

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

**Principal activities**

The Company's principal activity is the manufacture and supply of passive electronic components, active fibre optic components, power and wiring systems and high-end printed circuit board technologies. Further information about the segments in which the Company operates is given in Note 4 to the financial statements. The segments are aligned to reflect our emphasis on providing connectivity solutions for our customers.

**Directors' statement of compliance with duty to promote the success of the Company**

This statement describes how the directors have taken account of the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 ("s172") when performing their duty to promote the success of the Company for the benefit of its members as a whole, and in doing so having regard (amongst other matters) to:

- The likely consequence of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company.

The board is fully aware of its duty under section 172(1) of the Companies Act 2006 to promote the success of the Company for the benefit of its stakeholders. The board is aware of all stakeholder interests, and as such takes a long-term view in reaching key decisions, and when taking decisions, the board looks to act in the interests of the stakeholders and to ensure all stakeholders are treated fairly.

The Company follows the TE UK Corporate Governance policy, which applies to all TE UK Companies. Its underlying concept and structure of responsibilities are as follows:

- Senior Management Team matrix, which identifies Legal entity and Corporate roles within TE that have operational/functional management responsibility to the Board. They have responsibility: for ensuring compliance with any statutory legislation or obligations; notifying the Board of any non-compliance; evaluating events with significant or strategic impact on business and any of its stakeholders and communicating this to the Board for approval if applicable
- Principal Decision matrix and Stakeholder matrix, which identifies strategic functional decisions that may impact on: success of the Company; Company's relationship with its stakeholders; Groups of stakeholders that may be impacted by different types of decisions; evaluating the impact of principal decisions for communication to the Board of Directors. A record of these events are held in the Principal Decision and Events register.
- Stakeholder Assessment template, this evidences the evaluation of decisions that require Board approval, to include method and structure to explain the impact on Stakeholders
- Stakeholder Engagement Strategy, promoting engagement/consultation with Stakeholders (Employee and non – Employee). Stakeholder Engagement Strategy document records the events.

During the year, the Board of Directors have approved the following decisions:

- to implement changes to working practices which enabled manufacturing to continue whilst protecting employees from COVID-19
- to furlough employees based on the operational requirements of the Company's business
- to make some employees redundant based on the operational requirements of the Company's business.
- That the funds held in escrow for the DB pension scheme deficit, were adequate and should not be increased
- to outsource a portion of its logistics to DHL resulting in the closure of its "Techno" site and the redundancy of around 20 employees
- to make a £20m dividend payment to Tyco Electronics UK Holdings Ltd.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**Business review**

The Company continues to develop its customer base and grow its participation with major customers. The Company monitors its performance through the use of key performance indicators (see section below). The Directors are satisfied with the performance of the Company.

The Company has branches in Kenya and Jordan established to investigate market opportunities for the TE Connectivity group in the East Africa and Middle East regions, respectively.

Manufacturing has been considered a critical part of the UK economy, and the Government has made it clear that there are no restrictions on operating, albeit under guidelines from Public Health England. For the Company this has meant taking the necessary steps to ensure plants remain open and employees are kept safe while at work. The Company remains operational to service its customers at this critical time, however, not all Business Units are operating at the same levels prior to the pandemic, some of our customers in certain industry sectors have been impacted significantly by the pandemic, and this has had a small impact on the financial results of the Company.

**Key performance indicators**

The key financial indicators, used by management in assessing the overall performance of the Company, are derived from the net assets, turnover and operating profit or loss.

The key performance indicators are:

	<b>2020</b>	<i>2019</i>
Change in turnover: year-on-year change, as a percentage	<b>(13.8)%</b>	5.9%
Operating margin: as a percentage of turnover	<b>(1.0)%</b>	8.0%
Return on capital employed: as a percentage of average net assets	<b>(0.49)%</b>	4.3%

**Strategy and operations**

The strategy of the worldwide TE Connectivity group, which the Company is a part of, is to be the world leader in electronic component connectivity. It seeks to achieve this through innovation, strategic business partnerships, increased presence in emerging markets and brand development. The operations of the Company reflect and support the strategy of the worldwide group.

The TE Connectivity group grows its business both organically through existing product and market development and by acquisition of other companies or groups consistent with the overall strategy. Where UK companies are acquired either locally or globally, the Company will consider if advantages can be gained from consolidation of operations and trade.

**Product development**

Product development is a major factor in securing the business future of the Company. This is assisted by the worldwide group being structured in industry-based units, which are able to focus clearly on customer requirements.

**Risks and uncertainties**

Whilst overseas competition and raw materials prices present continuing uncertainties, the economic environment presents both short-term and long-term challenges to management.

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**Liquidity risk management:**

An aim of the worldwide group is to generate significant free cash flows. During the year, the global free cash flow was US\$1.50 billion (2019: US\$1.60 billion). The Company benefits from this, being part of the group's cash-pooling arrangement.

**Financial risk management:**

Financial risk management is undertaken by a central treasury group on behalf of the ultimate holding company, and the Company itself does not hold financial derivatives.

**Credit risk management:**

There is no significant credit risk associated with the trade debtors, which represent less than 10% of the annual turnover.

**Investment risk:**

The Company holds investments in subsidiaries whose results do not impact the reported profit of this Company, since consolidated financial statements are not prepared. The principal uncertainty concerning these subsidiaries is that their ongoing financial performance may necessitate impairment of the valuation of the Company's investment in them. The Company determined that the value of the investments in the subsidiaries as at 30 September 2020 should be impaired by £14,824,000 (2019: £63,865,000) and the charge was recognised in the Statement of comprehensive income.

**UK leaving EU:**

The decision of the UK to leave the European Union has inevitably led to a period of uncertainty for businesses and the wider economy.

TE as a group will continue to explore the potential implications of UK exit from the EU, but concludes currently the risk is determined as not material. The group will continue to carefully monitor developments in this area.

**Covid-19:**

Globally, TE Connectivity as a group is in a very strong position, both financially and non-financially, and the group as a whole remains largely operational at this time and has given its commitment to remain operational as far as it is possible within the government guidelines. As a group, it continues to service key customers who are indirectly/directly involved in vital services and products such as the manufacturing of medical devices and equipment that are necessary in the covid-19 pandemic. These products and services include the manufacture of ventilators, communication capabilities and other components that are used to connect, repair and protect the distribution and transmission networks that provide power and other services for our factories, hospitals, offices and homes.

TE as a group has stated its commitment to remain operational due to the critical role it is playing in the fight against covid-19. Each TE plant has a task force set up to ensure that the plants can stay open and employees are kept safe while at work. Where possible, employees are encouraged to work remotely; in the workplace there is strong emphasis on appropriate social distancing, washing hands, coughing/sneezing etiquette, provision of sanitisers and the use of PPE where necessary.

TE is a resilient and versatile business and will take decisive operational actions in the affected sectors where appropriate

**Future outlook**

The strength of the TE Connectivity group across its worldwide markets provides a strong foundation for the future prospects of the Company. The group continues its strategy to strengthen its position as the world leader in connectivity and establish a leadership position in sensors in the harsh environment markets. The Company continues to invest in its manufacturing facilities.

**Tyco Electronics UK Ltd**

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**Going concern**

Information about the basis of preparation of the financial statements is given in the Statement of accounting policies, on page 17.

**Research and development**

The TE Connectivity group is a world leader in smart connectivity and leverages technology innovations across the industries, markets and customers it serves. Tyco Electronics UK Ltd's research and development programme plays a key role in supporting its activities, including increasing manufacturing efficiency, improving product quality and introducing new products.

This report was approved by the board on 28 June 2021 and signed on its behalf.



**S C Cooper**  
Director