TE connectivity

CORPORATE RESPONSIBILITY REPORT 2015

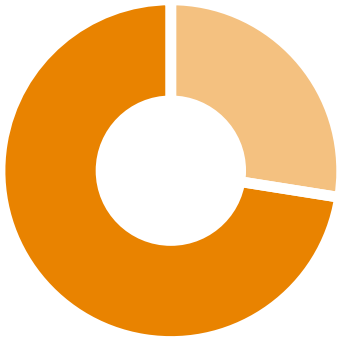
SUPPLY CHAIN

TE recognizes that our operational impact extends beyond our doors. With a global supply chain spanning six continents and more than 180 countries, TE must assure we select suppliers who uphold our high standards of integrity and accountability and unyielding commitment to sustainability and human rights. As a matter of corporate responsibility, we view the TE global supply chain as an extension of both our capabilities and social conscience.

As with most companies our size, the global supply chain is always evolving. In 2015, we continued to increase diversity and localization of supply wherever possible, and to partner with the suppliers who ultimately enable us to connect things, places and people efficiently and responsibly.

In 2015, TE purchased more than $7 billion in goods and services.

OUR SUPPLY CHAIN



8,665
Direct material suppliers

22,582
Indirect material suppliers

31,247
Total direct and indirect suppliers

SUPPLIER MONITORING AND AUDITING

440
Screening and site audits

16,000+
Certifications to TE's Guide to Supplier Social Responsibility to date

654
Corrective action plans in place

112,000
Conflict Mineral Surveys returned to date

SUPPLIER TRAININGS (HOURS)

100+
SSR Topical Policy Guidance

200+
Conflict Minerals

THE COURSE WE'VE SET

The TE Guide to Supplier Social Responsibility (Supplier Guide) outlines the laws and ethical principles to which our suppliers must adhere in order to do business with us. Developed in 2011, the Supplier Guide has become the cornerstone of our supplier responsibility program.

The Supplier Guide is based on internationally recognized standards of human rights, sustainability and corporate responsibility, including the guiding principles of the Organization for Economic Co-Operation and Development (OECD) and the U.N. Global Compact. The Supplier Guide can be found at **http://www.te.com/usa-en/about-te/corporate-responsibility/supply-chain.html**.

Increase in supplier acceptance of TE's Supplier Guide from 2014 to 2015.

380%

As outlined by our Supplier Guide, TE is committed to:

- Rejecting corruption and unfair business practices.
- Promoting environmental sustainability and a healthy work environment.
- Improving working conditions by prohibiting slavery, forced, harsh or inhumane treatment and discrimination of supplier employees.
- Encouraging diversity through programs that enable socially and economically disadvantaged groups to become part of our supply chain.

Suppliers are required to align with expected standards for a range of issues including:

- Health and Human Safety
- Promotion of Favorable Working Conditions and Wages
- Emergency Preparedness
- Export/Import Controls
- Freedom of Employment and Association
- Robust Corporate Management Systems
- Product Environmental and Regulatory Compliance
- Proprietary and Confidential Information

WHAT WE'VE ACHIEVED

To enforce our Supplier Guide, TE follows a multi-step process to inform suppliers of our guiding principles, drive alignment in their existing operations and ensure their ongoing compliance.

SUPPLIER ACKNOWLEDGMENT OF TE'S GUIDE

As part of our selection process, all new suppliers are informed of TE's Supplier Guide and must agree to comply. Since many of TE's longstanding supplier relationships outdate the relatively recent implementation of our Supplier Guide, TE has developed a five-year outreach and remediation plan to inform and educate existing suppliers about our Supplier Guide and to renew their commitment to working with us under our defined principles.

The total number of suppliers who accepted TE's Supplier Guide increased from 3,421 in 2014 to 16,382 at the end of 2015. Due to an extraordinary refocusing of resources in this area, we saw a substantial increase of approximately 380% year over year.

SUPPLIER SCREENINGS

In 2015, we needed a way to better assess our suppliers compliance with our Supplier Guide, so we replaced the once subjective, on-site self-assessment with a more robust process in which we assign a standardized scoring logic to a self-assessment that leads into a review of the supplier's social responsibility polices, as follows:

WHAT WE'VE ACHIEVED

- **Supplier Self-Assessments:** Annually, suppliers are identified, based on a pre-defined criteria, as candidates for the supplier self-assessment. As part of the self-assessment, suppliers are required to submit their policies that support TE's Supplier Social Responsibility guidelines. These policies are then verified to ensure that the supplier's operations are in fact aligned with TE's expectations.

RESPONSIBLE SOURCING

Conflict minerals include columbite-tantalite, also known as coltan (used to form tantalum), cassiterite (tin), gold, wolframite (tungsten) or its derivatives that are determined to have been mined in areas of armed conflict or widespread human rights abuse, or financing conflict in the Democratic Republic of the Congo (DRC) and adjoining countries.

The U.S. Securities and Exchange Commission (SEC), under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires companies to perform due diligence on the source and chain of custody of conflict minerals contained in their products. TE Connectivity uses these regulations to guide the implementation and maintenance of our Conflict Minerals Policy, which is reviewed and updated as needed each year. The Policy, which applies to TE and its subsidiaries, affiliates and units worldwide, can be reviewed at **http://www.te.com/content/dam/te-com/documents/about-te/corporate-responsibility/global/conflict-minerals-policy.pdf**.

- **Independent Third-Party Auditing:** TE employs independent service providers with expertise in sustainability auditing to conduct rigorous onsite corporate social responsibility audits of selected suppliers. Our audit program aligns with internationally recognized industry standards. Audits include the assessment of management systems, health and safety, wages and hours, and labor and environmental conditions. Every audit includes a debriefing of the results with the supplier's management team conducted by the independent auditor. The debrief includes an overview of the supplier's strengths and opportunity areas, as well as a corrective action plan if necessary. Where applicable, suppliers receive recommendations for improvement and a suggested improvement plan timeline.

  In 2015, we identified opportunities for improvement in every social responsibility assessment performed. Any zero tolerance findings were followed by an unannounced follow-up assessment within 60 days of the original notice. Any critical findings resulted in a semi-announced follow-up assessment within nine months of original notice. Follow-up assessments are performed to confirm the implementation of recommended corrective actions. Suppliers must maintain a solid performance against global benchmarks and correct unfavorable audit results, regardless of the severity, in order to maintain their relationship with TE.

  Recent examples of audit findings and recovery include:

  - Increased the number of fire drills at supplier facility to conform to global health and safety standards, installation of proper emergency exit signage at supplier facility, and improvements to supplier fire safety program.

WHAT'S CHALLENGED US

With suppliers in more than 180 countries, ensuring compliance across the board is an ongoing process. Suppliers could fall in and out of compliance if our methods and followups were to become inconsistent.

When a suppliers policies or operations were found to be in conflict with TE's Supplier Social Responsibility guidelines in 2015, we made it a priority to partner with these suppliers to find solutions. By working with suppliers to identify noncompliance, to understand the cause and to implement corrective actions where needed, TE is constantly pushing our upstream partners to improve and achieve a more responsible supply chain.

$4 BILLION+

Amount TE contributed to regional economies around the globe in 2015 through localization

Remediation tactics in 2015 included:

- TE and suppliers working together to create a detailed and timed corrective action plan.
- Monitoring progress toward a corrective action plan and ensuring progress with unannounced follow-up assessments.
- Terminating supplier relationships when serious compliance issues went uncorrected.

TE's commitment to ensuring supplier compliance with our Supplier Social Responsibility guidelines has led to more livable wages, safer labor conditions and better emergency preparedness in facilities around the world — ultimately leaving a positive impact on the communities in which we operate.

LOCALIZATION

Purchasing materials close to the facilities has multiple positive benefits: on the business, by reducing lead times and inventory; on the environment, by reducing transportation and fuel consumption; and in the communities at large in which we operate, by supporting local commerce.

In 2015, we took several actions to improve localization efforts, including:

- Increased localization in Mexico, India and Eastern Europe through more supplier development and sourcing activities. We developed 20+ suppliers in these regions to support localization.
- Increased our share of local supplier content in products to be sold in India. For example, TE developed a low cost junction box for the India Market.
- Incorporated more suppliers into our product development process in all the regions of operation.
- Conducted more than 100 hours of training to suppliers across regions to meet Global TE standards.

In 2015, our overall global localization percentage was 89 percent, which translates into TE contributing more than $4 billion to the regional economies in which we operate around the globe.

WHAT'S CHALLENGED US

GLOBAL LOGISTICS

Distribution Center Audits & Hazardous Material Storage Evaluations

In 2015, our Global Logistics Organization initiated annual Distribution Center Audits and Hazardous Material Storage Evaluations across the supply chain. Distribution Center Audits focus on fire, security and best practice identification. In addition to required certifications, issues that are in the audit include:

- Compliance with required quality certifications
- Facility security and access control measures
- Vetting procedures for facility employees and contractors

Hazardous Material Storage Evaluations focus on the methods for managing the storage of chemicals, as well as data related to critical materials across the supply chain. Areas of review include:

- Processes and databases for managing chemical inventory and related data
- Management of new chemical approval
- Definition of and compliance with warehousing and transportation requirements for chemicals stored and used on-site

AWARDS AND RECOGNITION

2016 TOP 100 Conflict Mineral Influence Leaders

Jennifer Prisco, Senior Counsel, TE's Global Supply Chain was named to Assent Compliance's 2016 Top 100 Conflict Mineral Influence Leaders list.

LOCALIZATION WINS

- **Automotive:** By moving a high-volume production line we have optimized the supply chain and improved deliveries with local stamping, resulting in a lead time reduction of 50 percent.
- **Data and Devices:** Our team developed fiber optic components locally to better compete in the local market, which improved the lead time by four weeks.

For more on our Supply Chain, please visit: **www.te.com/responsibility**