresh perspectives and ideas. To help maintain this balance, the company has a mandatory retirement policy, pursuant to which directors cannot stand for election after reaching age 70. The effectiveness of the board s approach to board composition decisions 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.

Nominee assessment

As it considered director nominees for the 2018 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 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 the director nominees have experience in serving on the board of directors of at least one other major corporation, and one has served in high political office, all of which provides additional relevant experience on which each nominee can draw.

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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 to board deliberations as well as a willingness to ask challenging questions.

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.

As Audit Committee chair at the company (2013-April 20, 2017), 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 (2009-2017), 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 Audit Committee chair at the company (April 21, 2017-present), 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. Is also a director of Kraton Corporation (2017-present).

Mr. Bluedorn

As chairman (2012-present) and CEO and a director (2007-present) of Lennox International Inc., has gained first-hand experience in managing a large, multinational corporation operating in global industrial markets, with ultimate management responsibility for the corporation s financial performance and its significant investments in capital and R&D. Is also a director of Eaton Corporation plc (2010-present).

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 electronics markets, with ultimate management responsibility for the corporation s financial performance and its significant investments in capital and R&D.

As a director of Delta Air Lines, Inc. (2007-present), a director of Norfolk Southern Corporation (2006-present) and a 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. Clark

As executive vice president (2007-2013) and chief financial officer (2004-2013) of Marathon Oil Corporation, has developed a keen appreciation for audit- and financial control-related matters.

As a director of Goldman Sachs Private Middle Market Credit LLC (2016-present), Goldman Sachs BDC, Inc. (2015-present) and EOG Resources, Inc. (2014-present) and as a former director of Exterran Holdings, Inc. (and its predecessor company, Universal Compression Holdings, Inc.) (2003-2011) and Dell Inc. (2011-2013), has helped oversee the strategy and operations of other large, multinational corporations, including one with a focus on technology.

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, 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).

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Mr. Crutcher

As a TI employee for over 20 years, serving the last seven years at a senior level at the company, including senior vice president (2010-2014), executive vice president (2014-present), chief operating officer (January 19, 2017-present) and director (July 19, 2017-present), has experience leading large, complex semiconductor operations and keen insight into the current and future state of the semiconductor industry.

Ms. Hobby

As global strategy officer (2013-2015), technology, media and telecom sector leader (2008-2013) and chief financial officer (2005-2008) at PricewaterhouseCoopers LLP, has gained extensive audit knowledge and experience in audit- and financial control-related matters and technology.

As a director of Integer Holdings Corporation (and its predecessor company, Greatbatch, Inc.) (2015-present), and CA, Inc. (February 1, 2018-present), has helped oversee the strategy and operations of other multinational corporations.

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), Dean Foods Company (1997-2009), and Macquarie Infrastructure Corporation (2016-present), has helped oversee the strategy and operations of other large corporations.

Ms. Patsley

As executive chairman (2016-February 2, 2018) and chairman and CEO (2009-2015) 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 financial performance and significant capital investments.

As Audit Committee chair at the company (2006-2013), a member of the audit committee at Dr Pepper Snapple Group, Inc., chief financial officer of First USA, Inc. (1987-1994) and an 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), Hilton Grand Vacations, Inc. (January 2017-present) and a 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 (2012-2014) 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. Templeton

As a 37-year veteran of the semiconductor industry, serving the last 22 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.

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Communications with the board

Stockholders and others who wish to communicate with the board, a board committee or an individual director 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, committee or individual director as applicable.

Corporate governance

The board has a long-standing commitment to responsible and effective corporate governance. We annually conduct extensive governance reviews and engage in investor outreach specific to governance and executive compensation matters. 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 conduct, our code of ethics for our CEO and senior financial officers and our by-laws are available on our website 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, 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 2017, all directors then in office and standing for re-election attended TI s annual meeting of stockholders.

Director independence

The board has determined that each of our directors is independent except for Mr. Templeton and Mr. Crutcher. 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 2017, the board held nine meetings. The board has three standing committees described below. The committees of the board collectively held 18 meetings in 2017. Each director attended at least 86 percent of the board and relevant committee meetings combined. Overall attendance at board and committee meetings was approximately 96 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 July 20, 2016, to April 20, 2017, the committee members were Mr. Babb (chair), Mr. Blinn, Ms. Clark and Ms. Hobby, with Mr. Bluedorn joining the committee March 1, 2017. Since April 21, 2017, the committee members have been Mr. Blinn (chair), Mr. Bluedorn, Ms. Clark and Ms. Hobby. 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 and quarterly 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 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. Blinn as the audit committee financial expert as defined in the Securities Exchange Act of 1934, as amended.

The Audit Committee met six times in 2017. 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. See page 43 for a report of the committee.

Compensation Committee

All members of the Compensation Committee are independent. From April 21, 2016, to April 20, 2017, the committee members were Mr. Sanchez (chair), Mr. Carp, Ms. Patsley and Christine Todd Whitman (who retired from the board in April 2017). Since April 21, 2017, the committee members have been Mr. Sanchez (Chair), Mr. Carp and Ms. Patsley. 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) require board approval.
  - 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.
- Appointing, setting the compensation of, overseeing and considering the independence of any compensation consultant or other advisor.

The Compensation Committee met six times in 2017. The Compensation Committee holds regularly scheduled meetings, reports its activities to the board, and consults with the board before setting annual executive compensation. 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 2017 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.

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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. During 2017, 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, among other things, grant a limited number of stock options and restricted stock units (RSUs) 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 for TI s executive officers. The Compensation Committee reviews all activity of the special committee.

Governance and Stockholder Relations Committee

All members of the GSR Committee are independent. From April 21, 2016, to April 20, 2017, the committee members were Mr. Sanders (chair), Ms. Cox and Mr. Kirk. Since April 21, 2017, the committee members have been Mr. Sanders (Chair), Mr. Babb, Ms. Cox and Mr. Kirk. The GSR 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.
- Scope of activities of the company s political action committee.
- Revisions to TI s code of conduct.

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 GSR Committee met six times in 2017. The GSR Committee holds regularly scheduled meetings and reports its activities to the board. See Director candidate recommendations and Stockholder nomination of directors for a discussion of stockholder nominations and recommendations and Communications with the board for details on how to contact 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 of the independent directors 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 Mr. Sanders to serve as lead director until April 26, 2018, on which date Mr. Blinn will become lead director subject to his re-election by stockholders. 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 GSR 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 R&D). 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 GSR 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.

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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 GSR 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 in 2017 for the non-employee directors were:

Annual retainer of $85,000 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 GSR 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 become exercisable in accordance with their terms. 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 annual 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. See Process for equity grants for a discussion regarding the timing of equity compensation grants.

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 events. In addition, non-employee directors may travel on company aircraft to and from these meetings and other designated events.

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 2017, that rate was 3.44 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.

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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.

2017 director compensation

The following table shows the compensation of all persons who were non-employee members of the board during 2017 for services in all capacities to TI in 2017.

Name (1)	Fees Earned or Paid in Cash ($) (2)	Stock Awards ($) (3)	Option Awards ($) (4)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5)	All Other Compensation ($) (6)	Total ($)
R. W. Babb, Jr.	$ 95,000	$ 99,947	$ 99,988			$ 40	$ 294,975
M. A. Blinn	$ 105,000	$ 99,947	$ 99,988			$ 40	$ 304,975
T. M. Bluedorn	$ 70,833	$ 156,300				$ 40	$ 227,173
D. A. Carp	$ 85,000	$ 99,947	$ 99,988			$ 893	$ 285,828
J. F. Clark	$ 85,000	$ 99,947	$ 99,988			$ 20,040	$ 304,975
C. S. Cox	$ 85,000	$ 99,947	$ 99,988		$ 5,520	$ 40	$ 290,495
J. M. Hobby	$ 85,000	$ 99,947	$ 99,988			$ 40	$ 284,975
R. Kirk	$ 85,000	$ 99,947	$ 99,988			$ 40	$ 284,975
P. H. Patsley	$ 85,000	$ 99,947	$ 99,988			$ 40	$ 284,975
R. E. Sanchez	$ 113,333	$ 99,947	$ 99,988			$ 10,040	$ 323,308
W. R. Sanders	$ 116,667	$ 99,947	$ 99,988			$ 893	$ 317,495
C. T. Whitman	$ 28,335	$ 99,947	$ 99,988			$ 40	$ 228,310

(1) Mr. Bluedorn was elected to the board effective March 1, 2017. Ms. Whitman, an independent director, reached the age of 70 by the date of the 2017 annual meeting and therefore was ineligible under the company s by-laws to stand for re-election at the meeting.

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

(3) Shown is the aggregate grant date fair value of restricted stock units granted in 2017 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 4 to the financial statements contained in Item 8 (Note 4 to the financial statements) in TI s annual report on Form 10-K for the year ended December 31, 2017. 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 issuances under restricted stock units granted after 2006, see the discussion on pages 34-35. The table below shows the aggregate number of shares underlying outstanding restricted stock units held by the named individuals as of December 31, 2017. The value shown for Mr. Bluedorn represents the one-time restricted stock unit grant he received upon his initial election to the board.

Name	**Restricted Stock Units (in Shares)**
R. W. Babb, Jr.	18,296
M. A. Blinn	9,271
T. M. Bluedorn	2,000
D. A. Carp	34,960
J. F. Clark	5,150
C. S. Cox	28,296
J. M. Hobby	3,261
R. Kirk	7,271
P. H. Patsley	9,271
R. E. Sanchez	7,271
W. R. Sanders	16,871
C. T. Whitman	20,100

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(4) Shown is the aggregate grant date fair value of options granted in 2017 calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of calculating the grant date fair value appears in Note 4 to the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2017. The terms of these options are as set forth on page 34 except that for options granted before 2010, the grant becomes fully exercisable upon a change in control of TI. The table below shows the aggregate number of shares underlying outstanding stock options held by the named individuals as of December 31, 2017.

Name	**Options (in Shares)**
R. W. Babb, Jr.	53,642
M. A. Blinn	21,903
T. M. Bluedorn	
D. A. Carp	53,642
J. F. Clark	16,055
C. S. Cox	82,800
J. M. Hobby	6,065
R. Kirk	38,893
P. H. Patsley	89,800
R. E. Sanchez	38,893
W. R. Sanders	38,893
C. T. Whitman	89,800

(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 2017, this interest rate exceeded the Federal Rate by 1.18 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 ($40 per director) of premiums for travel and accident insurance policies, (b) contributions under the TI Foundation matching gift program of $20,000 for Ms. Clark and $10,000 for Mr. Sanchez 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 $853.

Executive compensation

We are providing shareholders the opportunity to cast advisory votes on named executive officer compensation as required by Section 14A of the Securities Exchange Act.

Proposal regarding advisory approval of the company s executive compensation

The named executive officers are the chief executive officer, each person who served as the chief financial officer during 2017 and the three other most highly compensated executive officers, as named in the compensation tables on pages 30-42.

We ask 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 18-42 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 2017. 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.

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Although the outcome of this annual 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 annual resolution approving the named executive officer compensation for 2017, 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 2017 compensation program, why we selected them and how they relate to one another; and
- How we determined the amount of compensation for 2017.

The executive officers of TI 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, both individuals who served as CFO during 2017 and the three other highest paid individuals who were executive officers in 2017 (collectively called the named executive officers) can be found in the tables following the Compensation Committee report.

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.

2017 compensation decisions for the CEO:

- Base salary was increased by 2.1 percent over 2016.
- The grant date fair value of equity compensation awarded in 2017 increased by 12 percent from 2016, reflecting an effort to align with the projected market range for similarly situated CEOs in our comparator group.
- The bonus decision was based primarily on the following performance results in 2017:

	2017 Absolute Performance	2017 Relative Performance*
Revenue Growth: Total TI	11.9%	Median
Profit from Operations as a % of Revenue (PFO %)	40.7%	Above median
Total Shareholder Return (TSR)	46.8%	Above median

Year-on-Year Change in CEO Bonus (2017 bonus compared with 2016)	5% change

* Relative to semiconductor competitors as outlined under Comparator group; includes estimates and projections of certain competitors financial results. See Analysis of compensation determinations Bonus Assessment of 2017 performance for details of the Compensation Committee s assessment of TI s performance. (It is important to note that the median growth rate of competitor companies includes the effect of acquisitions, whereas TI s growth rate is entirely organic.)

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, bonus amounts or awards of equity compensation.
- 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.

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- Bonus and equity compensation awards are subject to clawback as described under Recoupment policy below.
- 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.

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

Base Salary

Purpose	Basic, least variable form of compensation, designed to provide a stable source of income
Strategy	Generally, target market median, giving appropriate consideration to job scope and tenure, to attract and retain highly qualified executives
Terms	Paid twice monthly

Profit Sharing

Purpose	Broad-based program designed to emphasize that each employee contributes to the company s profitability and can share in it
Strategy	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. For the last 13 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.
Terms	Payable in a single cash payment shortly after the end of the performance year As in recent years, the formula for 2017 was:

Below 10% company-level annual operating profit as a percentage of revenue (Margin): no profit sharing

At 10% Margin: profit sharing = 2% of base salary

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.

In 2017, TI delivered Margin of 40.7%. As a result, all eligible employees, including executive officers, received profit sharing of 20% of base salary.

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Performance Bonus

Purpose	To motivate executives and reward them according to the company s relative and absolute performance and the executive s individual performance
Strategy	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[1]) as compared with 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. 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. 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.
Terms	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

Purpose	Alignment with shareholders; long-term focus; retention, particularly with respect to restricted stock units
Strategy	We grant a combination of non-qualified stock options and restricted stock units, generally targeted at the median level of equity compensation awarded to executives in similar positions within the Comparator Group.
Terms	The terms and conditions of stock options and restricted stock units are summarized under Outstanding equity awards at fiscal year-end 2017. The committee s grant procedures are described under Process for equity grants.

Comparator group

The Compensation Committee considers the market level of compensation when setting the salary, bonuses and equity compensation of the executive officers. 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).

The committee sets the Comparator Group and reviews it annually. In general, the Comparator Group companies (1) are U.S.-based, (2) engage in the semiconductor business, other electronics or information technology activities or use sophisticated manufacturing processes, (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 2017.

3M Company
Accenture PLC
Analog Devices, Inc.
Applied Materials, Inc.
Broadcom Limited
Cisco Systems, Inc.
Corning Incorporated
DXC Technology Company *
Emerson Electric Co.
Honeywell International Inc.
Intel Corporation
Medtronic Public Limited Company
Motorola Solutions, Inc.
QUALCOMM Incorporated
TE Connectivity Ltd.
Thermo Fisher Scientific Inc.
Western Digital Corporation

* formerly Computer Sciences Corporation

1 Total shareholder return refers to the percentage change in the value of a shareholder 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 notes to the Performance summary table under Analysis of compensation determinations Bonus.

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The committee set the Comparator Group in July 2016 for the base salary and equity compensation decisions it made in January 2017. For a discussion of the factors considered by the committee in setting the Comparator Group in July 2016, please see Comparator group on pages 21-22 of the company s 2017 proxy statement.

In July 2017, 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, the committee decided to make no change to the group. Accordingly, it used the same Comparator Group for the bonus decisions in January 2018 relating to 2017 performance as it used to set salary and equity compensation in January 2017. The table below compares the Comparator Group to TI in terms of revenue and market capitalization.

Company	**Revenue ($ Billion) ***	**Market Cap ($ Billion) ***
Intel Corporation	62.1	219.3
Cisco Systems, Inc.	47.8	192.1
Honeywell International Inc.	39.7	116.3
Accenture PLC	35.9	94.6
3M Company	31.0	140.3
Medtronic Public Limited Company	29.6	111.3
QUALCOMM Corporation	22.3	96.1
Thermo Fisher Scientific Inc.	19.8	77.0
Western Digital Corporation	19.6	24.0
Broadcom Limited	17.6	108.9
DXC Technology Company	15.9	27.1
Emerson Electric Co.	15.3	45.4
Applied Materials, Inc.	14.5	56.0
TE Connectivity Ltd.	13.1	33.5
Corning Incorporated	10.0	28.3
Motorola Solutions, Inc.	6.3	14.7
Analog Devices, Inc.	5.1	33.3
Median	19.7	85.8
Texas Instruments Incorporated	14.6	104.0

* Trailing four-quarter revenue and market capitalization is as reported by Thomson Reuters on January 3, 2018.

Analysis of compensation determinations

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.

Mr. Rafael Lizardi, who is our current chief financial officer, became an executive officer effective February 1, 2017. Because he was not an executive officer when base salary and equity compensation determinations were made in January 2017, these components of Mr. Lizardi s compensation were reviewed with the compensation committee but were set by management and, therefore, are not included in the following analysis of the committee s process.

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Base salary

The committee set the 2017 rate of base salary for the following named executive officers as follows:

Officer	2017 Annual Rate	Change from 2016 Annual Rate
R. K. Templeton	$ 1,190,000	2.1%
K. P. March	$ 682,000	2.1%
B. T. Crutcher	$ 875,000	6.1%
K. J. Ritchie	$ 704,000	2.0%
R. G. Delagi	$ 700,000	2.2%

The committee set the 2017 base-salary rate for each of the named executive officers listed above in January 2017. In keeping with its strategy, the committee targeted the annual base-salary rates to be at the estimated median level of salaries expected to be paid to similarly situated executives (considering job scope and tenure) of companies within the Comparator Group in January 2017.

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 2017, the committee awarded equity compensation to each of the named executive officers listed below. The grants are shown in the table under Grants of plan-based awards in 2017. The grant date fair value of the awards is reflected in that table and in the Stock Awards and Option Awards columns of the 2017 summary compensation table. The table below is provided to assist the reader in comparing the grant date fair values and number of shares for each of the years shown in the summary compensation table.

Officer	Year	Grant Date Fair Value *	Stock Options (In Shares)	Restricted Stock Units (In Shares)
R. K. Templeton	2017	$ 11,000,014	333,615	69,392
	2016	$ 9,800,055	489,557	92,576
	2015	$ 9,800,023	516,440	90,842
K. P. March	2017	$ 2,700,048	81,888	17,033
	2016	$ 2,700,035	134,878	25,506
	2015	$ 2,700,017	142,285	25,028
B. T. Crutcher	2017	$ 7,500,034	227,465	47,313
	2016	$ 5,500,031	274,751	51,956
	2015	$ 5,500,029	289,839	50,983

K. J. Ritchie	2017	$ 4,000,056	121,315	25,234
	2016	$ 4,000,014	199,819	37,786
	2015	$ 4,000,045	210,792	37,079
R. G. Delagi	2017	$ 3,600,090	109,184	22,711

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

In January 2017, the committee awarded equity compensation to each of the named executive officers listed above. The committee s general 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 40th to 60th percentile of the three-year average of equity compensation (including an estimate of amounts for 2017) 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 to similarly situated executives (considering job scope and tenure) of companies within the Comparator Group. The award value was estimated using the same methodology used for financial accounting.

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For each officer, the committee set the desired grant value. The committee decided to allocate the value equally between restricted stock units and options for each officer, 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.

The exercise price of the options was the closing price of TI stock on January 26, 2017, the second trading day after the company released its annual and fourth-quarter financial results for 2016. All grants were made under the Texas Instruments 2009 Long-Term Incentive Plan, which shareholders approved in April 2009 and amended in 2016.

All grants have the terms described under Outstanding equity awards at fiscal year-end 2017. 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 2018, the committee set the 2017 bonus compensation for executive officers based on its assessment of 2017 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 strategic progress by reviewing TI competitiveness in key markets with core products and technologies, as well as the strength of relationships with customers.

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):

Advanced Micro Devices, Inc.

Analog Devices, Inc.

Broadcom Limited

Infineon Technologies AG

Intel Corporation

Marvell Technology Group Ltd.

Maxim Integrated Products, Inc.

Microchip Technology Incorporated

NVIDIA Corporation

NXP Semiconductors N.V.

ON Semiconductor Corporation

QUALCOMM Incorporated

Skyworks Solutions, Inc.

STMicroelectronics N.V.

Xilinx, Inc.

To the extent the companies had not released financial results for the year or the most recent quarter, the committee based its evaluation on estimates and projections of the companies financial results for 2017.

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. In 2017, Intersil Corporation and Linear Technology Corporation were removed from the list after being acquired by other companies. The committee made no other changes to the list of competitor companies in 2017.

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Assessment of 2017 performance

The committee spent extensive time in December and January assessing TI s results and strategic progress for 2017. In setting bonuses, the committee considered quantitative and qualitative measures on both an absolute and relative basis and made certain that resulting decisions were founded on both solid data and sound judgment. On both an absolute and relative basis all measures were positive and improved from the prior year, and in relative comparisons with competitors most measures were better than the median. In aggregate, the committee determined that performance in 2017 was stronger than in 2016, both on an absolute and relative basis. Therefore, the committee increased bonuses for 2017 for named executive officers by 5 percent except for two individuals whose bonuses increased to reflect the new roles assumed by these individuals in 2017. Details on the committee s assessment are below.

Revenue and margin

Annual performance

- TI s revenue growth rate of 11.9 percent was higher in 2017 than in the prior year. Compared with competitor companies, TI s growth rate was below the median. (It is important to note that the median growth rate of competitor companies includes the effect of acquisitions, whereas TI s growth rate is entirely organic.
- Revenues for the company s core businesses of Analog and Embedded Processing were up 16.0 percent and 15.7 percent, respectively.
- Operating profit margin was 40.7 percent, which was above both the prior year s margin and the median comparison with competitors.

Three-year performance

- Compound annual revenue growth for 2015-2017 was 4.7 percent, which was below the median competitor comparison.
- Average operating profit for 2015-2017 was 36.9 percent, which was above the median competitor comparison.

Total shareholder return (TSR)

TSR was 46.8 percent, better than the median TSR as compared with competitor companies.

The company again generated strong cash, with free cash flow at 31.2 percent of revenue.[2]

Approximately 100 percent of free cash flow was returned to shareholders in 2017 through share repurchases and dividends. Share repurchases of $2.6 billion reduced outstanding shares by 1.3 percent (net of stock issuances during the year). The quarterly dividend rate increased 24.0 percent (the 16th increase in the last 14 years). Share repurchases and dividend increases are important elements of TI s capital management strategy.

The balance sheet remained robust, ending the year with cash and short-term investments of $4.5 billion.

The three-year compound annual growth rate for TSR was 28.3 percent, which was above the median competitor comparison.

Strategic progress

The company s business model is designed around four sustainable competitive advantages that in combination put us in a unique class of companies. These advantages include (1) manufacturing and technology, (2) breadth of differentiated product portfolio, (3) channel reach of sales force and TI.com and (4) diversity and longevity of product, market and customer positions. In 2017, the company continued to strengthen and leverage these advantages.

The company s strategic focus is on analog and embedded processing, with a particular emphasis on designing and selling those products into the industrial and automotive markets, which we believe represent the best growth opportunities. Focused investments in these areas continue to provide the foundation for strong results in the near and long terms.

- TI s broad analog and embedded processing product portfolio includes tens of thousands of products, with more products added each year, offering strong differentiation and longevity. In 2017, 90 percent of TI s revenue came from Analog and Embedded Processing semiconductors, up from 86 percent in 2016.
- We believe the industrial and automotive markets represent the best growth opportunity for the industry for the foreseeable future because of the increasing semiconductor content in these markets. In 2017, approximately 54 percent of TI s revenue came from industrial and automotive markets, up from approximately 51 percent in 2016.

[2] Free cash flow was calculated by subtracting Capital expenditures from the GAAP-based Cash flows from operating activities. For a reconciliation to GAAP, see Appendix A to this proxy statement.

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TI s revenue continues to come from a diverse base of thousands of applications. This is an intentional strategy that prevents dependence on a single market, customer or product.

TI s in-house capability to produce high volumes of Analog semiconductors on 300-millimeter wafers remains a competitive advantage. In 2017, the company again increased production on 300-millimeter wafers, which enabled more chips to be produced per wafer, thereby improving margins and cash generation.

In total, the committee determined that TI s strategic position was strengthened by management s decisions and actions in 2017.

Performance summary

	1-Year	3-Year
Revenue growth: total TI	11.9%	4.7% CAGR
Operating margin	40.7%	36.9% average
Free cash flow as % of revenue	31.2%	30.5% average
% of free cash flow returned to shareholders	99.8%	100.2% average
Increase in quarterly dividend rate	24.0%	82.4%
Total shareholder return (TSR)	46.8%	28.3%

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

One-year and three-year TSR percentages are obtained from a report generated using a subscription service to Equilar, an executive compensation and corporate governance data firm.

Before setting the bonuses for the named executive officers, the committee considered the officers individual performance. The performance of Mr. Templeton 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 was the chief financial officer until February 1, 2017, at which time Mr. Lizardi became the chief financial officer. The committee noted the financial management of the company.

Mr. Crutcher is responsible for all of the company s business operations and manufacturing. The committee noted the financial performance and strategic position of the product lines and activities for which he is responsible.

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 2017 performance are shown in the table below. 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 at companies within the Comparator Group. The bonus of each named executive officer was paid under the Executive Officer Performance Plan described in footnote 3 to the 2017 summary compensation table.

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Results of the compensation decisions

Results of the compensation decisions made by the committee relating to the named executive officers, as well as the results of the compensation decisions made by management and reviewed by the committee for Mr. Lizardi for 2017 are summarized in the following table. This table is provided as a supplement to the summary compensation table 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.

Officer	Year	Salary (Annual Rate)	Profit Sharing	Bonus	Equity Compensation (Grant Date Fair Value)	Total
R. K. Templeton	2017	$ 1,190,000	$ 237,601	$ 3,625,000	$ 11,000,014	$ 16,052,615
	2016	$ 1,166,000	$ 232,817	$ 3,450,000	$ 9,800,055	$ 14,648,872
	2015	$ 1,143,000	$ 203,877	$ 3,450,000	$ 9,800,023	$ 14,596,900
R. R. Lizardi	2017	$ 500,000	$ 97,667	$ 850,000	$ 3,000,060	$ 4,447,727
K. P. March	2017	$ 682,000	$ 113,950	$ 0	$ 2,700,048	$ 3,495,998
	2016	$ 668,000	$ 133,283	$ 1,110,000	$ 2,700,035	$ 4,611,318
	2015	$ 649,000	$ 115,758	$ 1,110,000	$ 2,700,017	$ 4,574,775
B. T. Crutcher	2017	$ 875,000	$ 174,167	$ 2,350,000	$ 7,500,034	$ 10,899,201
	2016	$ 825,000	$ 164,583	$ 2,000,000	$ 5,500,031	$ 8,489,614
	2015	$ 800,000	$ 142,668	$ 1,750,000	$ 5,500,029	$ 8,192,697
K. J. Ritchie	2017	$ 704,000	$ 140,567	$ 1,325,000	$ 4,000,056	$ 6,169,623
	2016	$ 690,000	$ 137,667	$ 1,265,000	$ 4,000,014	$ 6,092,681
	2015	$ 670,000	$ 119,498	$ 1,265,000	$ 4,000,045	$ 6,054,543
R. G. Delagi	2017	$ 700,000	$ 139,750	$ 1,100,000	$ 3,600,090	$ 5,539,840

This table shows the annual rate of base salary for each named executive officer. 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.

For Mr. Templeton and Mr. Crutcher, the Total for 2017 was higher than for 2016 primarily due to the higher equity awards in 2017, reflecting an effort to align with the projected market range for similarly situated executives in our comparator group. The 2017 decrease in Total compensation for Mr. March reflects his retirement. For Mr. Ritchie, the Total for 2017 was higher than for 2016 primarily due to the higher bonus award.

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The compensation decisions shown above resulted in the following 2017 compensation mix for the named executive officers:

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 2017 resulted in 0.7 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) on the second trading day 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 12 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.

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Most recent stockholder advisory vote on executive compensation

In April 2017, 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 2017. 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. Mr. Lizardi, who joined the company in 2001, also participates 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 2017 pension benefits.

Employees accruing benefits in the qualified pension plan, including Mr. Delagi and Mr. Ritchie, 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, Mr. Crutcher and Mr. Lizardi 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. Having already reached the age of 55 and at least 20 years of employment, Mr. Templeton, Mr. Delagi and Mr. Ritchie are 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. Mr. Lizardi does not participate in the company s defined benefit pension plans. 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 identical to 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 for 2017 because no above market rates were earned on deferred amounts in that year.

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Employee stock purchase plan

We have an employee stock purchase plan. Under the plan, which our shareholders approved, 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. They are 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 Mr. Templeton to use company aircraft for personal air travel. Please see footnote 6 of the summary compensation table for 2017 and Potential payments upon termination or change in control Termination Perquisites 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 Potential payments upon termination or change in control. None of the few additional benefits that the executive officers receive continue after termination of employment, except that financial counseling is provided for a transition period following 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 2017 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), 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 historically limited the tax deductibility of annual compensation paid to any publicly held corporation 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) exceeded $1 million. The Compensation Committee has, in the past, considered the impact of this deductibility limit, although as only one factor in its determination of amounts and forms of compensation. Recent changes in the tax laws eliminated the performance-based exception, and the limitation on deductibility has been expanded to include all named executive officers. As a result, beginning in 2018, the company may no longer deduct compensation paid to our named executive officers in excess of $1 million.

When setting equity compensation, the committee considers the cost for financial reporting purposes of equity compensation it intends to grant. Its consideration of the cost of grants made in 2017 is discussed under Analysis of compensation determination for 2017 Equity compensation.

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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 2017 and the company s proxy statement for the 2018 annual meeting of stockholders.

Robert E. Sanchez, Chair Daniel A. Carp Pamela H. Patsley

2017 summary compensation table

The table below shows the compensation of the company s CEO, each person who served as the CFO during 2017 and each of the other three most highly compensated individuals who were executive officers during 2017 (collectively called the named executive officers (NEOs)) for services in all capacities to the company in 2017.

Name and Principal Position (1)	Year	Salary ($)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
Richard K. Templeton	2017	$ 1,188,004	$ 5,500,010	$ 5,500,004	$ 3,862,601	$ 166,278	$ 329,825	$ 16,546,722
Chairman, President & Chief	2016	$ 1,164,083	$ 4,900,048	$ 4,900,007	$ 3,682,817	$ 107,604	$ 325,510	$ 15,080,069
Executive Officer	2015	$ 1,140,250	$ 4,900,017	$ 4,900,006	$ 3,653,877	$ 13,950	$ 317,702	$ 14,925,802
Rafael R. Lizardi	2017	$ 488,333	$ 2,000,047	$ 1,000,013	$ 947,667		$ 60,814	$ 4,496,874
Senior Vice President & Chief Financial								

Officer								
Kevin P. March Senior Vice President	2017	$ 569,750	$ 1,350,036	$ 1,350,012	$ 113,950		$ 148,487	$ 3,532,235
	2016	$ 666,417	$ 1,350,033	$ 1,350,002	$ 1,243,283	$ 1,079,121	$ 5,300	$ 5,694,156
	2015	$ 647,417	$ 1,350,010	$ 1,350,007	$ 1,225,758	$ 872,191	$ 23,837	$ 5,469,220
Brian T. Crutcher Executive Vice President & Chief Operating Officer	2017	$ 870,833	$ 3,750,028	$ 3,750,006	$ 2,524,167	$ 1,173	$ 160,804	$ 11,057,011
	2016	$ 822,917	$ 2,750,031	$ 2,750,000	$ 2,164,583	$ 577	$ 155,079	$ 8,643,187
	2015	$ 797,917	$ 2,750,023	$ 2,750,006	$ 1,892,668		$ 125,744	$ 8,316,358
Kevin J. Ritchie Senior Vice President	2017	$ 702,833	$ 2,000,047	$ 2,000,009	$ 1,465,567	$ 2,082,760	$ 5,400	$ 8,256,616
	2016	$ 688,333	$ 2,000,013	$ 2,000,001	$ 1,402,667	$ 1,468,531	$ 5,300	$ 7,564,845
	2015	$ 668,333	$ 2,000,041	$ 2,000,004	$ 1,384,498	$ 1,370,848	$ 5,300	$ 7,429,024
R. Gregory Delagi Senior Vice President	2017	$ 698,750	$ 1,800,074	$ 1,800,016	$ 1,239,750	$ 1,491,494	$ 16,492	$ 7,046,576

(1) Mr. March was the company s chief financial officer through January 31, 2017. Mr. Lizardi became chief financial officer on February 1, 2017. Mr. Templeton will be the company s president and chief executive officer through May 31, 2018. Mr. Crutcher will become the company s president and chief executive officer on June 1, 2018. Mr. Templeton will continue as the company s chairman.

(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 2017 appears in Note 4 to the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2017. For a description of the grant terms, see the discussion following the Outstanding equity awards at fiscal year-end 2017 table. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2016 and 2015 appears in Note 4 to the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2016, and the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2015, respectively.

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(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 2017 appears in Note 4 to the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2017. For a description of the grant terms, see the discussion following the Outstanding equity awards at fiscal year-end 2017 table. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2016 and 2015 appears in Note 4 to the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2016, and the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2015, respectively.

(4) Consists of performance bonuses paid under the Texas Instruments Executive Officer Performance Plan and profit sharing for 2017. Under the terms of the Executive Officer Performance Plan, each named executive officer is eligible to receive a cash bonus equal to 0.5 percent of the company s consolidated income (as defined in the plan). However, the Compensation Committee has the discretion to set bonuses at a lower level if it decides it is appropriate to do so. The committee decided to do so for 2017. See Analysis of compensation determinations for 2017 Results of the compensation decisions for the amounts of bonus and profit sharing paid to each of the named executive officers for 2017.

(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 Pension Plan II) from December 31, 2016, through December 31, 2017. This change in the actuarial value is the difference between the 2016 and 2017 present value of the pension benefit accumulated as of year-end by the named executive officer, assuming that benefit is not paid until age 65. Mr. Templeton s and Mr. Crutcher s benefits under the company s pension plans were frozen as of December 31, 1997. Mr. Lizardi does not participate in any of the company s defined benefit pension plans. Mr. March retired from the company on November 1, 2017. He received a partial distribution of his total pension benefit on December 1, 2017. The remainder of his benefit will be distributed on June 1, 2018, as required by Section 409A of the IRC. See the 2017 pension benefits table for additional information.

(6) Consists of (i) the amounts in the table below, which result from programs available to all eligible U.S. employees, and (ii) perquisites and personal benefits that meet the disclosure thresholds established by the SEC and are detailed in the paragraph below.

Name	401(k) Contribution	Defined Contribution Retirement Plan (a)	Unused Vacation Time (b)
R. K. Templeton	$ 10,800	$ 266,752	
R. R. Lizardi	$ 10,800	$ 39,520	
K. P. March	$ 5,400	N/A	$ 143,087
B. T. Crutcher	$ 10,800	$ 150,004	
K. J. Ritchie	$ 5,400	N/A	
R. G. Delagi	$ 5,400	N/A	

(a) Consists of (i) contributions under the company s enhanced defined contribution retirement plan of $5,400 and (ii) an additional amount of $261,352 for Mr. Templeton, $144,604 for Mr. Crutcher, and $34,120 for Mr. Lizardi accrued by TI to offset IRC limitations on amounts that could be contributed to the enhanced defined contribution retirement plan, which amount is also shown in the 2017 non-qualified deferred compensation table.

(b) Represents payments for unused vacation time that could not be carried forward.

The perquisites and personal benefits are as follows: $52,273 for Mr. Templeton, consisting of financial counseling, an executive physical and personal use of company aircraft ($39,950), and $10,494 for Mr. Lizardi and $11,092 for Mr. Delagi, consisting of financial counseling and an executive physical. Financial counseling and an executive physical were made available to the other named executive officers, but the amounts attributable to those officers were below the disclosure thresholds.

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Grants of plan-based awards in 2017

The following table shows the grants of plan-based awards to the named executive officers in 2017.

Name	Grant Date	Date of Committee Action	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards (5)
R. K. Templeton	1/26/17 (1)	1/19/17		333,615	$ 79.26	$ 5,500,004
	1/26/17 (1)	1/19/17	69,392			$ 5,500,010
R. R. Lizardi	1/26/17 (1)	1/19/17		60,658	$ 79.26	$ 1,000,013
	1/26/17 (1)	1/19/17	25,234			$ 2,000,047
K. P. March	1/26/17 (1)	1/19/17		81,888	$ 79.26	$ 1,350,012
	1/26/17 (1)	1/19/17	17,033			$ 1,350,036
B. T. Crutcher	1/26/17 (1)	1/19/17		227,465	$ 79.26	$ 3,750,006
	1/26/17 (1)	1/19/17	47,313			$ 3,750,028
K. J. Ritchie	1/26/17 (1)	1/19/17		121,315	$ 79.26	$ 2,000,009
	1/26/17 (1)	1/19/17	25,234			$ 2,000,047
R. G. Delagi	1/26/17 (1)	1/19/17		109,184	$ 79.26	$ 1,800,016
	1/26/17 (1)	1/19/17	22,711			$ 1,800,074

(1) In accordance with the grant policy of the Compensation Committee of the board (described under Process for equity grants), the grants became effective on the second trading day after the company released its financial results for the fourth-quarter and year 2016. The company released these results on January 24, 2017.

(2) The stock awards granted to the named executive officers in 2017 were RSU awards. These awards were made under the company s 2009 Long-Term Incentive Plan. For information on the terms and conditions of these RSU awards, see the discussion following the Outstanding equity awards at fiscal year-end 2017 table.

(3) The options were granted under the company s 2009 Long-Term Incentive Plan. For information on the terms and conditions of these options, see the discussion following the Outstanding equity awards at fiscal year-end 2017 table.

(4) The exercise price of the options is the closing price of TI common stock on January 26, 2017.

(5) Shown is the aggregate grant date fair value computed in accordance with ASC 718 for stock and option awards in 2017. The discussion of the assumptions used for purposes of the valuation appears in Note 4 to the financial statements in TI s annual report on Form 10-K for the year ended December 31, 2017.

None of the options or other equity awards granted to the named executive officers was repriced or modified by the company.

For additional information regarding TI s equity compensation grant practices, see the Compensation Discussion and Analysis.

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Outstanding equity awards at fiscal year-end 2017

The following table shows the outstanding equity awards for each of the named executive officers as of December 31, 2017.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)
R. K. Templeton		333,615 (2)	$ 79.26	1/26/2027	69,392 (6)	$ 7,247,300
	122,389	367,168 (3)	$ 52.93	1/29/2026	92,576 (7)	$ 9,668,637
	258,220	258,220 (4)	$ 53.94	1/28/2025	90,842 (8)	$ 9,487,538
	452,019	150,673 (5)	$ 44.09	1/23/2024	111,137 (9)	$ 11,607,148
	525,000		$ 32.80	1/25/2023		
	475,000		$ 32.36	1/26/2022		
R. R. Lizardi		60,658 (2)	$ 79.26	1/26/2027	25,234 (6)	$ 2,635,439
	7,493	22,480 (3)	$ 52.93	1/29/2026	5,668 (7)	$ 591,966
	11,857	11,858 (4)	$ 53.94	1/28/2025	4,172 (8)	$ 435,724
	20,756	6,919 (5)	$ 44.09	1/23/2024	5,104 (9)	$ 533,062
K. P. March		81,888 (2)	$ 79.26	1/26/2027	17,033 (6)	$ 1,778,927
	33,719	101,159 (3)	$ 52.93	1/29/2026	25,506 (7)	$ 2,663,847
	71,142	71,143 (4)	$ 53.94	1/28/2025	25,028 (8)	$ 2,613,924
	124,536	41,512 (5)	$ 44.09	1/23/2024	30,620 (9)	$ 3,197,953
B. T. Crutcher		227,465 (2)	$ 79.26	1/26/2027	47,313 (6)	$ 4,941,370
		206,064 (3)	$ 52.93	1/29/2026	51,956 (7)	$ 5,426,285
		144,920 (4)	$ 53.94	1/28/2025	50,983 (8)	$ 5,324,665
		69,187 (5)	$ 44.09	1/23/2024	51,032 (9)	$ 5,329,782
K. J. Ritchie		121,315 (2)	$ 79.26	1/26/2027	25,234 (6)	$ 2,635,439
		149,865 (3)	$ 52.93	1/29/2026	37,786 (7)	$ 3,946,370
		105,396 (4)	$ 53.94	1/28/2025	37,079 (8)	$ 3,872,531
		61,500 (5)	$ 44.09	1/23/2024	45,362 (9)	$ 4,737,607
R. G. Delagi		109,184 (2)	$ 79.26	1/26/2027	22,711 (6)	$ 2,371,937
	44,959	134,879 (3)	$ 52.93	1/29/2026	34,008 (7)	$ 3,551,796

94,856	94,857 (4)	$ 53.94	1/28/2025	33,371 (8)	$	3,485,267
166,047	55,350 (5)	$ 44.09	1/23/2024	40,826 (9)	$	4,263,867
200,000		$ 32.80	1/25/2023			
175,000		$ 32.36	1/26/2022			
162,500		$ 34.63	1/27/2021			

(1) Calculated by multiplying the number of RSUs by the closing price of TI common stock on December 29, 2017 ($104.44).

(2) One-quarter of the shares became exercisable on January 26, 2018, and one-third of the remaining shares become exercisable on each of January 26, 2019, January 26, 2020, and January 26, 2021.

(3) One-third of the shares became exercisable on January 29, 2018, and one-half of the remaining shares become exercisable on each of January 29, 2019, and January 29, 2020.

(4) One-half of the shares became exercisable on January 28, 2018, and the remaining one-half become exercisable on January 28, 2019.

(5) Became fully exercisable on January 23, 2018.

(6) Vesting date is February 1, 2021.

(7) Vesting date is January 31, 2020.

(8) Vesting date is January 31, 2019.

(9) Vested on January 31, 2018.

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The Option Awards shown in the table above are non-qualified stock options, each of which represents the right to purchase shares of TI common stock at the stated exercise price. The exercise price is the closing price of TI common stock on the grant date. The term of each option is 10 years unless the option is terminated earlier pursuant to provisions summarized in the chart below and in the paragraph following the chart. Options vest (become exercisable) in increments of 25 percent per year beginning on the first anniversary of the date of the grant. The chart below shows the termination provisions relating to stock options outstanding as of December 31, 2017. The Compensation Committee of the board of directors established these termination provisions to promote employee retention while offering competitive terms.

Employment Termination Due to Death or Permanent Disability	**Employment Termination (at Least 6 Months after Grant) When Retirement Eligible***	**Employment Termination (at Least 6 Months after Grant) with 20 Years of Credited Service, but Not Retirement Eligible****	**Employment Termination for Cause**	**Other Circumstances of Employment Termination**
Vesting continues; option remains in effect to end of term	Vesting continues; option remains in effect to end of term	Option remains in effect to end of term; vesting does not continue after employment termination	Option cancels	Option remains exercisable for 30 days

* Defined for purposes of equity awards made after 2012 as at least age 55 with 10 or more years of TI service or at least age 65. For awards made before 2013, the definition of normal or early retirement eligibility in the relevant pension plan applies (see 2017 pension benefits).

** This provision is not applicable to grants made after 2012.

Options may be cancelled if, during the two years after employment termination, the grantee competes with TI or solicits TI employees to work for another company, or if the grantee discloses TI trade secrets. In addition, for options received while the grantee was an executive officer, the company may reclaim (or claw back) profits earned under grants if the officer engages in such conduct. These provisions are intended to strengthen retention and provide a reasonable remedy to TI in case of competition, solicitation of our employees or disclosure of our confidential information.

Options granted after 2009 become fully vested if the grantee is involuntarily terminated from employment with TI (other than for cause) within 24 months after a change in control of TI. Change in control is defined as provided in the Texas Instruments 2009 Long-Term Incentive Plan and occurs upon (1) acquisition of more than 50 percent of the voting stock or at least 80 percent of the assets of TI or (2) change of a majority of the board of directors in a 12-month period unless a majority of the directors then in office endorsed the appointment or election of the new directors (Plan definition). These terms are intended to reduce employee uncertainty and distraction in the period leading up to a change in control, if such an event were to occur. For options granted before 2010, the stock option terms provide that upon a change in control of TI, the option becomes fully vested to the extent it is then outstanding;

and if employment termination (except for cause) has occurred within 30 days before the change in control, the change in control is deemed to have occurred first. Change in control is defined in these pre-2010 options as (1) acquisition of 20 percent of TI common stock other than through a transaction approved by the board of directors, or (2) change of a majority of the board of directors in a 24-month period unless a majority of the directors then in office have elected or nominated the new directors (together, the pre-2010 definition).

The Stock Awards column in the table of outstanding equity awards at fiscal year-end 2017 are RSU awards. Each RSU represents the right to receive one share of TI common stock on a stated date (the vesting date) unless the award is terminated earlier under terms summarized below. In general, the vesting date is approximately four years after the grant date. Each RSU includes the right to receive dividend equivalents, which are paid annually in cash at a rate equal to the amount paid to stockholders in dividends.

The table below shows the termination provisions of RSUs outstanding as of December 31, 2017.

Employment Termination Due to Death or Permanent Disability	**Employment Termination (at Least 6 Months after Grant) When Retirement Eligible**	**Employment Termination For Cause**	**Other Circumstances of Employment Termination**
Vesting continues; shares are paid at the scheduled vesting date	Vesting continues; shares are paid at the scheduled vesting date	Grant cancels; no shares are issued	Grant cancels; no shares are issued

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These termination provisions are intended to promote retention. All RSU awards contain cancellation and clawback provisions like those described above for stock options. The terms provide that, to the extent permitted by Section 409A of the IRC, the award vests upon involuntary termination of TI employment within 24 months after a change in control. Change in control is the Plan definition. These cancellation, clawback and change-in-control terms are intended to conform RSU terms with those of stock options (to the extent permitted by the IRC) and to achieve the objectives described above in the discussion of stock options.

In addition to the Stock Awards shown in the outstanding equity awards at fiscal year-end 2017 table, Mr. Templeton holds an award of RSUs that was granted in 1995. The award, for 120,000 shares of TI common stock, vested in 2000. Under the award terms, the shares will be issued to Mr. Templeton in March of the year after his termination of employment for any reason. These terms were designed to provide a tax benefit to the company by postponing the related compensation expense until it was likely to be fully deductible. In accordance with SEC requirements, this award is reflected in the 2017 non-qualified deferred compensation table.

2017 option exercises and stock vested

The following table lists the number of shares acquired and the value realized as a result of option exercises by the named executive officers in 2017 and the value of any RSUs that vested in 2017. For option exercises, the value realized is calculated by multiplying the number of shares acquired by the difference between the exercise price and the market price of TI common stock on the exercise date. For RSUs, the value realized is calculated by multiplying the number of RSUs that vested by the market price of TI common stock on the vesting date.

	Option Awards		**Stock Awards**	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
R. K. Templeton	990,000	$ 57,796,600	175,000	$ 13,632,500
R. R. Lizardi	5,625	$ 257,047	7,500	$ 584,250
K. P. March	300,000	$ 16,750,191	50,000	$ 3,895,000
B. T. Crutcher	339,043	$ 14,093,292	75,000	$ 5,842,500
K. J. Ritchie	266,849	$ 9,480,310	66,667	$ 5,193,359