



Freescale's 2007 Corporate Social Responsibility Report

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This report contains “forward-looking statements” within the meaning of the federal securities laws that involve risks and uncertainties. Forward-looking statements include statements we make concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. The words “estimates,” “expects,” “anticipates,” “projects,” “forecasts,” “plans,” “intends,” “believes,” “foresees,” “seeks,” “likely,” “may,” “will,” “should,” “goal,” “target” and variations of these words or similar expressions (or the negative versions of any such words) are intended to identify forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. Important factors that could cause actual results to differ materially from our expectations are disclosed under “Risk Factors” and elsewhere in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2008 and our other SEC filings. Accordingly, you should not place undue reliance on our forward-looking statements. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this report. Except as required by law, we undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

About this Report

This report, our third corporate social responsibility report, was created to provide interested parties an integrated overview of the economic, environmental and social aspects of Freescale Semiconductor's business activities and products. Our corporate social responsibility report is the external reflection of Freescale's Code of Business Conduct and Ethics. Impeccable Ethics is a fundamental corporate belief that requires us to demonstrate that we act with integrity, communicate openly and honestly and treat everyone with respect and fairness, including:

- In the workplace, by placing a high value on diversity and inclusion, taking action against all forms of harassment or improper labor practices and promoting the health and well-being of our employees
- In the environment, with stewardship and continuing improvement in compliance and sustainability programs
- In the community, by supporting quality of life and educational opportunities
- In the marketplace, by encouraging our business partners to act consistently with our values.

In preparing this report, we have relied upon the Global Reporting Initiative's G3 Sustainability Reporting Guidelines and industry reporting best management practices. We have emphasized in the report the relationship between our corporate social responsibility program and the communities where our employees live and work. We hope that this report will encourage communication between Freescale and our stakeholders (financial, governmental and non-governmental entities, customers, suppliers and other business partners) about our corporate social responsibility progress and initiatives.

Readers are encouraged to offer comments and suggestions so that we can continue to improve our reporting process. For more information, please e-mail us at FSLCSR@freescale.com.

Scope of this Report

This report describes the 2007 corporate social responsibility performance of Freescale Semiconductor. Reporting of financial and employment information is limited to information from 2006 and 2007. Environmental, health and safety performance indicators include information from 2001 through 2007. The report includes all of Freescale's operations. Environmental performance indicators are measures of Freescale's manufacturing facilities.

Message from the Chairman and CEO Rich Beyer



Our commitment to corporate social responsibility is at the heart of our ethical standards, policies, practices and programs guiding our business. To help guide our 23,000 employees in more than 30 countries around the world, we develop these

programs around these key elements:

- Business ethics and transparency
- Workplace practices and employee relations
- Community engagement and development
- Environment, health and safety
- Human rights
- Integration of corporate social responsibility into our supply chain

Our employee diversity programs help foster an inclusive workplace, and our local hiring efforts are aimed at hiring and developing employees from the countries and communities in which we operate.

Our community investment programs focus on education, health and human services, as well as our environmental and resource conservation efforts. We have made the development of products that are free of hazardous substances a priority for Freescale. To further encourage designing for the environment, we have invited engineers and engineering students to participate in a global green challenge. Winning entries will be recognized throughout 2008 at global Freescale Technology Forum events.

Working together with our customers, we have the opportunity to create more efficient electronic systems that make the world a smarter, safer, more connected place.

We are committed to expanding our understanding of social and environmental issues that affect our businesses and our communities. We will continue to evolve our efforts and integrate that knowledge to continually improve our performance in this important area.

We appreciate your interest in Freescale and hope you find this information useful.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rich Beyer', with a stylized flourish at the end.

Rich Beyer
Chairman of the Board and CEO

Sustainability at a Glance

	2006	2007
Business Results		
Net sales	\$6.4 billion	\$5.7 billion
Adjusted operating earnings ¹	\$953 million	\$714 million
Research and development	\$1.2 billion	\$1.1 billion
Countries of operation	30+	30+
Employees		
Global employees	24,400	23,600
Contractors	1,800	1,700
Payroll and benefits	\$1.6 billion	\$1.6 billion
% women all employees	34%	34%
% women executives	15%	12%
% women US employees	25%	24%
% diversity US employees	34%	34%
The US Diversity total includes the following self-identified designations: American Indian, Alaskan, Asian, Black/African American, Hawaiian/Pacific Islander and Hispanic/Latino.		
FreeSpeak employee engagement survey participation	86%	84%
Human Rights Campaign Corporate Equality Index	100%	100%
"Making Great Leaders" training	1,300	2,200
Employee volunteer hours (US)	10,000	12,500
Non-profits supported	42	53

¹ Excludes one-time and ongoing costs in connection with the company's leveraged buyout in December 2006 and other related costs. See the company's web site at www.freescale.com/investor and the appendix of this document for non-GAAP reconciliation and other details.

	2006	2007
Manufacturing & Facilities		
Wafer fabs	7	7
Outsourced wafer production	~20%	~15%
Assembly and test operations	2	2
Outsourced assembly and test	~50%	~50%
ISO-9000/14001 certification	Yes	Yes
TS16949 quality standards	Yes	Yes
Owned facilities	16	15
Leased facilities	98	98
Total square footage	13 million sq. ft.	13 million sq. ft.
Goods, materials and services purchased	\$3.9 billion	\$3.3 billion
Number of minority- and diversity-owned US suppliers	165	141
Environmental Health & Safety		
Non-hazardous waste generation	12.4 kilotons	11.69 kilotons
Hazardous waste generation	3.97 kilotons	3.80 kilotons
Recycling rate	72%	75%
CO ₂ emissions	0.559	0.534
Direct CO ₂ emissions expressed as million metric tons of carbon dioxide equivalents		
Energy consumption	1.58 billion kWh	1.59 billion kWh
Renewable energy purchases	13 million kWh	13 million kWh
Water consumption (billions of gallons)	2.87	2.82
Recordable workplace injury and illness per 100 employees (Global)	0.46	0.35
Recordable workplace injury and illness per 100 employees (US)	0.61	0.57

Corporate Governance

Freescale pursues policies that continue to improve its corporate governance, transparency and stakeholder relations. The company conducts its business through its employees, managers and officers, under the direction of the Chairman and Chief Executive Officer (CEO) and the oversight of the Board of Directors (the “Board”); all with a view toward enhancing the long-term value of the company.

Freescale is owned by a consortium of private equity funds led by The Blackstone Group and including The Carlyle Group, funds advised by Permira Advisers LLC and TPG Capital. Freescale’s ten-member board is currently comprised of the chairman and CEO, representatives of Freescale’s owners and one additional director.

The Board has chartered an Audit and Legal Committee and a Compensation and Leadership Committee. Among other duties, the Audit and Legal Committee reviews the company’s business ethics and compliance policies and programs.

Code of Business Conduct and Ethics

Freescale has adopted a Code of Business Conduct and Ethics (the “Code”) that applies to all Freescale employees and directors. The Code complies with the requirements of the Sarbanes-Oxley Act of 2002 and the rules issued thereunder for codes of conduct

applicable to our officers. The Code also memorializes Freescale’s commitment to compliance with the laws in countries in which we conduct operations and to the standards outlined in the U.S. Federal Sentencing Guidelines.

The Code extends beyond legal requirements by integrating the values we share as employees of Freescale. The Code places special responsibility on managers, prohibits retaliation for reporting issues and communicates that employees are free to support community groups, charities and organizations of their choice.

The Code is an evolving document and must periodically be refreshed to ensure that it addresses relevant issues and provides a clear statement of Freescale’s ethical expectations. In 2007, Freescale undertook an extensive process to review and revise the Code. That process concluded with the Freescale Board approving the revised Code for publication and distribution to employees. All Freescale employees will receive a copy of the new Code in 2008 and will participate in an educational course supporting the principles included in the Code. While the fundamental values expressed in our Code have not changed, the new Code more clearly defines who we are and who we want to be as a company.

Business Conduct: Impeccable Ethics

One of Freescale’s fundamental beliefs is Impeccable Ethics. Our goal is to be the most ethical company in the business.

The key values of our new Code—

- Act with integrity,
- Communicate openly and honestly, and
- Treat everyone with respect and fairness—derive from this Freescale Fundamental.

Continuing to build that trust is essential to our success.

Our reputation for integrity and honesty provides us with a significant competitive advantage and has helped build trust with our business partners, customers and governments.

The Code outlines Freescale's commitment to human rights, the rule of law and fair competition. The Code addresses specific topics such as:

- Respect and fairness
- Harassment
- Safety and health
- Fair labor practices
- Political activities
- Anti-corruption activities
- Competitive practices

To drive Freescale's high expectations regarding business conduct and ethics worldwide, we maintain the Office of Business Conduct and Ethics (OBCE). The OBCE regularly reports to and receives guidance from the Audit and Legal Committee of the Board and the Business Conduct and Ethics Leadership Team (comprised of the CEO, CFO, General Counsel, Human Resources Director, Director of Business Operations, Chief Audit Officer and Director of Business Conduct and Ethics). The OBCE administers Freescale's ethics and compliance program and oversees the work of regional Business Conduct and Ethics Committees. These committees, made up of our most senior regional and corporate managers, proactively monitor ethics and compliance issues and help educate employees regarding the expectations of conducting business in accordance with our Code.

Freescale has a mandatory training program regarding our Code. Every Freescale employee is expected to complete this training, which is available in English, French, Japanese, Mandarin Chinese and Bahasa Malay. Newly hired employees are required to complete the course soon after employment begins.



ETHICSline

We also maintain our ETHICSline as a means for employees, business partners and others to raise any concerns or ask any questions they may have about compliance with the Code or the laws, regulations or contract provisions that govern Freescale's business. The ETHICSline provides an option for anonymous reporting. We make it clear that we will not tolerate retaliation against anyone who uses the ETHICSline, and that we will maintain the confidentiality of reports to the extent permitted by law. The ETHICSline is accessible worldwide with language translation capability by phone, e-mail, voice mail, regular mail, fax or personal visit.



All employees are encouraged to use the ETHICSline to seek assistance, ask questions and report incidents of concern. The OBCE ensures that each matter

raised to it through the ETHICSline is investigated and responded to promptly. In 2007, more than 70 percent of all ETHICSline contacts were investigated and responded to within seven days of receipt. In addition, for any party with a concern about Freescale's accounting, internal controls or audit matters, the ETHICSline provides access to the Board's Audit and Legal Committee.

Employee Associations and Trade Unions

Freescale employees have the right to join associations of their own choosing or to refrain from joining them, in accordance with local law. Freescale prohibits retaliation against any employee for communicating openly with management regarding conditions of employment.

In many countries, local law prohibits employers from asking employees about their affiliations with trade unions. Freescale neither asks its employees about such affiliations nor does it keep any records of that information. Freescale has no recognized unions in any of our U.S. locations nor are we operating under a collective bargaining agreement at any of our U.S. sites.

The company has work councils or similar organizations in the United Kingdom, France and Germany. These organizations consist generally of elected employee representatives. As required by law, the company consults and communicates with employees through these work councils on changes to terms and conditions of employment and other matters. An Employee Services Committee operates as the labor organization at the company's Tianjin, China facility.

Freescale's Code of Business Conduct and Ethics is available for download at: www.freescale.com/ethics.

Freescale Wins 2007 American Business Ethics Award™

In recognition of its commitment to Impeccable Ethics, Freescale received the 2007 American Business Ethics Award from The Foundation for Financial Service Professionals. The American Business Ethics Awards are given to companies that exemplify high standards of ethical behavior in their everyday business conduct and in response to specific crises or challenges. Nominees are rated in four broad areas: executive commitment to ethics, ongoing ethics programming, demonstrated ethical business practices and commitment to stakeholders, including employees, customers and the community. Freescale was the winner in the large company category (2,500 or more employees). Past winners of this award include Whirlpool Corporation, Starbucks Coffee Company and Lockheed Martin Corporation.

Company Overview



With over 50 years of operating history, Freescale is a leader in the design and manufacture of embedded processors. We are based in Austin, Texas and have design, research and development, manufacturing or sales operations in more than 30 countries. We generated \$5.7 billion in revenue for the year ended December 31, 2007.

In each of the markets we serve, we offer families of embedded processors. In their simplest forms, embedded processors provide the basic intelligence for electronic devices and can be programmed to address specific applications or functions. Examples of our embedded processors include microcontrollers, digital signal processors and communications processors.

In addition to our embedded processors, we offer our customers a broad portfolio of complementary devices that provide connectivity between products, across networks and to real-world signals, such as sound, vibration and pressure. Our complementary products include sensors, radio frequency semiconductors, power management and other analog and mixed-signal

integrated circuits. Through our embedded processors and complementary products we also offer customers complex combinations of semiconductors and software, which we refer to as “platform-level products.” We believe that our ability to offer platform-level products will be increasingly important to our long-term success in many markets within the semiconductor industry as our customers continue to move toward providers of embedded processors and complementary products.

Semiconductor Market Overview

Semiconductors perform a broad variety of functions within electronic products and systems, such as processing data, storing information and converting or controlling signals. Advances in semiconductor technology have increased the functionality and performance of semiconductors, improving the features, functionality and power consumption characteristics of the devices enabled while reducing their size and cost of manufacturing. These advancements have resulted in a proliferation of electronic content across a diverse array of products.

Classifications of Semiconductors

Semiconductors vary significantly depending upon the specific function or application of the end product in which the semiconductor is embedded, as well as the technical characteristics of the semiconductor. Examples of these characteristics include:

- **Degree of Integration**

“Integration” refers to the extent to which different elements are combined onto a single chip. Customers today are increasingly demanding higher degrees of integration from their semiconductor suppliers, resulting in more products that combine analog, digital, and memory circuitry onto a single chip. These types of semiconductors are often referred to as systems-on-a-chip.

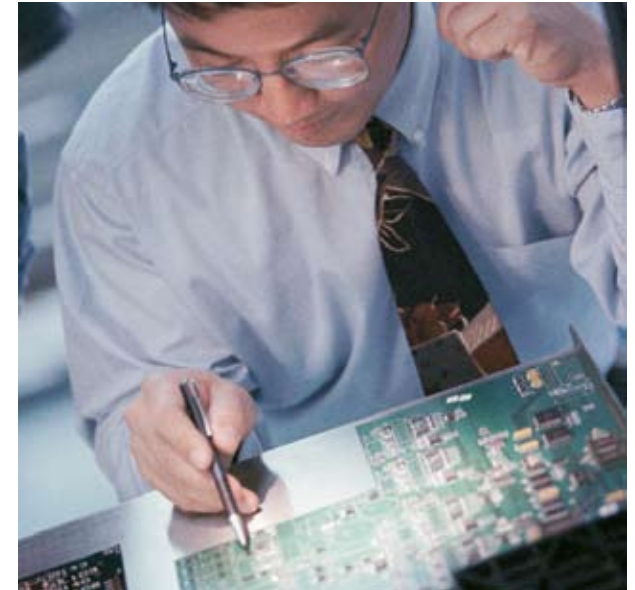
- **Customization**

“Customization” refers to the extent to which a semiconductor has been customized for a specific customer or application. Standard products are semiconductors that are not customized and can be used by a large number of customers for numerous applications. In addition, some standard products, such as microcontrollers, can be customized by using software rather than by changing the device

hardware. Changing the device hardware can be a time-intensive and costly process. Customized semiconductors, also referred to as application specific integrated circuits, are made to perform specific functions in specific applications, sometimes for a specific customer.

- **Process Technology**

Semiconductors are manufactured by using different process technologies, which can be likened to “recipes.” The process technology utilized during manufacturing impacts a semiconductor’s performance for a given application. As semiconductor materials science has evolved, the minimum feature sizes in each new process technology continue to decrease. This reduces the size and, generally, unit cost of semiconductors made with the new process technology. Leading edge process technology today typically refers to a minimum feature size of 90 nanometers, which is currently in volume production. We believe that the next reduction in feature size to enter volume production will be 65 nanometers and there is currently research into feature sizes down to 32 nanometers. Each new reduction in feature size generally takes 18 to 24 months to develop.



Research and Development

Our research and development activities focus on both product and technology development. Our product design engineering activities, which constitute the majority of our research and development expenditures, are primarily aligned with our product design groups and the areas of focus for these investments are described within the relevant product and application sections. Our technology development programs support our product design efforts, and cover process technology, packaging technology as well as system-on-a-chip design technology. Specialty technologies are also developed to provide differentiation and competitive advantage, such as embedded memories (particularly non-volatile), Silicon-On-Insulator (SOI), SMARTMOS, radio frequency and mixed-signal technologies. We believe that this approach allows us to apply our investments in process, packaging and design technologies across a broad portfolio of products. Our research and development spending has been in excess of \$1 billion for each of the past three years.

We participate in alliances or other arrangements with external partners in the area of process technology, design technology, manufacturing technology and materials development to reduce the



cost of development and accelerate access to new technologies. We participate in the IBM Alliance in New York with AMD, Chartered, IBM, Infineon, Samsung, Sony and Toshiba to develop our next generation 300-millimeter technologies. We have several research projects with IMEC (Leuven, Belgium), and collaborative research programs with CEA-LETI (Grenoble, France) and CNRS-LAAS (Toulouse, France). We continually review our memberships in these technology research alliances and arrangements, and we may make changes from time to time.

Our research and development locations include facilities in the United States, Canada, Brazil, China, Malaysia, India, Japan, Israel, Russia, Romania, the United Kingdom, France and Germany.

Manufacturing

Our goal is to provide cost competitive solutions through a balanced use of internal capabilities and external manufacturing. We currently manufacture a substantial portion of our products at our own facilities. However, as part of our asset-light strategy, we utilize a balance of internal and external manufacturing resources for standard CMOS processes and high-volume products. This is intended to allow us to maximize cash flow and minimize the risk associated with market fluctuations. We have relationships with several wafer foundries and assembly and test subcontractors to meet our external sourcing needs.

Based on total units produced in 2007, approximately 15 percent of our front-end manufacturing was outsourced to wafer foundries. This percentage may increase as we grow our business and our product mix changes. We outsourced approximately 50 percent of our manufacturing to assembly and test contractors, based on total units produced in 2007.

As of December 31, 2007, we owned and operated nine manufacturing facilities, of which seven are wafer fabrication facilities and the remaining two are assembly and test facilities. These facilities are certified to the ISO-9000/14001 international quality standards, as well as the TS16949 standard for the automotive industry. The following table describes our manufacturing facilities:

Name & Location	Representative Products	Technologies Employed
Wafer Fabs		
Tempe, Arizona	Power amplifiers Radio frequency switches	150-millimeter (mm) wafers GaAs 0.5 micron
East Kilbride, Scotland	Flash microcontrollers Power management Radio frequency LDMOS transistors Mixed-signal devices	150-mm wafers CMOS, embedded non-volatile memory (NVM), 0.5 micron
Toulouse, France	Power management Motor controllers Power semiconductors	150-mm wafers Power CMOS 0.5 micron
Sendai, Japan	Microcontrollers Sensors	150-mm wafers CMOS, embedded NVM, MEMs 0.5 micron
Oak Hill, Austin, Texas	Radio frequency transceivers Radio frequency amplifiers Power management Communications processors	200-mm wafers CMOS, BiCMOS silicon germanium Power CMOS 0.25 micron
Chandler, Arizona	Microcontrollers Power management Embedded processors	200-mm wafers CMOS, embedded NVM, power CMOS 0.18 micron
ATMC, Austin, Texas	Communications processors Host processors Applications processors	200-mm wafers Advanced CMOS, system-on-a-chip 90 nm
Assembly & Test		
Kuala Lumpur, Malaysia	Communications processors Host processors Microcontrollers Power management Analog and mixed-signal devices Radio frequency devices	
Tianjin, China	Communications processors Microcontrollers Power management Analog and mixed-signal devices	

Our manufacturing processes require many raw materials, such as silicon wafers, mold compound, packaging substrates and various chemicals and gases, and the necessary equipment for manufacturing. We obtain these materials and equipment from a large number of suppliers located throughout the world. These suppliers deliver products to us on a just-in-time basis, and we believe that they have sufficient supply to meet our current needs, although it is possible that we could experience inadequate supply due to a sudden worldwide surge in demand.

Like many global companies, we maintain plans to respond to external developments that may affect our employees, facilities or business operations. Business continuity is very important to us as we strive to ensure reliability of supply to our customers. TS16949 quality standards, our standards of internal control, and our quality standards all require a business continuity plan to effectively return critical business functions to normal in the case of an unplanned event, and our operations are certified to all of these standards. We require our major foundries, assembly and test providers and other suppliers to have a business continuity plan as well. However, in the event that our manufacturing capacity, either internal or external, is disrupted, we could experience difficulty fulfilling customer orders.

Our business continuity plan covers issues related to continuing operations (for example, continuity of manufacturing and supply to customers), crisis management of our business sites (for example, prevention and recovery from computer, data, hardware and software loss) and information protection. We perform annual risk assessments at each site, reviewing

activities, scenarios, risks and actual events, and conduct annual test drills. Generally, we maintain multiple sources of supply of qualified technologies. We also audit our suppliers' compliance with their plans.

Facilities

Our principal executive offices are at 6501 William Cannon Drive West, in Austin, Texas. We also operate manufacturing facilities, design centers and sales offices throughout the world. As of December 31, 2007, we owned 15 facilities and leased 98 facilities. Our total square footage consists of 13 million square feet, of which approximately 11 million square feet is owned

and approximately two million square feet is leased. Our lease terms range from several months to 19 years.

We believe that all of our facilities and equipment are in good condition, are well maintained and are able to operate at present levels.

We have a concentration of manufacturing (including assembly and test) in Asia, primarily in China, Japan, Malaysia and Taiwan, either in our own facilities or in the facilities of third parties. If manufacturing in the region were disrupted, our overall production capacity could be significantly reduced.

Region	Description	Principal Locations	Total Owned Square Footage	Total Leased Square Footage
Americas	4 owned facilities, 48 leased facilities	Austin, Texas Phoenix, Arizona	5.8 million	1.3 million
Asia	6 owned facilities, 24 leased facilities	Kuala Lumpur, Malaysia Sendai, Japan	1.8 million	0.5 million
Europe, Middle East, Africa	5 owned facilities, 26 leased facilities	East Kilbride, Scotland Toulouse, France Munich, Germany Tel Aviv, Israel	2.8 million	0.4 million

Customers and Products



We sell our products directly to original equipment manufacturers, original design manufacturers and contract manufacturers through our direct sales force. Our direct sales force is aligned by customer end markets in an effort to bring dedicated expertise and knowledge to our customers. We have more than 50 sales offices located in 25 countries. We believe that it is important to have a large number of sales offices to closely align ourselves with the development efforts of our customers, as well as to be able to respond directly to customer requirements.

We also maintain a network of distributors that we believe has the global infrastructure and logistics capabilities to serve a wide and diversified customer base for our products. Expansion of our distribution sales network represents an opportunity for us to leverage our products and services to a wider array of customers.

The Asia-Pacific region represents approximately 50 percent of our net sales. We continue to enhance our sales and marketing capabilities and infrastructure in the Asia-Pacific region by strengthening our direct sales force in the region and expanding the scope of our distribution network.

In addition, we are placing significant focus on consumer market opportunities. We have created or are expanding into new product categories focused on the consumer market. These include passive optical networking products for broadband triple play services to the small office/home office space, the i.MX family of applications processors to manage complex processing requirements for portable consumer multimedia devices, and our power management products to help digital still cameras, media players and converging multimedia devices maintain long battery life.

We generally target customers who are leaders in industries in which our products are used as well as companies that we believe will be future leaders in these industries.

Market Strategies

We design, develop, manufacture and market a broad range of semiconductor products that are based on our core capabilities in embedded processing. In addition, we offer customers differentiated products that complement our embedded processors, such as sensors, radio frequency semiconductors and power management and other analog and mixed-signal semiconductors. Our capabilities enable us to offer customers a broad range of product offerings, from individual devices to platform-level products that combine semiconductors with software for a given application.

We initiated a company-wide realignment of our sales and marketing, new product introduction, supply chain and manufacturing operations late in 2007 to better enable us to execute our strategic growth initiatives. As part of the realignment, we have established four, more focused product design groups to facilitate faster decision making and focus on delivering new products. The discussion that follows presents our product portfolio and sales and market strategy consistent with our realignment.



Microcontroller Solutions

Overview

Microcontroller Solutions product offerings include the key components of embedded control systems. These components include embedded processors, specifically microcontrollers, embedded microprocessors and digital signal processors. We provide comprehensive product offerings, including development tools, application support, training, documentation and platforms.

Embedded control systems are found in a number of applications. For example, Microcontroller Solutions products can serve as the “brains” of automotive control systems, from wipers that respond to the intensity of rainfall to engine management systems that have significantly reduced exhaust emissions and fuel consumption while giving drivers enhanced performance. Microcontroller Solutions products can reduce power consumption in portable consumer products and can wirelessly communicate mouse clicks to a computer. Microcontroller Solutions products can monitor food temperature in fast food restaurants and temperature in industrial equipment. They are found in homes in places such as remote controls, microwave ovens, thermostats and toys. Primary application areas for Microcontroller Solutions products include:

- Automotive (for use in airbags, anti-lock braking systems, comfort, engine management, vehicle stability control, instrument cluster, and telematics systems)

- Consumer (for use in alarm systems, home appliances, remote controls, toys and other electronic devices)
- Industrial (for use in electronic motor control, manufacturing process control, measuring equipment and point-of-sale equipment)
- Computer peripherals (for use in displays, keyboards, mice and printers).

Market Opportunity

Microcontroller Solutions addresses the markets for microcontrollers as well as portions of the embedded microprocessor and digital signal processor markets. Automotive, industrial, consumer and computer peripherals are the primary application areas for Microcontroller Solutions products.

The automotive industry currently represents the largest portion of Microcontroller Solutions sales. Semiconductor demand in this market is driven by vehicle production and the increasing electronic content in vehicles, particularly in the areas of safety, powertrain management, comfort and entertainment features. The desire to reduce fuel consumption and emissions is driving demand in powertrain management. Also driving growth in this market is the replacement of mechanical systems with electronically controlled systems. Examples are the replacement of manually operated car windows, the replacement of hydraulic power steering with electric power steering and, in the future, the replacement of hydraulic brakes with electronic “brake-by-wire” systems.

The industrial, consumer and computer peripheral industries also represent significant market opportunities for Microcontroller Solutions. Our Microcontroller Solutions strategy is to expand our portfolio of both general purpose and application specific products for these markets.

Principal Products

- **Microcontrollers**

Microcontrollers are computers on a chip, integrating all the major components of a computing system onto a single integrated circuit. Microcontrollers are the “brains” of many electronic applications, controlling electrical equipment or analyzing sensor inputs. We offer 8-bit, 16-bit and 32-bit microcontrollers.

- **Embedded Microprocessors**

Embedded microprocessors are very similar to microcontrollers except that they do not integrate the memory storing the software program. Examples of applications using our embedded microprocessors include automotive telematics systems (which combine computing capabilities with wireless systems), printers and industrial control systems.





Networking and Multimedia

Overview

Networking and Multimedia product offerings include embedded processors for the wired and wireless networking, industrial and consumer markets. We offer systems solutions that facilitate the transmission, switching and processing of data and voice signals. Our products are used in a variety of types of networking and multimedia equipment, including:

- Wireless infrastructure equipment (such as cellular base stations)
- Network communications equipment (such as switches and routers for data and voice traffic)
- Network access equipment (such as media gateways and GPON devices)
- Pervasive computing equipment (such as networked storage, gaming, printing, imaging and multimedia devices)
- Industrial applications (such as automated vehicles, robotics and ATM machines)
- Mobile consumer applications (such as portable media players, personal video devices, personal navigation devices and in-car infotainment)

Market Opportunity

The communications semiconductor market is driven largely by demand for high-speed access to communications networks and for network upgrades to support the convergence of services to an all Internet Protocol-based network. As the number and types of devices accessing communications networks continues to expand and as multimedia applications, which use larger amounts of network capacity, proliferate, the demand for increased bandwidth, higher reliability and high-speed communications equipment is expected to grow. We also target high-growth, emerging markets that are focused on mobile and wireless consumer, industrial and automotive devices and systems, such as the portable media player consumer market.

Principal Products

- **Communications Processors**

Communications processors are programmable integrated circuits that perform tasks related to control and manipulation of digital data, as well as network interfaces. Our communications processors generally include our PowerQUICC™ family of processors. We sell our communications processors primarily for use in wired and wireless network access and customer premises equipment applications. We also sell communications processors to customers for control and processing functions in a variety of media and data storage applications, as well as for applications requiring security features, such as virtual private networks that we enable through our encryption technology.

- **Digital Signal Processors**

Digital signal processors are special-purpose processors that can perform parallel arithmetic and graphic calculations very rapidly on a real-time basis. Digital signal processors for networking applications are used in products that require high-performance data analysis, such as voice and video compression (the conversion of voice signals into data packets) and the conversion of analog signals into digital signals at very high speeds. Digital signal processors are also used for real-time computationally-intensive processing of audio and data signals. Our audio digital signal processors support encoding and decoding for multi-channel and stereo audio systems. Audio digital signal processors are used in a variety of applications, such as audio and video receivers, DVD players, digital TVs, video game console speakers, and automotive amplifiers.

- **Networked Multimedia Devices**

We offer a range of products designed to improve the performance and to reduce the size and cost of multimedia delivery applications in the home. These products include single-chip multi-standard silicon tuners for set-top boxes, televisions, personal computers, digital recording devices and cable modems. We also sell radio frequency modulators that rebroadcast sound and video signals so they can be fed into a television antenna or other viewing areas for applications such as set-top boxes, DVD systems, high definition systems, digital video recording devices and games consoles. We provide multi-channel television sound and NICAM stereo encoders, which solve an industry problem of preserving sound quality in home networks and audio systems such as set-top boxes, DVD players and recorders, VCRs and games stations.

- **Application Processors**

Our application processors are used in a variety of video devices, personal navigation devices, cellular phones and in-car infotainment. Application processors provide the necessary processing required to enable high-level operating systems and rich multimedia functionality, such as the encoding, decoding and display of audio, video and image content. On April 30, 2008, Freescale completed its acquisition of SigmaTel, a mixed-signal and analog IC company. Its portfolio complements our successful portfolio of i.MX applications processors.





Cellular Products

Overview

Cellular Products product offerings include semiconductor components and platform-level products that are used in the design and manufacturing of mobile and wireless handheld devices such as cellular handsets. Our strategy focuses on providing a broad portfolio of semiconductor and software components, such as baseband processors, radio frequency integrated circuits, software protocol stacks, and power management solutions, which are sold as components and platform solutions.

Market Opportunity

Cellular Products targets various handheld mobile communications products markets. Its primary target market is the cellular communications device (cellular handset) market. We believe that a significant level of growth in the global cellular handset market is expected to be driven by the adoption of third-generation (3G) cellular handsets, which require increased semiconductor and software content to enable enhanced multimedia functionality and to provide high-bandwidth, IP-based voice and data services.

Cellular Products offers cellular handset components and platforms that are based on global cellular protocol standards, including Global Systems for Mobile Communications (GSM), General Packet Radio Service (GPRS), Enhanced Data for GSM Evolution (EDGE), Integrated Digital Enhanced Network (iDEN) and Universal Mobile Telecommunications System (UMTS) and High-Speed Packet Access (HSPA).

In addition, Cellular Products develops components and platforms based on established and emerging wireless networking technology protocols, including evolving UMTS standards, such as Long Term Evolution (LTE).

Principal Products

- **Baseband Processors**

Our cellular baseband processors typically consist of integrated digital signal processor (DSP) and reduced instruction set computing (RISC) core and perform the digital signal processing and control functions required for cellular communications. Digital signal processing and control functions include speech compression and decompression, encoding and decoding and the transmission and reception of voice and data signals. The baseband processors also enable other functions, such as multimedia functionality (including the enablement of high-level operating systems, rich multimedia functionality, encoding, decoding and display of audio, video and image content), the keypad interface, the audio control, the ringing and display driving.

- **Power Management**

Our power management integrated circuits control and supply power to the various subsystems within a cellular handset and other mobile devices. The power management integrated circuits also enable battery charging and audio amplification for speakers and microphones.

- **Radio Frequency Subsystems**

Our radio frequency subsystems consist of integrated radio frequency transceivers. Radio frequency transceivers convert the digital signal received from the baseband processors to an analog signal in preparation for its transmission as a radio frequency signal over a wireless network. Our radio frequency subsystems target cellular handsets.

- **Platform-Level Products**

We offer comprehensive platform-level products that consist of integrated semiconductor components (for example, radio frequency subsystems, baseband integrated circuits, power management integrated circuits and application processors) with core operating software (for example, protocol communications stack codecs, voice and multimedia processing, and operating system interface.)

Through our highly integrated platforms, we seek to address our customers' needs for flexible, scalable platforms that include robust, fully integrated silicon, software and support. Our platform-level products are intended to ease the development of current and next-generation wireless products and reduce the time-to-market of original equipment manufacturers' products by shortening the prototyping-to-initial-production cycle.





Radio Frequency, Analog and Sensors

Overview

Radio Frequency, Analog and Sensors products include analog and mixed-signal integrated circuits, sensors, and radio frequency devices. Our sensor devices and analog and mixed signal integrated circuits serve as the interface between the outside world and the embedded systems. Radio Frequency, Analog and Sensors products also include high power radio frequency devices for base transceiver stations. These products complement our portfolio of microcontrollers and microprocessors.

Market Opportunity

Radio Frequency, Analog and Sensors addresses the markets for analog and mixed-signal semiconductors. Automotive, industrial, consumer, wireless, networking and computer peripherals are the primary application areas for Radio Frequency, Analog and Sensors products.

Principal Products

- **Analog and Mixed-Signal Integrated Circuits**

Our analog and mixed-signal integrated circuits perform one or more of a number of functions, including driving actuators (such as motors, valves, lights and speakers), providing power to the electronic components in a system, filtering or amplifying signals and providing the voltage and current for communications devices. These integrated circuits combine logic, analog and power circuits.

- **Sensors**

We provide three primary categories of semiconductor-based sensors: pressure sensors, inertial sensors and proximity sensors. Pressure sensors measure the pressure of gases or liquids. For example, automotive engine management systems require the measurement of air pressure to optimize the



combustion process. Other applications include blood pressure measurement, water level sensing in washing machines and tire pressure monitoring systems. Inertial sensors measure acceleration and gravitational fields. Common applications for inertial sensors are airbag systems to detect crashes and vehicle stability control systems to prevent crashes. Low-g inertial sensors can be used for non-automotive applications, such as measuring the vibration of washing machines, gauging running speed and distance in running shoes, or detecting “free fall” in handheld devices to trigger mechanisms that protect disc drives. Proximity sensors use electric fields to detect nearby objects. Touch pads are a typical application.

- **Radio Frequency Devices**

We sell radio frequency devices used to transmit and receive signals in wireless infrastructure products, which primarily include 2G, 2.5G, and 3G cellular base transceiver stations. Our radio frequency devices include base station integrated circuit drivers, base station module pre-drivers, and radio frequency high-power transistors. These products amplify the analog signal output from a radio transceiver in preparation for transmission as a high-powered radio frequency signal over a wireless network.

Our Employees

Freescale's goal is to build an innovative, creative environment where employees can reach their full potential. Innovation, customer focus, speed, great talent and collaboration are the fundamentals that guide us. These values are the foundation of the company in the many countries and cultures where we do business.

More than 23,000 employees in 30 countries bring Freescale's creativity and insight into markets across the globe. This valuable knowledge and experience ultimately serve the best interests of our stakeholders: employees, customers, partners and communities.

Recruiting, retaining and developing the best talent is vital to Freescale's success. Recognizing this, we pay particular attention to employee well-being through focused efforts on diversity and inclusion, development and training, benefits, work-life balance and a safe and healthy work environment.



People—in our company and the community where we work, live and do business—are fundamental to Freescale's success.

Employee Engagement

Freescale's CEO and leadership team are committed to a culture of results, teamwork and ownership. To provide an ongoing assessment of employee engagement, the company instituted FreeSpeak, an annual survey that encourages employees to anonymously express their views and communicate their ideas about the company's culture.

FreeSpeak measures progress toward the desired high-performance culture using four indicators:

- **Freescale Fundamentals:** Employees' alignment to the fundamentals and high-performance culture
- **Engagement Index:** Employees' level of engagement
- **Retention Index:** Employees' intent to stay at Freescale
- **Manager Effectiveness:** Effectiveness in helping employees align with Freescale's culture and engage in their work

The employee survey is a component of the FreeSpeak program, but FreeSpeak is more than just a survey; it is a process for encouraging dialogue. Open dialogue encourages employee engagement—a critical aspect of employee retention. Employees can speak openly on topics ranging from company strategy to workplace issues. Managers are encouraged to take full ownership of the feedback, engage their team to create realistic, appropriate actions and to track and monitor progress.



The FreeSpeak global employee opinion survey takes place regularly in five languages: English, French, Japanese, Mandarin Chinese and Malay. Employee participation in FreeSpeak is high, with 84 percent of employees participating in 2007.

Freescale's Commitment to Being a "Great Place to Work"

Freescale prides itself on providing competitive employee benefits such as comprehensive medical and dental benefits. The 401(k) plan in the United States offers a company matching contribution on employee savings of up to five percent. Freescale also provides work-life benefits to all eligible dependents and spouses, including same-sex domestic partnerships. Other popular U.S. benefits:

- Child care and elder care resources
- Wellness programs
- On-site activity centers
- Tuition reimbursement
- Concierge services
- Adoption assistance
- Financial and estate planning services
- Employee assistance program
- Employee discounts for a broad array of products and services

Similar benefit programs are available throughout the world based upon local cultural and market conditions.

Employee Diversity

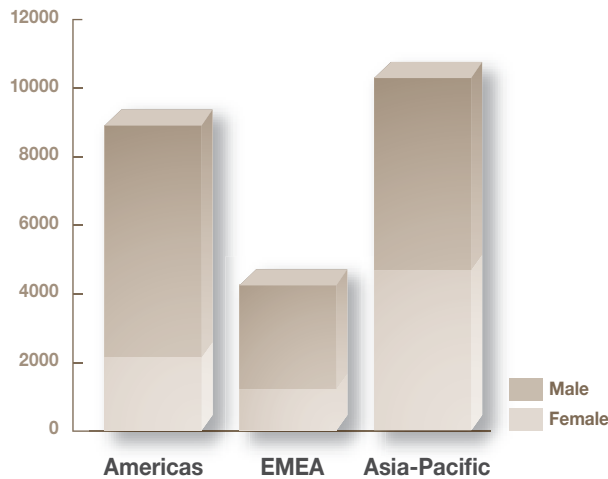
Our leadership recognizes that when people with different experiences collaborate, fresh perspectives emerge. The result is a stronger organization that produces innovative services and products, and strong business results. At the end of 2007, Freescale's workforce was 23,600 worldwide. Freescale also retained in excess of 1,695 contractors and temporary employees. The overall payroll and company sponsored benefits paid to our employees was approximately U.S. \$1.6 billion.

Country	Employees
USA	8400
Malaysia	4200
China	3600
France	1800
Japan	1200
India	1100

United Kingdom	1100
Israel	600
Germany	300
Romania	250
Mexico	210
Brazil	160
Czech Republic	110

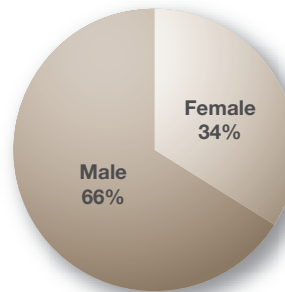
Employee figures are rounded.

Employees by Region and Gender

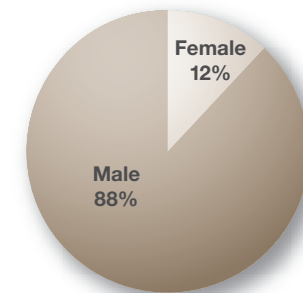


Region	Female	Male
Americas	2117	6791
EMEA	1200	3048
Asia-Pacific	4664	5630

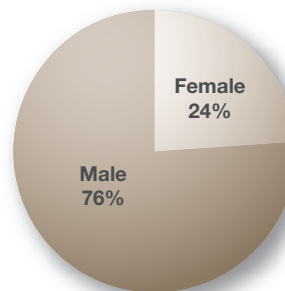
Employees by Gender



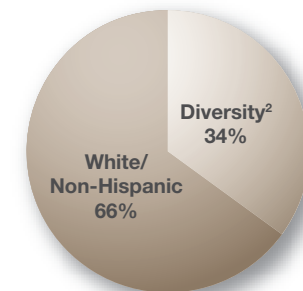
Executive¹ Employees by Gender



US Employees by Gender



US Employees by Race/Ethnicity



¹ Freescale executive totals include directors and above as well as technical fellows and senior technical fellows.

² The US Diversity total includes the following self-identified designations:

American Indian, Alaskan, Asian, Black/African American, Hawaiian/Pacific Islander and Hispanic/Latino.

Inclusion and Winning Culture

Freescale is committed to attracting great people of all styles, thoughts, cultures and backgrounds. Our management listens and encourages new questions, approaches and results. Freescale employees know it is acceptable to speak up, put new ideas on the table and to challenge the status quo. In 2006, Freescale implemented the Winning Culture and Inclusion Strategy and Plan, whose mission is to create a work environment that is healthy, positive and productive for all employees, where everyone is included and no one's talents are ignored or wasted; an overall commitment to making Freescale a great place to work. The program has grown and by the end of 2007, Freescale received the following recognition for achieving the status of a great place to work:

- Best Female Employer Award (Tianjin, China, February 2007)
- Most Promising Best & Caring Employer Award/Best Female Employer Award (Malaysia, July 2007)
- Top 10 Best Places to Work, Businessworld (India, October 2007)
- UK Resource Centre for Women in Science, Engineering and Tech (UKRC) Award—Silver Level (United Kingdom, November 2007)
- Top 25 Companies for Black Engineers, *Black Engineer Magazine*, HBCU Deans Edition (United States, May 2007)

In May 2007 at a national Labor Day event, Freescale Malaysia manufacturing site received the Best/Caring Employer (Most Promising) Award from the Prime Minister of Malaysia, Abdullah Ahmad Badawi. The assembly and test operation has more than 4000 employees, a majority of them female. It provides benefits tailored to female employees such as a “mother’s room,” women’s health awareness programs and bus transportation to and from factories for shift female employees. In the same event, one of its female managers, LC Tan, received the Best Female Employee Award (Executive Category).

- Human Rights Campaign (HRC), Best Places to Work in 2007 and “100” on Corporate Equality Index (United States, September 2007)
- Top 100 Companies for Women, *Women 3.0 Magazine* (United States, October 2007)
- Top 25 Places to Work for Women, *Arizona Woman Magazine* (Phoenix, Arizona, December 2007)



Key Elements of the 2007 Winning Culture and Inclusion Strategy and Plan

Employee Resource Groups

Inclusion at Freescale is a key element to building a high-performance culture. We want every employee to feel valued and contribute to his or her fullest potential. Freescale created Employee Resource Groups (ERGs) to promote these ideals. ERGs are employee affinity groups for people of similar backgrounds, lifestyles or cultures.

These groups:

- Encourage a sense of community among participants
- Support Freescale's business objectives around talent and culture
- Aid in recruiting and retaining the best and brightest
- Support the personal and professional development of ERG members
- Are inclusive to all Freescale employees



Freescale Employee Resource Groups include:

- Asian Culture Team (ACT)
- Black Achievement and Leadership Team (BALT)
- Gay, Lesbian, Bisexual and Transgender Team (EQUAL)
- Hispanic Education and Awareness Team (HEAT)
- Native American Team (NAT)
- Women's Leadership Team (WLT)

Each ERG has two senior vice president sponsors, a board composed of six Freescale employees and employee core teams. They are responsible for delivering tangible results that support the Inclusion Strategy (driving retention, recruiting and community branding) and Freescale's business objectives. These groups enable the company to establish strong relations with external diversity organizations in the communities in which we live and work.

India

A core diversity and inclusion team has been working in India since 2007 with participation across gender and business groups. The team holds sessions to understand local issues such as day-care homes, medical facilities, and campus doctor visits.

Europe, Middle East and Africa

The EMEA Inclusion team is a cross-functional team from across Freescale's operations in EMEA. The team's activities are spread over six focus areas: country focus teams, inclusion initiatives, internal communications and awareness, external branding and sourcing, university relations and finally, 'keep in touch' days to support women with families returning to work at Freescale.

Freescale's Anti-Discrimination Policy

Freescale continues to build our diverse workforce with equal opportunities for all employees and applicants for employment. No person is to be discriminated against in employment or hiring decisions because of race, color, age, religion, sex, national origin, sexual orientation, gender identity or expression, disability, status as a disabled veteran or veteran of the Vietnam era, or any other legally protected characteristic or activity.



Professional Development

In 2007, FreeSpeak results indicated two areas of opportunity: Customer Focus and Manager Effectiveness.

To improve our customer focus, Freescale launched a global program called Customer Loyalty Boot Camps. Last year 108 executives and 257 managers and change leaders worldwide went through an intense business simulation that put them in the customer's shoes. They experienced how the supplier's execution impacted the customer's strategy, end users and financial results. The participants also received feedback from Freescale customers via videotaped interviews. The goal was to increase participants' business acumen on the interdependencies of the market forces and organizational units.

Freescale continued its focus on "Making Great Leaders," a leadership program to coach current and future leaders on the skill sets necessary to achieve better business results and employee empowerment.

More than 2,200 executives and managers worldwide have experienced "Making Great Leaders," providing them with feedback about their leadership competencies, leadership styles and how the climate they create can optimize the performance of their employees and achieve superior business results. "Making Great Leaders" received extremely positive evaluations from participants, and changes in leaders' behaviors have been observed.

We continued our leadership transformation in 2007 with cascading "Making Great Leaders" to the supervisory population. In addition to building upon our management capability, work is underway to develop a complete management curriculum for new managers.

Freescale is committed to attracting great people of all styles, thoughts, cultures and backgrounds.

Building our Talent Pipeline

In 2006, we implemented a new talent development and succession-planning process for global Freescale leaders. The goal of our Talent Pipeline Management (TPM) process was to improve Freescale's performance and profitability by:

- Helping to create a culture of learning and growing
- Identifying and accelerating the development of high-potential leaders
- Creating a strong succession plan
- Fostering cross-organizational development
- Strengthening the connection between top talent and our business priorities

More than 2,200 global managers at Freescale were introduced to the TPM process in 2006. They had the opportunity to create an employee profile, assess their leadership competencies and identify successors for the positions in their organization. Senior leaders reviewed the information and held career development discussions with the participants. Finally, every business group leader held a talent pipeline review session with the CEO to review the "health" of their organization's talent, bench strength and development plans.

In 2007, we continued on our TPM journey with a focus on improving the quality of our talent management process. We accomplished this by enhancing the quality of information contained within the TPM system,

creating comprehensive development plans and developing stronger succession plans. As a result, we led more robust, constructive and meaningful career and development discussions at all leadership levels.

In addition to the biannual CEO review sessions to discuss the organization's talent, in 2007 we implemented monthly talent drills with the CEO and Senior Leadership Team. These drills allow us to accelerate the development of our senior talent by reviewing key leadership opportunities and gaining agreement on an internal slate of candidates. Additionally, we are able to discuss our leadership bench and critical development gaps, thereby allowing us to gain traction on our succession plans.



Technical Talent Pipeline

In January 2007, Freescale launched the Technical Talent Pipeline (TTP) program for our global technical community. The TTP framework provides defined attributes and expectations for technical employees, both individual contributors and managers. Criteria include business and financial impact, technical innovation, job scope and complexity, internal impact and external recognition and influence. The program enhances development of our technical community from entry-level engineers to the executive level.

Employees in the technical community who maintain significant technical contributions over time will have the opportunity to be appointed to the positions of Senior Member of Technical Staff, Distinguished Member of Technical Staff, Fellow and Senior Fellow. The company appointed a combined eight fellows and senior fellows in 2007.

The program also included the launch of our first annual Technical Leadership Team Summit in May 2007. The two-day global event recognizes top achievers from around the world and across all organizations, and focuses on innovation and Freescale's technology roadmap.

Our Communities

Freescale demonstrates the importance of community partnership by collaborating with local charitable and community-based non-profit organizations to support three strategic areas:

- Science, technology, engineering and math education
- Safeguarding the environment
- Health and human services

Freescale employee volunteers play a critical role in this relationship and in demonstrating our corporate citizenship. Due, in part, to their efforts, our communities are stronger, healthier and safer places to live and work. In 2007, Freescale employees contributed 12,500 volunteer hours to company-sponsored community service projects.

Pay It Forward

Freescale introduced several innovative elements in its 2007 U.S. employee giving campaign. The online donation tool allowed employees to sign up for automatic payroll donations to more than 162 different non-profits. One hundred people were chosen randomly from the giving database and won \$100 to pay it forward, meaning, they had \$100 to spend as they chose to help someone or some organization. As employees shared their pay-it-forward stories, a common theme emerged: rather than just passing the \$100 over to an organization, many employees gave more of their own time and money. Here is one story.

"I wanted to ensure that a person who really needed the \$100 would receive it and that they bought something they needed. To do this I decided to help someone elderly, who may have been living on a limited income to make ends meet.

I contacted the manager at a local neighborhood retirement community where several senior citizens lived and asked her if she knew anyone that needed help. The manager immediately thought of one resident, a single woman living on her monthly disability check. She lived in a 40-year-old mobile home, frequently in need of repair, and barely had enough money to pay bills, prescriptions and buy food.



The manager introduced me to the woman and I explained the program to her. She was interested. So we set a date to go shopping together two days later.

She told me it couldn't have happened at a better time for her. She had been depressed over the holidays and had just made unexpected repairs on her mobile home.

We went over the \$100 limit but I was happy to help her out. We both won. She was so thankful and appreciative and happy to get the assistance. I was feeling really good in being able to help her out. It made me realize how lucky I am and how many people are not as fortunate as the rest of us. Thank you for this opportunity."

In 2007, Freescale received several awards from the Austin Independent School District for its support of Partners in Education, a program linking math and science mentors and tutors with students in local schools. Freescale was recognized as Partner of the Year and Math Study Group of the Year; a Freescale employee was honored with Individual of the Year. (Austin, Texas)

Education

In 2007, we supported many community-based organizations and events, including:

The Salvation Army Back-to-School Supply Drive, Freescale employees donated school supplies and volunteered their time to support under-served children getting the needed supplies to start school. (Phoenix, Arizona)

Capital BEST Robotics, served as presenting sponsor of this science and technology competition involving hundreds of students from more than 20 area high schools. (Austin, Texas)

Southwest Center for Education and the Natural Environment's promotion of environmental education. (Phoenix, Arizona)

Manos de Cristo Back to School Program, providing needed school supplies for the working poor. (Austin, Texas)

Freescale's Rocket Launch, a program conducted with a partner school in which engineers help students design, build and launch rockets, increasing interest in science and math. (Austin, Texas)

Second Chance School, development and career training of 60 young adults. (Toulouse, France)

Girl Scouts, Lone Star Council, sponsored Camp Athena: Design and Discovery for 60 participants. (Austin, Texas)

Miracle Foundation, a non-profit committed to improving the health and welfare of orphans and single mothers in India, provided tuition, books, supplies and uniforms for 130 children. (Bhawani Rourkela, Orissa, India)

Boys & Girls Clubs, sponsored Motivated by Arithmetic program designed to help children gradually develop the fundamentals of math. (Austin, Texas)

Un Sabado Gigante in Engineering, sponsored this one-day program for middle school students designed to expose them to the opportunities in engineering and science. (Austin, Texas)

Sponsored All India Movement for Seva (AIM for Seva), organization dedicated to promoting community development programs in education, health care, the environment and women's empowerment. (Chennai, India)



“For the Children” annual school supply drive, providing supplies to children across 10 Central Texas school districts. (Austin, Texas)

Science Expeditionary Force, program that works to improve current elementary school science curriculum by bringing innovative standards-based science programs into the classroom. (Austin, Texas)

“What is a Chip,” sponsorship of touring educational exhibit to increase awareness of the semiconductor industry. (Toulouse, France)

Science Screen Report (SSR), providing science and technology DVD series in five school districts. (Austin, Texas)

Breakthrough, corporate sponsor for the 2007 Middle School Summer Program, providing curriculum to low-income, college-bound students. (Austin, Texas)



Environment

Annual sponsor of Keep Austin Beautiful, including “Clean Sweep,” an annual community-wide effort to remove trash and debris from public parks and lands. (Austin, Texas)

Title sponsor of the annual Town Lake Trail Foundation 5K, a fundraising event for environmental protection and restoration initiatives. (Austin, Texas)

Title sponsor of Valley Forward Earthfest Education Night, which provides educational environmental information for teachers to share with their students. This program also allows teachers to apply for a grant to do an environmental project at their school. (Phoenix, Arizona)

Health and Human Services

ZooWalk for Autism, 2007, first-time sponsor with 75 Freescale employees and their family members walking to raise funds in support of Autism education and research. (Phoenix, Arizona)

Title sponsor for the 20th annual AIDS Walk 2007, an event supporting HIV education and awareness. (Austin, Texas)

Sponsored and raised funds for SWANTHANA, an all-girl home for children who are mentally disabled. (Bangalore, India)

Title sponsor of the SafePlace Walk, an event to raise funds and awareness to end sexual and domestic violence and abuse. (Austin, Texas)

Sponsorship of HeartGift, helping to provide lifesaving heart surgeries to disadvantaged children. (Austin, Texas)

Out of the Darkness Walk sponsorship through the American Foundation for Suicide Prevention, dedicated to understanding and preventing suicide through research and education. (Austin, Texas)

Sponsorship of the Court Appointed Special Advocates (CASA) 5K fundraiser to help sustain support and guidance for children who have been abused and neglected by their guardians. (Austin, Texas)

Lymphomathon, approximately 50 Freescale employees and family members walked at The Phoenix Zoo to raise funds for research and education of lymphoma. (Phoenix, Arizona)

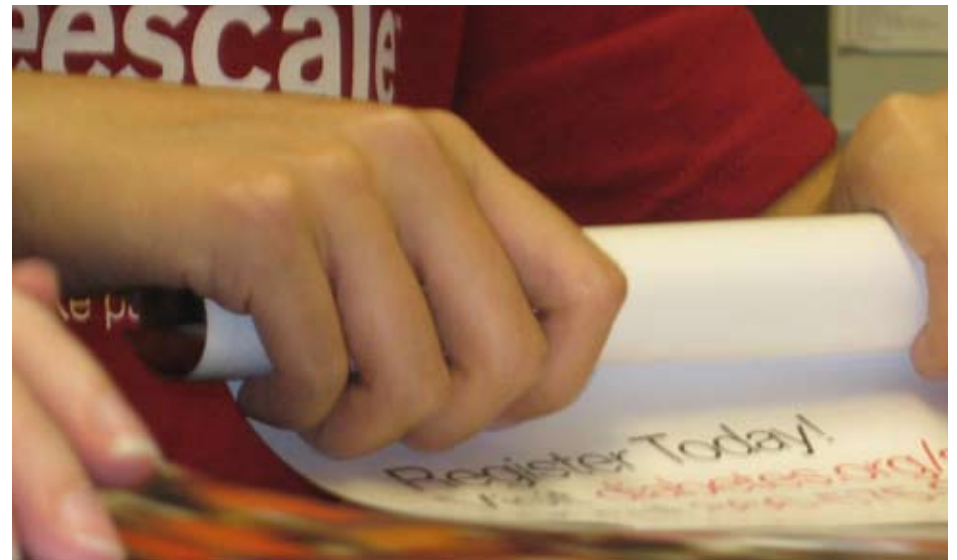
Sponsor of the St. Andrew's Hospice 10K Road Race to raise funds to help provide end-of-life care to cancer patients. (East Kilbride, Scotland)

Sponsorship of the Juvenile Diabetes Research Foundation (JDRF) walk, supporting research to find a cure for diabetes and its complications. (Austin, Texas)

Sponsorship of Habitat for Humanity to provide funding and volunteers for a Habitat for Humanity home. (Irvine, Calif.)

Roznov-Freescale sponsored a car to help deliver food and clothes to the disabled and the elderly. (Czech Republic)

The Salvation Army Christmas Angels, Freescale employees purchased toys and clothes for more than 300 needy children during the holiday season. (Phoenix, Arizona)



Sponsored the All Women's Action Society of Malaysia (AWAM)'s Walk and Wheel campaign for the disabled community. (Kuala Lumpur, Malaysia)

Title sponsor of "Bikes for Kids," an annual event that raises funds to purchase and distribute more than 800 bicycles to disadvantaged children. (Austin, Texas)



Presenting sponsor of "Hands on Central Texas, United Way Day of Caring," benefiting the Capital Area Food Bank, Caritas, Hands on Housing, American Diabetes Association and Lifeworks. (Austin, Texas)

Sponsor of the Ronald McDonald House "Lights of Love," an annual fundraiser to provide lodging and support services for families with critically ill or injured children. (Austin, Texas)

Zakladni skola prakticka Roznov pod Radhostem, sponsorship of special aids and tools for children with mental disabilities. (Czech Republic)

Rock 'N Roll Paint-a-Thon, Freescale employees painted the outside structure of the Center for the Blind. (Phoenix, Arizona)

Race for the Cure, more than 400 Freescale employees and family members participated in the annual 5K event that raises funds for breast cancer research and education. (Austin, Texas and Phoenix, Arizona)

Presenting sponsor of the American Diabetes Association Walk, supporting research and advocacy for the prevention and cure of diabetes. (Austin, Texas)

National Alliance on Mental Illness (NAMI) Walk, sponsorship of annual fundraiser and mental health awareness campaign. (Austin, Texas)

Signature sponsorship of three of the American Cancer Society's "Relay for Life" events, fundraising events for research, education, advocacy and health-related services. (Austin, Texas)

The "Tour de Munster 2007 Charity Cycle," a four-day, 600-kilometer bicycle tour that benefits children's hospitals across the country. (Cork, Ireland)

Phoenix Children's Hospital Miracle Marathon, more than 100 Freescale employees volunteered their time to answer telephones during the Miracle Marathon held at the Phoenix Children's Hospital. (Phoenix, Arizona)

Cystic Fibrosis Foundation Walk, an annual fundraising event for research and treatment of cystic fibrosis. (Lake Zurich, Illinois)

Facilitated blood donation drives with more than 400 Freescale donors. (Austin, Texas)

The Salvation Army Turkey Drive, more than 40 Freescale volunteers answered phones, accepted pledges and collected donations of turkeys from the public. (Phoenix, Arizona)

Stuffing Stockings for Seniors, Freescale employees donated personal hygiene items and small household goods to The Area Agency on Aging, where seniors of domestic violence go for support through its DOVES Program. (Phoenix, Arizona)



Environmental, Health and Safety (EHS) Policy

It is the policy of Freescale Semiconductor to conduct all business activities in a responsible manner, free from recognized hazards, and to respect the environment, health and safety of our employees, customers, suppliers, partners and the community.

We will comply with all environment, health and safety laws and regulations, as applicable. We will implement programs to achieve greater protection, where appropriate. We expect employees to report environment, health and safety concerns and be involved in implementing solutions.

We strive to conserve the Earth's natural resources through development of sustainable products and manufacturing processes. We work to be an industry leader in reducing, reusing and recycling wastes, and any remaining wastes are then properly disposed with an emphasis on safety and the environment.

We are committed to the implementation, maintenance and continuous improvement of our EHS Management Systems.

Key EHS Strategies to Support Our Policy:

Excellence in Employee Health

Maintain a safe and healthy workplace and support our employees' work-life balance.

Minimization of Operational Risks

Assess the environmental aspects and safety and health risks of our operations, activities and services, and incorporate practical procedures and controls necessary to prevent adverse impacts.

Waste Minimization and Resource Conservation

Support the reduction, reuse and recycling of waste materials, the elimination of emissions that adversely impact the environment, and the conservation of natural resources.

Continuous Improvement

Set and review relevant EHS goals and targets designed to ensure continuous improvement in EHS performance.

Supplier Business Conduct

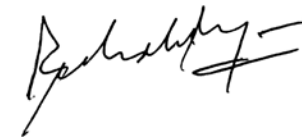
Partner with our suppliers to enhance EHS performance and Freescale Semiconductor's competitive advantage.

Product Stewardship

Protect the environment by partnering with our customers and suppliers in designing environmentally conscious products.

Community Connection

Demonstrate global EHS leadership through participation in the formulation of EHS public policy and applying our resources to improve the communities in which we live.



Rich Beyer
Chairman of the Board and CEO

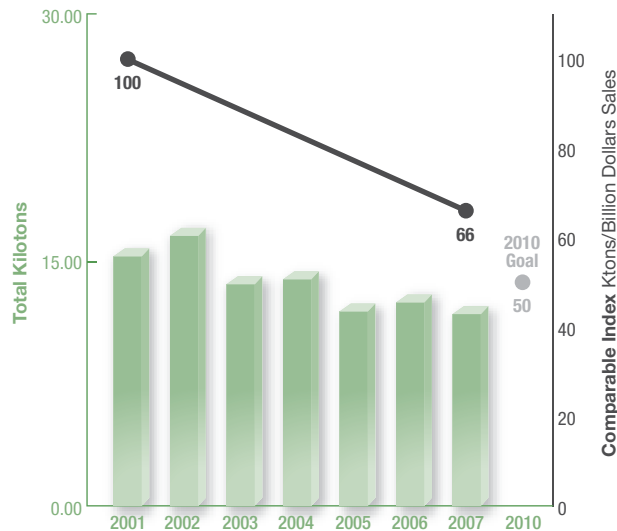
Manufacturing Responsibility

Measurable Performance

Freescale's Environment, Health & Safety Management System policy requires all manufacturing sites to establish and maintain documented inspection systems to regularly monitor and measure operations and activities that can have a significant impact on the environment, workplace and the communities where we operate. In addition, Freescale has established long-term goals and reports progress on these goals as part of an effort to drive continuous improvement.

Non-Hazardous Waste Generated

Baseline Year 2001=100 on a comparable index.

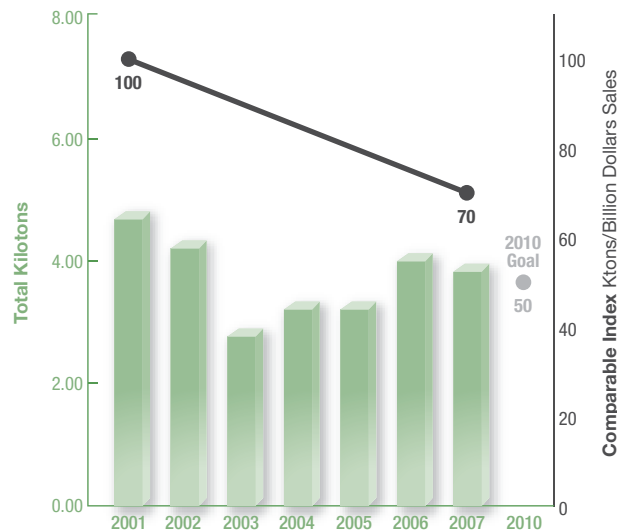


Waste

All manufacturing sites have ongoing programs to reduce the amount of waste generated and increase the percentage of waste recycled. Since 2001, Freescale has reduced non-hazardous waste generation by 34 percent and hazardous waste generation by 30 percent normalized to sales. The overall recycling rate has risen to 75 percent.

Hazardous Waste Generated

Baseline Year 2001=100 on a comparable index.



Reclaim Facts

In 2007, Freescale reclaimed 311,000 whole silicon wafers for re-use in the solar industry.

We decreased landfill waste by processing and recycling more than 323 million pounds of precious metal and scrap from our materials, tools and processes collected from our sites around the world.

Freescale continues to work with our operations, other companies, foreign governments and respected reclaim companies to reduce the amount of metallic and electronic waste that goes into landfills both in the United States, and abroad. In addition, Freescale is working with our subcontractors wherever possible to have Freescale control our material scrap so Freescale can ensure it is properly handled, processed and reclaimed.

When reporting on quantitative environmental results, the graphs show absolute values for the company, as well as a normalized metric using billion dollars in sales.

The normalized metric is presented as a comparable index using baseline year 2001 as 100. The comparable index is the percentage of change for the current reporting year versus the baseline year 2001.



Greenhouse Gas Emissions

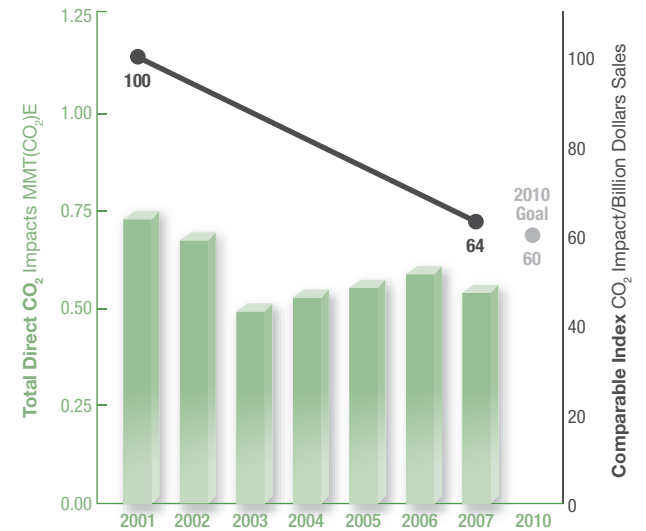
For the past several years, Freescale has had a focused effort on reducing greenhouse gas emissions (GHG) from our manufacturing facilities. Much of this activity has centered around reduction of perfluorocarbon emissions, or PFCs, which are a substantial portion of Freescale's direct GHG emissions.

Freescale is signatory of the United States Environmental Protection Agency (EPA) Memorandums of Understanding and is part of the World Semiconductor Council's commitment to reduce PFCs by 10 percent absolute over a 1995 baseline by 2010. Freescale has established a more aggressive goal to reduce PFC emissions by 50 percent over the same baseline. To date, Freescale has met this target through implementation of remote plasma cleans for chemical vapor deposition (CVD) chamber cleans, process optimization and chemistry substitutions. Additionally, our U.S.-based operations have reduced emissions by 60 percent of 1995 baseline.

Overall, Freescale has reduced GHG emissions by 36 percent since 2001. In addition to the activities around PFC reduction, Freescale has reduced GHG emissions through heating, ventilation and air conditioning (HVAC) optimization, oxidizer temperature reduction, boiler efficiency improvements and other facilities-related efforts.

Greenhouse Gas Emissions

Baseline Year 2001=100 on a comparable index.



Direct CO₂ emissions expressed as million metric tons of carbon dioxide equivalents.

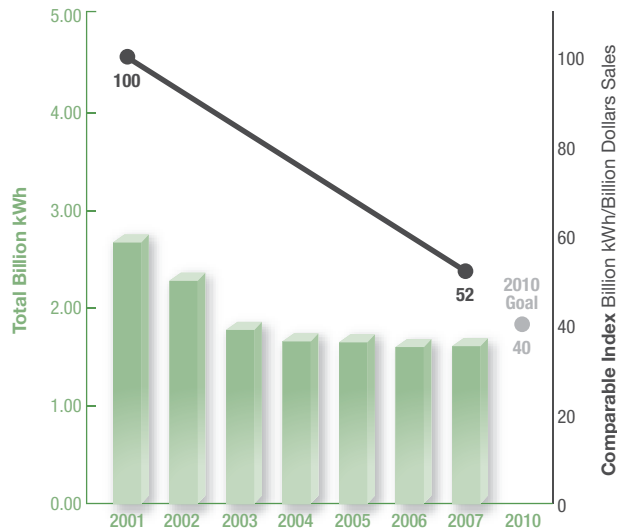
When reporting on quantitative environmental results, the graphs show absolute values for the company, as well as a normalized metric using billion dollars in sales.

The normalized metric is presented as a comparable index using baseline year 2001 as 100. The comparable index is the percentage of change for the current reporting year versus the baseline year 2001.



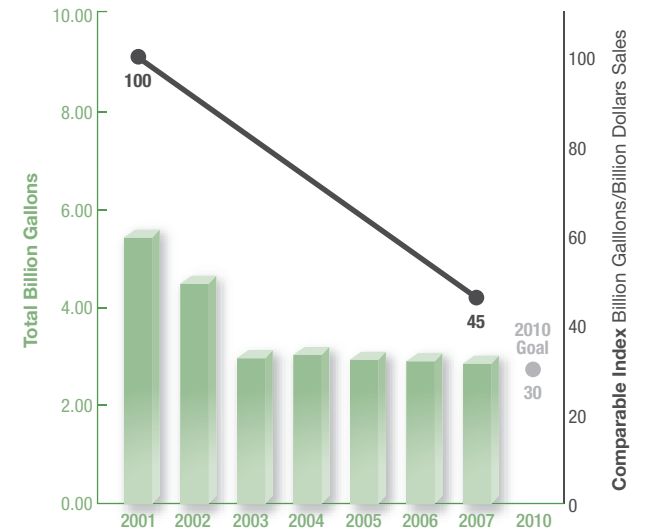
Energy Consumption

Baseline Year 2001=100 on a comparable index.



Water Consumption

Baseline Year 2001=100 on a comparable index.



Natural Resource Conservation (Electricity, Gas and Water)

Freescale values the conservation of natural resources. Our employees work to integrate conservation initiatives into every aspect of our business. The company is dedicated to significantly reducing the amount of energy and water consumed at its facilities. As of 2007 year end, we achieved a 48-percent reduction in energy consumption and a 55-percent reduction in water consumption over our 2001 baseline.

When reporting on quantitative environmental results, the graphs show absolute values for the company, as well as a normalized metric using billion dollars in sales.

The normalized metric is presented as a comparable index using baseline year 2001 as 100. The comparable index is the percentage of change for the current reporting year versus the baseline year 2001.

2007 Resource Conservation Results

In 2007, Freescale completed conservation projects that saved more than 120 million gallons of water and 19 million kWh per year, including:

Shut down idle and hot-backup equipment where possible; 5.2 million kWh/year reduction (Austin, Texas; Chandler and Tempe, Arizona; East Kilbride Scotland, and Kuala Lumpur, Malaysia)

Installed more efficient burner on existing boiler; 3.3 million kWh/year reduction (Austin, Texas)

Connected three existing buildings to alternate chilled water plant for improved chiller efficiency; 2.8 million kWh/year reduction (Chandler, Arizona)

Optimized and reduced exhaust to buildings and equipment where possible; 2.2 million kWh/year reduction (Austin, Texas; Chandler, Arizona, and East Kilbride, Scotland)

Replaced HVAC filters and optimized HVAC variable frequency drive operation; 1.4 million kWh/year reduction (Toulouse, France)

Installed variable frequency drives on pumps, fans and air compressors; 1.2 million kWh/year reduction (Austin, Texas; East Kilbride, Scotland, and Tianjin, China)

Optimized chiller loading and sequencing; 0.9 million kWh/year reduction (Chandler, Arizona)

Consolidated transformers and shut off excess transformer capacity; 0.8 million kWh/year reduction (Austin, Texas)

Installed more power saving motion detectors in the office areas; 0.5 million kWh/year reduction (Tianjin, China)

Reclaimed wastewater from wafer dicing operation for the past two years; 100 million gallons/year reduction (Tianjin, China)

Reclaimed wastewater from manufacturing polishing operation; 26 million gallons/year reduction (Austin, Texas)

Recycled industrial wastewater for use in various areas; 23 million gallons/year reduction (Austin, Texas)



Measurable Performance

Freescale does not use Class 1 ozone-depleting substances in any of its manufacturing processes where such substances come into contact with a Freescale product. Furthermore, Freescale works with its suppliers to ensure that supplier components neither contain nor are manufactured with a process that uses any Class 1 ozone-depleting substance.

Managing Standards

Freescale facilities undergo regular and extensive monitoring internally and by external agencies. These evaluations provide Freescale management with the data needed to plan for future programs and innovations.



Globally, Freescale sites are certified under an International Organization for Standardization (ISO) 14001 enterprise certificate issued by Lloyd's Register Quality Assurance (LRQA), one of the world's largest and most respected ISO registrars. Health and safety policies and our EHS Management System is equivalent to those of the Occupational Health & Safety Assessment Series (OHSAS) 8001.

A variety of internal and external systems monitor each site for compliance. As part of the corporate-wide ISO 14001 program, LRQA performs surveillance audits once every three years at each major manufacturing facility and twice each year with the corporate EHS team. During 2007, LRQA performed recertification audits at the sites in East Kilbride, Scotland; Kuala Lumpur Malaysia; Sendai Japan and corporate headquarters in Austin, Texas. As a result of these visits, Freescale's Corporate Enterprise Certification was renewed through November 30, 2010.

The Freescale law department manages and oversees the EHS internal compliance auditing process and is responsible for scheduling audits, organizing the audit teams, facilitating the audits, preparing audit reports, determining acceptable corrective actions and reporting audit results. The audit focuses primarily on compliance to country-specific regulatory requirements, but it also reviews the site EHS Management Systems against industry best practices.

Renewable Energy

Freescale is a Corporate Champion in the City of Austin's GreenChoice® Renewable Energy Program and one of the top 10 GreenChoice account holders. The company purchases nearly 13 million kWh per year of green energy, generated through renewable sources including wind and solar power.

Freescale is a member of the U.S. Environmental Protection Agency's Green Power Partnership Program. The purchase of green power helps to reduce the environmental impacts of electricity use and supports the development of new renewable generation capacity nationwide. Purchase amounts reflect U.S. operations only and are sourced from U.S.-based green power resources.



Workplace Injury and Illness Rate

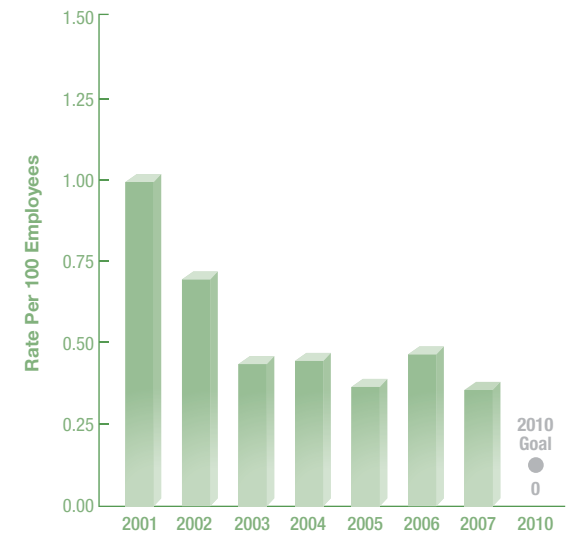
Employees are Freescale's most valuable asset and keeping them safe and healthy is a core value of Freescale. By focusing on prevention first, Freescale maintains a safe workplace and a more productive workforce. Our prevention activities include:

- Risk assessments
- External and corporate audits and inspections
- Ergonomic initiatives for manufacturing and office environments
- Root cause analysis of incidents
- EHS awareness at Freescale facilities worldwide

The Occupational Health component of the EHS Management System requires each manufacturing site to provide a method of reporting and recording occupational injuries and illnesses, including:

- An ongoing summary of recordable injuries and illnesses
- A recordkeeping system to maintain employee occupational medical records for the duration of employment plus 30 years (USA). Where not prohibited by law, the recordkeeping system provides employees access to their occupational medical records, and employees are advised of their right to access these records

Injury and Illness Rate



- Developing injury and illness trends to identify and prioritize opportunities for injury and illness prevention and reduction programs
- Documented accident investigations of all recordable occupational injuries and illnesses to identify opportunities to reduce or eliminate injury and illness causes

In addition, all manufacturing sites have an occupational health system in place to anticipate, identify, evaluate and control potential chemical, physical and biological agents or stressors in the workplace.

In 2007 several Freescale sites were successful in significantly reducing their injury and illness rates, which led to our best-in-class global total case incident rate of 0.35 and a U.S. rate of 0.57 (recordable workplace injuries and illnesses per 100 employees). These rates are well below the 2006 Bureau of Labor Statistics (BLS) semiconductor industry average of 1.4.

We are proud to recognize the following manufacturing sites for their 2007 results.

The Sendai facility in Japan achieved zero injuries and illnesses. This outstanding accomplishment has been achieved by Sendai two of the last three years.

The Kuala Lumpur final manufacturing facility in Malaysia reduced its injury and illness rate 62 percent from the prior year. Innovative and fun safety programs led to the site's success. Examples included safety crossword puzzles, newsletter safety tips, creative awareness posters and a program called Haz-Spot, which encouraged early reporting by employees of any identified potential hazards.

The East Kilbride facility in Scotland achieved a 43-percent reduction in injury and illness rate from the prior year.

The Chandler facility in the United States reduced its injury and illness rate 26 percent from the prior year with increased safety awareness and training and inclusion of safety related goals on individual performance management plans.

Freescale is committed to efforts that further reduce injury and illness rates. While some might think that a goal of zero injuries and illnesses is unattainable, Freescale believes there is no alternative goal when it comes to the safety of our employees.



Employee Training, Awareness and Participation

Freescale believes that communication and employee awareness activities are critical elements to improving workplace health and safety measures. Employees prove their commitment to health and safety by participating in, and therefore contributing to, the success of these activities. This has been a long-standing component of Freescale's operations.

In addition to awareness activities, the Freescale EHS Management Systems require all manufacturing sites to have in place a formal training system. The goal is to identify and provide the training required to develop specific environment, health and safety skills and awareness necessary to effectively and efficiently conduct operations in a safe, healthful and environmentally responsible manner.

2007 Awards and Recognition

Freescale's excellence in the communities in which it operates has been recognized from organizations and companies around the globe. The following list highlights the awards Freescale received in 2007.

The East Kilbride, Scotland site won the Annual Energy Efficiency Award from the National Microelectronics Institute.

East Kilbride was also re-accredited by the Institute of Energy for an additional three years by the Carbon Trust.

The Tianjin Final Manufacturing site was recognized as a China National Environment Friendly Enterprise, which is the highest award for Environmental Protection in China.

The Tianjin site also won the award of Cleaning Production Enterprise from the Tianjin Government's Economic & Trade Commission for outstanding pollution prevention and resource conservation.

The Austin Technology and Manufacturing Center won an annual Wastewater Pretreatment Award from the City of Austin.

Austin sites are members of the city's GreenChoice® renewable energy program.

Austin and Phoenix sites are members of the U.S. Environmental Protection Agency's (EPA) National Environmental Performance Track program for environmental leadership.

Austin sites are certified as Voluntary Protection Program STAR sites by the Occupational Safety and Health Administration.

Austin sites are members of the U.S. EPA Green Power Partner program.

All manufacturing sites are members of the Sony Green Partner program.



Green Mountain Energy® Wind Farm at Brazos, Texas. Photo by D.A. Black

Freescale purchases nearly 13 million kWh per year of green energy through the City of Austin's GreenChoice Renewable Energy Program, much of it generated by wind farms owned by Green Mountain Energy.

Environmental Matters

Remediation Activities

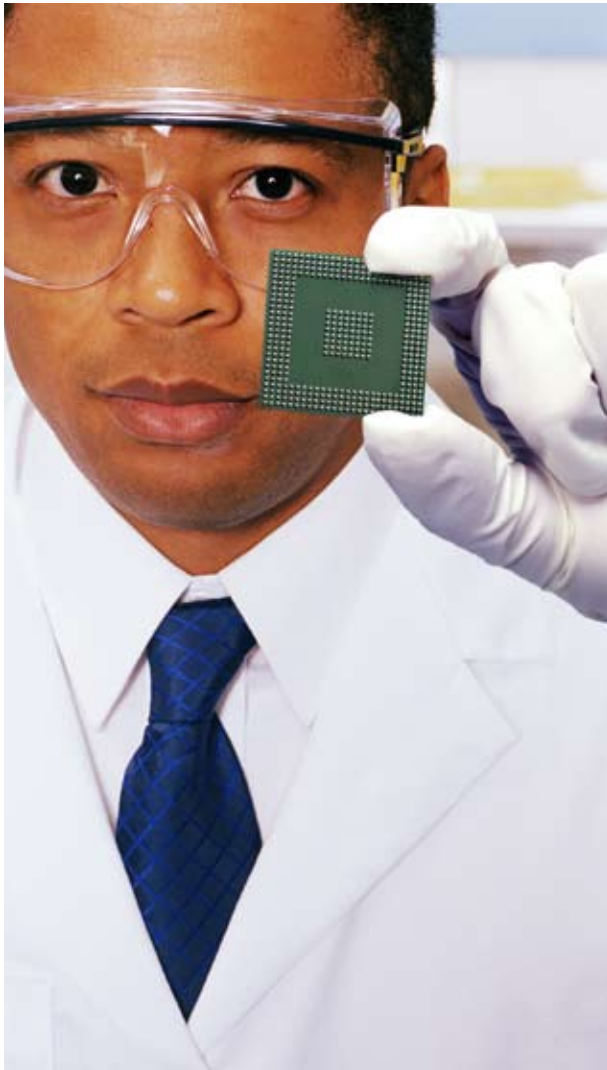
Freescale separated from Motorola in 2004 and, as part of the separation, took on responsibility for certain environmental cleanup on behalf of Motorola. The cleanup sites involve former manufacturing plants where historical practices, although legal and in compliance with industrial standards at the time, resulted in the release of chlorinated solvents into the environment. When the environmental impact was identified, Motorola, now Freescale, took action to resolve the issue.

Freescale no longer uses chlorinated solvents in its operations. Freescale is currently involved with environmental cleanups at four sites, including three former manufacturing plants and one former gas station whose land was acquired by Motorola. The sites are managed through various programs including the Federal Superfund program and the Arizona Superfund, underground storage tank and voluntary remediation programs.

We work closely with state and federal regulators and, at some sites, other companies to identify and implement the necessary measures to clean up the historical releases. We have moved forward aggressively

to identify and contain or remove all potential sources of contamination and have completed soil cleanups at several sites. Additionally, groundwater investigations and cleanup projects are underway at each of the sites to address off-site contamination. Over the years, we have invested significantly with recognized research institutes and national laboratories to identify new technologies for site cleanups. We use the best technologies available to ensure that the cleanups are conducted safely and effectively. For additional information see Freescale's 10-K filing at www.freescale.com/investor.

Product Responsibility



Producing Environmentally Preferred Products

Delivering products that are free of hazardous substances is a Freescale priority. To that end, Freescale has a proactive Environmentally Preferred Products (EPP) program that works across the company. The goal is to provide customers with products that comply with regulatory and customer-defined restrictions on the use of hazardous substances.

Through this program, Freescale monitors global regulations, customer specifications and industry standards to stay abreast of changes in hazardous substances restrictions that affect Freescale's products. We use the results of these monitoring efforts to improve our programs for evaluating and developing materials free of these hazardous substances.

Since lead has long been used to ensure an effective electrical connection between the semiconductor package and the end product, many of the EPP team efforts with Freescale's product groups and supply chain partners have focused on getting the lead out of our products. In fact, all of Freescale's new products and most of its legacy products are offered in packages that comply with regulatory restrictions on lead in electronic equipment. While Freescale encourages its customers to convert to lead-free termination products, customers continue to demand some lead-termination

shipments for products that are exempt or excluded from lead-free regulations. As a result of on-going conversion efforts, Freescale shipments of products with lead terminations decreased from over 75 percent of all units in 2004 to less than 30 percent in 2007.

Managing Customer Product Conversions

Freescale assembly packages that comply with regulatory restrictions on the use of lead in plating, solders and ball grid array (BGA) spheres are designed to tolerate the temperatures of the lead-free board mounting process. Moreover, to ensure high quality, Freescale supports the electronics industry qualification standards for lead-free technologies. This includes JEDEC standards for moisture sensitivity and package peak temperature qualification, plus JEDEC procedures for solderability, shear and tin whisker testing.

Tin-plated leadframe packages are backward compatible with the legacy tin-lead soldering process. This simplifies the transition to lead-free leadframe products, even when customers continue to use lead board-attach solders. Freescale continues to support selected products, especially in BGA packages, with either lead-free or the traditional tin-lead terminations.

Freescale simplifies the lead-free transition for customers by maintaining separate part numbers for products with tin-lead and lead-free terminations. As the products with tin-lead terminations phase out, Freescale offers customers a life-time buy opportunity to minimize supply chain disruptions. This lead-free transition will continue for several years as part of our routine portfolio management activity. Freescale encourages customers to rapidly convert to EPP packages that meet global requirements for the reduction of lead in electronic equipment.

Product Content Declarations

Freescale provides full disclosure of contents in its semiconductor products. This information is available through the Part Number Search field at www.freescale.com. In addition, to meet the product content marking and disclosure requirements of the Chinese government, Freescale maintains a list of the hazardous substances found in current and historical products on its Web site at www.freescale.com/chinarohs.

Supplier Compliance

Freescale requires its suppliers and subcontractors to provide raw materials that comply with Freescale's Eco-Design Substances Disclosure Specification (12MWS00047B), which classifies substances as banned, exempt or reportable and establishes maximum concentration values for each substance. This specification is updated regularly to incorporate new regulations and customer requirements. Supply chain partners must certify and verify that the materials they supply to Freescale do not contain these chemicals.

Packing Material Compliance

To ensure that our shipment packaging materials are compliant with the European Union Directive on Packaging and Packaging Waste (Directive 94/62/EC of December 20, 1994), Freescale requires its packaging material suppliers to disclose any restricted substances in the materials (such as boxes, trays and reels) supplied to Freescale and to certify the accuracy of their substance disclosures.

Based on these supplier certifications, Freescale ensures logistics packing material compliance.

- Freescale does not use packaging containing ozone-depleting substances.
- Freescale does not use packaging containing polyurethane (PUR) foam.
- Freescale supports the International Plant Protection Convention (IPPC) initiatives for wood packaging in international trade.
- Freescale uses only heat or methyl bromide treated wood pallets and crates for customer and internal shipments to locations that require compliance to ISPM #15 Guidelines for Regulating Wood Packaging Material in International Trade.

Supplier Performance

A successful Supplier Diversity program is a competitive advantage for Freescale. It contributes to customer satisfaction, technology innovation, access to talent and insight into minority markets.

Consumer businesses want to see their communities thrive. This translates into demand for their products and services. Legislation in the United States at the federal, state and local levels is designed to bring contracts and jobs for minority-, women- and other diversity-owned businesses.

Our performance as a recognized industry leader must include the efforts of diverse suppliers who seek opportunities to do business with Freescale. Their contributions can benefit their companies, as well as our company and our customers and shareholders. It's just good business. Freescale purchased nearly \$3.3 billion of goods, materials and services in 2007. The majority of our spending was in the Americas region, followed by Asia-Pacific and EMEA. In the United States alone, Freescale was engaged in business with 141 minority- and diversity-owned U.S. suppliers.

The majority of Freescale's procurement is related to manufacturing including chemicals and gases, manufacturing and test equipment and services, quartz, photo masks and silicon wafers. In addition, Freescale purchases contract wafer-manufacturing services and contract assembly and test services. Like any large enterprise, Freescale also purchases office supplies, IT and telecom equipment, travel, printing and business and professional services.

Freescale's largest suppliers participate in quarterly reviews evaluating items such as quality, cost, on-time-delivery and innovation. All our suppliers are held to the same standards of ethics and business conduct to which we hold ourselves and to which our customers hold us.



Semiconductor Impact on Electronic Systems



Semiconductors—tiny slivers of etched glass layered with microscopic metal channels—are at the heart of advanced electronics systems that help make cars, factories, offices and consumer appliances more energy-efficient and environmentally friendly. They are the brains behind nearly every modern energy-consuming product, and as such, these tiny devices can have a big impact on global energy consumption.

For instance, home appliances, including white goods and heating and cooling systems, consume up to 90 percent of residential energy in the United States. Almost all such appliances make extensive use of electric motors. Advanced motor control technology, powered by next-generation microcontroller and power management integrated circuits (ICs), can reduce energy consumption by enabling the electric motors to do more work on less electricity.

Whirlpool, the world's leading home appliance manufacturer and a Freescale customer, has been a market leader in using digital semiconductors to improve motor efficiency. The company also employs advanced sensing technology to optimize water levels in washing machines to help reduce water consumption. Whirlpool has gone beyond traditional market boundaries and equipped some appliances with

an Internet connection that monitors off-peak energy rates. By pressing a delay setting, the user instructs the appliance to automatically start at a time when electricity demand and rates are lower.

Research indicates that consumers welcome the opportunity to save energy and make buying decisions based on energy efficiency considerations. Companies like Freescale are helping introduce advanced energy-saving technology into the home, such as smart energy meters that use microcontrollers to enable two-way information and power flows. Data received from utility companies can help consumers make smarter decisions on their energy consumption.

The data can also be tied into a smart home automation system through a low-power ZigBee® wireless network to manage energy demand, schedule appliance energy use for off-peak periods and control lighting systems to prevent energy waste. The two-way data flow also enables utility companies to temporarily shut down air conditioning systems during periods of peak demand to help prevent brownouts. Additionally, smart metering can help home and business owners integrate solar- or wind-powered energy they generate themselves to help meet their own energy needs.

In the automotive market, Freescale is the leading supplier of semiconductor technology that helps improve fuel economy and reduce harmful emissions. We helped pioneer the first electronic engine control module, first used in 1980-model cars. Since then, electronic control has helped increase average fuel economy by 50 percent and reduce emissions by 90 percent. More than half of the new cars on the road today use the embedded intelligence of our microcontrollers built on Power Architecture™ technology.

Combining internal combustion and electric motor technology, today's hybrid vehicles require sophisticated semiconductor technology to manage efficiently the dual power sources to optimize fuel economy. GM's 2008 full-size Chevrolet Tahoe and GMC Yukon Hybrid SUVs use Freescale 32-bit Power Architecture microcontrollers to control the patented two-mode hybrid transmission, which delivers up to 50 percent city fuel consumption improvement.

To help drive a greener automotive industry, Freescale is a platinum sponsor for Challenge X: Crossover to Sustainable Mobility, now in its fourth and final year. This automotive engineering competition has challenged college students in the United States and Canada to design and develop powertrain systems that deliver exceptional fuel efficiency and reduced emissions while still meeting consumer needs for real-world driving performance. Freescale also will support EcoCAR, the next contest in the U.S. Department of Energy's series of advanced vehicle technology competitions. EcoCAR also focuses on cutting our reliance on fossil fuels and lowering greenhouse gas emissions.

As Internet usage and demand for Web-based services and constant connectivity continue to rise, the power requirements to support the networking and telecommunications infrastructure have increased greatly. Telecom central switching locations now can consume as much power as entire cities did decades ago. Freescale provides the processing power behind the world's networks. Each leap in processing energy performance can help reduce the energy required to provide communications services. For example, our new higher efficiency radio frequency technology for wireless base stations can enable about 100 Watts of power savings in the entire system.

Across industries, we continue to receive customer requests for energy-efficient and green products. In response to this, in October 2007 we kicked off a global green design challenge that encourages designing for the environment. Professional engineers and engineering students are invited to create innovative electronic designs using a select group of solutions from the company's broad product portfolio. Winners will receive cash prizes and be recognized at the Freescale Technology Forums, our global series of customer conferences.

Together, with our customers, we can create a smarter, greener and more connected world.



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Appendix

Freescale Semiconductor Holdings I, Ltd. Reconciliation of Non-GAAP Measures (Unaudited)

(in millions)	Year Ended December 31, 2007	Year Ended December 31, 2006
Adjusted operating earnings ¹	\$ 714	\$ 953
Inventory step-up recognition	416	141
Incremental depreciation and amortization expense	189	11
Amortization expense for acquired intangible assets	1,310	117
In-process research and development	0	2,260
Reorganization of businesses and other	64	(12)
Impairment of intangible assets	449	0
Merger expenses	5	522
Operating loss	\$ (1,719)	\$ (2,086)

¹ Adjusted operating earnings represent operating (loss) earnings adjusted for the following as necessary: inventory fair value step-up recognition, incremental depreciation expense for property, plant and equipment fair value step-up and associated with reduction in lives of certain manufacturing assets, amortization of acquired intangible assets, in-process research and development charge, reorganization of businesses and other charges, impairment of intangible assets, and merger expenses. Adjusted operating earnings are not recognized terms under generally accepted accounting principles (GAAP). Adjusted operating earnings do not represent operating (loss) earnings, as those terms are defined under GAAP, and should not be considered as alternatives to operating (loss) earnings as an indicator of our operating performance. We have included information concerning adjusted operating earnings because we use such information when evaluating operating (loss) earnings to better evaluate the underlying performance of the Company. Adjusted operating earnings as presented herein are not necessarily comparable to similarly titled measures.



How to Reach Us

Information Sources

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