

Tyco Electronics UK Ltd

Strategic Report for the Year Ended 30 September 2023

The Directors present their strategic report for the year ended 30 September 2023.

Principal activity

The principal activity of the Company is the manufacture and supply of passive electronic components, active fibre optic components, power and wiring systems and high-end printed circuit board technologies.

Section 172(1) statement

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 in 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.

Corporate governance

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

- Senior Management Team matrix, which identifies Legal entity and Corporate roles within TE Connectivity 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 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 move the automotive laboratory to Morocco resulting in 21 redundancies
- To transfer £20.5m into the pension Escrow account to be used by the pension scheme to address the pension deficit
- Following a serious industrial accident in Swindon, to accept the findings of the investigation and implement all recommended actions

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Fair review of the business

The Sales KPI reflects that the Company has recovered from the effect of the pandemic, in particular for the business unit for Aerospace, defence, oil and gas (part of the Industrial unit); sales have increased in 2022 primarily as a result of increase in the market for industrial equipment, along with recovery in the commercial aerospace market. This has been offset by a smaller increase in operating margin, through improved and leaner manufacturing productivity offsetting the supply chain disruptions and inflationary cost pressures. The improvements seen in Sales and OI KPI's have resulted in an increase to ROCE.

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:

	2023	2022
Change in turnover: year-on-year change, as a percentage	6.7%	19.3%
Operating margin: as a percentage of turnover	6%	7.62%
Return on capital employed: as a percentage of average net assets	4.2%	4.53%

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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.

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Principal 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.

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 2023 should be impaired by £Nil (2022: £Nil).

Impact of Brexit related risks

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 any 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.

Impact from the risks related to the Covid-19 pandemic

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. 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 sanitises 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.

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Crisis in Ukraine

This uncertainty facing the business is the impact of oil prices on the level of work available, due to customers delaying projects when market conditions change, such as the crisis in Ukraine. However, Management believe that post year end performance to date does not suggest any adverse impact from this.

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\$2.4 billion (2022: US\$1.81 billion). The Company benefits from this, being part of the group's cashpooling 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.

Non-financial and sustainability information

Energy and carbon report

We have considered the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) when preparing this report. These recommendations encourage businesses to increase disclosure of climate-related information, with an emphasis on financial disclosure. Tyco Electronics UK Ltd supports these recommendations and are committed to disclosing the relevant information which can be found below.

Greenhouse gas emissions, energy consumption and energy efficiency action

Tyco Electronics UK Ltd complies with the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 and the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard in line with the guidance on SECR.

Our reporting period is for the financial year 1 October 2022 to 30 September 2023, reporting all material GHG emissions using "Tonnes of CO₂ equivalent" (tCO₂e) as the unit of measurement and reporting energy use in kWh. We have included the energy and emissions for the buildings owned and operated (i.e. those within the financial control boundary).

The results are presented as Location-based emissions and Market-based emissions, where applicable. Location-based are mandatory and reflect the average emissions intensity of grid supplies (using grid average emissions factors) and Market-based are voluntary and reflect emissions from energy where companies have a contractual agreement to procure green energy.

The Bath site lease ended in January 2022 when the building was evacuated and closed in February 2022, but the gross internal areas was not closed out and subsequently used for the whole FY21-22 SECR report. This has now been adjusted which has resulted in an increase in the intensity metric of 0.012 tCO₂e/SqM for FY21-22 in this report compared to the figure given in last year's report for the same period.

The methodology used to calculate total energy consumption and carbon emissions has been invoice data for the financial years stated. Where data was not available, estimates have been calculated using historical profiles and details kept in the client's evidence pack.

Energy and fuel consumption has been converted to carbon (kgCO₂e) using DEFRA published conversion factors.

New DEFRA conversion tables are issued in June and cover January to December, our financial year covers two data sets, and to maintain consistency this report has used the annually published factors covering the largest reporting months i.e. Jan – Sept 23.

Transport data in FY2023 was reported as mileage and converted into litres of fuel using the DEFRA tables to calculate average miles per litre and this conversion applied.

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We have selected the most appropriate intensity metric in line with the primary drivers of energy consumption, where possible. For this report we have selected Gross Internal Area (GIA SqM) as the most appropriate to achieve a benchmark.

Energy Efficiency action taken in financial year

Tyco Electronics UK Ltd has continued to invest in projects to reduce carbon energy. The project started in our last financial year to replace lighting with LED continued on the Hastings site. Other projects undertaken in this financial year included:

Replacement compressors at Swindon and Witham with the energy saving at Witham being estimated to be approximately 57,000kWh per annum.

Swindon undertook several projects to reduced water loss, which included repairing a leak in the Recirculating Cooling Water system used in the Compounding plant along with a study of the Air Blast Chillers to examine their efficiency and to recycle their water, resulting in a water saving of approximately 744m³ per annum.

Tyco Electronics UK Ltd Energy Consumption and associated CO2 emissions	2023	2022
Consumption		
Total Energy consumption (electricity) (kWh)	21,156,119	22,489,331
Total Energy consumption (gas) (kWh)	11,273,574	10,457,950
Total vehicle fuel consumption (Litres)	807,649	797,355
Energy consumption used to calculate emissions	<u>33,237,342</u>	<u>33,744,636</u>
Emissions (Scope 1 & 2)		
Combustion of fuel - gas (Scope 1) (TCO2e)	2,062	1,909
Emissions from combustion of fuel for transport purposes (Scope 1) (TCO2e)	44	48
Electricity purchased for own use - company owned (Scope 2) (TCO2e)	<u>4,381</u>	<u>4,349</u>
Total Annual Gross Emissions	<u>6,487</u>	<u>6,306</u>
Emissions (Scope 3)		
Emissions from combustion of fuel for Business travel purposes (Scope 3) (TCO2e)	<u>138</u>	<u>139</u>
Annual GHG intensity measure (TCO2/SQM)		
GHG emissions TCO2e/sqm	0.11	0.105

Streamline Energy and Carbon Reporting Disclosure

Global energy scope 1 and 2 GHG emission data for period:

Tonnes CO2e	2022-2023 location based	2020-2022 location based	Variance location based	2022-2023 market based	2020-2022 market based	Variance market based
Scope 1 (Fuel combustion in buildings)	2,062	1,909	8.01%	2,062	1,909	8.01%
Scope 2 (Electricity)	4,381	4,349	.74%	4,381	4,349	.74%

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Company's chosen intensity metric: tCO₂e/SqM:

	2022-2023 location based	2020-2022 location based	Variance location based	2022-2023 market based	2020-2022 market based	Variance market based
Emissions reported per unit of throughput	0.109	0.095	14.74%	0.109	0.095	14.74%

Scope 3 Global GHG emission data for period:

	2022-2023	2021-2022	Variance
Emissions from business travel (air, rail and vehicles)	138	139	-.72%

Underlying global energy data for the period:

	2022-2023	2021-2022	Variance
Electricity	21,156,119	22,489,331	-5.93%
Natural Gas	11,273,574	10,457,950	7.80%
Transport Fuel	807,650	797,354	1.29%

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Variances

Reporting category	Unit	FY2023 Report Year Ending: Sep-2022	FY2022 Report Year Ending: Sep-2022	Variance	Comments
Energy consumption used to calculate emissions	kWh	33,744,635	33,744,635	-%	
Electricity	kWh	22,489,331	22,489,331	-%	
Natural gas	kWh	10,457,950	10,457,950	-%	
Transport fuels	Diesel (B3)	319,122	319,122	-%	
Transport fuels	Petrol (S3)	273,366	273,366	-%	
Transport fuels	Diesel (S1)	72,077	72,077	-%	
Transport fuels	Petrol (S1)	132,790	132,790	-%	
Emissions from combustion of gas (Scope 1)	kgCO ₂ e	1,909	1,909	-%	
Emissions from combustion of fuel for transport purposes (Scope 1)	kgCO ₂ e	48	48	-%	
Emissions from purchased electricity (Scope 2, location-based)		4,349	4,349	-%	
Emissions from combustion of fuel for transport purposes (Scope 3)	kgCO ₂ e	139	139	-%	
Total gross tCO ₂ e based on above		6,306	6,306	-%	
Intensity ratio: gross tCO ₂ e/SqM		0.105	0.093	13%	Change of floor area

Variances

Explanations

Change of Gross Internal area

The Bath site floor area was included for the whole of FY21-22, but the site lease expired and was vacated in January 2022 and closed in February 2022. This change has been reflected in this report which has impacted the intensity metric by increasing it by 0.012 tCO₂e/Sqm.

Approved and authorised by the Board on 27 June 2024 and signed on its behalf by:

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 S C Cooper
 Director